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Investors Grow Wary of Risky Municipal Bond Deals.

Summary:

- Buyers rejected multiple speculative muni deals, including an 8% Houston nonprofit offering.
- Junk muni issuance trails last year's pace by 5%, totaling $3.3 billion year-to-date.
- High-yield bonds now represent a record-low 6% of the broader muni market.

The Market Gets Choosier

Investors are saying no to risky municipal bonds – even when the yields look tempting. A recent deal from Houston-based nonprofit QCF/I, offering an 8% return, failed to attract enough buyers and was scrapped. Another unrated bond proposal for a senior housing project in Tucson met the same fate.

The rejections highlight a shift in the $2.81 trillion muni market. With yields on safer government debt near multi-decade highs, buyers no longer feel pressured to chase speculative-grade debt for extra income. Jennifer Johnston of Franklin Templeton said, "You have to get paid for the risk. People aren't desperate enough to skip the better credit choice."

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