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## Muni Issuance Poised to Surge Into a Historically Weak Market.

- **Gauge of 30-day visible supply is highest since early December**
- **Index has risen to \$20.2 billion of announced offerings**

US municipal-bond sales are poised to accelerate to the fastest past of 2022, adding to the strains on what is already a historically weak market for state and city debt.

The nation's local governments are expected to sell \$20.2 billion of debt over the next month, the most since early December, according to a Bloomberg index that tracks municipal bond sales announced for the next 30 days. The gauge doesn't represent the full tally of what actually hits the market, as many deals come with less than a month's notice.

Among the larger offerings on the calendar, Illinois, which received two credit upgrades last week, plans to sell \$1.8 billion of debt, while the Port Authority of New York and New Jersey expects to market \$910 million. New York's Dormitory Authority will issue \$751 million for school-district improvements and the San Francisco Bay Area Rapid Transit District has scheduled \$758.6 million of general-obligation green bonds.

The supply surge comes as the muni market is down nearly 10% in 2022, the worst annual start on record, as soaring inflation and the prospect of tighter monetary policy roil global fixed income. Municipal borrowing costs have risen as a result — benchmark 10-year muni yields have climbed almost 200 basis points since the start of the year, to the highest since March 2020.

Issuers are selling against a backdrop of weak demand. Spooked investors have yanked cash from muni mutual funds for 12 straight weeks, pulling out about \$2.7 billion in the week through May 4, according to Refinitiv Lipper US Fund Flows data.

There have been signs that retail investors are tiptoeing back in, and some money managers say it's a good time to buy because municipal credit remains strong.

Kathy Jones, chief fixed-income strategist at Charles Schwab & Co., said she likes munis as a way to gradually add duration as prices cheapen.

"What we are seeing is investors trying to take on a little more income by going into longer-duration bonds," Jones told Bloomberg Television's Surveillance on Tuesday. "There are two areas we really like. One is municipal bonds. You can get on a tax-equivalent basis for a very high-income earner north of 5% in high-quality municipal bonds."

### **Bloomberg Markets**

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May 10, 2022

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