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Puerto Rico Debt Recoveries May Lag Trading Prices, Pimco Says.

- **Restructuring may leave less than market expects, analyst says**
- **Some general-obligations trading around 60-cents on the dollar**

Puerto Rico's record-setting restructuring may leave bondholders with larger-than-expected losses, according to according Pacific Investment Management Co.

The investment firm, which oversees \$40 billion of municipal debt and has steered clear of the Caribbean island's government bonds, said Tuesday that recoveries on some Puerto Rico securities may be less than what the current trading prices suggest. The U.S. territory, which resorted to bankruptcy-like proceedings last week, projects it can cover less than a fourth of what's owed to investors in the next 10 years, even after taking sweeping steps to steady its finances. A federal oversight board approved that plan in March.

"We would have expected a larger drop in bond prices year-to-date considering the Promesa Financial Oversight and Management Board announced a 'once-and-done' approach to addressing Puerto Rico's fiscal difficulties," Sean McCarthy, Pimco's head of municipal credit research, wrote in a report Tuesday.

The investment firm isn't entirely spurning Puerto Rico. "We do see pockets of opportunity in select revenue bonds and have added a small amount of Puerto Rico enterprise debt to municipal high yield portfolios (but remain void of Puerto Rico primary government debt)," McCarthy wrote.

Before it filed for court protection, Puerto Rico's last public offer gave general-obligation bondholders as much as 90-cents on the dollar, although some of that repayment depended on an improvement in the government's finances.

That offer is higher than where the bonds are trading now. General obligations with an 8 percent coupon and maturing in 2035 traded Tuesday at an average 59.7 cents on the dollar, according to data compiled by Bloomberg.

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