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D.C. Airport Bonds to Lead Holiday Week in U.S. Muni Market.

(Reuters) – Washington, D.C.'s airports authority will lead a holiday-shortened week in the U.S. municipal bond market, issuing $578 million in refunding bonds as it forges on with capital projects at the region's two main airports.

City and state government agencies will borrow $3.41 billion in bonds and another $464 million in notes next week, with markets closed on Monday for Memorial Day. Municipal bond issuance has been slow this year as a result of U.S. President Donald Trump's tax overhaul.

The Metropolitan Washington Airports Authority manages Reagan National Airport and Dulles International Airport, which cover a total of nearly 13,000 acres in northern Virginia. The bonds, underwritten by Barclays, will help fund a new regional airline concourse and parking garage at Reagan, and infrastructure improvements at Dulles, according to bond documents.

The South Carolina Ports Authority will issue $325 million in negotiated revenue bonds next week, underwritten by Bank of America Merrill Lynch, while the biggest note issuance will come from the New York City Transitional Finance Authority, a $100 million negotiated offer underwritten by Jefferies.

With muni issuance low and banks trimming municipal holdings, Trump on Thursday signed legislation that reclassifies investment-grade municipal bonds as high-quality liquid assets (HQLA).

The law means banks can hold muni bonds as part of their liquidity requirements, potentially making those bonds more attractive.

Public officials say the long-awaited move will help lower financing costs on infrastructure projects nationwide, but some analysts aren't so sure.

"Lawmakers have taken concrete action to … better position states to invest in infrastructure projects at the state and local level," said Beth Pearce, Vermont's state treasurer and president of the National Association of State Treasurers.

But Barclays analyst Mikhail Foux said in a Friday note that the move, while a positive development for the municipal market, is "unlikely to preclude banks from trimming their municipal holdings."

"At this point, we believe that HQLA is less important to banks, as most have [liquidity coverage] ratios well above 100 percent," Foux said.

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