

Press Release - Quantum Financial Advisors
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Strong Outlook on Municipals Despite Election Uncertainty

With Election Day on the horizon, significant state spending on coronavirus relief, and tax shortfalls, there has been considerable uncertainty in the municipals market, with yields widening over the past few months. At Quantum, we believe this to be somewhat overblown, and are confident in the attractiveness of municipals as an investment option in the current interest rate environment. We see four outcomes possible from this election: a blue wave, split control, a red wave, and a contested election, and in three out of those four outcomes, municipals would outperform comparables.

With a blue wave, we expect a sizable stimulus package to be enacted. Democrats have been vocal about supporting state and local governments to ensure essential services, proposing \$1 trillion of state and municipality aid in the HEROES Act. Passing a sizable stimulus package will be one of the top priorities for a Biden Administration, and proposed tax increases will help improve investor confidence. As such, in or view, these tailwinds should work in tandem to lift up municipal bonds.

In the event of split control, we should see potential upside in the event of a stimulus package being passed. Not much will change, but some of the uncertainty about the results of the election will be dispersed, and we should see the markets calm. In the event of a stimulus deal being reached, we could see some upside potential.

In the event of a contested election, we predict general market uncertainty, which could cause a decline among all asset classes. However, as municipals are relatively correlated with Treasuries, and have more security than corporate bonds with similar tax-adjusted yields, we expect municipal bonds to be a preferred sector of safety, liquidity and tax sensitivity.

However, a red wave could be somewhat deleterious for municipal bonds relative to other securities. A red wave could lead to a flight to equities from bonds, leading to an increase in yields. Additionally, a red wave makes a stimulus somewhat more unlikely, although one could still be possible.

Overall, in our view, municipal bonds should perform well relative to peers throughout most of the outcomes of the election through year end.



**If you have any questions feel free to contact customerservice@qfainc.com or
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