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## **Quick Thoughts: Positioning for a Timely Opportunity in Munis**

**As markets continue to respond to an uncertain macroeconomic environment, the current fundamentals in the municipal bond market are creating an investment opportunity to capture strong after-tax total returns according to Stephen Dover, Head of Franklin Templeton Institute.**

**Municipal bonds are displaying unusually strong fundamentals.** The backdrop of local fiscal conditions is solid, contributing to the strength of muni bonds in the current environment. State and local governments have been able to replenish cash reserves as a result of three things: large capital inflows from the Federal level throughout the pandemic, tax receipts that have exceeded pre-pandemic levels and moderate spending. There has been less municipal bond issuance compared to the pre-pandemic period, creating a scarcity of muni bonds.

**Some unexpected areas are creating headwinds for muni bond valuations:**

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**Franklin Templeton**

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