
Delaware Bond Deal Tops Light U.S. Muni Sales Next Week.

The state of Delaware will sell $225 million of general obligation bonds on Feb. 23, the largest offer in a trading week shortened by the Presidents Day holiday on Monday.

Issuers are expected to sell just $3.8 billion of bonds and notes in the U.S. municipal market next week, according to Thomson Reuters estimates.

The subdued level of supply is in line with the low-volume trend that began at the outset of the month, according to Alan Schankel, managing director and municipal strategist at Janney Montgomery Scott.

“February is on track to be among the lightest volume months,” he said in a note on Friday. “Our estimate for a sub-$20 billion total places this month as the slowest February since 2014.”

Total issuance for January was $33.6 billion, 37.6 percent higher than the same month last year by par amount, with increases in both refundings and new money, according to Thomson Reuters data.

Other notable offers next week include $177 million of transit system sales surtax revenue refunding bonds from Miami-Dade County and $129 million of limited tax general obligation bonds for the Port of Seattle.

Anticipation of tax reform measures, which are expected to come from congressional Republicans in the coming weeks, has fueled speculation in the market about whether the proposals will seek to do away with the tax-exempt status of muni bonds.

“While a reduction in the tax rates threatens to reduce the value of the municipal tax-exemption, its elimination remains highly unlikely, in our view,” Peter Hayes, head of the municipal bond group at BlackRock, said in a monthly research note on Friday.

Public power utilities, which rely on the muni market to finance projects and which have warned lawmakers against eliminating the tax exemption on muni bonds, are not overly concerned about a major overhaul either.

“We’ve not found anyone rushing to market,” John Godfrey, senior government relations director with the American Public Power Association, said on Friday.

“There is some sense that the markets are already pricing tax reform risk into rates,” he said.

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