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Presidential Election Puts Muni Bonds in Focus.

It's not yet clear who will occupy the White House in 2025. It's also not known what the makeup of the two chambers of Congress will look like. With the Tax Cut & Jobs Act (TCJA) set to expire next year, changes in the tax code are likely afoot. The mere specter of higher taxes could be an impetus for advisors and investors to more closely examine muni bonds and ETFs like the ALPS Intermediate Municipal Bond ETF (MNBD).

In any environment, muni bonds offer tax benefits. And those perks could be amplified should various TJCA provisions be eliminated next year.

Muni bonds, including those held by MNBD, could be further supported by additional interest rate cuts by the Federal Reserve. That's expected to happen over the course of 2025. Plus, state- and city-level tax collections should remain sturdy, further bolstering the case for munis.

Politics Could Benefit MNBD

Bonds have disappointed following the Fed's September rate cuts as Treasury yields remained stubbornly high,. But MNBD has traded mostly sideways since then. And muni bonds may have found support from money managers looking to prepare for 2025 tax changes.

"Eric Golden, founder and CEO of fixed income-focused fintech Canopy Capital Group, says advisors on his platform are likely to increase their allocations to municipal bonds as the TCJA approaches its sunset in 2025. The rationale behind this shift is rooted in the potential for higher taxes, which would turn up the spotlight on the tax-exempt nature of municipal bonds," reported Gregg Greenberg for Investment News.

Some advisors are already boosting exposure to munis. And that buying, particularly if it increases, could boost passive muni ETFs and active funds such as MNBD. Additionally, some advisors are hinting their pre-election buying of muni bonds and funds won't stop after Election Day. Rather, they expect to continue embracing the asset class over the course of next year.

"Similarly, Stash Graham, managing director & chief investment officer of Graham Capital Wealth Management, foresees increasing his allocation to tax-free municipal bonds. Still, he is waiting on a host of factors before making a [move. Those include] the result of the Presidential Election, the yield curve's shape, credit quality, and the direction of interest rates are in general," added Greenberg in his Investment News piece.

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by Todd Shriber

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