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Bank of America Forecasts $400 Billion of Muni Sales in 2024.

- **The bank had pared back its outlook for 2023 amid high rates**
- **State, local goverments on track to sell $350 billion in 2023**

Bank of America Corp., the largest underwriter of state and local bonds, is forecasting $400 billion of the debt will be sold next year, up slightly from this year.

The forecast, which strategists led by Yingchen Li and Ian Rogow included in a report on Friday, would represent at least the second year of optimism from the bank about annual municipal bond issuance. Around this time last year, the strategists expected muni bond sales for 2023 to reach a new record.

Instead, states and cities have sold about $273 billion of debt in 2023, down 8% from the same period last year, according to data compiled by Bloomberg. Sales of the securities have fallen short of many banks' forecasts, as higher interest rates and strong tax receipts spur governments to delay borrowing.

If the current pace of issuance continues – with about $30 billion of long-term munis sold each month on average — that would put sales at around $350 billion for the full year. That kind of a sales level would represent the second straight year of declining issuance, according to data compiled by Bloomberg.

In October 2022, Bank of America forecast muni sales for this year of $500 billion. By spring of 2023, it cut that figure to $400 billion. On Friday, the strategists said their prior forecasts were affected by the Federal Reserve's unexpectedly continuing to hike interest rates this year.

"The market environment and yield levels have always been important variables when we make our issuance forecast," the strategists said in the report on Friday. "Had our muni rates forecast worked out, our issuance forecast would have as well."

In 2024, the strategists expect around $300 billion of bond sales for new projects, representing about a 4.5% increase, which is a lower growth rate compared to years before 2022. They said that reflects high interest rates during the first half of 2024 and low GDP growth next year.

The strategists also forecast $100 billion of bond sales to refund higher interest-rate debt in 2024. They noted that refinancing volume will be impacted by the Fed, such as when the central bank starts cutting interest rates and by how much.

"A shift from tightening to easing in 2024 should induce a pretty good muni market rally that would extend throughout the year," they said in the report. "However, the strength, magnitude and timing of the rally will be very important for refundings."

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