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ETFs Highlight Ease of Trading in Three-Day Selloff for Munis.

This month’s panic-driven selling across municipal bonds — fueled by the boom in ETFs — is proving a mixed blessing for investors in a normally sedate market corner.

As the tariff-spurred turmoil erupted in recent weeks, money managers navigated the immense selling pressure via exchange-traded funds, which lived up to their billing as efficient vehicles for price discovery. That’s a boon in an asset class where some securities can go months without trading.

At the same time, that ease of trading also contributed to the biggest three-day drop for munis since the pandemic, with ETFs accounting for more than 40% of the $3.3 billion in outflows from the market for local and state government debt in the week ended April 9, according to LSEG Lipper Global Fund Flows.

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