A Playbook to Navigate Municipals in the 2nd Half of 2022

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- The evolving U.S. political dynamic could threaten both an economic recovery and U.S. public finance credit conditions if there is limited to no appetite for emergency fiscal policy in response to a U.S. recession.
- The U.S. Federal Reserve is expected to continue to tighten its monetary policy into a declining macro-economic landscape. Fed Chair Powell says recession is a "possibility." Now, a 100 basis point increase is possible in July.
- We review the municipal bond market buying opportunities in 2008, 2011, 2013, 2020 and today so investors can establish their playbook for municipal bond investing for the second half of this year.
- In June we revised our issuance forecast to $410 billion. If rates rise substantially and issuance continues to fall we may need to revise it lower again.
- Negative municipal fund flows slowed toward the end of June and into July. Thursday we saw $206 million flow into municipal funds, per Lipper data. This was the first positive flow number we have seen since June 2.
- We are not ready to call an end to the Golden Age of Public Finance. U.S. public finance credit quality will remain strong over the last half of 2022, and we still expect public finance upgrades to outpace downgrades.

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