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Municipal Bond Market Outlook: 2022

From serious inflation concerns to the Omicron variant, the fears of the world economy facing more setbacks are very real going into 2022.

The inflation concerns became even more clear recently when Federal Reserve Chair Jerome Powell warned that inflation may persist into 2022 and the central bank is likely to taper its bond-buying program – alluding to the notion that inflation isn't transitory, as most believed throughout 2021. In addition, the 2021 low yield and tight spread environment in the municipal bonds market presented challenges for investors to find attractive returns – which may change coming into 2022 as the interest rates start to rise. We are also likely to see the impacts of the government interventions into 2022, as infrastructure spending starts to take shape for local and state governments.

In this article, we will take a closer look at the trends and forces affecting municipal bond markets going into the year 2022.

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