

Bond Case Briefs

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An Assumed 'Treasury Put' May Have Doomed Puerto Rico Bond Investors.

Was the Detroit bankruptcy a turning point in the municipal bond market?

For years, bond investors snatched up debt issued by the Puerto Rican government, even as the island's economic and fiscal situation deteriorated. What's more, bond yields never rose high enough to reflect [the risk Puerto Rico clearly displayed](#).

Many investors are now suffering. A 2009 Puerto Rico general obligation bond traded last month at 42 cents on the dollar.

A new academic paper suggests those market conditions may not have been as off-base as they look now, in the aftermath of a debt default, the creation of an oversight board, and bitter battles between bondholders, government officials, bond insurers, and many other counterparties.

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Market Watch

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