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Wells Fargo Bucks Muni-Market Herd With Push Into Local Bonds.

- **Lyle Fitterer says firm overweight general-obligation bonds**
- **As others avoid them, ‘we’ve found pockets of opportunity’**

Since Detroit collapsed into bankruptcy five years ago, some investors have favored municipal bonds secured by specific taxes and revenue, wagering they’ll fare better than debt backed by only a promise to repay should a local government run into financial distress.

But, lately, Wells Fargo Asset Management’s Lyle Fitterer isn’t among them.

Fitterer, who oversees $39 billion in municipal debt, said his firm has expanded its allocation to general-obligation bonds and bought those issued by localities in Michigan, Illinois, and Pennsylvania — states where some governments have struggled with fiscal strains even amid the second-longest economic expansion on record.

“Because people have been avoiding a lot of local general-obligation bonds, we’ve found opportunities there,” Fitterer said.

Fitterer said doing extensive research on factors like a town’s cash reserves, debt levels, taxes and demographic trends can help locate the most resilient bonds. He also considers how much revenue is derived locally, as opposed to from state revenue-sharing.

One bet that has paid off is Southfield, Michigan, a Detroit suburb that Fitterer said has performed well. The city sold 10-year bonds in 2015 at a 2.72 percent yield, or about 73 basis points above the benchmark at the time, according to data compiled by Bloomberg. In June, it sold securities with a similar maturity for a 2.99 percent yield, about 50 basis points more than top-rated debt.

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