

Bond Case Briefs

Municipal Finance Law Since 1971

WSJ: Trump Win Dents Muni Bonds

Prices fell Wednesday on bonds sold by state and local governments as investors prepared for a world of lower taxes and higher federal deficits.

Benchmark 10-year municipal bonds were yielding 3.12% in midday trading, compared with 2.96% yesterday before Republican Donald Trump won a second term, according to ICE Data Services. Prices fall as yields rise.

Treasury prices, which often drive moves in munis, fell Wednesday as investors anticipated more inflation and more federal debt. But muni bondholders likely also expect tax cuts could lessen the appeal of munis' tax-exempt interest. Trump has pledged to cut taxes on U.S. manufacturers, for example.

Such promises "could have a considerable impact on the municipal market," Abby Urtz, senior vice president at FHN Financial , wrote Wednesday.

One looming question for the \$4 trillion market: The fate of the the \$10,000 limit on state and local tax deductions created in 2017 to pay for other Trump tax cuts. That policy supercharged demand for New York and California munis.

The Wall Street Journal

By Heather Gillers