
Muni Bond ETFs Can Capitalize on Infrastructure Spending Gaps.

Fixed income investors may wish to consider opting for amplified municipal bond exposure in their portfolios through muni bond ETFs.

A recent article from members of the Eaton Vance team breaks down some of the upcoming opportunities for muni bond ETFs. In the article, Craig R. Brandon, CFA, Co-Head of Municipal Investments, and Marc Savaria, Co-Director of Municipal Credit Research, discuss how upcoming infrastructure spending can bode very well for muni bonds.

This Eaton Vance article breaks down potential funding gaps in federal infrastructure spending down the line. In particular, the article highlights a report from the American Society of Civil Engineers, which projects a funding gap of roughly $2.9 trillion across the next 10 years.

Brandon and Savaria add that the majority of funds used to cover this gap will come from local governments. As such, they assert that this spending gap will largely be covered through municipal bond issues.

“The municipal market is nearing record issuance so far this year, and given the aforementioned funding gap, as well as a plethora of ancillary factors from climate change to more stringent Environmental Protection Agency (EPA) regulations for water systems, we expect heightened issuance to continue in the coming years,” the Eaton Vance team adds.

Tap Into Eaton Vance’s Expertise With EVIM
Advisors and Investors alike can turn to Eaton Vance’s ETF library to gain experienced management in muni bond strategies. One such fund is the Eaton Vance Intermediate Municipal Income ETF (EVIM).

EVIM gives investors access to a low-cost selection of intermediate duration municipal bonds. Despite the fund’s active management, the fund’s net expense ratio currently sits at only 0.10%.

The fund offers access to a core portfolio of munis with very diverse sector weightings. EVIM also aims to provide investors with yield that is exempt from regular federal income tax.

For those looking to build up their muni bond exposure, opting for an intermediate duration makes a great deal of sense. As of October 31st, 2024, EVIM’s average portfolio duration sits at a little above 7 years.

Traditionally, intermediate-duration bonds offer the benefit of mitigating reinvestment risk and long-term interest rate concerns. Additionally, a 7-year duration can let EVIM really benefit from the projected increases in infrastructure spending down the line.

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by Nick Wodeshick

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