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Muni Bonds Are Heading for Worst Month Since September Last Year.

- **10-year muni yields rose nearly 50 bps since Fed's meeting**
- **Higher yields could lure investors to the asset class: UBS**

US state and local debt is headed for its worst month in a year, with the Federal Reserve's hawkish pause sending yields soaring and erasing gains from the first half of 2023.

Munis have slumped 3.33% so far in September, according to data compiled by Bloomberg, on track for its poorest performance since a 3.84% drop the same time last year.

Yields on 10-year munis jumped almost 50 basis points since Sept. 20, after investors sold bonds as they digested the Fed's message that it would keep borrowing costs higher for longer. Treasury yields have also been climbing, with the benchmark 10-year rate rising to its highest level since 2007 this week.

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