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Q&A: Municipal Bonds in the Wake of COVID-19

Municipal governments have proven more resilient than anticipated.

When the COVID-19 pandemic hit in 2020, municipal bond investors braced for a slew of defaults by overburdened state and local governments. But more than a year later, these municipalities are holding up better than expected.

With the help of stimulus payments, tax revenues from workers who were able to continue working remotely, and quick rallies in the stock and real estate markets, some states (California, for one) are even showing budget surpluses for the fiscal year starting in 2020. The result was far fewer state and local municipal bond defaults than anticipated.

To get a clearer picture of the municipal bond market and where financial advisors and investors can look for investment opportunities in the sector today, we spoke with Catherine Stienstra, senior portfolio manager and head of municipal bond investments at Columbia Threadneedle Investments.

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