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Puerto Rico Bond Prices Fall as Hurricanes Add to Island's Troubles.

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It could take weeks to determine the full extent of the hurricane damage to Puerto Rico, but bondholders are already anticipating losses.

Prices have fallen as much as 4% since Monday on some bonds issued by the commonwealth, its public power company, and its water and sewer authority. Investors were already expecting deep haircuts as the commonwealth makes its way through a federally supervised restructuring process.

"How long will they be missing revenues because of people not getting power?" asked Dan Solender, director of municipals at Lord Abbett & Co. which holds more than \$100 million of Puerto Rico bonds, including some from the power authority.

Even before Hurricane Maria slammed into Puerto Rico early Wednesday, thousands of people had been without electricity for two weeks, since Hurricane Irma passed by the island's northern coast. But the damage from Maria, the most powerful hurricane to hit Puerto Rico since 1928, is likely to be much more widespread on the island, which is already reeling from a decade of economic distress.

August and September mark peak hurricane season in the Atlantic basin. Here's why the conditions in these months make them more likely to form there. Photos: NASA/NOAA

Puerto Rico owes roughly \$70 billion to investors, including individuals on both the island and the mainland, to major U.S. mutual funds and, increasingly, to hedge funds. OppenheimerFunds Inc. and Franklin Resources Inc. are the biggest mutual fund holders of Puerto Rico bonds, according to Morningstar Direct.

Depending on the extent of the damage, the hurricane could factor into future decisions by the federal control board on just how much those investors will get paid, said Matt Fabian, a partner with Municipal Market Analytics.

In the aftermath of a natural disaster, "why would a court decide 'yes, investors, you should take more money off the island?'" Mr. Fabian asked.

But some analysts and advisers to Puerto Rico bondholders also said Wednesday that a massive hurricane recovery effort could help stimulate economic growth on the island. Federal disaster relief funds and insurance money flowing into Puerto Rico could replace outdated infrastructure, and rebuilding could help put people to work, these people said.

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