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Muni Bonds Bounce Back, Poised for Best Week Since 1982.

Municipal bonds extended their rally in early trading, putting the securities on track for the biggest weekly gain since 1982.

Yields fell four basis points on the shortest-dated municipals on Friday to 1.18%, a drop of 1.7 percentage point since the week began. The securities have seen yields decline dramatically this week as Congress inched closer to a vote on its plan to curb the economic toll of the coronavirus, which would let the Federal Reserve buy municipal bonds.

The performance is a sudden reversal from the historic sell-off that hit the market earlier this month. State and local debt gained about 7.3% this week as of Thursday, a massive recovery from the 6.6% loss the prior week, according to Bloomberg Barclays indexes. If that performance holds today, it would mark the best week of performance since September 1982, the data show.

John Loffredo, co-head of MacKay Municipal Managers, said crossover buyers like insurance companies are starting to wade back into the market, he said.

They're seeing the cheaper valuations of municipals and "picking their head up," he said.

Bloomberg Markets

By Amanda Albright

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