DREYFUS STRATEGIC MUNICIPAL BOND FUND INC
Form N-CSRS
July 29, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5877

Dreyfus Strategic Municipal Bond Fund, Inc.
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation

200 Park Avenue

New York, New York 10166
(Address of principal executive offices) (Zip code)

Michael A. Rosenberg, Esq.

200 Park Avenue

New York, New York 10166
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 922-6000

Date of fiscal year end: 11/30

Date of reporting period: 5/31/11

FORM N-CSR

Item 1. Reports to Stockholders.

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

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A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Strategic Municipal Bond Fund, Inc., covering the six-month period from December 1, 2010, through May 31, 2011. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

The U.S. economy appears to have hit a soft patch in the spring of 2011 after accelerating over the final months of 2010. Disappointing labor, housing and manufacturing data have come at a time of higher energy prices and some tightening of monetary policy in global markets. In our view, the current slowdown should be relatively brief as the world recovers from the supply shocks created by weather impacts on food production, the decline in Libyan oil exports and supply-chain disruptions stemming from Japan’s natural and nuclear disasters. The municipal bond market produced mildly positive total returns, on average, in this choppy economic environment. Although municipal bonds were undermined over much of the reporting period as credit concerns intensified and supply-and-demand dynamics changed, bond prices rebounded in the spring when investors delayed their expectations of rising short-term interest rates.

We remain optimistic as the U.S. economy moves through the middle stages of its cycle. Indeed, global macroeconomic policy generally has remained stimulative despite the recent efforts of some central banks to forestall inflationary pressures. We continue to expect sustainable economic growth, a rising but volatile uptrend in inflation and an improving U.S. labor market in the months ahead.As always, to determine how these forces may affect your investments, we urge you to talk regularly with your financial advisor.

Thank you for your continued confidence and support.

Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
June 15, 2011

DISCUSSION OF FUND PERFORMANCE

For the period of December 1, 2010, through May 31, 2011, as provided by James Welch, Senior Portfolio Manager

Fund and Market Performance Overview

For the six-month period ended May 31, 2011, Dreyfus Strategic Municipal Bond Fund achieved a total return of 2.79% on a net-asset-value basis.[1] Over the same period, the fund provided aggregate income dividends of $0.285 per share, which reflects a distribution rate of 7.26%.[2]

Municipal bonds encountered heightened volatility early in the reporting period amid rising long-term interest rates and changing supply-and-demand dynamics. However, market volatility later subsided and bond prices rebounded as a reduced supply of newly issued bonds was met by robust investor demand. Higher-quality municipal bonds generally fared better than their lower-rated counterparts in this environment.

The Fund’s Investment Approach

The fund seeks to maximize current income exempt from federal income tax to the extent believed by Dreyfus to be consistent with the preservation of capital. In pursuing this goal, the fund invests at least 80% of its assets in municipal bonds. Under normal market conditions, the weighted average maturity of the fund’s portfolio is expected to exceed 10 years. Under normal market conditions, the fund invests at least 80% of its net assets in municipal bonds considered investment grade or the unrated equivalent as determined by Dreyfus.

The fund also has issued auction-rate preferred stock (ARPS), a percentage of which remains outstanding from its initial public offering, and has invested the proceeds in a manner consistent with its investment objective. This has the effect of “leveraging” the portfolio, which can increase the fund’s performance potential as well as, depending on market conditions, enhance net-asset-value losses during times of higher market risk.

Over time, many of the fund’s older, higher yielding bonds have matured or were redeemed by their issuers.We have attempted to replace those

DISCUSSION OF FUND PERFORMANCE *(continued)*

bonds with investments consistent with the fund's investment policies. We have also sought to upgrade the fund with newly issued bonds that, in our opinion, have better structural or income characteristics than existing holdings.When such opportunities arise, we usually look to sell bonds that are close to their optimal redemption date or maturity.

Municipal Bonds Encountered Heightened Volatility

After producing generally attractive total returns over most of 2010, municipal bonds encountered heightened volatility over the final months of the year as the U.S. economic recovery appeared to gain traction, inflation fears intensified and long-term interest rates climbed. In addition, it became clear in December that the federal Build America Bonds program, which had diverted a substantial portion of new issuance to the taxable bond market, would be allowed to expire at the end of the year. Consequently, investors sold longer-maturity bonds in anticipation of a surge in the supply of newly issued securities as states and municipalities rushed to lock in federal subsidies.

Adding to investors' concerns at the time, most states continued to struggle with fiscal pressures as tax receipts remained below their pre-recession levels while costs moved higher, particularly those related to pensions and health care benefits for retired public-sector workers. Fear of potential municipal defaults—which we considered overblown—caused investors to become more averse to the credit risks that lower-rated bonds typically entail.

The market generally stabilized over the first five months of 2011, when the supply of newly issued municipal bonds declined sharply due to the surge in issuance at the end of 2010 and efforts among many state and local governments to rein in spending and borrowing. Meanwhile, investor demand recovered when individuals reacted to higher state income taxes, and institutional investors regarded municipal bonds as inexpensively valued.

Improvements in Credit Quality Supported Relative Returns

The fund weathered the market downturn early in the reporting period relatively well, due in part to our earlier efforts to upgrade the fund's overall credit quality. We reduced the fund's holdings of BBB-rated bonds in favor of securities with A ratings.

The fund also benefited from its longer-term holdings, which rallied as the market stabilized, and bonds issued in fiscally stressed states such as California and Illinois rebounded as earlier credit concerns eased. The fund's leveraging strategy also added a degree of value during the reporting period. On the other hand, the fund's remaining holdings of BBB-rated bonds, including those backed by health care facilities and the states' settlement of litigation with U.S. tobacco companies, generally lagged market averages.

Weathering a Period of Transition

We have been encouraged by the municipal bond market's resilience. Although we expect additional bouts of market volatility over the near term as investors react to macroeconomic developments and the supply of newly issued bonds increases, we remain optimistic over the longer term. Once the transition to a more ample supply of tax-exempt securities is complete, demand seems likely to stay robust as investors respond to higher state taxes and possible federal tax increases down the road.

June 15, 2011

Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees, all of which are more fully described in the fund's prospectus. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can cause price declines.

High yield bonds are subject to increased credit risk and are considered speculative in terms of the issuer's perceived ability to continue making interest payments on a timely basis and to repay principal upon maturity.

The use of leverage may magnify the fund's gains or losses. For derivatives with a leveraging component, adverse changes in the value or level of the underlying asset can result in a loss that is much greater than the original investment in the derivative.

1 *Total return includes reinvestment of dividends and any capital gains paid, based upon net asset value per share. Past performance is no guarantee of future results. Income may be subject to state and local taxes, and some income may be subject to the federal alternative minimum tax (AMT) for certain investors. Capital gains, if any, are fully taxable. Return figure provided reflects the absorption of certain expenses by The Dreyfus Corporation pursuant to an undertaking in effect. Had these expenses not been absorbed, the fund's return would have been lower.*

2 *Distribution rate per share is based upon dividends per share paid from net investment income during the period, divided by the market price per share at the end of the period, adjusted for any capital gain distributions.*

STATEMENT OF INVESTMENTS

May 31, 2011 (Unaudited)

Long-Term Municipal Investments—146.6%	Coupon Rate (%)	Maturity Date	Principal Amount ($)		Value ($)
Arizona—7.8%					
Barclays Capital Municipal Trust Receipts (Salt River Project Agricultural Improvement and Power District, Salt River Project Electric System Revenue)	5.00	1/1/38	13,198,367	a,b	13,566,449
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/33	6,010,000		6,329,552
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.50	7/1/26	4,000,000		3,572,880
Pima County Industrial Development Authority, IDR (Tucson Electric Power Company Project)	5.75	9/1/29	6,000,000		6,039,540
California—15.2%					
Barclays Capital Municipal Trust Receipts (Los Angeles Department of Airports, Senior Revenue (Los Angeles International Airport))	5.00	5/15/31	5,247,500	a,b,c	5,398,096

Beverly Hills Unified School				
District, GO	0.00	8/1/30	8,000,000 d	2,552,480
California,				
GO (Various Purpose)	5.75	4/1/31	7,800,000	8,370,570
California,				
GO (Various Purpose)	6.00	3/1/33	2,250,000	2,451,780
California,				
GO (Various Purpose)	6.50	4/1/33	5,000,000	5,588,900
California,				
GO (Various Purpose)	6.00	11/1/35	5,000,000	5,391,450
Golden State Tobacco				
Securitization Corporation,				
Tobacco Settlement				
Asset-Backed Bonds	4.50	6/1/27	2,000,000	1,542,560
Golden State Tobacco				
Securitization Corporation,				
Tobacco Settlement				
Asset-Backed Bonds	5.00	6/1/33	8,335,000	5,631,126
Los Angeles Department of Water				
and Power, Power System Revenue	5.00	7/1/34	2,885,000	2,953,432

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)
California (continued)				
Sacramento City Unified School				
District, GO (Insured; Assured				
Guaranty Municipal Corp.)	0.00	7/1/24	5,220,000 d	2,509,880
Sacramento County,				
Airport System Subordinate and				
Passenger Facility Charges				
Grant Revenue	6.00	7/1/35	4,000,000 c	4,178,960
San Diego Public Facilities				
Financing Authority, Senior				
Sewer Revenue	5.25	5/15/34	2,500,000	2,577,775
Santa Margarita/Dana Point				
Authority, Revenue (Santa				
Margarita Water District				
Improvement Districts				

Numbers 2,3 and 4)	5.13	8/1/38	5,000,000		5,086,600
Silicon Valley Tobacco					
Securitization Authority,					
Tobacco Settlement					
Asset-Backed Bonds (Santa					
Clara County Tobacco					
Securitization Corporation)	0.00	6/1/36	15,290,000	d	1,280,538
Tuolumne Wind Project Authority,					
Revenue (Tuolumne					
Company Project)	5.88	1/1/29	2,000,000		2,178,300
Colorado—1.6%					
Arkansas River Power Authority,					
Power Improvement Revenue	6.13	10/1/40	5,000,000		4,969,150
Colorado Housing and Finance					
Authority, Single Family					
Program Senior and Subordinate					
Bonds (Collateralized; FHA)	6.60	8/1/32	1,040,000		1,115,483
Connecticut—3.7%					
Connecticut Development Authority,					
PCR (Connecticut Light and					
Power Company Project)	5.95	9/1/28	9,000,000		9,004,950
Connecticut Resources Recovery					
Authority, Special					
Obligation Revenue					
(American REF-FUEL					
Company of Southeastern					
Connecticut Project)	6.45	11/15/22	4,985,000		4,984,452

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)		Value ($)
District of Columbia—.3%					
Metropolitan Washington Airports					
Authority, Special Facility					
Revenue (Caterair					
International Corporation)	10.13	9/1/11	1,000,000	c	996,760
Florida—5.0%					

Highlands County Health Facilities Authority, HR (Adventist Health System/Sunbelt Obligated Group)	5.00	11/15/27	3,500,000	3,523,520
Mid-Bay Bridge Authority, Springing Lien Revenue	7.25	10/1/34	5,000,000 c	5,104,150
Orange County School Board, COP (Master Lease Purchase Agreement) (Insured; Assured Guaranty Municipal Corp.)	5.50	8/1/34	4,500,000	4,620,195
Saint Johns County Industrial Development Authority, Revenue (Presbyterian Retirement Communities Project)	6.00	8/1/45	3,500,000	3,278,800
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	6.25	4/1/39	2,500,000	2,480,175
Georgia—3.7%				
Atlanta, Water and Wastewater Revenue	6.00	11/1/28	4,865,000	5,294,969
Atlanta, Water and Wastewater Revenue (Insured; Assured Guaranty Municipal Corp.)	5.25	11/1/34	3,750,000	3,838,162
Augusta, Airport Revenue	5.45	1/1/31	2,500,000 c	2,173,750
Savannah Economic Development Authority, EIR (International Paper Company Project)	6.20	8/1/27	2,670,000	2,697,394
Hawaii—1.2%				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawai'i Pacific Health Obligated Group)	5.63	7/1/30	2,500,000	2,402,400

Long-Term Municipal Investments (continued)	Coupon Rate (%)	Maturity Date	Principal Amount ($)	Value ($)

Hawaii (continued)				
Hawaii Department of Budget and Finance, Special Purpose Revenue (Hawaiian Electric Company, Inc. and Subsidiary Projects)	6.50	7/1/39	2,000,000	2,012,460
Idaho—.1%				
Idaho Housing and Finance Association, SFMR (Collateralized; FNMA)	6.35	1/1/30	210,000	210,178
Illinois—2.7%				
Chicago, SFMR (Collateralized: FHLMC, FNMA and GNMA)	6.25	10/1/32	910,000	941,513
Illinois, GO	5.00	3/1/28	2,500,000	2,438,875
Illinois Finance Authority, Recovery Zone Facility Revenue (Navistar International Corporation Project)	6.50	10/15/40	2,000,000	2,056,280
Illinois Finance Authority, Revenue (Sherman Health Systems)	5.50	8/1/37	2,020,000	1,799,739
Railsplitter Tobacco Settlement Authority, Tobacco Settlement Revenue	6.00	6/1/28	3,000,000	3,017,910
Indiana—1.2%				
Indianapolis Local Public Improvement Bond Bank, Revenue (Indianapolis Airport Authority Project) (Insured; AMBAC)	5.00	1/1/36	5,000,000 c	4,586,250
Iowa—.4%				
Tobacco Settlement Authority of Iowa, Tobacco Settlement				