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US Municipal Bond Market Posts Negative Returns in Q2 2025 Amid Inflation and Monetary Policy Uncertainty.

The US municipal bond market experienced negative returns in Q2 2025 due to inflation and monetary actions by the Federal Open Market Committee and fiscal actions by the Trump administration. These broader themes impacted the market, with a focus on interest rates and economic uncertainty.

The US municipal bond market experienced negative returns in the second quarter of 2025, primarily driven by inflation and monetary actions by the Federal Open Market Committee (FOMC) and fiscal actions by the Trump administration. These broader themes significantly impacted the market, with a focus on interest rates and economic uncertainty.

Inflation, which has been a persistent issue, has led to higher interest rates, making municipal bonds less attractive to investors. The FOMC's recent monetary policy actions, aimed at controlling inflation, have further exacerbated this trend. Additionally, the Trump administration's fiscal policies, including the proposed takeover of the Washington, DC, police force, have contributed to economic uncertainty, further impacting the market [1].

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