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Muni Bonds Stage Biggest One-Day Rally Since 2017.

- **Top-rated, 30-year bond yields tumble 10 basis points to 1.59%**
- **'I'm shocked it's gone as low as it has,' investor says**

Just when municipal bonds didn't seem to have much more room to rally, the fear cast by the coronavirus is driving them to their biggest one-day jump in more than two years.

As stocks plunged worldwide and investors rushed into the safest assets, the yields on top-rated state and local government debt maturing in 30 years plunged 10 basis points to 1.59%, the biggest one day drop since December 2017, according to the Bloomberg BVAL index. Those on 10-year benchmark tax-exempt bonds fell 7 basis points to 1.03%.

The economic uncertainty posed by the spreading coronavirus is spurring a market that had already been rallying since late 2018, driving yields to the lowest since the 1950s, as investors poured money into state and local government bond mutual funds. Such funds picked up about \$1.8 billion of new cash during the week ended Feb. 19, according to Refinitiv Lipper US Fund Flows data.

"Investors are fleeing to high-quality assets as the market freaks out about the coronavirus spreading to other places besides China," said Jason Appleson, a portfolio manager at PT Asset Management.

"I'm shocked it's gone as low as it has so nothing would surprise me at this point if we continue to see contagion," he said. "It seems the market is very focused on what the economic implication of coronavirus is."

The rally has pushed yields so low that investors have been shifting into the longest-dated debt to pick up slightly better yields, said Peter Block, head of municipal strategy at Samuel A. Ramirez & Co.

"If there is any value to be had in the market, it's going to be the 30-year right now," Block said, though that value will be taken out pretty quickly as continued buying pushes the yield down even further. He said it's like a "mini sale with limited supply."

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— *With assistance by Danielle Moran, and Amanda Albright*