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The Future of Municipal Bonds Is Seldom This Bright — But the Window Is Shrinking.

Muni yields will remain attractive, until the Fed turns dovish.

Higher bond yields and expectations that the Federal Reserve will maintain or cut its benchmark interest rate this year have created a window of opportunity for institutional investors in the municipal bond market.

Muni yields reached 4.72 percent in October — the highest they had been in more than a decade — and have since fallen to 3.91 percent. Still, munis, for now, have relatively attractive yields.

“There needs to be a little sense of urgency with regards to this. Since the end of the third quarter and the beginning of the fourth quarter last year, we have been talking to clients about that sense of urgency. It’s not a market timing call necessarily, and people can confuse that,” Robert DiMella, executive managing director at MacKay Shields, said.

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Institutional Investor

by Michael Thrasher

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