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California Risk Premium Climbs Ahead of \$1.5 Billion Bond Sale.

- **Spread opened as much as 27 basis points since end of February**
- **Seasonal factors such as tax-season selling are contributing**

The yield premium on California bonds has jumped just as the most populous US state readies to borrow \$1.5 billion while staring down a massive budget deficit.

An index showing the yield on 10-year California general obligation bonds compared to top-rated benchmark debt has widened as much as 27 basis points since the end of February, data compiled by Bloomberg show. Investors selling municipal debt from their portfolios to pay their taxes is in part driving the move.

The widening of that gap comes as lawmakers grapple with how to fill a roughly \$73 billion budget shortfall expected in the fiscal year that begins July 1. The one-year median of the spread between 10-year California municipal bonds to AAA-rated securities had been around 2 basis points. That metric now stands at more than 11 basis points.

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