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Trailing Deal Surge, Muni Market Heads into 2018 on Waning Supply.

NEW YORK, Dec 29 (Reuters) – The U.S. municipal bond market heads into the New Year with a thin number of deals after ending 2017 with a staggering upswing in supply as issuers raced to sell before a new tax law takes hold.

Roughly $934.7 million in municipal bonds and notes are expected to come to market next week, against a weekly average of more than $7 billion for the past 12 months, according to Thomson Reuters data.

In contrast, the month of December brought $62.1 billion in supply, far outweighing the average of $25.4 billion for the month over the last quarter-century.. The fourth quarter saw $146.2 billion in deals compared to $105.5 the same quarter in 2016.

Deals were issued at a breakneck pace as it became clear that a $1.5 trillion U.S. tax bill would clear the Republican-dominated Congress, limiting some types of muni offerings. President Donald Trump signed the legislation on Dec. 22.

Despite the eleventh-hour rush to market, 2017 produced an overall drop in muni deals compared to last year.

There were $453.5 billion in deals this year, a one percent decline from 2016, and 12,823 issues, a more than 12 percent fall.

The amount of refundings sank 16 percent to $221.2 billion as the number of those issues fell 31 percent.

New money issues, however, rose 19 percent year-over-year to $230.3 billion with a 3 percent increase in the number of deals completed.

Next week's largest deal comes from the New Jersey Economic Development Authority, which is set to sell $381 million in negotiated bonds. The state lease revenue bonds are rated BBB-plus and A-minus by S&P Global Ratings and Fitch Ratings, respectively.

A New Jersey assemblyman recently filed a lawsuit to block the bonds, which he said required a statewide vote to approve a sale. It was unclear whether the sale could proceed with the legal challenge.

The Town of Oyster Bay is expected to offer $10.5 million in general obligation district improvement bonds, the biggest competitive deal.

by Laila Kearney

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