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Muni Tobacco Bonds Have First-Ever Default as Smoking Declines.

The municipal bond market's $80 billion tobacco bond sector had its first-ever default after a Nassau County, New York, agency failed to make a $36 million principal payment on June 1.

The junk-rated debt, backed by settlement payments that states receive from tobacco companies, were issued in 2006 as part of a $431 million deal.

Payouts to states and territories participating in the 1998 settlement with the major tobacco companies declined 19% in 2025, according to the National Association of Attorneys General. Those distributions are tied to the companies' sales, so as cigarette consumption falls, so does the revenue backing the bonds.

Continue reading.

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