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## Muni Yields Poised to Plumb Record Lows on Chaos From Trade War

- Yields fell across the municipal-bond curve on Wednesday
- Investors point to trade tensions and global economic slowdown

By Nic Querolo and Amanda Albright

(Bloomberg) -- Municipal-bond investors may want to get used to the phrase "record low."

Yields on top-rated, callable state and local debt maturing in 10 and 30 years fell to the lowest levels since at least 2011 on Wednesday as concern grows about the impact of the escalating trade war on global economic growth.

That's left state and local debt investors wondering how much longer the free-fall will last.

"As we all know, this can turn on a dime," said Debra Crovicz, a managing director at Chilton Trust Co. "But I think we are going to be in this lower environment for longer, probably more so than a year ago we would have anticipated."

Municipal bonds maturing in 10 years fell six basis points to 1.31% on Wednesday, and 30-year muni yields fell 7 basis points to 2.02%.



"When you get down to these levels of absolute yields for high grade munis in 10 and 30 years, I think typically some sticker shock will set in with investors," said James Iselin, a managing director at Neuberger Berman Group LLC. "But the rally in rates, which really had a new leg, if you will, with Trump's tweet on tariffs last week, has really turbocharged the Treasury market. It has pulled our market along with it."

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Neil Klein, senior managing director at Carret Asset Management LLC, said the drop in municipal-bond yields is being driven by a “perfect storm” of factors. The flight to safe haven assets comes on top of already-strong demand for tax-free municipals this year from investors eager to shield their tax burdens.

Klein said he expects interest rates to drop further in the short-term but ultimately “normalize” higher.

“We feel as though rates are moving lower because of outside influences,” he said. “All those things can change, and they can change quickly.”

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