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Muni-Bond Rout Comes as Concerns Brew Over Tax-Exemption Repeal.

Municipal bonds are selling off this week, causing state and local government debt to cheapen compared to US Treasuries.

The rout comes after threats over a pullback in the muni tax-exemption have mounted. Those concerns coupled with recent market volatility, elevated bond issuance and seasonal pressure caused by investors selling to pay tax bills, have put pressure on the public finance market.

“When we talk to customers, the tax-exemption is having an impact — and it’s having an impact even if people are staying on the sidelines,” said Ryan Henry, a strategist at FHN Financial.

Continue reading.

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