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Surge in Munis Up for Sale as Yields Catch Up With Treasuries.

- **Spreads jumped in block sale of debt from top-rated Maryland**
- **Follows the rise in Treasury yields on rate-hike speculation**

Municipal-bonds traders are catching up with the repricing that's raced through the world's sovereign debt markets, causing a surge in the number of state and local government securities offered for sale.

Yields on tax-exempt bonds jumped by as much as 5 basis points Thursday, after traders elsewhere started pricing in that the Federal Reserve will increase interest rates twice by the end of next year.

That drove investors to put out about \$860 million of bonds for bids, the most since May 13, according to data compiled by Bloomberg.

The weak tone was set early in the day, which saw a spike in the selling of large blocks of securities. Ben Pease, head of municipal trading at Breckinridge Capital Advisors Inc., said the market took note when a dealer traded about \$6 million of AAA rated Maryland general-obligation bonds at a spread of 11 basis points off the benchmark, up from 4 basis points last week.

"I think it felt a touch fragile this week, and today's bids wanted and early trades were the catalyst," Pease said. "We just needed momentum to pick up on the downside for buyers to step back."

In addition, the time it takes dealers to move their inventory has slowed in the last week, indicating there aren't enough buyers, he said.

With Thursday's rise, 5-year benchmark municipal bond yields have increased about 20 basis points since late September to about 0.6%. Similar Treasuries have risen about 38 basis points since then, with the yield now around 1.23%.

Bloomberg Markets

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October 21, 2021, 1:38 PM PDT