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## [California Going to First From Worst When It Comes to Bond Sales.](#)

California municipal-bond investors who have been praying for an end to the debt-sales drought don't have to wait any longer.

Issuance from the most-populous U.S. state is set to lead the nation over the next 30 days, a reversal from as recently as last week, when California had the least upcoming deals, according to data compiled by Bloomberg. Spurring the shift is California's plan to sell \$2.3 billion of general-obligation bonds on March 8, the state's biggest offering since September 2014.

With a wave of supply on the way, investors are demanding higher compensation to own California debt. The extra interest they require to hold 10-year California bonds instead of benchmark munis rose to as much as 0.31 percentage point this week, the most since November, Bloomberg data show. That's still low compared to other states: Illinois is paying a 1.65 percentage-point penalty on its 10-year securities, the most among the 20 states tracked by Bloomberg, because of a political stalemate that's left it without a budget since July. That impasse has also slowed Illinois's borrowing. It has the least projected issuance over the next 30 days.

Only 12 states, led by California, have positive net supply in the next month, even though yields are holding near half-century lows.

Overall, municipal supply isn't as robust as it should be, said Dan Heckman, a senior fixed-income strategist in Kansas City at U.S. Bank Wealth Management, which oversees \$125 billion. While the finances of state and local governments revived along with the economy, many have been hesitant to run up new debts after being forced to cut their budgets in the wake of the recession. That led the state and local bond market to shrink from 2011 through 2014, according to Federal Reserve Board figures.

"We're concerned that these lower interest rates aren't generating a little bit more supply," Heckman said. "There's still some tight purse strings."

### **Bloomberg Business**

by Elizabeth Campbell

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