

May 2023 Muni Minute: Don't Fight the Fed!

Yields moved higher across both taxable and tax-exempt markets as fixed income investors reassessed the prospects of additional tightening by the Federal Reserve. At the end of April, fed funds futures were forecasting one additional rate hike by the Fed at its early-May meeting, then a pivot towards rate *cuts* later this year. This market view was in sharp contrast to comments by Fed speakers that 1) there may be more hikes to fed funds in the future and 2) they intend to keep rates at higher levels for some period of time once hiking has been completed.

Tom Kozlik

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