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Municipal Finance Law Since 1971

Inflation? For Muni Investors, The Right Strategy Is Key.

Summary

- Municipal bond investors are clearly worried about rising rates and rising inflation.
- The inflation component is also taxed at ordinary income tax rates, but here's the kicker there: you don't receive the benefit of it the year that it's realized.
- As yields are rising - and inflation expectations are likely rising because there's a high correlation between the two - even though the bonds may be losing value, the swaps are gaining in value and that's where you get your offset.

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Seeking Alpha

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