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Soaring Bond Yields Drive States, Cities to Buy Back Own Debt.

- **Ohio, Pennsylvania buy hospital debt after market selloff**
- **Yields on variable-rate munis have fallen but still above norm**

Investors' swift retreat from a key corner of the municipal-bond market is causing state and local governments to take matters into their own hands.

Governments are wading into the variable-rate market to drive down borrowing costs on the bonds with interest rates that reset daily or weekly. The municipal-bond market's steep sell-off last month led yields on the debt to surge as money managers dumped them to raise cash, costing municipalities as they were facing higher expenses from battling the spread of the coronavirus.

The steps by officials to buy back some of their localities' own debt signal some concern about the health of the state and local bond market even after the Federal Reserve last month included purchases of variable-rate debt as collateral as part of its lending program for money market funds. Yields on an index of the securities fell 2.9 percentage points on Wednesday to 1.83%, still higher than the 0.92% that the index has averaged over the last five years.

Continue reading.

Bloomberg Markets

By Amanda Albright and Romy Varghese

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