

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

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## **U.S. Trade Policy Fears and the Specter of Stalled Growth Drive Market Volatility.**

### **Interest Rate Volatility**

Once again bond traders participated in a volatile interest rate environment week. U.S. 10 year interest rates bounced from 2.92 to approach 3.00% by mid week and then returned back to 2.92% by the close of trading today. The volatility this week was driven by policy fears, specifically that trade tension with US trading partners could stall the pace of economic growth.

### **Strong Demand for California Debt**

Municipal New Issue Supply was twice the YTD weekly average (\$4.9bn) with approximately \$10 billion coming to market this week.

California debt continues to have the strongest demand and California Municipal bonds continue to perform well, exemplified by the reception for \$1.1 billion California Municipal Finance Authority AMT deal. The purpose of the deal is to design, construct, finance and maintain a 2.25 mile elevated people mover system at LAX.

In addition, the borrowing rate in California is decreasing. AAA rated City of San Francisco bonds came to market in the 5 year part of the curve at 26 basis points through AAA National Benchmark. Just a month later, AA+ Southern California Metro Water came to market with a new issue on Tuesday June 5th at 28 basis points through benchmark rates.

### **Election Results**

On the policy front, the California voters approved a \$4.1 billion state bond measure in Tuesday's primary election. Neighborly is most excited about Prop 68 authorizing \$4 billion in general obligation bonds for state and local parks, environmental protection and restoration projects, water infrastructure projects, and flood protection projects. The measure requires that between 15% and 20% of the bond funds be dedicated to projects in communities with median household incomes less than 60% of the statewide average. The largest amount of bond revenue, \$725 million, was earmarked for neighborhood parks in park-poor neighborhoods.

Posted 06/08/2018 by Homero Radway

### **Neighborly Insights**