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## **Vanguard Launches 2 Municipal Bond ETFs.**

Vanguard is launching 2 new ETFs giving investors exposure to the municipal bond market. The Vanguard Intermediate-Term Tax-Exempt Bond ETF (VTEI) and the Vanguard California Tax-Exempt Bond ETF (VTEC) launched on the CBOE BZX Exchange and are designed to offer targeted exposure to certain segments of the muni market with an emphasis on quality and yield.

Both also have low expense ratios of 0.08%, making them among the least costly within the muni fixed income category. The intermediate-focused, tax-exempt ETF is particularly timely given expectations that interest rates will decline in 2024 due to a dovish Fed and weakening economic outlook. Thus, many investors are looking to lock in yields at these levels by moving out from the short-end into the intermediate and longer-end of the curve.

In addition to quality and generous yields, municipal bonds also have tax benefits. While VTEI is designed to appeal to a wider swathe of investors, VTEC is for investors who want exposure to California municipal debt. The yield generated from this ETF is tax exempt at the federal and state level for California residents while also prioritizing credit quality.

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