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Muni Bonds Start Year Strong as 'January Effect' Emerges.

Takeaways by Bloomberg AI

- Municipal bonds are starting 2026 on strong footing, with the so-called “January effect” lifting prices as reinvestment cash floods the market.
- Cash flowing back to investors from maturing bonds and coupon payments is expected to exceed the volume of new debt coming to market in the first two months of the year.
- Valuations are getting stretched, with ten-year municipal bonds yielding about 62% of comparable Treasuries, and some strategists are turning cautious, warning that the rally may not be sustainable once issuance increases.

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Bloomberg Markets

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