
MSRB Data Show Noticeable Shift in Municipal Securities Buying Patterns.

Washington, DC – The Municipal Securities Rulemaking Board (MSRB) today published research findings that reveal a noticeable shift in market behavior and structure over the last decade, driven by customer buying patterns.

“Our research shows a significant decline in individual investor purchases and a significant increase in institutional purchases of municipal securities over the last decade,” said Marcelo Vieira, MSRB Director of Research, noting that individual investor trades are defined as trades of $100,000 or less, and institutional trades are defined as trades of over $1 million. “We believe the shift in customer buying may be driven by the increased use of separately managed accounts mutual funds and exchange traded funds.”

As the official repository of all municipal securities trade data, the MSRB conducts analysis and publishes its research findings to enhance understanding of market trends. The MSRB’s latest analysis shows a notable shift in the type and size of transactions in the municipal securities market over the past 10 years, particularly among customer purchases. Trading patterns in customer sales and interdealer trades remain relatively consistent. The trend is also significantly more pronounced when the analysis is limited to tax-exempt, fixed-rate securities, as trades of variable-rate and taxable securities are less common in the municipal market.

The analysis reveals that in the last decade, customer purchases of fixed-rate, tax-exempt municipal securities of $100,000 or less decreased 46%, from 3.8 million, or 87.2% of all customer purchases of those securities in 2010, to 2.0 million, or 77.8% of customer purchases in 2020. Meanwhile, institutional-sized purchases of over $1 million increased 46% in the same time period, from 83,787, or 1.9% of all customer purchases, in 2010 to 121,991, or 4.6% of customer purchases, in 2020. The MSRB’s analysis is based on transaction data from the MSRB’s Real-Time Transaction Reporting System (RTRS) database.

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