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Maryland, Georgia Headline Spike in U.S. Muni Bond Issuance Next Week.

A whopping \$12 billion of new sales of U.S. municipal bonds will come to market next week, a high for the year to date, highlighted by two offers of more than \$1 billion in general obligation bonds from Maryland and Georgia.

The week's sales are considerably above the weekly average of \$7.9 billion this year, according to preliminary Thomson Reuters data. The massive issuance is driven in part because of fears of a possible U.S. interest rate hike when the Federal Open Market Committee (FOMC) meets later this month.

The concerns were alleviated somewhat on Friday after the U.S. government reported weaker than expected May labor data, which pushed down the possibility of a Fed rate hike in June or July, according to analysts.

Non-farm payrolls rose by only 38,000 in May compared with economists' expectations of over 164,000, the government reported.

Jeffrey Lipton, head of municipal research and strategy at Oppenheimer and Co Inc, said the Fed would likely delay any increase in rates until after the "Brexit" vote on June 23, when the UK will vote on whether to leave the European Union.

Alan Schankel, managing director at Janney Montgomery Scott, said although there is often positioning ahead of the FOMC meetings, he did not see the June meeting as a huge factor in the timing of decisions.

"Market perception is that a bump in short rates (Fed) will have little if any impact on longer rates," he said. "I do think that we are seeing a pickup in overall muni new issue volume."

Phil Fischer, head of municipal research at Bank of America Merrill Lynch, said the substantial amount of issuance is good news for the U.S. economy.

"It's a positive story because we get more infrastructure, the state and local government refund their debt to save money, and there's a demand for the paper, so this is good stuff," he said.

REUTERS

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(Reporting by Rory Carroll, editing by G Crosse)