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Muni-Bond Market Reviving After Fed Moves to Ease Cash Crunch.

(Bloomberg) — The Federal Reserve is helping revive the $3.9 trillion municipal bond market.

Underwriter Raymond James Financial Inc. estimates that as many as 200 new negotiated state and local debt offerings will price over the next few days, almost double the amount issued last week, fixed-income strategist Kevin Giddis said in a note to clients.

That would mark a turnaround for a segment of the capital markets that had virtually shut down after concerns about the coronavirus prompted a series of steep sell-offs last month when investors pulled out their funds. The market has since been steadied, with the Federal Reserve last month moving to increase liquidity for money-market funds and last week rolling out a plan to lend as much as $500 billion to states and local governments to help them avoid a cash crunch in the middle of the pandemic.

Since March 9, there have only been about $15 billion of new municipal bonds issued, a drop of 56% from the same period a year earlier. Many big sales have been placed on so-called day-to-day status, meaning underwriters will sell them when market conditions warrant.

“This improvement in issuance is largely due to the Fed and Treasury’s unprecedented support for these markets and it appears to be working,” Giddis wrote.

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