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Municipal Outlook 2024: Capture the Momentum

A likely soft landing and rate cuts paint an optimal backdrop for the muni market in 2024.

The municipal bond market finished 2023 on a high note and its 2024 prospects look just as promising.

Munis whipsawed through sharp monthly selloffs and spikes for most of the year. In the end, the Bloomberg Municipal Bond Index returned 6.4% for the year, well above the 3.1% after-tax return for the Bloomberg 1-3 Month US Treasury Bill Index.

Unfortunately, munis' rollercoaster year made many investors reluctant to return to the market, leaving just under \$6 trillion still sitting in money market funds. Wary investors may also worry they've missed the rally.

But thanks to a favorable mix of historically high yields, expectations that the Federal Reserve will ease off higher-for-longer interest rates, and attractive credit spreads, munis have seldom held as strong a potential as they do today.

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