Bond Case Briefs

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Decline of Insured US Municipal Bonds May be Over.

While the worth of insured municipal bonds in the US declined to the lowest level last year to $12.08 billion since the financial crisis, data from Thomson Reuters revealed that the dive may already have come to an end, Reuters reported.

Data revealed that last year's 9% drop in bond insurance was the smallest in ten years. An overall decline in debt sales in 2013 reaching 15.1% contributed to the fall. Insured bonds comprised a slightly bigger share of new debt sales last year. This represented 3.9% of the total dollars from municipal bond issuances, higher than the previous year's figure of 3.6%, the report said.

Insured bonds comprised around half of overall new debt issuance before the financial crisis of 2008. Purchasing insurance enables municipalities to use the top ratings of the guaranteeing firms to bring down their borrowing costs. The use of municipal bond insurance fell when the ratings of firms were reduced on exposure to mortgage-related debt which is considered risky. The amount of insured debt dropped 64% in 2008, the report said.

Assured Guaranty was the top municipal insurer last year after undertaking 466 deals which backed a total of $7.38 billion of debt. Its market share, however, went down 20.8% as 536 deals were undertaken by Build America Mutual insuring a total of $4.44 billion, the report said.

A newcomer in the field, Municipal Assurance Corp was able to insure $154.5 million bonds in 22 deals while Berkshire Hathaway Assurance was able to insure only one deal worth $106.9 million. Berkshire Hathaway Assurance was not a guarantor of any municipal debt the year before, the report said.

Meanwhile, the data revealed that the top bond lawyer last year was Orrick Herrington & Sutcliffe, which also held the Number 1 post in 2012. The law firm counseled 310 transactions worth $31.54 billion, the report said.