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New York MTA Bonds Rally on Wager Subway Agency Too Big to Fail.

- **Yields on 35-year debt down 52 basis points from last week**
- **Latest House relief bill gives $16 billion to transit agencies**

The $1.1 billion of debt sold last week by New York's Metropolitan Transportation Authority rallied as some investors view the largest U.S. mass-transit system as a key part of the city's economic recovery from the coronavirus pandemic.

A $1.5 million-size trade of MTA bonds maturing in 2055 changed hands Wednesday at a yield of 4.71%, a drop of 52 basis points from the 5.23% yield when the debt first sold on May 5, according to data compiled by Bloomberg.

The MTA sold the debt to help repay $1 billion of notes maturing May 15. The sale came as ridership and revenue drop dramatically and the agency faces a potential $8.5 billion deficit this year as riders stay home and avoid subways, buses and commuter-rail lines.

Investors are looking past the headlines and focusing on MTA's vital role in getting residents around the New York City region, said Dora Lee, director of research at Belle Haven Investments, which holds the agency's debt. Congress allocated $3.8 billion to the MTA in the CARES Act to cover revenue losses because of the virus.

"There are inherent strengths to the MTA such as its essentiality to the economy and recovery," Lee said. "The federal aid in the first CARES Act certainly affirmed its essentially in just providing transportation to front line workers."

The May 5 sale offered investors two other maturities. Trades of at least $1 million for debt maturing in 2045 changed hands Wednesday at an average yield of 4.65%, 30 basis points less than the initial 4.95% yield, Bloomberg data show.

Trades of at least $1 million for bonds due in 2050 changed hands Wednesday at an average yield of 4.16%, 92 basis points less than the initial 5.08% yield, Bloomberg data show.

The MTA nearly doubled the deal size to $1.1 billion and offered yields high enough to attract sufficient investors. It showed that the $3.9 trillion municipal-bond market is a deep source of liquidity for the MTA, said Matt Fabian, a partner at Municipal Market Analytics.

"The sale also gave confidence to investors who have seen the MTA as too big to fail," Fabian said. "Confidence in knowing that a lot of other investors clearly agree with them."

Still, the MTA's borrowing costs have increased. The yield spread on 25-year debt sold last week was more than four times when the agency issued bonds in January.

The MTA and other transit agencies throughout the U.S. have asked Congress for an additional $32 billion to help cover lost revenue. That ask is double the nearly $16 billion that House Democrats included in the latest virus relief bill.

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