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New Borrowing Drags Down U.S. Municipal Bond Sales in August.

(Reuters) – Issuance of U.S. municipal bonds edged down last month as new borrowing saw the slowest August in 17 years, Thomson Reuters data released on Tuesday shows.

Debt sales totaled \$24.1 billion in 834 deals, compared with \$24.72 billion in 795 deals in July. A year earlier in August, issuance was only \$20.97 billion in 733 deals. Altogether, issuance for the year through Aug. 31 was 12.5 percent behind the same period in 2013.

New borrowing totaled \$9.79 billion in 449 deals, the smallest August since 1997 when new debt totaled \$9.27 billion in 693 deals. In July, borrowers sold \$10.5 billion new bonds in 399 deals.

Refunding, on the other hand, ticked up in August. Refinancing totaled \$14.31 billion in 385 deals, compared with \$9.75 billion in 245 deals in August 2013. That was also stronger than July, when there were 396 refunding deals totaling \$14.22 billion.

Last year, as interest rates began rising from historic lows, cities, states and other public authorities ended their refinancing binge. But recently rates have fallen as demand for municipal bonds picks up.

On Municipal Market Data's benchmark scale, yields on top-rated 10-year municipal bonds fell 20 basis points over the course of August to end the month at 2.07 percent, the lowest level since May 2013.

Yields on highly rated 30-year bonds fell to 3.03 percent on the last trading day of August, also the lowest since May 2013, according to MMD, a unit of Thomson Reuters.

Sep 2, 2014 11:39am EDT

(Reporting by Lisa Lambert; Editing by Leslie Adler)