Bond Case Briefs

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Hidden Bond Fees Have Regulators Eyeballing Dealers: Muni Week.

On the afternoon of July 14, a broker bought Illinois bonds for 96.3 cents on the dollar. A little over an hour later, the same bonds were sold to an investor for $1.01, a jump of almost 5 percent.

Did the buyer know how much the trader made? Probably not. Unlike stock brokers, who must report commissions, bond dealers aren't required to disclose their markups. According to one estimate, investors may be overcharged to the tune of $1 billion a year.

That may change.

Securities and Exchange Commission Chairwoman Mary Jo White said last month her agency is working with regulators to require bond dealers to disclose markups when they buy securities to fill a customer's order.

When the Municipal Securities Rulemaking Board meets from July 30 through Aug. 1, it will take a first step toward doing that. The regulator said it will discuss soliciting comments from banks and others on the subject. It's a start, at least.

Would putting investors in the know save them money? It has in the past. Not until 2005 could investors even see where bond prices were trading on any given day. Once they could, they wound up paying less, according to a study released by the board.

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Municipal bond prices rose last week, pushing 10-year (BVMB10Y) yields down 0.09 percentage point to 2.22 percent, according to data compiled by Bloomberg.

Prices have been held aloft by a dearth of supply that's showing few signs of abating. This week, state and local governments are set to borrow $2.3 billion, down from $7.3 billion last week. The volume of deals set for the month is the smallest since February.

Among those borrowing this week: San Antonio, Texas, a city with the top credit rating from Standard & Poor's and Moody's Investors Service, which is raising $231 million. The New Jersey Turnpike Authority is set to offer $206 million of debt.

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The Federal Open Market Committee, which decides the direction of interest-rates, releases the results of its two-day policy meeting July 30.

It's not much of a cliffhanger. With the job market still on the mend, Federal Reserve Chair Janet Yellen told Congress this month that the central bank will keep interest-rates low for a "considerable period." Watch the statement for more clues.

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When unions set a Sunday, July 20, strike date for the Long Island Rail Road, the well-heeled lined up $3,500 helicopter rides home from the Hamptons while New York Mayor Bill de Blasio faced down a kerfuffle over his vacation in Italy.

To everyone but the chopper company's benefit, a strike was averted. Today, the Metropolitan Transportation Authority, which runs the railroad, is meeting to discuss the financial impact of the settlement with its more than 5,000 workers.

Payroll is also on the agenda in Los Angeles today. A city's employee relations board is considering a union effort to scuttle a 2012 law that raised the retirement age and capped post-employment benefits for some city workers. At stake: more than $4 billion the city hoped to save over the next 30 years.

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