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Barclays Sees Muni Market Upside 'Capped' by Rich Valuations.

The muni market's outperformance streak likely has little room left to run, according to Barclays Plc strategists.

State and local government debt posted a 0.6% gain this month — even while Treasuries swung to a small loss — as the market was buoyed by the reinvestment of bond payments and a continuing influx into mutual funds.

But that may mean there's little upside left: The advance has pushed 10-year tax-exempt bond yields the deepest below those on Treasuries since May 2024. That measure, a closely watched gauge of valuations, indicates munis are already trading at lofty levels.

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