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Taxable Local-Government Bonds Shine in Middling Muni Market.

Takeaways

- Taxable state and local-government debt has returned 4.7% this year, according to data compiled by Bloomberg.
- The strong showing for taxable munis is driven by a sharp falloff in terms of how much of the market they make up, said Cooper Howard, a strategist at Charles Schwab.
- “Supply has been muted for taxable munis,” said Gabe Diederich, senior portfolio manager at Baird Funds.

The bright spot in a lackluster year for municipal-bond returns is debt subject to federal income taxes, as a dearth of new sales in the sector fuels gains.

Taxable state and local-government debt has returned 4.7% this year, the best performance on a year-to-date basis since 2020, according to data compiled by Bloomberg. That’s beating the 0.1% gain for tax-exempt debt broadly, and a 1.4% decline in an index of high-yield securities.

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