Bond Case Briefs

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States Have Reason to Share Trump's Concern With Rates.

- **Rate increases boost taxpayer costs to float bond issues**
- **Benchmark 10-year muni yields hit highest since early 2014**

State officials have reason to share President Donald Trump’s unhappiness with rising interest rates.

California, Illinois, Wisconsin and Connecticut are preparing to sell $2.3 billion in bonds, collectively, just as interest rates reach multi-year highs. For cities and states, every basis point on a deal is important, given taxpayers usually are ultimately on the hook for the borrowing.

The 10-year benchmark yield for top-rated municipal borrowers hit the highest since early 2014 amid expectations the Federal Reserve will continue to raise rates. The move might sting for states and local governments tied to bond sales scheduled months in advance as part of planning public works.

David Erdman, capital finance director at the Wisconsin Department of Administration, said he’s watching the market to see how much more interest rates increase before making a decision on the timing of the state’s $362 million debt sale, which is currently set for next week.

“It’s been a pretty ugly market and we’d like to get some stability and enter the market when there’s more stability,” Erdman said.

Still, interest rates remain attractive for municipal-bond issuers compared to the past two decades, Erdman added.

California, which has sold bonds in October or November for the last five years, is one of the states affected by the selloff. The yield premium that investors demand on California 10-year general-obligation bonds — the type of debt the state is selling next week — has widened to about five basis points over the benchmark. Less than two months ago, the AA- rated state’s debt was trading at yields as much as seven basis points below AAA rated borrowers.

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