

Bond Case Briefs

Municipal Finance Law Since 1971

Muni Trading Hasn't Been So Slow Since Turn of Century.

- **Market's trading volume tumbles 34% this year to 22-year low**
- **Bonds have grown scarce with cash flowing steadily in**

The loneliest place on Wall Street may be the muni-bond trading desk.

Even with the volume of new state and local government debt sales on pace to surpass last year's record, trading activity has dried up considerably. The par amount of bonds traded has tumbled by 34% so far this year to \$1.43 trillion, a 22-year low, according to data compiled by Bloomberg.

On average, about \$8.9 billion of municipal bonds are changing hands each day, the least since 2001.

The dearth of activity is likely a side effect of the massive influx of cash into the \$4 trillion municipal securities market, with mutual funds receiving an average of about \$2 billion each week since the start of the year, according to Investment Company Institute figures.

As a result, money managers have faced brisk competition to get in on new bond deals and yields have held near the lowest in decades. And it seems those who own the securities are, on the whole, not eager to sell.

"Overall a lot more investors, whether they are participating in new issues or not, they are just holding on to their paper," Jonathan Law, a portfolio manager at Advisors Asset Management, said in an interview Wednesday.

It doesn't look like the gulf between supply and demand will narrow much soon. Over the next month, there's about \$10.6 billion of new municipal debt sales scheduled so far, according to data compiled by Bloomberg. That's about \$14.3 billion less than the amount of cash bondholders will receive from debt that's being paid off, which they typically seek to reinvest.

Bloomberg Markets

By Shruti Singh and Skylar Woodhouse

August 25, 2021, 11:37 AM PDT Corrected October 12, 2021, 11:07 AM PDT

— *With assistance by Natalia Lenkiewicz*