

The Secret's Out – Municipal Bonds Are Having a Moment

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- Municipal bonds remain one of the most attractive tax and risk-adjusted plays in fixed income and **yields just became more attractive**. We have not seen yields at this level since the beginning of September.
- As a result, municipal bonds are **gaining strong investor attention** as nearly \$7 billion has flowed into municipal mutual funds since August 21, bringing net 2025 inflows to almost \$17 billion.
- Primary market municipal issuance is on track to set another record in 2025, with October sales expected to exceed \$50 billion, but investors could face tightening supply and increased competition for quality bonds in November and December.
- S&P Case-Shiller data shows home values rising, reinforcing property tax-revenue strength and supporting municipal credit stability.
- K-12 school district sector rating downgrades are rising, aligning with our January outlook which expected mounting structural challenges.
- The federal shutdown poses little risk to municipal credit, though delays in economic data could add to an already uncertain market.

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