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'The Trend Is Your Friend, Until It Isn't'

By: David Richman | August 29, 2023

We always say an advisor's biggest competitor is inertia. Every first meeting with a prospective client has a pivotal "why us" moment—the moment you inspire them to overcome their inertia and choose you as their advisor.

Given today's high interest rate environment, many investors are feeling complacent sitting in money markets and CDs. Help reframe prospective clients' perspective by sharing an ism—a timeless, pithy soundbite that connects the dots to your advice.

Below is an excerpt from our conversation with Craig Brandon, co-head of municipals and portfolio manager on the municipals team, regarding his ism: **The trend is your friend until it isn't.**

David: "How would you approach the conversation as an advisor trying to motivate a prospective client to move away from thinking cash is a good place to be?"

Craig: "Well, you know, David, the trend is your friend, until it isn't."

David: "That's a great ism, Craig. Can you apply it to today, given your focus on municipals?"

Craig: "Today, the trend is to sit in money market funds and earn your 5%. In our view, the middle of the muni curve is overvalued right now. This is the first time in the history of the muni market that the curve is inverted. When the curve adjusts, today's trend will no longer be your friend. This is no time for investors to be complacent."

David: "How do you think investors should be navigating the curve today?"

Craig: "We believe the economy and inflation will continue to slow over the next year. A barbell strategy is an approach to consider for helping clients navigate the curve as it can generate more yield."

"Think about it, the trend has been to buy at the one-to-ten-year part of the municipal curve. What if, instead, you were to take a barbell approach using very short one-to-two-year taxable munis along with 20-to-30-year long-duration discount bonds?"

David: "The trend is your friend, until it isn't suggests sharp inflection points. Is that part of your message, Craig?"

Craig: "These days, money moves fast and with more volatility, which really makes the case for being early and not late."

"Let's look at some recent history. In 2020, \$50 billion left the muni market in a matter of six weeks due to the COVID-19 market selloff, \$100 billion came back in 2021 followed by \$120 billion going out in 2022. As of August 24, we are at \$8 billion in outflows for the year. In 2020, there were \$40 billion of inflows after the initial outflows, 2021 saw the most money to ever come into the market, and then 2022 was the most money to leave the muni market."

"Right now, muni issuance is very low, and the money has not come back in, so when it does, if new bond issuance stays low, we may see a pronounced muni bond rally."

Bottom line: Leverage an intriguing ism during the "why us" moment of your first meetings to help you break through inertia and inspire prospective clients to move forward.

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