

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **California Sells \$2.1 Billion of Munis Amid Newsom Recall.**

- **Ten-year California GO bonds trading at above average yields**
- **Spread widening after vote may create buying opportunity**

California sold \$2.1 billion of tax-exempt general-obligation bonds Tuesday, just as its citizens cast their ballots to decide the fate of Governor Gavin Newsom in a recall vote.

Despite the political tumult, the sale came on the heels of an outlook boost to positive from stable. Credit ratings for the state, which is the largest issuer of muni bonds, are at the highest levels in decades as demand for muni-bonds soars.

Ultimately, the vote may amount to little more than a blip for investors facing high taxes and the prospect of changes to the cap on federal state and local deductions on the horizon.

“It has definitely added a different facet to the deal, but when you’re looking at deals that are 10, 20, 30 years in maturity, investors should look long term and be prepared to hold a credit through multiple election cycles,” said Dora Lee, director of research at Belle Haven Investments.

The state sold bonds to investors at a yield of 0.06% for debt that matures in 2022 with a 5% coupon, 1 basis point less than top-rated benchmark securities, according to repricing data collected by Bloomberg. Longest dated securities priced with a 2.48% yield and a 2.4% coupon. Yields on most maturities dropped slightly from those offered to investors in preliminary pricing, indicating strong demand for the deal, the data shows.

Ten-year California general obligation bonds are trading at yields about 6.8 basis points more than benchmark securities, according to Bloomberg data. That’s slightly higher than the average spread of 5.6 basis points over the last three months, the data show.

The state’s credit is in “excellent shape, and absent the recall, we think worthy of tight spreads,” wrote John Ceffalio and Patrick Luby, municipal analysts at CreditSights in a report evaluating the bond sale published earlier this month. The state is flush with cash, reporting higher than expected revenue collections and receiving \$27 billion from the American Rescue Plan.

Ceffalio and Luby said that a successful recall could push spreads “modestly” wider as investors fear that the state’s strong governance could slip. They said that some replacement candidates seem “ill-suited and lightly qualified” to manage the state’s budget.

Still, any spread widening could create an opportunity. “In our view, if California credit spreads widen in the aftermath of the election outcome, investors should consider it as a buying opportunity,” wrote Barclays Plc strategists Mikhail Foux, Clare Pickering and Mayur Patel in a Sept. 3 research note.

### **Bloomberg Markets**

By Nic Querolo and Danielle Moran

September 14, 2021, 9:32 AM MDT Updated on September 14, 2021, 1:03 PM MDT

— *With assistance by Natalia Lenkiewicz*

Copyright © 2026 Bond Case Briefs | [bondcasebriefs.com](https://bondcasebriefs.com)