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'In a Muni Bankruptcy, the Same Entity Emerges': Puerto Rico Exits Bankruptcy with Questions Remaining

Is statehood the answer?

Puerto Rico on Tuesday received court approval to exit its municipal bankruptcy, restructuring over \$30 billion of debt, but leaving plenty of questions about the sustainability of its finances.

The island entered bankruptcy in 2017 after years of excessive borrowing, abetted by Wall Street. Its municipal bonds were exempt from federal, state and local taxes in any U.S. jurisdiction, making them attractive to fund managers in a market long starved for supply. Puerto Rico's financial position was worsened by a weak economy, out-migration to the mainland, and its location in the Caribbean, making it vulnerable to costly storms like Hurricane Maria.

Critics of the approved plan of adjustment say it leaves in place conditions that aren't sustainable, such as generous retirement benefits, even as it slashes the island's overall debt load. But for the municipal bond market HYD, -0.24%, especially those hunting yield, the big question is whether Puerto Rico will return to the position it held for years before Gov. Alejandro García Padilla declared it could not pay its debts.

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MarketWatch

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