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Municipal Bond Sales Poised to Fall, Buttressing Sector's Gains.

- **Slate of sales set for next 30 days hits two-month low**
- **'Enticing technical backdrop' for the market, analyst says**

The pipeline of bond sales from U.S. state and local governments has dropped to its lowest in more than two months, signaling a continuation of the borrowing slowdown that's helped support a rally in the municipal market.

The volume of tax-exempt bonds that are scheduled to be sold over the next month has tumbled to about \$8 billion, the least since late March, according to data compiled by Bloomberg. The decline comes as investors continue to pour money into municipal-bond mutual funds while yields, which move in the opposite direction as price, have slid to their lowest since soon after President Donald Trump's November election.

While the number of planned sales typically drops ahead of the Memorial Day weekend, borrowing by municipalities this year has pulled back from last year's record pace amid uncertainty about the direction of interest rates and Trump's policies. By May 19, \$141.5 billion has been issued this year, an 11 percent drop from the same period in 2016, according to data compiled by Bloomberg.

Some analysts have predicted that the tax-exempt market will shirk over the summer as bonds mature at a faster pace than they're sold, leaving investors flush with cash to reinvest. Municipal securities have returned 3.5 percent this year, more than twice the 1.6 percent gain for Treasuries, according to Bloomberg Barclays indexes.

"The net negative supply figures are expected to expand into the summer months," wrote Jeffrey Lipton, head of municipal research at Oppenheimer & Co., in a note to investors this week. "We believe that both retail and institutional demand will prove more robust against a more enticing technical backdrop."

Bloomberg clients: We'll be doing a TOPLive Q&A on Tuesday, May 30 at noon ET, moderated by Elizabeth Campbell, in which you can ask Joe Mysak questions about the latest with Illinois and its budget impasse. You can watch it here. If you want to ask a question, please send to TOPLive@bloomberg.net.

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