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Muni-Bond Refinancing Surges as Yields Hold Near a Record Low.

- **'Whole conversation with the issuer community has been reset'**
- **30-year yield hit 1.9% last week, lowest since at least 2011**

Like homeowners racing to lock in lower interest rates, state and local governments in August sold $8.5 billion in bonds to refinance outstanding debt, the fastest pace since October, according to data compiled by Bloomberg. That's because the costs for governments to borrow have plummeted in the last month, when yields fell after the Federal Reserve cut rates for the first time in more than a decade on concern about a global economic slowdown and stock market swings increased the allure of the safest assets.

"The whole conversation with the issuer community has been reset in the last 30-days," Charles Peck, head of public finance at Wells Fargo & Co., said in an interview on Bloomberg TV.

"Most of 2019 has been characterized by a lack of a sense of urgency in the issuer community to get to market in anticipating that rates will stay at these crazy low levels," Peck said. "All of that changed when the 30-year Treasury rate hit 2%, tax-exempt rates hit the lowest point in almost every tenor and reinvestment rates are at their highest point in recent memory."

Refunding Boom
The jump is a welcome shift for Wall Street underwriters and mutual-funds that have cash they need to invest. Both have been eager for new bond deals since the pace slowed after the 2017 tax-cut law eliminated a refinancing tactic that accounted for billions of dollars of new bond sales each year.

Sweta Singh, a portfolio manager at Wilkins Investment Counsel, Inc. said that it's a "no brainier" for issuers to refinance since both tax-exempt and taxable rates are so low. Yields on 30-yearbenchmark bonds last week dropped to as little as 1.9%, the lowest since at least 2011, according to Bloomberg's BVAL index. It's currently about 1.93%.

"Whether it's new money or refunding, it absolutely makes sense for the issuer to come to market knowing these rate levels and how much demand there is," she said. "It completely makes sense."

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By Danielle Moran

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— With assistance by Taylor Riggs