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Navigating Municipal Bond Opportunities in Q2 2025: Strategic Duration and Credit Selection in a Shifting Rate Environment

Overview

- Q2 2025 municipal bond market faces pivotal shifts due to Fed rate cut signals, credit divergences, and macroeconomic risks.
- Strategic duration management gains traction as long-dated munis offer tax-equivalent yields exceeding 5% for top tax bracket investors.
- Credit selection emphasizes geographic diversification, favoring fiscally strong states like Texas while avoiding underfunded pension jurisdictions.
- Macroeconomic tailwinds from potential TCJA expiration and yield curve steepening contrast with tariff risks requiring sector-specific risk adjustments.

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