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Bond Insurer Stocks Hit in Puerto Rico Proceedings.

Shares of firms that insure some of Puerto Rico's municipal bonds took a hit Wednesday after the island commonwealth was placed under bankruptcy protection.

Shares of Ambac Financial Group, which guarantees \$10 billion in Puerto Rican debt, dropped 1.9% Wednesday, bringing its fall this week to 5.2% and its 2017 losses to 18%. The stock has been down for five straight sessions.

MBIA fell 0.9% and Assured Guaranty slipped 0.2%, underperforming the S&P 500's 0.1% drop.

"Right now, Puerto Rico is the primary driver of these stock prices," said Mark Palmer, an equity research analyst at BTIG, who believes a "dire scenario" is already baked into their prices.

About \$12 billion of the island's \$73 billion in debt is insured, insurers' filings show. On Tuesday, ahead of the decision by federal officials to place Puerto Rico under bankruptcy protection, Ambac challenged the commonwealth's debt restructuring plan in federal court.

The stocks have long followed the twists and turns of the Puerto Rico case. Ambac's stock jumped 22% in the final two months of 2016 as Puerto Rico's new governor, Ricardo Rosselló, was seen to favor repaying the island's debts.

Creditors had fought with the previous governor, Alejandro Garcia Padilla, but thought Gov. Rosselló, would be on their side when he took office earlier this year. Wall Street's relationship with the governor has since deteriorated.

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