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Bank Woes Create Bond Bargain in Obscure Corner of Muni Market.

- **Muni prepaid gas bonds trade wider on bank contagion**
- **Barclays analysts “continue seeing value” in the sector**

Investor concerns over the crises within the financial industry are bleeding into a corner of the \$4 trillion municipal-bond market where major investment banks guarantee energy for public utilities.

Spreads have widened on so-called prepaid gas bonds, which government agencies use to purchase long-term supplies of natural gas. Large institutional banks act as facilitators of the transactions, guaranteeing the supply and providing investors tax-exempt exposure to bank credit. Now, with global markets on edge over turmoil at Credit Suisse Group AG and the collapse of some US regional banks, those bonds have cheapened.

Unlike traditional municipal bonds that are backed by government revenues like taxes or household utility bills, these securities are more closely correlated to the corporate market on a credit basis. So while the broader municipal bond market has rallied, prepaid gas bonds have underperformed because a key-rating factor is the quality of the bank involved in the transaction.

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By Maxwell Adler and Danielle Moran

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