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WSJ: Municipal Bonds May Not Remain This Cheap For Long

The securities are now more attractive thanks to their availability and tax benefits. But how long will this last?

A steady increase in municipal-bond supply, coupled with the survival of their tax benefit in President Trump's spending bill, is making the securities more attractive, even as key sectors such as healthcare and education stand to lose.

Municipal-bond investors are in a sweet spot. Prices have come down, due mainly to historically high issuance, and that pushes up the interest the securities pay. For most of this year, markets worried the One Big Beautiful Bill Act would curtail munis' tax-exemption benefit, but intense lobbying managed to keep that from happening.

The combination represents an opportunity for investors to add some of the safest fixed-income securities to their portfolios while expecting unusually high, tax-free returns. What is unclear is how long this will last.

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