Policy Ambitions, Market Reactions Keep the Municipal Bond Window Wide Open

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- The current market dynamic—and the attractiveness of municipal yields—are being shaped by a mix of optimism and realism. Key drivers include tariff-related uncertainty, elevated supply in the primary market, heightened investor demand for stronger credit quality, growing concerns over federal fiscal strain, and the recent Moody's downgrade of U.S. sovereign debt.
- Municipal bond yields remain near the peak of generational highs, offering a rare opportunity to lock-in high-quality, tax-advantaged income amid policy uncertainty and market volatility.
- In today's relatively higher rate environment, investors can look beyond yield alone and carefully consider structure. Combining defensive features, longer duration, extended call protection, and lower coupons can help reduce reinvestment risk, improve long-term returns, and strengthen a portfolio's resilience across different interest rate scenarios.

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