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Bonds Are Getting Pricey. Munis Still Look Cheap and Could Rally.

In many corners of the bond market, it can be difficult for investors to find attractive yields. In contrast, municipal bonds still look like a bargain.

The Federal Reserve's decision earlier this week to cut short-term interest rates poses a threat to income investors. It likely means smaller payouts from CDs, money-market funds, and other yield instruments.

For investors in long-term instruments such as bond mutual funds, the blow is less severe. Long-term interest rates don't move in lockstep with the short-term federal-funds rate, and when rates do come down, investors can count on rising bond prices to cushion the blow. (Bond prices move in the opposite direction to rates.)

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