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Hedge Funds See Windfall From Bets on Puerto Rico After Storm.

- **Debt swap provided seven times more than post-hurricane lows**
- **New sales-tax debt traded heavily Friday as some lock in gains**

In late 2017, while Puerto Rico was reeling from Hurricane Maria, the government's bonds went into a free fall as Wall Street speculated that much of the bankrupt island's debt would need to be forgiven, leaving some of it trading for pennies on the dollar.

But hedge funds including GoldenTree Asset Management, Tilden Park Capital Management and Taconic Capital Advisors started plowing hundreds of millions of dollars into the U.S. territory's subordinate sales-tax-backed bonds — a well-timed wager that's delivering big gains.

Puerto Rico's restructuring of \$17.5 billion of debt this week allowed investors to exchange sales-tax bonds with the weakest claim to the revenue for 56 cents on the dollar. That's seven times more than what they traded for in December 2017, after President Donald Trump rattled the market by suggesting that Puerto Rico's finances were so devastated that its debts would need to be written off completely in court. Owners of senior-lien sales-tax bonds recovered 93 cents on the dollar.

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