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Muni Market Faces Early Credit Problems as Covid Aid Sunsets.

- **Analysts see revenue pressure slowing recent flow of upgrades**
- **Health care, higher-education sectors will face most stress**

Credit quality in the $4 trillion municipal bond market is showing early signs of pressure as federal pandemic aid winds down, spurring expectations that the rapid pace of rating upgrades over downgrades in recent years will ease.

Revenue growth is slowing, and in states such as California tax and fee collections are dropping. Rainy day funds are forecast to show declines after reaching record levels from strong economies and US stimulus money.

“Going into fiscal 2024, we were coming into all-time highs of reserve funds, and the economy had proven to be resilient,” Lisa Washburn, a managing director of Municipal Market Analytics, said in an interview. “If you look into fiscal 2025, you have draw down of reserves and softening of revenue growth.”

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Bloomberg Markets

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July 10, 2024

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