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Muni Bonds Stage Biggest Rally in Six Weeks on Fed Outlook.

- **Long end leads gains, with 30-year yields down 5 basis points**
- **Gains come after munis cheapened last week against Treasuries**

Municipal bonds rallied Thursday, pushing yields down by the most in six weeks, after the Federal Reserve signaled it will allow inflation to run slightly above its target, a less hawkish tone than some investors expected.

The gains were led by the longest-dated securities, with 30-year yields falling 5 basis points to 3.03 percent by 1 p.m., according to Bloomberg's benchmark indexes. Ten-year yields dropped 4 basis points to 2.47 percent.

The move came after municipal debt yields rose relative to Treasuries last week, making state and local bonds more attractive by comparison. Treasuries also gained after Wednesday's Fed meeting.

"Munis underperformed across the curve and looked cheaper," said Peter Block, managing director at Ramirez & Co., a New York-based brokerage. "Supply is low this week, there's a lot of money on the sidelines and we looked attractive."

Bloomberg

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