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Muni Bond Boom Is Sputtering as Interest Rates Rise.

Governments are less willing to borrow and households are less willing to invest in the \$4 trillion market

Rising interest rates are threatening the municipal-bond boom on Wall Street, leaving governments less willing to borrow and households less willing to invest in the \$4 trillion market.

Bond issuance by state and local governments dropped 8% in the first quarter from a year earlier, with public officials calling off refinancings and spending down stimulus cash. At the same time, spooked investors yanked their money from municipal-bond funds, which suffered their biggest quarterly outflows since 2013.

States and cities have been forced to cut prices to sell their bonds to banks and insurance companies because muni bond funds are no longer offering top dollar, dealers said.

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By Heather Gillers

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