Stock Slide Brings Relief to Munis Amid Worst Run Since January
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By Danielle Moran
(Bloomberg) -- The stock market's slide is taking some of the sting out of the municipal-bond market's worst month since January.
State and local government bonds rallied along with Treasuries Tuesday as investors shifted money into the safest assets, pushing the yield on 30-year benchmark debt down more than 3 basis points to about 3.38 percent, the biggest one-day drop since late last month. That came as the S&P 500 Index headed toward its 12th loss in 14 days amid concerns that the growth of corporate profits has peaked.
"Lately there's been a bit of profit-taking or people feeling uncomfortable with the equity market and reallocating into munis," said Tom Hession, managing partner at Riverbend Capital Advisors, which holds municipal bonds in accounts managed for investors.
The price gains are a welcome shift for the municipal-bond market, which had been headed toward its worst monthly loss since January after a sell-off triggered by concerns that the strength of the economy will lead the Federal Reserve to keep raising interest rates. Those losses caused the individual investors who dominate the tax-exempt debt market to pull money out of mutual funds for the last few weeks, leaving analysts speculating about the impact a sustained pullback could have on the market for the rest of the year.
It "looks like some of the cash that came out of funds over the past four weeks and stuffed into money market funds is being redeployed into longer-term bonds," Peter Block, head of municipal strategy at Ramirez & Co., a brokerage firm, wrote in an email. "Munis are captured within safe-haven buying as stocks sell off on higher rates and China trade war concerns."

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