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Banks Post Longest Retreat From Munis Since 1996 on Tax Cuts.

- **Big banks reduced exposure by $3 billon during third quarter**
- **JPMorgan, Wells Fargo, Morgan Stanley see largest declines**

Some of the biggest U.S. banks have continued to reduce their exposure to state and local government debt, slashing such holdings by $3 billion during the third quarter, after the federal corporate tax cut weakened the appeal of the securities.

The latest reduction was led by JPMorgan Chase & Co. and Bank of America Corp., which together accounted for more than half of the decline in the three months ended in September, according to quarterly filings with the Securities and Exchange Commission. State Street Corp., Citigroup Inc., First Republic Bank, Bank of New York Mellon Corp. and Morgan Stanley also reduced their holdings in the third quarter.

The figures from the big banks suggest that U.S. lenders are on track to pare their investments in tax-exempt bonds for a third straight quarter, which would be their longest-running retreat from the $3.9 trillion market since 1996, according to Federal Reserve Board figures. That has added headwinds to the market because U.S. banks are one of the biggest buyers of municipal securities.

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By Michelle Kaske

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