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Municipal Bond Market Outlook: 2020

Due to the dynamic nature of financial markets, they are susceptible to an array of factors from around the world, and municipal debt markets aren't immune to these events. While 2019 witnessed strong U.S. economic growth due to strong consumer spending and historic low unemployment rates, the year 2020 started with tumultuousness in U.S.-Iran relations, presidential impeachment, and global unrest due to Coronavirus.

So far, these events have yet to show an impact on U.S. financial markets and the Federal Reserve is projected to have a stable outlook on interest rates. In addition, contrary to popular opinion, the Fed decided to cut rates in 2019, which was paired with the global demand for yield and credit spread exposure, enabling more local governments to save on net interest costs by issuing taxable bonds to pre-refund outstanding tax-exempt debt.

In 2019, municipal debt funds witnessed continued inflow of funds from investors and the issuance of new municipal debt registered \$421 billion due to the lower interest rate environment.

In this article, we will discuss the 2020 outlook for municipal debt markets from both the issuance and investor standpoints.

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