

First half volume took a Northeast dip

By Andrew Coen

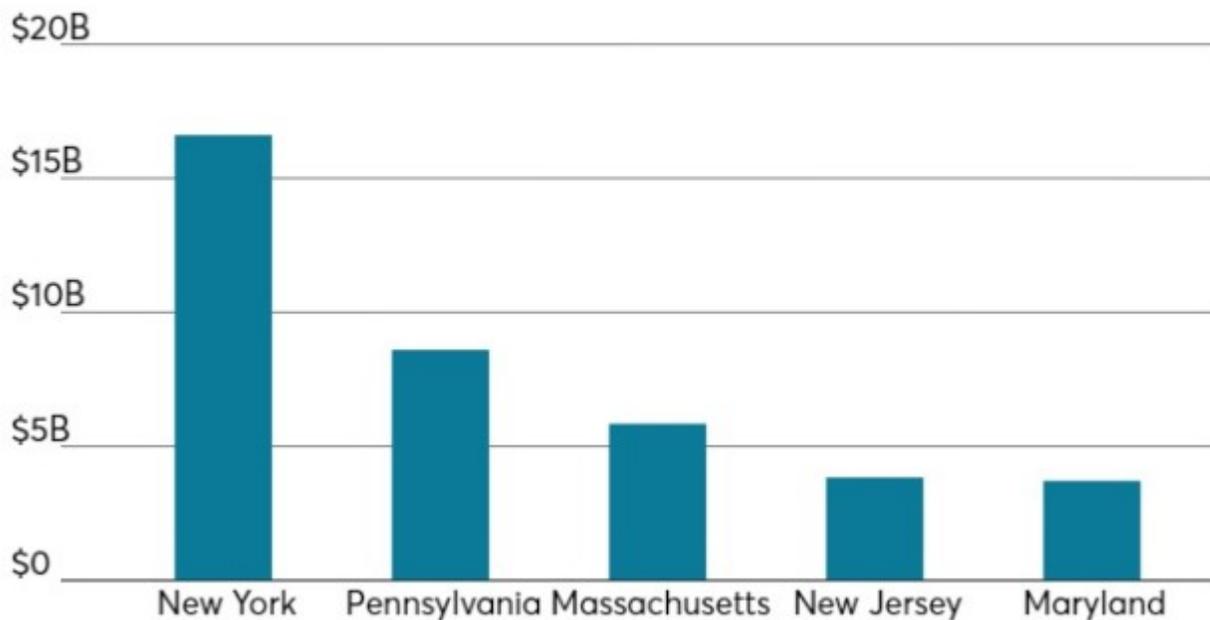
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Municipal bond issuers in the Northeast sold \$44.9 billion of municipal bonds in the first half of 2019, down 7% from the first half of 2018.

The volume came in 986 transactions from January to June 30, according to Refinitiv data. Last year at the midway point of 2018 the Northeast was experiencing an 11.7% dip from 2017 as state and local governments adjusted to new tax laws that eliminated advance refundings.

Northeast's issuance leaders



Source: Refinitiv; first half of 2019

Bond issuance nationally was up 2% compared to year-earlier period at \$165.68 billion. The Far West had a 7.4% decline in bond volume from the 2018 first half while the Southwest saw issuance fall 1.9% for the same period. The Midwest recorded a 34.2% increase in bond sales with the Southeast region rising 9.8%.

Peter Block, managing director, credit strategy at Ramirez and Co., said first half volume in the northeast and nationally is not necessarily a predictor for how the rest of the year. Block noted that issuers are taking their time before determining borrowing plans and is not expecting a big spike of issuance late this year.

"The low-rate environment has only done so much with issuance," Block said. "Many issuers are looking to see what happens on the federal level with infrastructure funding."

Bond issuance volume fell in Connecticut, Delaware, New Jersey, New York and Vermont. States with first-half issuance jumps were Maine, Maryland, New Hampshire, Rhode Island, Massachusetts and Pennsylvania, as well the District of Columbia. The region also includes Puerto Rico and the Virgin Islands, where no bonds were sold in the first half.

New York was the biggest source of Northeast first-half volume at \$16.6 billion, a 16.2% drop from the year-earlier period. The Dormitory Authority of the State of New York led the way with \$3.4 billion of borrowing to finish second in the nation among issuers behind only California. Its \$1.6 billion deal in January was the region's biggest transaction. The Metropolitan Transportation Authority was also active with \$2.4 billion of issuance paced by a \$1.2 billion general obligation offering on May 16.

Pennsylvania was the region's second biggest source of bonds with \$8.6 billion of borrowing, up 0.5% from the first six months of 2018. The Pennsylvania Turnpike Commission sold \$947.2 million of debt followed by the state government with \$886.9 million and the Allegheny County Hospital Development Authority with \$726.7 billion. No Keystone State issuers placed in the region's top 10 after two cracked the rankings for the 2018 midyear review.

John Puig, head of RBC Capital Markets' Northeast Large Issuer Practice Group, noted that many large issuers are now opting for fewer, but larger offerings per year because disclosures are take longer to complete. He said this dynamic makes it harder to analyze first-half bond volume from a state-by-state perspective since it is often a matter of when major borrowers are planning their big transactions.

"It's harder now to get a look at a half-year snapshot and think that is going to be a trend that will continue for the balance of the year," Puig said. "I'm not sure the first half will set the trend for the whole year."

Massachusetts saw a 13% volume increase to finish third in Northeast bond issuance with \$5.8 billion. The state government borrowed \$1.89 billion in the first half, led by a \$918 million January general obligation bond offering that was the region's eighth-biggest issue of the first half. The Massachusetts Development Finance Authority sold \$884.9 million of debt and the Massachusetts Department of Transportation issued \$437.2 million.

New Jersey had the biggest issuance decline of the large Northeast states with borrowing tumbling 29.7% compared with a year-ago to \$3.8 billion. The drop mainly stemmed from a \$3.2 billion New Jersey Tobacco Settlement Finance Corp. deal in April 2018 that inflated the state's issuance numbers a year ago. The New Jersey Transportation Trust Fund Authority led the charge with \$750 million of borrowing all from a January transaction followed by the New Jersey Turnpike Authority with \$449 million.

Maryland issuance soared 31% compared to the first half of last year to more than \$3.7 billion. Baltimore County was the state's biggest issuer with \$578 million, including [the sale of](#) more than \$490 million of GOs on Feb. 28.

In Connecticut, \$2.76 billion of bonds were sold, down 14.7% from the year earlier. The state government's \$1 billion GO deal in March was the region's fifth largest and biggest outside New York.

Puig said that issuers have begun to adjust to the federal tax changes and mapped out plans for current refundings now that advance refundings are no longer permitted. Refunding volume was 32% higher in the Northeast compared to the first half of 2018.



"Many issuers are looking to see what happens on the federal level with infrastructure funding," said Peter Block, a managing director for credit strategy at Ramirez & Co.

"It took a while to find the refunding strategy, but I think they have worked through the strategies," Puig said. "This year it is a matter of when those call dates are and when they reach those dates."

Bank of America Merrill Lynch retained its longstanding spot as the Northeast's top bond senior manager credited with a par volume of \$8.6 billion. Citi finished in the runner-up position for the second straight year while Morgan Stanley rose to third from a fifth-place showing during the 2018 first half. RBC Capital Markets came in fourth place for the second straight year and J P Morgan rounded out the top five.

Hawkins Delafield, credited with \$4.47 billion in business, regained the Northeast's top bond counsel spot it had lost last year when it fell from first to third. Nixon Peabody rose to second place from ninth and Locke Lord jumped three spots to claim the third position. Ballard Spahr and Mintz Levin Cohen finished in fourth and fifth places, respectively, for the second consecutive year.

PFM Financial once again placed as the top financial advisor in the Northeast for the first half, credited with \$9.2 billion of business. Public Resources Advisory Group kept its hold on second place honors, followed by Acacia Financial Group, Hilltop Securities and Lamont Financial.

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