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Municipal Bonds Rally as Investors Bet on Earlier Fed Rate Cut.

Municipal bonds are rallying on Friday, along with US Treasuries, after softer US jobs data spurred bets that the Federal Reserve will cut interest rates as early as next month.

State and local government bond yields are down as much as six basis points as of 3 p.m. New York time. Ten-year benchmark bonds are yielding 3.18%, dropping six basis points, according to data compiled by Bloomberg. That would mark the biggest one-day rally in nearly three months.

“The 5% absolute yield that was available for high quality munis is somewhat of a magical level and attracts buyers,” said Lyle Fitterer, co-lead of Baird’s municipal sector. “Combine that with the rally in Treasuries and it has created good performance in our market this week.”

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Bloomberg Markets

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