

SALT-Fueled Rally in Muni Market Faces Tax-Day Test

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By Amanda Albright

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The rally in the \$3.8 trillion municipal-bond market is about to face a major tax-season test. All year, analysts have credited the \$10,000 cap on state and local tax deductions for driving a record-setting amount of cash into tax-exempt debt as investors look for ways to cut what they owe to the federal government. The wave of money helped propel a five-month rally that's pushed yields on some municipal bonds to the lowest against Treasuries since at least 2001.

"The demand side has been big," John Mousseau, chief executive officer and president of Cumberland Advisors, said in an interview. "The market is a little bit vulnerable to a backup in yields and a bit of a selloff."

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