
New York MTA Debt 'Priced Attractively' in Upsized Deal.

- **Yield spread on 25-year debt more than four times January sale**
- **MTA nearly doubles deal size to help repay short-term debt**

New York's Metropolitan Transportation Authority boosted its first bond offering since the coronavirus pandemic shut down the city to $1.1 billion as the additional yield compensation to attract buyers soared to more than four times the agency's last sale in January.

The bonds are backed by fare and toll revenue, which have fallen dramatically. Debt maturing in 2045 sold at a yield of 4.95%, 290 basis points above top-rated municipals, according to data compiled by Bloomberg. That's up from a spread of 69 basis points when the MTA sold 25-year bonds on Jan. 9, Bloomberg data show.

MTA appeared to be "a really cheap bond," John Miller, head of municipals at Nuveen, said in an interview Tuesday before pricing was final. "I would imagine MTA and the underwriter wanted to make sure that this deal would have ample demand," Miller said. "So, it was priced attractively, and they got ample demand."

Miller declined to say whether Nuveen, which holds MTA debt, participated in the sale.

The sale is the MTA's first since the pandemic nearly wiped out ridership on its subways, buses and commuter rail lines. The shutdown has left the MTA facing a potential $8.5 billion deficit this year. It's seeking an additional $3.9 billion of federal aid.

The deal comes as the agency this week began closing the subway system from 1 a.m. through 5 a.m. every night to clean and disinfect trains, suspending its 24-hour service.

The agency was able to cut yields from what it originally offered. Bonds due in 2055, the longest maturity, priced at 5.23%, down from an initial offering of 5.3%.

The MTA, which owed $45.7 billion of debt as of April 29, originally planned to sell $672 million of securities but boosted the size of the deal. Proceeds will help pay down $1 billion of notes maturing May 15.

All three credit-rating companies have downgraded the MTA's rating because of the agency's dramatic revenue loss during the pandemic. It still carries single A credit ratings, solidly in the investment-grade rung.

Bloomberg Markets

By Michelle Kaske and Shruti Singh

May 6, 2020, 10:00 AM PDT