
Muni Rout Sends Prices Plunging With Worst Day in Two Years.

Municipal bonds are dropping for a fourth straight day as bets on less aggressive Federal Reserve rate cuts are causing a rout that is reverberating throughout fixed income markets.

Top-rated 10-year municipal bond yields climbed 18 basis points on Wednesday, their worst day in over two years. The unusually strong selloff in the typically staid state and local government debt market comes after rates on 10-year benchmark debt climbed 8 basis points on Tuesday. That index now stands at 3.02%, the highest since June, according to data compiled by Bloomberg.

Ryan Henry, a municipal strategist at FHN Financial, said that buyers stepped away in the last few days as muni bonds became expensive compared to Treasuries. “I think everyone was a bit blindsided by the treasury move,” he said. “Munis were outperforming and today was the tipping point.”

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Bloomberg Markets

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October 23, 2024