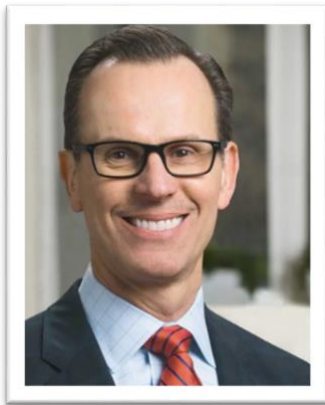




## The NAVigator At Future Proof: Nuveen's Rodriguez On What Wins With Rate Cuts

Friday, March 21, 2025



Chuck Jaffe, in this episode of The NAVigator podcast interviews Tony Rodriguez, head of fixed income strategy at Nuveen. Tony expects the Federal Reserve to make two interest-rate cuts this year, he calls them "recalibration cuts," made to stabilize the economy but not in response to a hard landing, which will boost floating-rate assets like leveraged loans, collateralized loan obligations and more. Speaking at Future Proof Citywide in Miami Beach, Rodriguez said the Treasury market is over-valued right now, but that the municipal

bond market is the most attractive of long-duration assets, which are particularly good looking considering closed-end fund discounts in the muni space.

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**CHUCK JAFFE:** We're on the beach at Future Proof Citywide talking about the outlook for fixed income with Tony Rodriguez of Nuveen, this is The NAVigator. Welcome to The NAVigator, where we talk about all-weather investing and plotting a course to financial success with the help of closed-end funds, and today we've come in the direction of Miami Beach for Future Proof Citywide, a gathering of independent advisors that is literally on the sands of South Beach. We're brought here by the Active Investment Company Alliance, which is a unique industry organization representing all facets of the closed-end fund industry from users and investors to fund sponsors and creators. We're brought here by the Active Investment Company Alliance, which is a unique industry organization of fund sponsors all the way down to users and creators, you can get more information at AICAlliance.org. Joining me today, Today Rodriguez, head of fixed-income strategy at Nuveen, which you can learn about online at Nuveen.com. Tony Rodriguez, thanks for joining me on the beach for The NAVigator.

**TONY RODRIGUEZ:** Thank you, Chuck. Good to be with you.

**CHUCK JAFFE:** These are very interesting times from a fixed-income standpoint, and here we are at Future Proof where, I don't want to say it's a conference of stock jockeys, but it is what everybody wants to talk about on the stage, yet there've been a whole bunch of people talking about, wow, the opportunities in fixed income right now are really intriguing and interesting. For you, is this market transitioning, is this dependent on rates? There's so many different overhangs, it makes a very bifurcated case. There's the short-term fixed-income case and the long-term fixed-income case, there is the go with the Treasuries because they're safe, there is the get your extra yield in a whole bunch of interesting places. Help us understand, what are the compelling stories for you right now?

**TONY RODRIGUEZ:** Well, Chuck, as you know, for the last two years, all those stock jockeys were riding that 20% horse, and that 20% horse isn't here this year, so now you can look at the fixed-income stable and there are a lot of horses there that are going to generate mid to high single digit returns. We at Nuveen think that is going to be competitive with equity market returns. So as we wake up today in the fixed-income market, we have high starting yields, that is obviously a very big driver of total return for an investor, we also importantly have pretty solid fundamentals, so even though the economic macro environment is a little bit volatile right now, we expect a slowdown in growth, we have all this volatility obviously

on the tariff front, et cetera. The underlying fundamentals for fixed income credit risk, we're talking about earnings, cashflow, debt levels, defaults, all of those are in a very good spot right now, so we think investors are able to find attractive, mid to high single digit returns across a variety of asset classes within fixed income, and that'll be a great place to be when you're looking at your portfolio at the end of the year and looking back over what your 2025 returns look like.

**CHUCK JAFFE:** How much right now in these conditions does structure really matter? Because you guys have multiple funds in multiple fund structures, whether it's the standard open-ended mutual fund to ETFs, to closed-end funds, to interval funds, et cetera, and in fact whether it's going with you or let's take a more esoteric asset class like CLOs, collateralized loan obligations, well, I've seen a couple people here who are doing ETFs of CLOs, but you've got an interval fund of CLOs. So how much does structure actually matter in these conditions?

**TONY RODRIGUEZ:** I think structure matters, because right now when you look at the fixed-income asset class, what you're seeing is a lot of, we'll call them less liquid areas of the market that are becoming available to the retail investor and to the smaller investor out there, and there the vehicle you choose is going to be pretty important. And so for example, in the CLO market, which we think is very attractively positioned right now, there, having something like an interval fund where you have an ability to buy it daily but your liquidity is quarterly, that allows the manager to take on positions that do not require that daily liquidity. The risk on the daily liquidity front if you have less liquid assets, is that when you get a big outflow, investors running for the exit at the same time, then you can get a bit of an air pocket in pricing in those asset classes. So structure does matter, particularly when you're going into more sophisticated, higher returning, slightly more volatile segments of fixed income. If you're in the liquid parts of fixed income, then whether you're in closed-end, ETF, open-end, separately managed account, you're really relatively indifferent, you're looking more at the provider, the pricing, those kinds of factors.

**CHUCK JAFFE:** The pricing has been really interesting in the closed-end fund space because it is much more emotional and has been for a couple of years now. Well, right now emotion is driving a lot and sentiment is driving a lot, is it changing that picture for you? Do you look right now and go, okay, I want to be where the emotions can pay off for me? Or is it too whipsaw-ish and let's get a little more security and safety?

**TONY RODRIGUEZ:** Yeah. Well, our view is you definitely want to try and take advantage of emotional investing in the sense that that is when it's going to take markets to being overvalued, or undervalued if you get selling that's emotionally driven for example. So we like to look at the underlying fundamentals of credit quality cash flow, and if that hasn't changed and the fact that you have, say liquidation pressure, emotional pressure, maybe leverage that's unwinding and driving prices below fair value, those are where you're going to find your most attractive opportunities if you have the research capability and resources to do that work and find where you can separate the wheat from the chaff.

**CHUCK JAFFE:** I may have jumped the shark in order of things here because I probably should have gone a little bit more, not just for your outlook but also for your take on where the Fed is and what any change in interest rates is going to do. Because we entered this year with folks saying maybe one rate cut, the market is now saying three rate cuts, of course we entered last year with the market saying six rate cuts, that's not what we got. So what's your take on rate cuts and timing? And then what's it going to do for who's going to benefit and who maybe isn't?

**TONY RODRIGUEZ:** Sure. So our view is that we're going to see a little bit of a slowdown in the economy here, we think we're going to get two rate cuts, we thought that at the start of the year, we still do today despite the market fluctuating around that number. In our view, that's going to happen because we're going to see growth slow down to 2% or slightly below, that'll allow inflation, although it's going to remain sticky, to come down a bit. So we call them recalibration cuts, they're not cuts in response to a hard landing, for example. So if we're right in our base case, that you just get these recalibration cuts, the benefit is that you'll probably see stability in longer term yields, so if you think about the 10-year, we think fair value is 4.5%, or trading in the 4.25% to 4.75% range, you're not going to get a lot of upside from the big drop in yields, you'll just be able to earn the income. But because the Fed is going to remain what we consider to be kind of a higher for longer level, particularly when you think of the post-GFC world of 0% rates, floating-rate asset classes are going to do quite well with a Fed that only cuts twice this year, and that might be it for the whole cycle, maybe one more. So leveraged loans, CLOs, floating-rate assets within structured products like in the mortgage market, those are areas that we think have reasonable fundamentals and also are

going to be benefiting from that very modest decline in the Fed Funds Rate, so elevated yields still for a couple of years.

**CHUCK JAFFE:** So let's flip that around. If those are the areas that you think are poised to do particularly well, what are the areas that people would be rotating away from to get to those things because they're not poised to do so well?

**TONY RODRIGUEZ:** So we think some of the higher quality segments of the market, think about the Treasury market, that unless you have as your base case, hard landing, and then Treasuries is going to be the only alternative versus equities or fixed income, then the Treasury market right now to us is overvalued. We've seen this rally, we're at the low end of what we think is fair value, so we don't see a lot of opportunity there. When you think about the long end of the market, so longer duration assets, what's interesting there is that the muni market is probably the most attractively priced long duration asset, so the yield curve is much steeper in muni land than it is in the taxable market. So if you're looking at longer duration taxable assets, those are going to look relatively, we think, overvalued, as compared to the municipal market with a much steeper curve and still solid fundamentals.

**CHUCK JAFFE:** And in many cases, pretty nice discounts.

**TONY RODRIGUEZ:** Yes, exactly right, and this year in particular they've softened up a bit because we've had a lot of supply, people are funding their tax payments here as we approach April 15th, and so there's been a technical overhang in the municipal market that's cheapened it up. So it's something to take advantage of, similar to taking advantage to emotional investing, taking advantage of these technical environments with heavy supply and investors that need some cash to pay taxes.

**CHUCK JAFFE:** You mentioned emotional investing, and right now it's a market that is driven heavily by emotions, but the emotions seem out of place. I mean, you've got consumers freaking out when the market has had a big correction, and at the same time, the S&P may have been in correction territory but if you took out the Mag 7 it's only a 4% decline for the others, and things along those lines. Should people be on the lookout, that in a market this emotional, as a closed-end fund investor like, wow, the discounts will whipsaw, and keep an eye out and maybe set a level where you're going, if you put this on sale enough, I'm buying?

**TONY RODRIGUEZ:** When you see the closed-end market get to levels that are double-digit discounts to NAV, those are usually attractive entry points, obviously it matters which

segment of the market you're in, but right now there's a lot of emotions being driven, not only by the fact you have a little bit of drawdown in the equity market, but also you have this policy volatility that you're seeing everyday. We're seeing obviously big divergence from a political perspective is democrats maybe being more negative and republicans more positive, and both are probably wrong, and you have to meet somewhere in the middle, but we do think this uncertainty is going to stay with us for some time, until we get more clarity on the policy front. So whether that's businesses in M&A or in business investment, or it's consumers looking at buying a car or a durable good, I think you are going to see a pause there and a slowdown there until people feel a little bit better about their job prospects and what the trade policy structure's going to look like, tax policy, et cetera. So we do expect this uncertainty and this volatility to stay, whether it's here for the next couple of quarters.

**CHUCK JAFFE:** A couple of quarters, how much does that allow investors to plan? I mean, here you are talking about some of the areas you want to be in, should they be looking at, yes, I'm buying this for a couple of quarters? Because most people aren't thinking about things to put into their fixed income portfolio as I'm going to hold this for a couple of quarters, they're thinking, I want to have an allocation for a long, long time.

**TONY RODRIGUEZ:** What we think is that what you want to do is allocate to fixed income over those next two quarters, so start to average in, again this little rally we've had recently may mean that you're going to see a bit of a backup when we start to get some better economic data, for example, or some policy clarity, so we think that we want to take advantage now, but leave some powder dry because there's going to be some dislocations. And that's true for the equity market and for the fixed income market, that as we move through between now and the end of the summer, we would expect to then have some more clarity on a lot of these fronts, and that's when over these next few months you'll be able to take advantage of this volatility, buy on some of those dips across asset classes as you position yourself to have a more longer run outlook on your portfolio.

**CHUCK JAFFE:** Tony, great stuff. Thanks for joining me on the beach, good luck with the rest of the conference, we'll hopefully talk to you again down the line.

**TONY RODRIGUEZ:** Thank you, Chuck. Good to be with you.

**CHUCK JAFFE:** The NAVigator at Future Proof Citywide in Miami Beach is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and I am Chuck

Jaffe, and we'd love it if you'd check out our show on your favorite podcast app or at MoneyLifeShow.com. To learn more about closed-end funds, interval funds, and business-development companies go to AICalliance.org, that's the website for the Active Investment Company Alliance. Thanks to my guest Tony Rodriguez, head of fixed income strategy at Nuveen, learn more about the firm and all they do at Nuveen.com. The NAVigator is here for you every Friday, and next week we'll be back in our usual settings. Excuse the noise of being at the beach, but we're excited to be back with you next week, and if you want to make sure you don't miss an episode, subscribe on your favorite podcast app. Until next week, happy investing, everybody.

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