



2019 Municipal Issuance Survey

2019

December 2018

2019 Municipal Bond Issuance Survey

Issuance Forecast Highlights

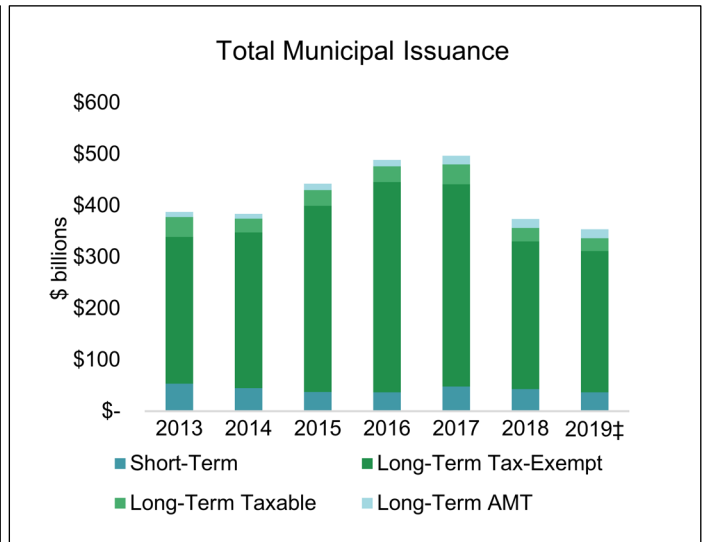
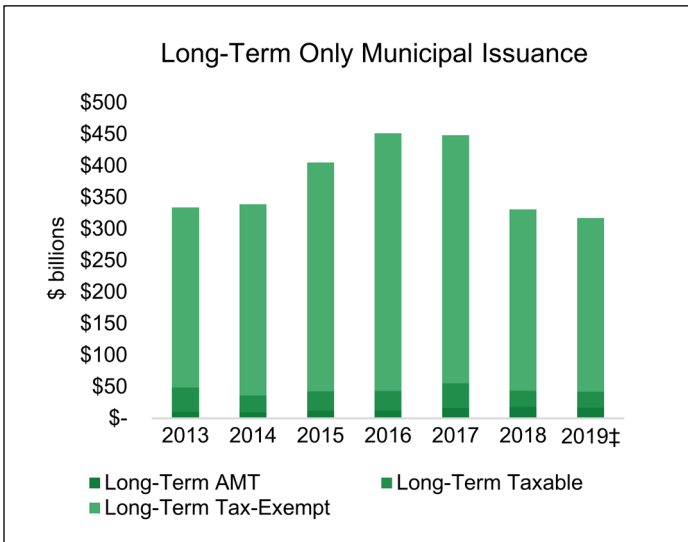
MUNICIPAL ISSUANCE FORECAST			
\$ Billions	2018‡	2019 (forecast)	% Change
Long-Term Issuance			
Tax-Exempt Municipal Issuance	287.2	275.0	-4.3%
Taxable Municipal Issuance	26.0	25.0	-3.7%
AMT Municipal Issuance	17.5	17.0	-3.1%
Short-Term Issuance	43.0	36.5	-15.2%
Total	373.8	353.5	-5.4%
of which are Long-Term Municipal Bonds	330.7	317.0	-4.2%
Refunding as % of Long-Term Tax-Exempt Total	24%	27%	
Other Municipal Categories			
VRDO Issuance	7.3	5.0	-31.2%
Floating Rate Note (FRN) Issuance	4.9	5.0	1.0%

‡Data scaled to full year from data as of December 17, 2018

Respondents to the 2019 SIFMA Municipal Issuance Survey expect total long-term municipal issuance to reach \$317.0 billion in 2019, slightly below the \$330.7 billion issuance expected in 2018. Short-term issuance is expected to decline in 2019, with \$36.5 billion in short-term notes expected to be financed compared to \$43.0 billion in 2018.¹ Including short-term issuance, total municipal issuance is expected to decline to \$353.5 billion in 2019 from \$373.8 billion expected in 2018.

Respondents were polled as to events that would most likely have the greatest effect on the municipal market in 2019: half of the respondents considered fiscal pressures associated with underfunded pension programs to have the greatest effect in 2019, followed by a broad-based deterioration of credit.

¹ Short-term issuance estimates for 2019 ranged from \$31 to \$40 billion.



†Survey Forecast

Sources: Refinitiv, 2019 SIFMA Municipal Issuance Survey

†Survey Forecast

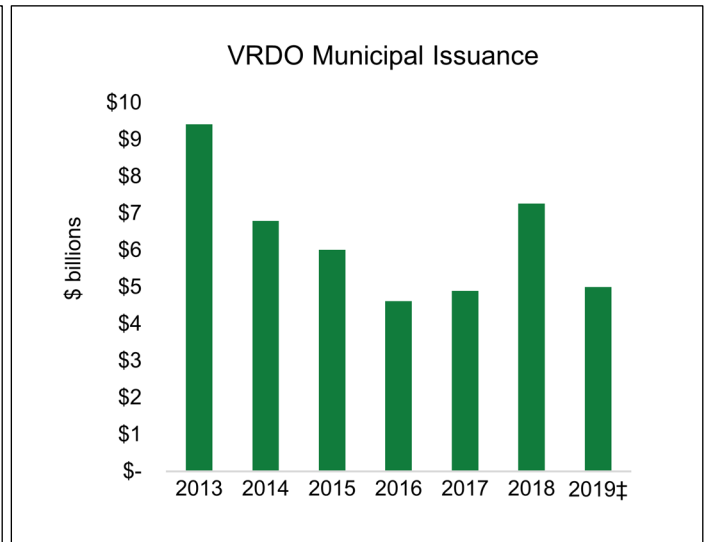
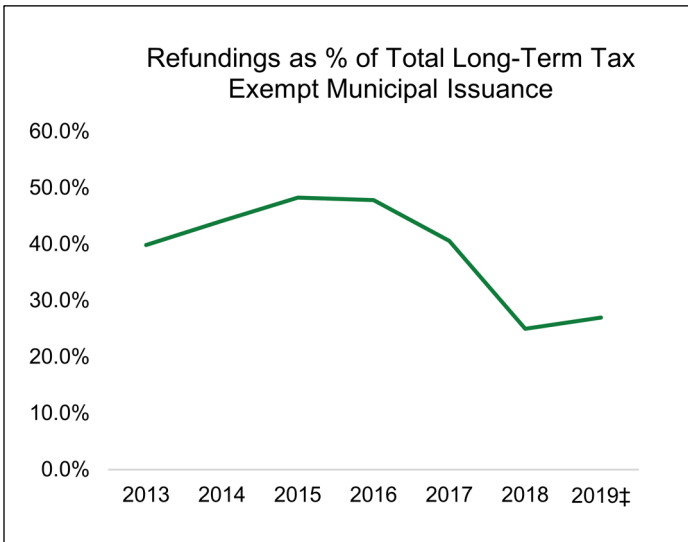
Sources: Refinitiv, 2019 SIFMA Municipal Issuance Survey

Respondents project long-term tax-exempt municipal issuance to reach \$275.0 billion in 2019, slightly down from 2018’s expected issuance of \$287.2 billion.² Projected volume for taxable municipal issuance in 2019 (\$25 billion) is unchanged from 2018 volumes, although are much lower than last year’s projections (\$47.5 billion for 2018).³ Alternative minimum tax (AMT) issuance is also expected to remain unchanged from 2018 issuance at \$17 billion.⁴

² Long-term tax-exempt issuance estimates for 2019 ranged from \$202.5 to \$335 billion.

³ Long-term taxable issuance estimates for 2019 ranged from \$19 to \$32 billion.

⁴ Long-term AMT issuance estimates for 2019 ranged from \$11 to \$20 billion.



†Survey Forecast

Sources: Refinitiv, 2019 SIFMA Municipal Issuance Survey

†Survey Forecast

Sources: Refinitiv, 2019 SIFMA Municipal Issuance Survey

The share of refundings of the total issuance is expected to increase slightly in 2019, with 27.0 percent of long-term tax exempt issuance expected as refundings compared to 24 percent in 2018.

Respondents expect VRDO issuance to decline in 2019, with \$5 billion expected in 2019 compared to \$7.3 billion in 2018.⁵ Floating rate issuance was expected to remain unchanged from 2018 at \$5 billion.⁶

TOP ISSUING SECTORS FOR 2019	
1	General Purpose (60%), Education (40%)
2	Education (40%), General Purpose (40%), Utilities (20%)
3	Transportation (60%), Education (20%), Housing (20%)
4	Utilities (60%), Public Facilities (20%), Transportation (20%)
5	Housing (60%), Public Facilities (20%), Transportation (20%)
6	Public Facilities (60%), Utilities (20%), Housing (20%)

Source: SIFMA 2019 Municipal Issuance Survey

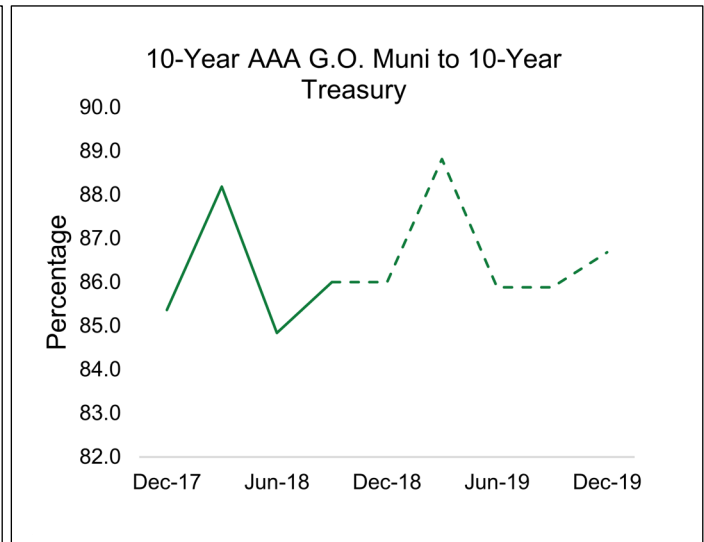
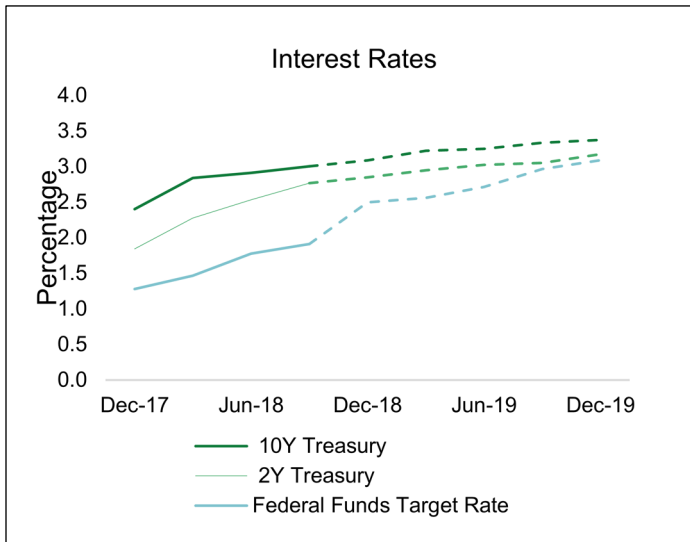
Respondents were generally unanimous that general purpose and education would be the two largest sectors for 2019, followed by utilities and transportation. In prior years, the general purpose sector has traditionally been the largest issuing sector by gross amount.

⁵ VRDO issuance estimates for 2019 ranged from \$4.5 to \$5 billion.

⁶ Floating rate issuance estimates for 2019 ranged from \$3.6 to \$6 billion.

Respondents expect approximately 30 issuers to default in 2019 for a par value of \$2.75 billion, defined for the purposes of the survey as the occurrence of a missed interest or principal payment or a bankruptcy filing.⁷

Interest Rate Forecast Highlights



Sources: Federal Reserve, U.S. Treasury, 2019 SIFMA Municipal Issuance Survey

Sources: MMA, 2019 SIFMA Municipal Issuance Survey

Following the FOMC raising the federal funds target rate to 2.00 to 2.25 percent in September 2018, the federal funds rate is expected to rise from 2.50 percent in end-December 2018 to 3.09 percent by end-December 2019.⁸ The two-year Treasury note yield is expected to rise from 2.85 percent end-December 2017 to 3.18 percent by end-December 2019.⁹ The 10-year Treasury note yield is also expected to climb from 3.09 percent end-December 2018 to 3.38 percent end-

⁷ Survey estimate for the number of issuers to default ranged from 30 to 30 issuers. Par value estimated to be in default ranged from \$1.5 billion to \$4 billion.

⁸ The range for the federal funds target rate was 2.38 percent to 2.50 percent in December 2018, 2.43 percent to 2.75 percent in March 2019, 2.50 percent to 3.00 percent in June 2019, 2.50 percent to 3.25 percent in September 2019, and 2.50 percent to 3.50 percent in December 2019.

⁹ The range for the two-year Treasury note yield was 2.80 percent to 2.90 percent in December 2018, 2.90 percent to 3.10 percent in March 2019, 2.70 percent to 3.25 percent in June 2019, 2.50 percent to 3.50 percent in September 2019, and 2.40 percent to 3.75 percent in December 2019.

December 2019.¹⁰ The ratio of the yield on 10-year AAA G.O. municipal securities to the 10-year Treasury benchmark is expected be 86.0 percent at end-December 2018 before rising slightly to 86.7 percent end-December 2019.¹¹

¹⁰ The range for the 10-year Treasury yield was 2.90 percent to 3.35 percent in December 2018, 2.85 percent to 3.50 percent in March 2019, 2.80 percent to 3.75 percent for June 2019, 2.70 percent to 4.15 percent in September 2019, and 2.60 percent to 4.35 percent in December 2019.

¹¹ The range for the 10-year AAA G.O. muni yield as a percentage of the 10-Year Treasury bond yield was 82 percent to 87 percent in December 2018, 85 percent to 90 percent in March 2019, 84 percent to 89 percent in June 2019, 85 percent to 90 percent in September 2019, and 85 percent to 92 percent in December 2019.

Credits

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