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## [Municipal Outlook 2025: Battling Headwinds, Harnessing Tailwinds](#)

### **Four strategies for navigating crosswinds in the municipal bond market.**

The municipal bond market closed 2024 much as it began—highly volatile—providing substantial opportunities for active managers. Broader muni returns disappointed for the year, but bright spots included muni credit, which significantly outperformed higher-rated debt.

Uncertainty around the path forward for interest rates continues to dominate the muni backdrop. While the Fed has signaled it sees some inflation risk, our base case is a short pause followed by more rate cuts.

In this environment, we expect muni returns to be primarily driven by income in 2025. But in our view, the market also faces potential headwinds, including a flood of expected new issuance and renewed scrutiny of muni bonds' tax-exempt status.

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