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Risky Munis Haven't Fallen This Much Since Trump's Election.

- **Muni high-yield index fell 1.5% each of the last two days**
- **Airlines, tobacco bonds lead decline in worst month since 2016**

The coronavirus is crushing high-yield municipal bonds.

Risky state and local government debt issued on behalf of airlines, oil companies, or backed by a national settlement with tobacco companies has declined 1.5% each of the last two days as investors were spooked by the impact the virus and crashing oil prices will have on the economy. VanEck Vectors High Yield Municipal Index ETF, the biggest high-yield municipal bond exchange traded fund, declined more than 8% during the first two days of the week, though it pared those losses with a 0.4% gain as of 11:31 a.m. Wednesday.

"We're probably in for a little bit of a rocky market for a while," said Dan Solender, head of municipal debt at Lord, Abbett & Co. "The energy sector is not huge for us, but there's still a lot of investors out there that see high-yield taxables having their issues and then just decide they're going to pull money out of high-yield munis."

High yield niche sees biggest rout since Trump's win
The last time high-yield municipal bonds fell more than 1.5% in a day was Nov. 14, 2016, following Donald Trump's election, as investors speculated his plans to cut taxes and boost spending would spawn inflation and erode the value of tax-exempt debt. They were wrong on both counts. Investors later flocked to tax-exempt debt after the Republican tax-bill limited state and local tax deductions and curbed the supply of new bonds by doing away with a major refinancing tactic. Underlying inflation has remained tame, although asset prices have ballooned.

Funds are selling their most liquid bonds like tobacco to raise cash for redemptions, according to Solender.

The Bloomberg Barclays Municipal Bond High Yield Index is down 3.1% this month. It declined 6% in November 2016.

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