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Current Market Conditions Bode Well For Munis, Nuveen Says.

Continuing market uncertainty bodes well for municipal bonds now and in the near future, according to Dan Close, the head of municipals for Nuveen, a global asset management firm.

With their tax-free status on the federal level and in some states, municipal bonds remain in demand by investors and benefit from current market conditions, Close said. The debt products can be issued by municipalities, counties, states or special purpose districts.

"A lot of the favorable position of munis is driven by the federal tax code," Close said. "And if the highest bracket for income tax reverts to 39.6% from 37%, the tax break for munis will be even more valuable." Unless Congress acts to keep the rate at 37%, it will return to the higher level at the end of 2025,

In addition, the current yield on some munis of just under 5% is the highest it has been in recent history, Close said.

"Looking at all industry sectors, municipal bonds for essential services, like water and sewer projects, are particularly in demand and should continue to perform well to the benefit of investors' portfolios," he added.

Healthcare, software and insurance brokers, as well as public and private infrastructure, also are well positioned to withstand economic downturns, which should lead investors to secure attractive returns, Close said. A long-anticipated recession is still a possibility, according to economists.

"High-quality municipal bonds with entities that have good credit ratings are a good income source for any portfolio and are especially beneficial for residents of high-tax states such as New York and California," he said.

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