
Muni-Bond Sales Surging as Yields Tumble to Lowest Since 1960s.

- **August, September are busiest months since Dec. 2017's record**
- **Valuations have retreated from record highs as pace picks up**

U.S. state and local governments are selling bonds at the fastest pace since the record-setting flood in December 2017, seizing on a slide in interest rates that has pushed their borrowing costs to the lowest in more than half a century.

The volume of new debt sales in September is poised to rival or exceed the $38 billion that was issued in August, which was the busiest month since governments rushed to the market before President Donald Trump's tax law pulled the subsidies from a key refinancing tactic. Governments have sold about $28 billion of long-term debt in September, a 33% increase from the same period a year ago, and more than $10 billion is already scheduled to be offered over the next week, according to data compiled by Bloomberg.

"Thanks to back-to-back-to-back big weeks of new issue volume, September borrowing is on track to be the biggest single month of issuance since December 2017," Patrick Luby, senior municipal strategist at CreditSights, wrote in a note to clients Monday.

The increase is a welcome shift for money managers and underwriters who had seen the pace of debt sales slow over the past two years, and it comes as the Bond Buyer 20 Index, a key measure of yields, holds at its lowest since at least 1961.

With cash steadily flowing into municipal-debt mutual funds every week since January, the dearth earlier this year pushed tax-exempt bond prices to record highs relative to Treasuries. But those valuations have since weakened, in part because of an anticipated pick up in the pace of new sales over the next few months.

"The calendar is clearly building," said Jeffrey Lipton, head of municipal research at Oppenheimer & Co. "We are at a point right now where issuers are looking at these very compelling low rates and we are approaching the end of the year."

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