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MSRB Report Analyzes Buying Behavior In the Primary and Secondary Markets for Municipal Bonds.

Washington, D.C. — The Municipal Securities Rulemaking Board (MSRB) today published a new report on trading patterns in the primary and secondary markets for municipal bonds, finding notable differences in the buying behavior of individual and institutional investors in each of these markets.

The report reveals that individual investors are more prevalent in the secondary markets but have limited participation in the primary market. More specifically, while individual investors may access the new issue market through separately managed accounts, mutual funds and ETFs, individual investors buying bonds in non-managed accounts do not participate much at all. Institutional investors, on the other hand, dominate the primary market.

“There are a number of reasons individual investors may not be able to participate in the primary market,” said John Bagley, MSRB Chief Market Structure Officer. “On negotiated deals, where institutional investors have priority, individual investors would likely have difficulty getting access to bonds. Similarly, on competitive deals, prices and yields can change frequently, making it hard for individual investors to participate prior to the bid time.”

The findings in the report show that individual investors, defined as trade sizes of \$100,000 or less, purchased only 1.2% of the par amount traded in the primary market and 13.4% of the par amount traded in the secondary market. Conversely, institutional investors, those making trades of \$1 million or more, clearly dominated both the primary and the secondary markets in terms of par amount traded. They purchased 85.4% of the par amount traded in the primary market and 68.2% of the par amount traded in the secondary market.

In terms of number of trades, individual investors accounted for over 83% of the trades in the secondary market but only 30% of the trades in the primary market, whereas institutional investors accounted for 27% of trades in the primary market and only 4% of trades in the secondary market.

“While individual investors may have valid reasons not to access the primary market, we believe that more balanced participation between the primary and secondary markets could bring benefits to individual investors, including access to bonds not available in the secondary market, as well as potentially better yields in some cases,” said Bagley.

[Read the report.](#)

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