With extreme weather events on the rise...

...some US municipal authorities are planning to combat natural disasters...

...funding these measures could boost the US$3.8trn\(^1\) municipal bond market.

\(^1\)Municipal Securities Rulemaking Board. As of March 2019.
Climate change is real. Severe weather, flooding, wildfires and other natural disasters are being experienced with greater frequency and greater severity by many state and local municipalities in the US. In our view, this trend will continue with a greater likelihood of adverse environmental, economic and cost consequences.

Several state and local governments are planning to protect against natural disasters in the coming years and are implementing environmentally-friendly policies to try and halt the effects of global warming. Capital in the form of municipal bonds will be required to fund these initiatives and also repair damage to infrastructure.

In the face of the growing environmental threat, it is important to not only consider the geographic location of a municipality but also focus on the extent of its strategic planning, fiscal resources and financial flexibility. Investor awareness is essential in advance of mounting climate change crises and their potential impact on bond valuations for ‘at risk’ municipalities.

*Dan Rabasco, head of municipal bonds, Mellon*
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**Bonds** are subject to interest rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. **Municipal income** may be subject to state and local taxes. Capital gains, if any, are taxable.

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