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Wall Street Is Busy Buying Back Muni Bonds as Tax Bills Come Due.

- **Inventories of floating rate bonds have risen to $5.7 billion**
- **The selling may be helping push yields to highest since 2008**

Wall Street securities dealers have been busy buying back floating-rate state and local government bonds from their customers.

The firms' inventories of so-called variable rate demand notes, which investors have the option to sell back periodically, swelled to $5.7 billion during the week ended April 4, according to the most recent figures released by the Federal Reserve Bank of New York. That's the highest since late December and up from as little as $1.6 billion at the end of January.

The increase is likely being driven by tax season, when investors frequently sell the securities to raise cash to pay what they owe, and may be helping push yields up to their highest in nearly a decade. Dealers' inventories of the debt also ticked up last year as tax bills came due.

The increase in yields could provide a boost for municipal money-market funds, which have struggled to draw in cash because of low yields and new regulations that subject their asset values to swings in the market, a risk investors hadn't faced previously.

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By William Selway

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