

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

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## **How Well Did the Fed's Intervention in the Municipal Bond Market Work?**

The beginning of the COVID-19 pandemic strained many sectors of the economy, including the municipal bond market, prompting an unprecedented intervention by the Federal Reserve. This post summarizes the latest research on the effectiveness of the Fed's response to COVID-related distress in the muni market, which finances more than 50,000 local and state governments and other entities.

### **HOW DID COVID-19 AFFECT THE MUNI BOND MARKET?**

Prior to the pandemic, the muni market was ebullient. According to Morningstar, between the beginning of 2019 and February 2020, investors put \$105 billion into muni mutual funds and exchange-traded funds, the largest annual influx in the muni sector in 25 years.

COVID-19 hit nearly every sector of the financial market. In the muni market, investors apparently feared that state and local government revenues would fall and spending would increase, hurting governments' ability to service their debt.

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### **The Brookings Institution**

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