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Biggest High-Yield Muni ETF Falls on Puerto Rico Concerns.

The largest exchange-traded fund that tracks the riskiest municipal securities fell the most in a year as investors sold on concerns that downgrades to Puerto Rico and its agencies may threaten their solvency.

The \$1.08 billion Market Vectors High Yield Municipal Index ETF (HYD), called HYD, fell \$1.10 this week to \$29.18, data compiled by Bloomberg show. It's the biggest slide since June 2013. The fund is at its lowest price since February, erasing gains from individuals pouring money into higher-yielding securities.

Puerto Rico's general-obligation bonds traded at record lows this week after Moody's Investors Service cut the commonwealth's \$14.4 billion of general-obligation bonds to B2, five steps below investment grade, from Ba2. The downgrade came after lawmakers passed a bill last week to allow some public corporations to restructure debt outside bankruptcy. Puerto Rico's debt tumbled 3.4 percent yesterday, the biggest one-day drop since December 2008, S&P Dow Jones Indices data show.

"Puerto Rico has most recently provided the impetus for a more general or more broad-based market move," said Jim Colby, who helps run HYD for Van Eck Global in New York. "Moves in the marketplace generally occur when you have big moments and big events" such as the commonwealth's circumstances this past week, he said.

Holiday Lull

Benchmark 10-year munis have climbed about 0.02 percentage point this week to 2.39 percent, data compiled by Bloomberg show. That would be the biggest gain in three weeks. States and cities have scheduled about \$3.6 billion of sales next week, up from \$2.5 billion during this holiday-shortened week, Bloomberg data show.

This week's decline pushed HYD to the biggest discount to its net asset value since October. That usually signals to investors an opportunity to buy because the fund's price is lower than the value of its assets.

ETFs are similar to mutual funds that track indexes of equities, bonds or commodities, though they can be bought and sold during the trading day. That makes it easier for individuals to enter or exit municipal investments than purchasing a portfolio of bonds themselves.

By Elizabeth Campbell and Brian Chappatta Jul 3, 2014 9:01 AM PT

To contact the reporters on this story: Elizabeth Campbell in Chicago at ecampbell14@bloomberg.net; Brian Chappatta in New York at bchappatta1@bloomberg.net

To contact the editors responsible for this story: Stephen Merelman at smerelman@bloomberg.net
Stacie Sherman

