

Bond Case Briefs

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Billions of Muni-Bond Deals Are Stuck in Limbo as Yields Soar: Bloomberg

Takeaways by Bloomberg AI

- A \$1.8 billion bond sale for the Los Angeles Convention Center has been delayed due to market conditions, and is now on day-to-day status.
- Other bond sales, including a roughly \$777 million sale for the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County and a roughly \$1.7 billion sale for the New Jersey Transportation Trust Fund Authority, have also been put on hold due to market conditions.
- The yield on benchmark 30-year municipal debt has climbed to 5.18%, the highest since at least 2011, leading some issuers to delay coming to market due to challenging conditions.

More municipal bond deals are being put on ice as state and local borrowers wait for better days with yields surging to the highest since at least 2011.

A \$1.8 billion bond sale for the Los Angeles Convention Center has been delayed due to market conditions, according to people familiar with the matter. The deal was originally expected to price this week and has now been put on day-to-day status, meaning there's no set date for pricing the securities.

Representatives for the Los Angeles city finance department didn't respond to requests for comment while the underwriter, Morgan Stanley, declined to comment.

Similarly, a roughly \$777 million bond sale issued by the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County has been put on day-to-day status, after it was originally supposed to price on Sept. 24. Goldman Sachs Group Inc., the senior manager for the deal, declined to comment. Representatives for the authority didn't immediately respond to a request for comment.

Another roughly \$1.7 billion bond sale for the New Jersey Transportation Trust Fund Authority was put on hold due to market conditions, according to a person familiar with the matter. A spokesperson for Barclays Plc, the manager of the deal, declined to comment. Representatives from the New Jersey Transportation Trust Fund Authority didn't immediately provide a comment.

The stalled-out deals come as the yield on benchmark 30-year municipal debt climbed to 5.18% as of 2 p.m. New York time on Monday, the highest since at least January 2011 and up roughly 60 basis points this month, according to data compiled by Bloomberg. Muni yields surged for a fifth-straight session as fixed-income markets digested the prospect of another Federal Reserve interest-rate hike and choppy oil prices threatening to further stoke inflation.

Higher yields have led some issuers, including those who planned to refinance old debt to glean savings, to delay coming to market.

“Market conditions continue to become more challenging,” Kim Olsan, senior fixed-income portfolio manager for NewSquare Capital, said in an email. As of Monday, about \$2.3 billion in municipal deals were showing as moving to day-to-day status, and about \$1.5 billion of that appeared to be sales to refund old debt to save on debt-service costs, Olsan estimates.

The roughly \$4 trillion market for state and local bonds, which was previously seen as a staid corner of fixed-income asset classes, is getting more accustomed to intraday swings. Geopolitical and economic surprises are requiring more pricing and timing flexibility.

“Many issuers are being more strategic and thoughtful about how and when they access the market,” Samantha Costanzo, head of public finance at Huntington Capital Markets, said in an email. “Today, it’s no longer taboo to hit pause and wait for a more stable tone to avoid messy market days.”

Earlier this month, the North Texas Tollway Authority delayed a roughly \$797 million bond sale that was set to be sold during the week of Sept. 7 due to recent rate movements and volatility. The agency would reconsider reentering the market under better circumstances, according to underwriter Loop Capital Markets. The agency didn’t respond to requests for comment.

“The rout in the bond markets took a bite out of supply last week, with deals pulled or downsized,” JPMorgan Chase & Co. strategists led by Peter DeGroot wrote in a report Monday. The strategists are keeping their forecast, but expect a \$1 billion to \$3 billion haircut on volume off of the top-line supply numbers per week, “if conditions persist.”

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