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Bond Buyers Unfazed by California's Alarming \$68 Billion Deficit.

- **Spreads on California bonds have not moved meaningfully**
- **Wealthy investors are drawn to California tax-exempt debt**

Municipal bond investors seem to have brushed off news that California's budget has gone from a record surplus recently to its largest deficit ever at \$68 billion.

An index of California bonds showed yields trading below those of top-rated debt after the state's budget adviser said tax revenue had plummeted below what was expected, more than doubling the budget shortfall from a year ago.

That's because demand for California bonds that wealthy residents use to shield their income from taxes is outweighing concerns about the looming fiscal crisis facing the most populous US state. Put simply, high-tax rates in California are more concerning than the budget hole.

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