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Ripples From Puerto Rico's Debt Crisis Reach the Mainland.

A lawsuit to invalidate $14 billion of Illinois bonds draws inspiration from the island's restructuring.

Joe Mysak, Bloomberg News's foremost expert on the $3.8 trillion municipal-bond market, has a saying about Puerto Rico: It was technically "in" the market for state and local government debt, but not "of" it. That is to say, for a number of reasons, it has always been considered an outlier.

Indeed, munis are off to a blistering pace in 2019, with mutual and exchange-traded funds focused on the debt on track to pull in a record amount of cash this year. Investors are buying even though a closely watched gauge of relative value would suggest the bonds are a screaming sell. Never mind that at the start of the year, a federal oversight board argued that more than $6 billion of Puerto Rico's general-obligation bonds should be declared null and void because issuing them in the first place breached the island's constitutional debt limit. It's just an outlier, after all.

Or is it?

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Bloomberg Markets

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July 2, 2019, 4:00 AM PDT

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