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Calls Mount for Investors to Sell High-Yield Munis After Rally.

- **Oppenheimer, Ramirez advise clients to sell riskiest debt**
- **Muni junk bonds have returned twice as much as corporates**

A growing chorus of analysts is advising those who invest in high-yield municipal bonds that it may be time to take their money and run.

Analysts from Oppenheimer & Co. and Samuel A. Ramirez & Co. on Monday said it makes sense to lock in their gains by selling the riskiest municipal bonds, which rallied this year as fixed-income investors sought out bigger returns. The 4.4 percent return on high-yield state and local government debt in 2018 is about twice the gain for corporate junk bonds and stands in contrast to the loss in the broader municipal market, according to Bloomberg Barclays indexes.

Oppenheimer analyst Jeffrey Lipton said high-yield municipal bond performance has possibly peaked after “outperforming the broader muni market with extended inflows” that have pushed down the yields relative to top-rated securities.

“We are not sure that further spread tightening is sustainable,” he wrote.

Ramirez, a New York-based brokerage, said the sector has run up too far and advised clients to look at highly-rated debt with maturities at 15 years or less, particularly those that can be called back by the issuer in five to eight years.

“It makes sense to pare back credit risk and improve credit quality into ‘AA’ or better general market names,” Ramirez wrote in its note. “We particularly like selling muni high yield into current market strength to capture gains at this time as we think bonds in this sector are vastly overbought.”

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