The Fed is Not Changing Course, Reaffirms Our 2023 Municipal Outlook

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- The FOMC announced on Wednesday they are not changing course. Neither are we. This development reaffirms our 2023 expectations. Our issuance forecast for 2023 is highly dependent upon elevated interest rates like we see now. We continue to believe that 2023 primary municipal market issuance will come at $350 billion which is below the $384 billion we saw last year (2022.)
- A sense of optimism is returning to municipal investors. Flows into/out of municipal mutual funds have been positive three of five weeks to begin 2023.
- Credit quality continues to be an underlying strength in the municipal bond market. The Golden Age of Public Finance will continue into 2023, but we will be watching closely to make sure entities are reacting to the post-COVID 19 fiscal reality.
- Mass transit is too important to fail. We believe mass transit will be funded in coming budget cycles despite the headline risk.

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