Bond Case Briefs

Municipal Finance Law Since 1971

Muni Bonds Drop Most Since February in Slow Reaction to Selloff.

- **Decline comes a day after Treasury yields breached milestone**
- **30-year municipal yields rise to highest since March 2017**

The municipal-bond market, a haven for buy and hold investors, isn't known for swift reaction times. And the delayed response to the Treasury market downturn this week is no exception.

State and local debt prices posted their biggest drop in more than two months on Wednesday, a day after Treasuries yields reached 3 percent, a milestone that traders have been eyeing for months.

Yields on top-rated municipal bonds climbed across the curve, with those on 30-year debt rising five basis points to almost 3.17 percent, the biggest one-day increase since February 2 and the highest since March 2017, according to Bloomberg indexes. That comes after investors pulled $766 million out of municipal-bond mutual funds in the week ended April 18, marking the third straight week that funds have seen investors retreat, according to the Investment Company Institute.

Municipal bonds have posted a 1.4 percent loss this year amid concerns the Federal Reserve will raise interest rates at a faster-than-expected pace. R.J. Gallo, senior portfolio manager for Federated Investors, said the securities are tracking broader weakness in the bond market.

"All year long, every major fixed-income asset class is posting negative total returns –munis as well," he said.

Bloomberg

By Amanda Albright

April 25, 2018, 10:09 AM PDT

— With assistance by Taylor Riggs