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Puerto Rico Bond Traders Still Find Buyers Despite Epic Collapse.

- **Trading volumes have edged up since unprecedented bankruptcy**
- **It may be easy to sell, but prices are still near record low**

Puerto Rico bondholders who don't want to roll the dice in the island's record bankruptcy can still find a quick way out.

The volume of trading in Puerto Rico securities has ticked up since the island turned to a federal court last month to cut its \$74 billion debt, showing that the market hasn't seized up despite the U.S. territory's defaults and the prospect of deep haircuts faced by investors.

A daily average of \$267.4 million of commonwealth debt changed hands in the past 50 days, higher than the \$195.9 million average seen over the past 200 days, according to data compiled by Bloomberg. That 50-day average reached \$291 million on May 24, the highest since September 2015.

Puerto Rico's bonds were for years among the most actively traded in the U.S. municipal-debt market because they were tax-exempt everywhere in the U.S., giving them a national base of buyers. While mutual funds spurned the debt once Puerto Rico's credit rating was cut to junk more than three years ago, it still found buyers among hedge funds who wagered it wouldn't go broke.

But it since has, and a federal board installed to oversee the government's finances approved a fiscal plan in March that allocates less than a quarter of the \$33.4 billion the commonwealth owes in principal and interest payments through fiscal 2026. After negotiations with creditors failed to advance, Puerto Rico on May 3 filed a form of bankruptcy protection created by Congress last year to allow the island to force its creditors to take losses in court.

Since that filing, the 50- and 200-day moving averages for daily trade volume have increased by 17 percent and 6 percent, respectively.

"It has become more clear that there isn't much money," said Matt Fabian, a partner with Municipal Market Analytics Inc. "Maybe Puerto Rico investors were too optimistic in what they thought the control board would do or what Puerto Rico could theoretically pay them."

While the securities are easily sold, some are still hovering near record lows.

An index of commonwealth securities has fallen 6.7 percent since March 1, according to S&P Dow Jones Indices. General obligations with an 8 percent coupon that mature in 2035, the island's most-actively traded fixed-rate security, changed hands May 25 at an average 58.9 cents on the dollar, the lowest since the bonds were first sold in 2014, Bloomberg data show. The debt traded Tuesday at an average 59.8 cents.

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