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Recession Fears Spark Goldman's Appetite for High-Quality, Long-Term Municipal Bonds.

'We haven't seen yield like this in a really long time,' Goldman Sachs' Sylvia Yeh says of the municipal bond market.

As Goldman Sachs has hiked its probability of a U.S. recession to 45%, the investment bank recommends a shift in client portfolios towards high-quality fixed income, citing resilience in the asset class amid broader stock market volatility.

"If we're going into an economic downturn, higher credit quality and longer duration would benefit in a scenario like that," said Sylvia Yeh, co-head of municipal fixed income at Goldman Sachs. "Whether it's munis [municipal bonds] or investment grade corporate bonds or others, I think you would actually see money move into those markets and the different vehicles because of recession fears."

S&P Global's Municipal Bond Index is down 0.87% so far this year, while Bloomberg's index for 10-year AAA municipal bonds has seen its yield rise to 3.26% in Q1 of this year.

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