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Muni Selloff to Continue in Weeks Ahead, Bank of America Says.

- *"Sloppy" market provides buying opportunities, firm says*
- *Flow of cash from municipal mutual funds expected to persist*

The selloff in the \$3.8 trillion state and local-government bond market, which has sent yields on 10-year AAA benchmark bonds up by more than half a percentage point since the U.S. election, should continue for another two to three weeks, the Bank of America Merrill Lynch municipal research team led by Philip Fischer wrote in a report.

Mutual-fund redemptions should continue for the next few weeks, but the worst outflows have either happened or are about to "very soon," the Friday report said. Last week, investors yanked \$3.1 billion from municipal-bond funds, the biggest outflow since 2013, according to Lipper US Fund Flows data.

"We think the market sell off in munis is likely to continue to the end of November and into the first full week of December in a slow and negotiating fashion in order to reach an exhaustion point," the report said. "This sloppy market provides buying opportunities, in our view."

Bank of America Merrill Lynch projects that the bull market in bonds that began in 1981 should run for another two years given the current and expected health of the global economy.

Bloomberg

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