

Bond Case Briefs

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Municipal Bond Yields Rise Amid Tariff-Fueled Inflation Concerns.

Municipal bonds saw their worst day since April as new inflation data caused traders to reassess expectations for an interest-rate cut in September. The 10-year muni benchmark yield rose 8 basis points to 3.25%. US Treasuries also sold off, with the long end of the curve under pressure due to lack of demand.

Municipal bonds faced their most challenging day since April on Tuesday, July 2, 2025, as new inflation data led traders to reassess expectations for a potential interest-rate cut in September. The 10-year municipal bond benchmark yield rose by 8 basis points to 3.25%, reflecting increased uncertainty about the Federal Reserve's policy direction. US Treasuries also experienced selling pressure, particularly at the long end of the curve, as demand remained lackluster.

The inflation data, released on Tuesday, showed that tariff concerns persisted, but it did not provide enough evidence to warrant a Federal Reserve rate cut in July. The two-year muni-UST ratio was at 62%, the five-year at 63%, the 10-year at 73%, and the 30-year at 92%, according to Municipal Market Data's 3 p.m. ET read. These ratios indicate that municipal bonds are still seen as relatively attractive compared to US Treasuries [1].

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Tuesday, Jul 15, 2025 4:59 pm ET