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Muni Defaults Are Down this Year, But Dollar Volume is Way Up.

The par amount of bonds in default is up to $35.4 billion in 2017 from $20.1 billion at this point in 2016, mainly due to Puerto Rico.

For muni investors concerned about the default rate can breath a sigh of relief.

Even though Puerto Rico's woes are a huge hit in dollar terms, the number of issues in default are quite a bit lower than the past two years, according to a new report from Matt Fabian's Municipal Market Analytics.

Issues in default number just 29, down from 37 last year and 36 the year before, he reports Friday.

But the par amount of bonds in default is up to $35.4 billion from $20.1 billion at this point in 2016. That's "driven entirely by there being more and larger Puerto Rico issuers defaulting this year than last," Fabian writes.

Outside of Puerto Rico, trends look a lot better. He writes:

> Away from Puerto Rico, default and impairment trends remain favorable. Over the last twelve months, only three municipal sectors—retirement projects (+8 more), local GOs (+2), and local multifamily housing (+1)—are showing an increase in payment defaults versus their three year average (Fig. 10). For retirement, the increase is driven by the two large networks of retirement projects (i.e., Brogdon and ALF) that each have multiple related bond issues in default. For local GOs, the increase is more a function of exceptionally low prior default experience than a material degradation in credit quality now. Local multifamily housing is only showing a slight increase.

The iShares National Muni Bond ETF (MUB) is has returned about 4% year-to-date. The 12-month yield is 2.2%.

Barron's

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