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Muni-Bond Defaults Show Risk Clustered in Midwest, Southeast.

- **Regions account for the highest share of impaired bonds**
- **'Warning flag' for muni-bond investors looking for new debt**

To find the distress in the municipal-bond market, look to the Southeast and Midwest.

That's the conclusion from Municipal Market Analytics, a research firm that examined state and local government bond defaults by using Bloomberg data and disclosure filings from issuers.

Such lapses are extremely rare, accounting for a minuscule share of the nearly $4 trillion market. But counties in the Midwest and Southeast are home to about 37 percent and 22 percent, respectively, of outstanding bonds that are in default for failing to make adequate payments or for violating elements of the debt contracts. Excluding bankrupt Puerto Rico, about $19 billion of the $31.8 billion in defaulted and impaired bonds are in those two regions.

That share is notable considering the areas together have issued only about one-third of all outstanding bonds.

Continue reading.

Bloomberg Business

By Romy Varghese

November 13, 2018, 4:00 AM MST

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