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The 2025 Municipal Bond Mega Calendar: Opportunities in Rising Supply Amid Structural Tailwinds

The municipal bond market of 2025 stands at a crossroads. While rising issuance levels and lingering policy uncertainties pose challenges, the confluence of falling interest rates, enduring tax advantages, and resilient credit fundamentals creates a fertile landscape for investors seeking tax-advantaged income. This is not merely a cyclical opportunity but a structural one, rooted in the enduring appeal of municipal debt in a post-rate-hike world.

The Rate Cut Catalyst: Falling Yields and a Steeper Curve

The Federal Reserve's pivot toward rate cuts in 2025 has reignited demand for income-generating assets. Municipal bonds, particularly those with longer maturities, are poised to benefit as yields decline. With the Fed projected to lower rates further, the yield curve is steepening, favoring investors who extend their duration exposure.

Current yields of 3.7% on the Bloomberg Municipal Bond Index offer a compelling starting point. Even modest declines in yields could generate capital gains, though investors must remain vigilant: a sharp rebound in rates could offset returns.

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