Bond Case Briefs

Municipal Finance Law Since 1971

Munis' Prized January Returns Threatened by Expected Fed Pause.

- **Muni market slumps during a historically positive month**
- **Selloff follows Friday's robust US labor-market data**

Growing expectations that the Federal Reserve will hold off on further interest-rate cuts are foiling what should have been a strong month of municipal bond returns.

Benchmark municipal bond yields climbed as much as 25 basis points last week and edged higher again on Monday. The muni market is joining a bond rout that pushed long-dated Treasury yields above 5% for the first time in more than a year. Those on similarly dated municipals topped 4%, the highest since November 2023, according to data compiled by Bloomberg.

On Friday, monthly US jobs data exceeded projections, capping a surprisingly strong year for the labor market and adding more reasons for the Fed to dial back rate cuts, driving yields higher. Investors are also building in expectations that the policies of President-elect Donald Trump will foster quicker growth and inflation.

Continue reading.

Bloomberg Markets

By Aashna Shah

January 13, 2025