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## **Puerto Rico Bond Offer Postponed, Seen Luring High-Yield Funds.**

NEW YORK Aug 18 (Reuters) - Puerto Rico postponed until later this week its first bond sale in public markets since it defaulted, investors said on Tuesday, an offering that according to Fitch ratings agency may attract high-yield municipal funds.

According to data company IPREO, the \$750 million deal for the Puerto Rico Aqueduct and Sewer Authority (PRASA) was slated to price on Tuesday.

One investor in contact with underwriters, who declined to be named, said they had been told the issue was postponed to Thursday.

"From everything I know now, I don't think (buying the issue) is a good idea," that investor said, adding they were concerned about the risk of default.

Lyle Fitterer, head of tax-exempt fixed income at Wells Capital Management, also said that it was his understanding that the release would happen Thursday.

It is meant "just to give investors more time to do their work," said Fitterer, who said he learned of the postponement from one of the underwriters.

PRASA and Bank of America Merrill Lynch, the lead underwriter for the deal, did not respond to requests for comment on the date of the pricing.

Bloomberg earlier reported the issue's delay.

High-yield closed-end funds may participate in this week's PRASA bond sale because of the authority's stable prices compared to other debt issuers from the island, Fitch Ratings said on Tuesday.

A return of municipal closed-end fund managers to Puerto Rico would be a source of liquidity for the U.S. commonwealth, according to Fitch.

The PRASA bond sale follows a failure by Puerto Rico to make a full payment due on bonds sold by its Public Finance Corp. The partial payment was considered a default by its creditors and ratings agencies, the first by the U.S. territory.

Fitch Ratings on Monday rated Puerto Rico's planned bond sale 'CC', meaning that default of some kind appears probable, and that there are very high levels of credit risk.

S&P, which lowered its rating on PRASA to CCC- in July, said on Tuesday that "events could unfold within the next three months that could expose PRASA to greater restructuring efforts."

Puerto Rico was scheduled on Monday to conclude its presentations to investors on the bond sale. The island had been conducting presentations since late last week.

By Jessica DiNapoli

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