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Municipal Bond Fund Collapse Exposes Dangers of Junk Debt.

Takeaways by Bloomberg AI

- Brian Katz's stake in the Easterly Funds' RocMuni High Income Municipal Bond Fund tumbled 50% in two days, a stunning move in the staid world of municipal bonds.
- The Easterly fund had a 6.7% yield as of May 31, the highest among more than 60 high-yield muni funds, according to Morningstar Direct data, and a third of the fund's holdings were in default.
- The fund's collapse highlights the dangers lurking in high-yield munis, where bonds tend to trade sparingly and price discovery is elusive, and investors can be blindsided when sudden outflows force fund managers to unload troubled assets at prices far below estimated values.

Continue reading.

Bloomberg Markets

By Martin Z Braun

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