



2020 Municipal Issuance Survey

January 2020

2020 Municipal Bond Issuance Survey

Issuance Forecast Highlights

Respondents to the 2020 SIFMA Municipal Issuance Survey expect total long-term municipal issuance to reach \$434.0 billion in 2020, a 6.7% increase from the \$406.6 billion issued in 2019. Short-term issuance is expected to decline to \$45.0 billion in 2020, a 1.6% decrease from \$45.7 billion issued in 2019.¹ Including short-term issuance, total municipal issuance is expected to total \$479.0 billion in 2020, up 5.9% from \$452.3 billion issued in 2019.

MUNICIPAL ISSUANCE FORECAST			
\$ Billions	2019	2020‡	% Change
Total Issuance	452.3	479.0	5.9%
Long-Term Issuance	406.6	434.0	6.7%
Tax-Exempt Municipal Issuance	317.7	320.0	0.7%
Taxable Municipal Issuance	67.3	89.0	32.3%
AMT Municipal Issuance	21.6	25.0	15.9%
Short-Term Issuance	45.7	45.0	-1.6%
Other Municipal Categories			
VRDO Issuance	8.0	21.0	163.2%
Floating Rate Note (FRN) Issuance	1.9	2.0	3.6%
Refunding as % of Long-Term Tax-Exempt Total	34.2%	34.0%	

Source: Refinitiv, 2020 SIFMA Municipal Issuance Survey

Note: ‡ = Survey Forecast

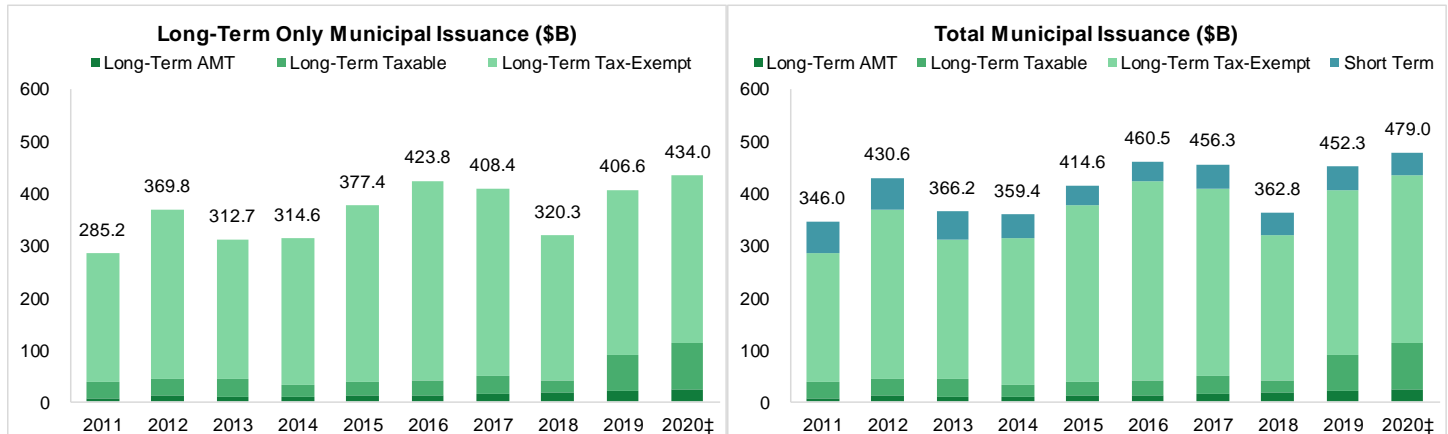
Respondents were polled as to events that would most likely have the greatest effect on the municipal market in 2020: general economic weakness/slow growth and fiscal pressures associated with underfunded pension programs were identified as factors to have the greatest effect in 2020, followed by regulatory and compliance burdens.

FACTORS AFFECTING MUNICIPAL MARKET IN 2020	
Highly Important	General economic weakness / slow growth
↓	Fiscal pressures associated with underfunded pension programs
↓	Regulatory and compliance burdens
↓	Broad-based credit deterioration
↓	Federal government focus on infrastructure finance
↓	Reduction in federal transfers to state and local governments
Not at All Important	A single, big-name default

¹ Short-term issuance estimates for 2020 ranged from \$30 to \$50 billion.

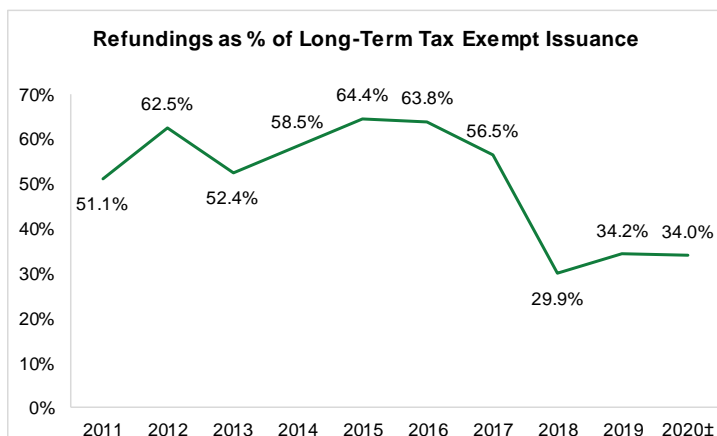
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Respondents project long-term tax-exempt municipal issuance to reach \$320.0 billion in 2020, slightly up from \$317.7 billion in 2019.² Projected volume for taxable municipal issuance in 2020 is \$89.0 billion, a 32.3% increase from \$67.3 billion issued in 2019.³ Alternative minimum tax (AMT) issuance is also expected to increase in 2020 to \$25.0 billion, up 15.9% from \$21.6 billion in 2019.⁴



Source: Refinitiv, 2020 SIFMA Municipal Issuance Survey
 Note: ‡ = Survey Forecast

The share of refundings is expected to decrease slightly in 2020, with 34.0% of long-term tax-exempt issuance expected as refundings compared to 34.2% in 2019.



Source: Refinitiv, 2020 SIFMA Municipal Issuance Survey
 Note: ‡ = Survey Forecast

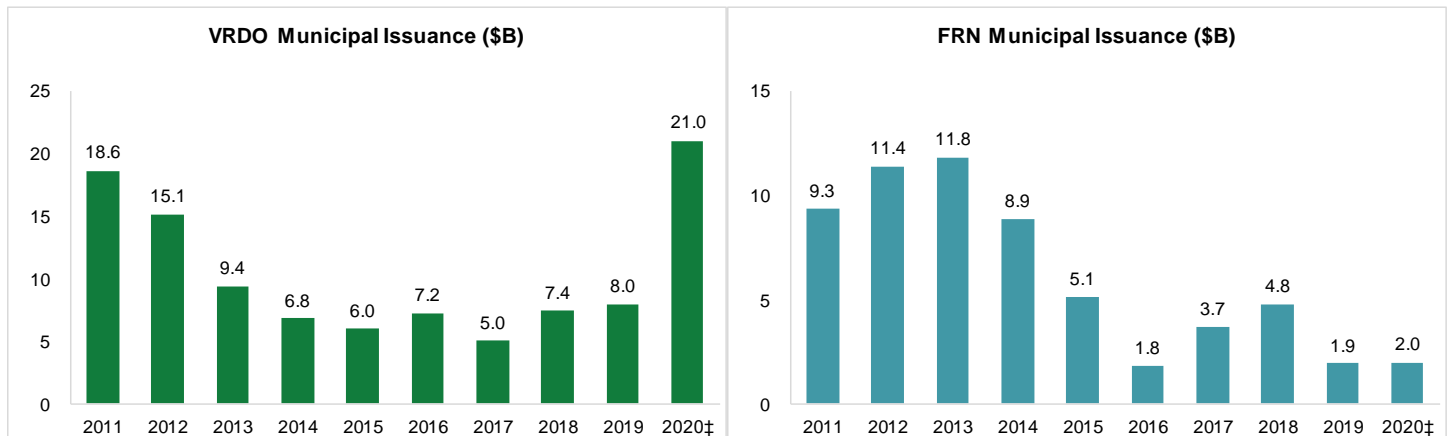
² Long-term tax-exempt issuance estimates for 2020 ranged from \$275 to \$350 billion.

³ Long-term taxable issuance estimates for 2020 ranged from \$70 to \$125 billion.

⁴ Long-term AMT issuance estimates for 2020 ranged from \$10 to \$65 billion.

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Respondents expect VRDO issuance to more than double to \$21.0 billion in 2020 from \$8.0 billion issued 2019.⁵ Floating rate issuance is expected to total \$2.0 billion in 2020, up 3.6% from \$1.9 billion in 2019.⁶



Source: Refinitiv, 2020 SIFMA Municipal Issuance Survey

Note: † = Survey Forecast

Respondents were generally unanimous that general purpose and education would be the two largest sectors for 2020, followed by utilities and public facilities. In prior years, the general purpose sector has traditionally been the largest issuing sector by gross amount

TOP ISSUING SECTORS FOR 2020

- General Purpose
- Education
- Utilities
- Public Facilities
- Transportation
- Housing

Respondents expect approximately 10 issuers to default in 2020 for a par value of \$1.0 billion, defined for the purposes of the survey as the occurrence of a missed interest or principal payment or a bankruptcy filing.⁷

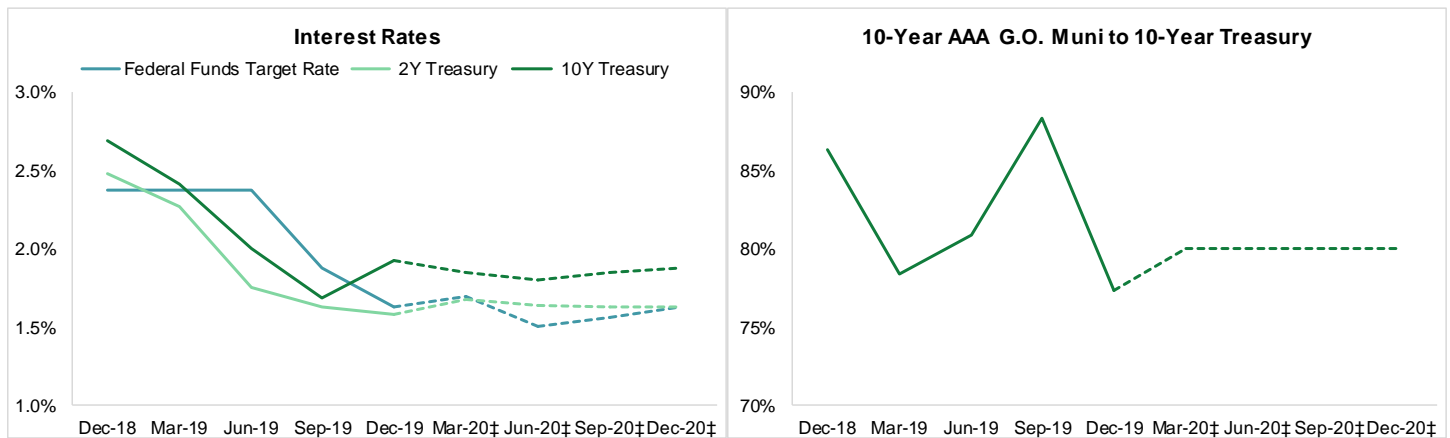
⁵ VRDO issuance estimates for 2020 were at \$21 billion.

⁶ Floating rate issuance estimates for 2020 ranged from \$1 to \$4 billion.

⁷ Survey estimate for the number of issuers to default ranged from 2 to 40 issuers. Par value estimated to be in default ranged from \$0.2 billion to \$1.5 billion.

Interest Rate Forecast Highlights

Following the FOMC lowering the federal funds target rate to 1.50 to 1.75% in October 2019, the federal funds rate (mid-point) is expected to rise from 1.63% in end-December 2019 to 1.69% by end-March 2020 and then dip down as low as 1.50% in June 2020 and finish back at 1.63% by end-December 2020.⁸ The two-year Treasury note yield is expected to rise from 1.58% end-December 2019 to 1.63% by end-December 2020.⁹ The 10-year Treasury note yield is expected to decline from 1.92% end-December 2019 to 1.88% end-December 2020.¹⁰ The ratio of the yield on 10-year AAA G.O. municipal securities to the 10-year Treasury benchmark is expected increase slightly from 77.28% at end-December 2019 to 80.0% end-December 2020.¹¹



Source: Refinitiv, 2020 SIFMA Municipal Issuance Survey
 Note: † = Survey Forecast

⁸ The range for the federal funds target rate was 1.50% to 2.00% in March 2020, 1.50% to 2.50% in June 2020, 1.25% to 2.50% in September 2020, and 1.25% to 2.75% in December 2020.

⁹ The range for the two-year Treasury note yield was 1.45% to 2.75% in March 2020, 1.35% to 2.00% in June 2020, 1.30% to 2.00% in September 2020, and 1.40% to 2.00% in December 2020.

¹⁰ The range for the 10-year Treasury yield was 1.52% to 2.05% in March 2020, 1.40% to 2.10% for June 2020, 1.45% to 2.10% in September 2020, and 1.55% to 2.15% in December 2020.

¹¹ The range for the 10-year AAA G.O. muni yield as a percentage of the 10-Year Treasury bond yield was 72% to 85% in March 2020, 77% to 84% in June 2020, 75% to 83% in September 2020, and 75% to 90% in December 2020.

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