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Tennessee Hospital Delays $316 Million Deal on Weak Demand.

Erlanger Health — a hospital system based in Chattanooga, Tennessee — has delayed a $316 million municipal bond sale that was scheduled to price Thursday after yields surged the last several days.

The deal was marketed to investors on Thursday morning at spreads ranging from 58 to 70 basis points over the benchmark, according to a pricing wire seen by Bloomberg. The deal was moved to day-to-day status following inadequate demand from investors, according to people familiar with the matter.

Chicago also paused a bond sale that was scheduled to price Wednesday. Municipal bonds slid on Wednesday in a rout that drove yields on 15-year benchmark debt to surge the most in nearly a year. Prices continued to drop on Thursday.

Erlanger Health — a teaching hospital affiliated with the University of Tennessee — was planning to refinance outstanding debt with some of the proceeds of the debt sale. So-called refunding deals are sensitive to large swings in interest rates because it determines how much savings the borrower can secure. The Health, Educational and Housing Facility Board of the City of Chattanooga, Tennessee, is planning to issue the debt on behalf of Erlanger.

“Due to recent market volatility and yield expectations falling short of our target, we have decided to pause the transaction,” Lynn DeJaco, the system’s chief financial officer, said in an emailed statement. “We will continue to monitor market conditions and reapproach the market next week.”

A spokesperson for Morgan Stanley declined to comment.

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