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## **Munis in Focus: Guided by Value as the Policy Outlook Brightens.**

*While we think it's too early to shout "all clear," investors now have more information about policies likely to affect the municipal bond markets this year, and relative valuations are looking more attractive than they did a few months ago.*

[PIMCO's 2017 Municipal Market Outlook](#) called for greater caution this year due to uncertainty on a number of fronts: From a macro perspective, rising inflation, the potential for large fiscal expansion following the U.S. Republican election sweep, and fears of an imminent trade war painted a potentially volatile picture. Municipals underperformed other U.S. credit asset classes following the 2016 election as tax reform, near the top of the new administration's agenda, loomed over the market.

But so far this year, flows into municipal bond funds have been positive (if only marginally), and recent trends point to further potential upticks as the policy outlook turns more favorable.

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