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Hot Inflation, Another Argument for Municipal Discipline.

Summary

- Hot CPI keeps the higher for longer rate story alive, even if energy drove the move.
- Today's data does not weaken the municipal case. It raises the importance of tax-exempt income, attractive yields and maturity selection, and credit differentiation.
- Stronger tax-backed and essential service credits should continue to be prioritized in this environment rather than weaker credits that rely on easier financing conditions.
- This remains a discipline year for municipals. Today's inflation data just reinforced it, and investors should spend less time waiting for the Fed to ease market conditions and more time deciding what belongs in a portfolio if rates stay elevated.

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