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US Municipal Bonds: Finding Investment Opportunities

A unique opportunity is unfolding in the municipal bond market. Recently, yields on these bonds have risen, driven by general market uncertainty and concerns about their tax-exempt status. Despite discussions in Washington about potentially taxing municipal bond interest to boost government revenue, we believe this interest will remain tax-exempt. This tax advantage, along with the current yield environment, makes municipal bonds a valuable component of a diversified investment portfolio.

Municipal bonds typically offer interest income that is exempt from federal, state and local taxes, making them especially appealing to investors in higher tax brackets. These bonds are attractive not only for their high yields but also because they offer better returns compared to U.S. Treasuries. The 2-year and 5-year municipal bonds are particularly appealing based on historical performance.

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