The Fed’s Wake: Attractive Yields are Receding, Yet Still Within Reach as Bond Scarcity Looms

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- The FOMC cut its target rate by 25 basis points today, Sept. 17, lowering it to 4.00%–4.25%. This move potentially sets the stage for a sustained trend of declining yields.
- Generationally attractive tax-exempt yields are slipping away, and the cost of waiting is rising with each passing day. Municipal yields have already fallen 34 basis points in recent weeks in response to weak labor data and shifting rate expectations.
- A portion of the $7 trillion still parked in money market accounts is poised to enter or re-enter fixed income markets, potentially intensifying demand for tax-exempt bonds.
- Investment dollars are already flowing into municipal mutual funds, signaling growing investor appetite.
- Municipal bond issuance is likely to slow into year-end, creating scarcity in high-quality tax-exempt supply. Investors should consider acting now before yields compress further and opportunities become even more difficult to find.

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