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Banks In Record Retreat From Muni-Bonds After Tax Cut Makes Them Less Attractive.

- **State Street, JPMorgan, Bank of America report cutting stakes**
- **Signals first annual pullback from the market since 1995**

Big banks cut their holdings of state and local-government bonds during the last three months of 2018 as the corporate tax cut reduced the benefit of owning the securities, signaling the industry's biggest annual pullback from the market on record and its first in more than two decades.

State Street Corp., JPMorgan Chase & Co., Bank of America Corp. and Goldman Sachs Group Inc. together reduced their holdings of municipal debt during the fourth quarter by \$5 billion, according to filings with the Securities and Exchange Commission. While some, including Wells Fargo & Co. and Citigroup Inc., stepped up their purchases at the end of the year, it wasn't enough to make up for the cutbacks by other lenders.

The fourth-quarter reduction comes after banks slashed nearly \$40 billion from their state and local-government bond holdings from January through September, according to Federal Reserve Board figures, marking a stark reversal for an industry that had been a steadily growing source of demand. The filings indicate that banks' holdings declined overall last year for the first time since 1995 and eclipsed the record drop of \$29 billion in 1987.

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