

No Major Scares for Municipal Investors in October as Momentum Holds

- October could likely turn out to be a strong month for municipal bonds, as we expected, with high issuance, solid demand, and a favorable macro backdrop including an expected Fed rate cut this week.
- Expected rate cuts, softer than expected inflation data and low market volatility have boosted investor confidence and driven strong inflows into municipal mutual funds.
- As municipal issuance slows in November and December, tightening supply is likely to create a more competitive environment for investors seeking yield, similar to what we saw during parts of September. Our message to investors is clear: do not wait to invest.
- The federal government shutdown remains unresolved, adding to general uncertainty, but municipal bonds continue to demonstrate resilience, and we still expect limited to no impact on credit quality or liquidity. However, the longer the shutdown lasts, the more credit stress exposed areas could begin to experience.

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