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Examining the Rally in Both the Treasury and Municipal Bond Markets.

The third quarter of 2024 saw a rally in both the Treasury bond market and the municipal bond market.

The Treasury bond market saw the 10-year U.S. Treasury bond yield move from 4.479 at the beginning of the quarter to 3.797 on Sept. 26. The move in munis was more muted, with 10-year AAA munis going from 2.84 to 2.63 over the course of the quarter.

To wit, the end of the second quarter saw the 10-year bond yield move from a 4.28% on the eve of the June 27 Biden-Trump debate to 4.47% by July 1. We believe this change was a direct result of President Biden's poor debate performance and a market assumption that we were looking at a sweep of both houses of Congress as well as the White House by Republicans. The thought process is that undivided government tends to produce unchecked spending and that the markets view this outcome as potentially inflationary.

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