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## Muni-Bond End Run Around Trump Tax Law May Pick Up as Rates Fall.

- **Bonds delivered later reopen path to tactic targeted in law**
- **Barclays analysts predict sales of such debt will rise**

The slide in interest rates may spur more American states and cities to make a bond-market end run around the federal government.

After President Donald Trump's tax-cut law effectively pulled the subsidies from advance refundings — a once frequently used tactic that allowed governments to refinance debt well before it could be bought back from investors — Wall Street banks concocted a way to accomplish the same objective. Municipalities could sell bonds now, allowing them to lock in current interest rates, and deliver them months or even years later when the outstanding securities can be called back.

That strategy has so far been slow to take off, with only about \$1 billion of such bonds sold over the past six months, according to Barclays Plc. That's a far cry from the tens of billions of dollars that were issued every year for advance refundings.

But Barclays analysts Mikhail Foux and Mayur Patel, who track the municipal market for the bank, said in a note Thursday that the sale of bonds with forward delivery dates may accelerate. That's because widespread anticipation that the Federal Reserve will lower interest rates is pushing down yields, reducing the extra payouts investors demand to compensate for the risk of accepting today's yields on securities that won't be delivered for months.

"If they want to realize immediate savings this is a tool that they can use," said Foux. "In this environment, you don't pay as much given you add the forward premium to current yields. It still makes present savings more attractive."

The uptick would be welcomed by Wall Street banks, whose underwriting departments have been hurt by the steep drop in debt sales since the 2017 tax law rolled back the ability of states and cities to refinance their debts.

Brandeis University is among municipal-bond market borrowers that have used the refinancing tactic.

"The forward delivery worked well for us," said Sam Solomon, chief financial officer at the school, which sold tax-exempt muni bonds through the Massachusetts Development Finance Agency in January that weren't delivered until this month. "Of course hindsight is 20/20, but we were able to lock in the savings so we could plan our debt service and use those savings to issue new money bonds, which funded projects we were able to start sooner."

### **Bloomberg Markets**

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