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## **Making The Case for Municipal Bonds Despite Recent Volatility.**

*The first half of the year has so far been challenging for investors in municipal bonds. Ben Barber, Director, Municipal Bonds, Franklin Templeton Fixed Income, shares his latest outlook and reasons for optimism.*

After a rocky start to the year in US municipal bonds, investors have not seen a reprieve as the second quarter of the calendar year started off with more of the same volatility. Yields have continued to move higher, roughly 166 basis points (bps) from the start of the year.<sup>1</sup> This has caused much of the downward price pressure on the sector and is being exacerbated by heavy outflows from retail investors.

The municipal market will continue to be pressured by the Federal Reserve's (Fed's) monetary policy that is aimed at helping to stem inflation as well as those inflationary pressures continuing to drive longer-term yields higher. As we have previously highlighted when providing updates on the municipal market, we will provide outlook for three important dynamics across the sector: technicals, fundamentals and valuations.

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