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There's No Holiday Slowdown in the Municipal-Bond Market This Year.

- **'All hands on deck' as issuance surges even during holidays**
- **About $9 billion in issuance planned for next week alone**

It's the most wonderful time of the year — and usually the quietest — for the $3.8 trillion municipal-bond market, but not so much in 2017.

States and localities typically sell very little debt during the second half of December, but the potential congressional tax-code overhaul that threatens to wreak havoc on tax-exempt borrowing for municipalities has led to a surge of deals coming to market at year-end, disrupting the usual holiday pace.

Preliminary numbers indicate that at least $9 billion of municipal debt is expected to be issued during the week of December 18 alone, according to data compiled by Bloomberg. That's more than double the average issuance during the last two weeks of December in 2014, 2015 and 2016, when about $3.4 billion of bonds were sold, and leaves this month on track to approach or top the record of $54.7 billion hit in December 1985.

"A lot of new issues are coming in, and they're looking to price next week," said Eric Friedland, director of municipal research in Jersey City, New Jersey, for Lord Abbett, which holds about $20 billion of municipal debt. "It's usually unheard of to price the week before Christmas."

Lawmakers in the House and Senate are still hammering out the details of tax legislation that could curb subsidies for a large swath of the municipal market in 2018. The House version repeals the tax-exemption for so-called private activity bonds that help entities like hospitals and airports finance projects at a lower cost. The Senate bill doesn't end those deals. But both chambers' proposals repeal the use of tax-exempt bonds for advance refundings, a tool that lets localities refinance debt and save tens of billions of dollars a year. The risk of those changes sparked a rush to market.

Friedland said he wouldn't be surprised if deals came in between Christmas and New Year's. He noted that the calendar could also shrink if deals get pulled because of less interest.

"Until there's clarity, everyone's going to be trying to get to the market," said Friedland, who noted that it'll probably be too busy for him to take time off. "It's all hands on deck right now."

Bloomberg clients: We'll be doing a TOPLive Q&A on Thursday, December 14 at noon ET, moderated by Taylor Riggs, in which you can ask Joe Mysak questions about the municipal supply deluge, tax reform, what next year may hold for the sector and more. You can watch it here. If you want to ask a question, please send it to TOPLive@bloomberg.net

Bloomberg Markets

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