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Munis See Worst Monthly Returns Since Lehman Collapse.

US state and local government debt posted its worst month in nearly two decades after inflation concerns, fueled by the ongoing US-Iran conflict, and fears of interest-rate hikes triggered a widespread bond selloff.

The Bloomberg Municipal Bond Index fell roughly 4.4% in September, the weakest monthly performance since September 2008, when Lehman Brothers Holding Inc. collapsed in the largest-ever US bankruptcy. Municipal yields soared last month to the highest levels since at least 2011, according to data compiled by Bloomberg.

“After a difficult stretch in September where we saw a rapid rise in yields, the market appears to be having a relief rally to start the week with reported cash coming into ETFs,” said Ryan Ciavarelli, senior vice president for credit research at Belle Haven Investments. “That has led to bumps in our scale and a chance for issuers to place deals into the market under improved conditions.”

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