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High-Yield Muni Market Passes a Key Test From Puerto Rico's Sell-Off.

- **New sales-tax debt is most actively traded in muni market**
- **There was concern it could weigh on performance of junk bonds**

Over the past month, hedge funds and other investors dumped more than \$2.5 billion of debt they received in Puerto Rico's record restructuring, a sell-off that made the sales-tax-backed securities the most actively traded in the municipal-debt market.

Yet the prices haven't crashed — and the flood did little, if anything, to dampen the gains for other tax-exempt junk bonds.

The performance shows that the \$3.8 trillion municipal market weathered a major test from Puerto Rico's bankruptcy, by far the biggest ever for an American government. The debt restructuring, a precursor of others that will follow, had raised concern that the speculative corner of the market would struggle to absorb the billions of dollars of new debt, pushing up yields on Puerto Rico's new securities and other high-risk debt competing for limited space in investors' portfolios.

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