

# **Bond Case Briefs**

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## **New Jersey's Debt Is a Hot Commodity in Hunt for Higher Yields.**

- **N.J. agency increased bond sale after seeing strong demand**
- **Buyers are hungry for yield amid lowest rates since 1960s**

New Jersey's debt is a hot commodity.

Investor demand for the New Jersey Transportation Trust Fund Authority's bond sale on Tuesday was so strong that the agency was able to add \$200 million to the \$800 million offering. And it repriced the \$1 billion at lower yields than initially offered, a positive for a state beset by large debt and pension costs.

The demand came as investors seek refuge from municipal-bond yields that are the lowest since the 1960s. The Garden State agency offered two attractive features: a BBB+ credit rating and a unique structure.

The deal included debt with 3.25%, 3.5% and 4% coupons, straying from the 5% coupon that state and local debt issuers typically offer. Investors look to such structures as a way to pick up extra yield to account for the risk of interest rates rising. That risk includes the chance that a steep drop in prices could cause some of their income to be taxed under a provision of U.S. law known as the de minimis rule.

That meant the \$1 billion offered yields as much as 1.67 percentage points higher than AAA rated issuers, according to data compiled by Bloomberg. The Trust Fund Authority also sold \$150 million in fixed-rate notes Tuesday with yields ranging from 2.48% on securities due in 10 years to 2.79% on those maturing in 2034.

About 100 different investors submitted orders totaling \$4 billion for the two series of debt, Wells Fargo & Co. spokeswoman AnnMarie McDonald said in an email. Wells Fargo served as senior manager on the deal.

Other issuers have also benefited from state and local debt rallying this week after the release of weaker-than-expected consumer confidence data, Janney Montgomery Scott noted in a Sept. 25 report. The Texas Water Development Board lowered yields on its bond sale this week in light of strong demand for its bonds, Janney said.

### **Bloomberg Markets**

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