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A Troubled High-Speed Rail Project Creates Problems for Some National Muni Funds.

A recent deferred interest payment has sent bond prices tumbling.

High-speed passenger rail system Brightline's mid-July decision to defer interest payments on a portion of its debt sent a ripple effect through the high-yield municipal-bond market. Since then, the largest owners of the debt have suffered steep losses.

The episode has been another bump in what has been a rocky year for municipal-bond funds and shows that an asset class often regarded as sleepy can sometimes jolt investors awake.

Brightline's Background

Brightline Florida, a significant issuer in the high-yield muni market, has evolved since first launching a private passenger US rail service in 2018. Most notably, it launched a 235-mile connecting route between Miami and Orlando in 2023. While the company aspires to extend its services to Tampa, its debt-management challenges have dominated recent headlines. Lower-than-anticipated ridership and revenue have been headwinds.

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