

Bond Case Briefs

Municipal Finance Law Since 1971

Municipal Bonds Benefit From SALT Limitations And Congestion Pricing.

Summary

- **The U.S. municipal market is hitting on all cylinders - modest growth, reasonable inflation and solid fundamentals are all drivers.**
- **Congestion pricing is becoming a major force.**
- **New limitations on state and local tax deductions increase the value of tax-exempt income.**

The U.S. municipal fixed income market is hitting on all cylinders. Modest domestic economic growth, reasonable inflation, lackluster new issue supply and sound fundamentals continue to drive investors into the tax-exempt bond market.

This performance further stems from new limitations on state and local tax deductions (SALT), which increases the value of tax-exempt income. Also, tax-adjusted municipal yields are attractive for maturities beyond 10 years.

The muni market has distinct seasonal trends which can make investing timing important. Demand for tax-exempt income overwhelmed the usual selling in the secondary market during tax season, specifically in April, when flows into municipal bond funds and separately managed accounts surged.

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Seeking Alpha

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