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Muni Buyers Pin Hopes on 'January Effect' as Bond Payments Hit.

- **Market tends to gain from surge in reinvestment, slow issuance**
- **Tax-exempt bonds have tended to outperform in January**

The bond market ended 2024 on a down note. But when it comes to state and local government debt, at least, investors have one reason to think January will be better.

That's because municipal bonds tend to do well at the start of the year — predictably enough that it's become known as the January effect.

At root is simple supply and demand: after the year-end holidays, government agencies tend to get a slow start on selling new bonds just as investors have interest and principal payments that they typically seek to invest.

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Bloomberg Markets

By Aashna Shah and Elizabeth Rembert

January 3, 2025

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