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October Sets New Record for Municipal Bond Issuance.

Sales of municipal bonds and notes soared to a record $52.5 billion in October, the biggest month of issuance since records began in the 1980s, according to Thomson Reuters data.

Municipal supply has surged in recent months as state, city and other public agencies eagerly sell bonds and notes at low interest rates.

October brought nearly $52.5 billion of new supply to the $3.7 trillion U.S. municipal market. The last time the market reached similar levels was in 2008, when $51.4 billion was sold in April 2008 and $50.6 billion was sold in June 2008, according to Thomson Reuters data.

Muni bonds have outperformed other fixed income securities and retained value for domestic investors seeking a tax exemption. Historically low and negative sovereign interest rates have also driven foreign investors, even if they cannot benefit from tax-exempt status.

The pace of issuance, however, may be slowing. Forecasts for November show supply dropping somewhat, perhaps reflecting higher interest rates, fewer refunding opportunities and the uncertainty surrounding the U.S. presidential election on Nov. 8, Janney Fixed Income Strategy’s Alan Schankel said last week.

REUTERS

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