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Navigating 2025 Municipal Bond Fund Strategies: Investor Timing and Capital Reallocation Opportunities

Overview

- 2025 municipal bond strategies shift as states cut pandemic aid reliance, boost pension/infrastructure spending, and issue \$281B in new debt to offset tax cut impacts.
- Steepened yield curves (127bps over 10Y Treasuries) enable “rolling down the curve” tactics, while tax-exempt municipals outperform Treasuries amid \$9.2T Treasury refinancing risks.
- \$10B YTD inflows reflect investor preference for duration extension and active management, with taxable municipals matching corporate yields and offering geopolitical risk resilience.
- Strategic “barbell” approaches combining short/long-term bonds and sector-specific opportunities in healthcare/transportation highlight market inefficiencies and yield capture potential.

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Monday, Sep 8, 2025 10:44 pm ET

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