Impact on U.S. Municipals from the Latest Chapter of the Russian-Ukrainian Conflict

Tom Kozlik

- Treasury and municipal yields are still lower compared to where they were before Russia's conventional, large-scale invasion of Ukraine began last week. We expect more interest rate volatility in the near-term as news from the invasion battles FOMC March meeting speculation.
- Municipal bond primary market supply has been much lower than we expected at the end of 2021. We are almost certainly going to revise our forecast in April.
- We have seen $5.7 billion flow out of municipal funds since the beginning of 2022. Buyer interest remains shaky at best.
- Germany announced a doubling of military spending in response to Russia's aggression in Ukraine. We think it is possible that the U.S. increases military spending in coming years and select pockets of public finance would benefit if this occurred.
- We have not seen a significant increase of cyber-attacks in the U.S., but lawmakers are preparing and bi-partisan cyber related legislation just unanimously passed the Senate – that is a good sign it could become law.

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