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## **BlackRock Says Bond Market Views Puerto Rico Board as Positive.**

The bond market is viewing a new federal control board charged with overseeing Puerto Rico's finances as a positive for investors, according to BlackRock Inc.'s Sean Carney.

"Some of the better-secured bonds had a bit of a relief rally after the board was named," Carney, head of municipal strategy, said Wednesday after a media presentation at the company's headquarters in Manhattan. BlackRock manages about \$124 billion of municipal debt, including Puerto Rico bonds.

President Barack Obama last week appointed seven members to the board from lists submitted by congressional leaders of both parties. The panel must curb the island's recurring budget shortfalls, oversee any restructuring of its \$70 billion of debt and address a \$43 billion unfunded pension liability.

"The names that were put on the board seem to be modestly friendly for bondholders, but it's going to be a very long and drawn out process," Carney said. "We don't know what questions they're going to have to answer or what hurdles they'll have to clear. So there's still a lot of unknown, but I think the market appreciated a little bit of certainty in an uncertain environment."

Some Puerto Rico securities gained in price following the board's formation on Aug. 31. Commonwealth general obligations with an 8 percent coupon traded at an average 66.7 cents on the dollar Wednesday, the highest average price since July 29 and up from 65.3 cents on Aug. 30, the day before Obama's board announcement, according to data compiled by Bloomberg.

"We got a nice relief rally out of the board being put in place and we'll look for some more answers, a little bit more clarity," Carney said.

An index of commonwealth securities has gained every day in the past week, increasing by 1 percent since Aug. 31, according to S&P Dow Jones Indices.

Puerto Rico began defaulting on agency debt a year ago and missed nearly \$1 billion of principal and interest due to investors on July 1, including \$780 million on general obligations. It was the largest such payment failure in the \$3.7 trillion municipal-bond market. The control board will manage any debt restructuring after island officials have been negotiating for months with bondholders to accept less than what they're owed on their investments.

"There's no income being generated on these bonds," Carney said. "It's somewhat of a recovery play. This is different than the traditional municipal market, so we have to view it that way. It's more of an opportunistic holding."

### **Bloomberg Markets**

by Michelle Kaske

September 7, 2016 — 11:22 AM PDT

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