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Municipal Bond Sales Poised to Decline as Redemptions Increase.

Municipal bond sales in the U.S. are set to decrease in the next month while the amount of redemptions and maturing debt rises.

States and localities plan to sell $8.76 billion of bonds over the next 30 days, according to data compiled by Bloomberg. A week ago, the calendar showed $11.7 billion planned for the coming month. Supply figures exclude derivatives and variable-rate debt. Some municipalities set their deals less than a month before borrowing.

Pennsylvania plans to sell $1 billion of bonds, Utah Transit Authority has scheduled about $832 million, California's East Bay Municipal Utility District will offer about $510 million and Kentucky will bring $385 million to market.

Municipalities have announced $15.9 billion of redemptions and an additional $12.6 billion of debt matures in the next 30 days, compared with the $27.4 billion total that was scheduled a week ago.

Issuers from Texas have the most debt coming due with $3.16 billion, followed by New York at $1.39 billion and Minnesota with $1.08 billion. New York State Dormitory Authority has the biggest amount of securities maturing, with $394 million.

Market Contraction

The $3.5 trillion municipal market contracted by $4.82 billion last month. Sales of $46.1 billion compared with redemptions and maturing debt that totaled $50.9 billion. Last year, the market shrank by 4 percent. This year, maturities are poised to drop 38 percent from 2014 levels to $176 billion.

Investors added $966 million to mutual funds that target municipal securities in the week ended Jan. 14, compared with $1.33 billion in the previous period and the one-year average of $586 million, according to Investment Company Institute data compiled by Bloomberg.

Exchange-traded funds that buy municipal debt received $52.3 million of cash, increasing the amount invested in the ETFs by 0.3 percent to $15.6 billion.

State and local debt maturing in 10 years yields about 105 percent of Treasuries, Bloomberg data show. Since 2000, the gap has averaged 93.8 percent.

Bonds of Michigan and California had the best performance over the past year compared with the average yield of AAA rated 10-year securities, the data show. Yields on Michigan's securities narrowed 12 basis points to 2.16 percent while California's declined 8 basis points to 2.09 percent. A basis point is 0.01 percentage point.

Puerto Rico and New Jersey handed investors the worst results. The yield gap on Puerto Rico bonds widened 52 basis points to 9.24 percent and New Jersey's rose 12 basis points to 2.40 percent.

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By Ken Kohn

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To contact the reporter on this story: Ken Kohn in New York at kkohn@bloomberg.net

To contact the editors responsible for this story: Ken Kohn at kkohn@bloomberg.net Mark Tannenbaum, Stacie Sherman

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