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## **Record Hiatus of Muni Bankruptcies Cheers Market — for Now**

- **US pandemic aid, even inflation, propped up municipal coffers**
- **Strong credit cycle likely challenged by waning federal money**

Municipal bankruptcies are becoming a distant memory for tax-exempt bond investors thanks to the strength of US state and city balance sheets. Some strategists warn the sunset of federal aid may ratchet up credit fears.

Wednesday will mark a record 449 days since Hazel Hawkins Memorial Hospital filed for Chapter 9 protection on May 23, 2023, surpassing the previous longest stretch from June 2021 through September 2022, Bank of America Corp. analysts advised in a note last week. And it's been seven years since a bankruptcy-like filing for Puerto Rico rocked the market, as similar events by Jefferson County, Alabama, Detroit and Orange County, California, had in past decades.

Investors continue to flock to the muni market, helped by solid returns and improved issuer creditworthiness. State and local governments for the past few years have been buoyed by hundreds of billions in federal dollars allocated to provide financial stability during the pandemic era.

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### **Bloomberg Markets**

By Erin Hudson

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