Bond Case Briefs

Municipal Finance Law Since 1971

S&P: U.S. Public Finance Ratings Continued Their Positive 2014 Trend in the Fourth Quarter.

For the first time since 2007, U.S. public finance (USPF) nonhousing and housing bonds both recorded more upgrades than downgrades in every quarter of the year. Overall, this was due to a combination of an improving economy and criteria changes. Standard & Poor's Ratings Services upgraded 2,396 USPF ratings (2,265 nonhousing) and lowered 895 ratings (844 non-housing). For the year, Standard & Poor's Ratings Services raised 2.68 ratings for every downgrade for nonhousing bonds and raised 2.57 ratings for every housing downgrade. The fourth quarter of 2014 was the ninth consecutive quarter in which upgrades outnumbered downgrades for USPF nonhousing bonds, and upgrades outpaced downgrades in all USPF sectors except health care and higher education. Furthermore, the upgrade-to-downgrade ratio for USPF sectors increased after two quarters of declines.

Improving local economies were the leading cause of the higher overall ratio this quarter in nonhousing bonds, spurring more than 150 local government upgrades compared with about 50 downgrades. A second influence on the positive ratio was our upgrade of the general obligation (GO) rating on California, to 'A+' in November 2014, which affected ratings on bonds issued by the state, California State University, and California community college districts. Housing rating actions were a major improvement relative to 2013, as the ratio of upgrades to downgrades was 2.57 in 2014 and just 0.40 in 2013. The main contributor for the housing rating actions in the quarter was the implementation of new multifamily housing criteria.

Continue reading.

26-Feb-2015