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Experience Benefits of Municipal Bonds That Extend Beyond Yield.

As the rate-hiking cycle appears to be over, the high yields that fixed income investors have been experiencing could also be ending. That said, assets like municipal bonds can offer investors benefits that extend beyond yield.

According to a recent Barron's article, investment strategists in particular "like the safety of the asset class and are finding different ways to squeeze a bit more juice from the lemon." They also lauded munis for the tax benefits that they offer, noting they "look even better for individuals in a top bracket in a high-tax state, where that 3.5% is the equivalent of a 6% taxable yield."

Additionally, the macroeconomic environment is conducive to munis as the Fed tries to ensure that it hikes rates enough to keep pace with inflation and subsequently cut when economic growth starts to dissipate, but not to the point where it causes a recession. Additionally, rate cuts may have already been priced into stocks, making them potentially overvalued relative to other assets like municipal bonds. A confluence of those factors makes the muni yield even that more attractive.

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