Bond Case Briefs

Municipal Finance Law Since 1971

BAML Stays on Top of Underwriter Rankings; PFM Leads FAs.

Bank of America Merrill Lynch maintained its position atop the ranks of municipal underwriters in the first half, as rivals closed the gap in an increasingly competitive market.

Quarterly League Tables

According to data from Thomson Reuters, all of the top 11 firms underwrote more in the first half of this year than in the same period of 2014. The 11 firms earned a total of $214.44 billion in 6,816 versus $143.31 billion in 4,913 deals amid a surge in issuance as issuers took advantage of near-record low interest and refunded debt.

BAML finished the half with a par amount of $27.53 billion in 255 deals, good for 12.8% of the market. The bank's par amount rose from $19.42 billion and 182 deals increase, but its market share decreased from 13.6% in 2014.

Citi underwrote $25.60 billion in 273 deals, to garner a 11.9% market share, improving from $14.95 billion in 172 deals and 10.4% of the market in the first half of 2014. Citi moved up one spot from last year, claiming second place this year.

JPMorgan, which finished third with $24.77 billion in 242 deals for and 11.6% market share, after placing second in the first half of last year with $16.01 billion in 151 deals, for 11.2% of the market.

"Compared to the first half of last year, the market is up almost 50% in total volume. When you look at the first two quarters of 2015, they were pretty similar," said Jamison Feheley, managing director and head of public finance banking for JPMorgan. "Strong issuance volume in the first quarter continued into the second, largely driven by refundings."

Feheley also said that the firm has had no change in its business strategy, as it continued to focus on our clients and execute solutions that provide optimal results in the current market environment.

"We expect a solid pipeline of business to continue through the summer and through the third quarter," he said. "Visibility into the fourth quarter is more challenging and it remains to be seen what impact any potential rate increases by the Fed this year will have on refunding volume and overall new issuance."

Morgan Stanley ranked fourth with $18.03 billion in 251 issues and the same market share as a year earlier, 8.4%. Morgan Stanley did improve from $12.08 billion in volume and 141 deals in the same period of time last year.

RBC Capital Markets jumped from seventh place last year to fifth place, Its $13.13 billion in 421 issues or 6.1% of market share, compared with $8.09 billion in 272 issues or 5.7% of market a year ago.

“With a year-over-year rankings uptick of two notches, we are appreciative to our clients for their confidence in our banking expertise and capital markets execution,” said Chris Hamel, managing director and head of the municipal finance group at RBC Capital Markets. “An increase in market share in a high volume year demonstrates that our plans for deepening RBC’s involvement in the municipal sector are being realized.”

The biggest move inside of the top 11 was Stifel Nicolaus and Co., which improved by three spots to No. 7, with $10.65 billion in 486 transactions or 5% of market share. Last year when Stifel finished tenth, it had $5.122 billion in 283 transactions or 3.6% of the market. Stifel again worked on the most deals.

PFM Increases Market Share

Public Financial Management Inc., increased its market share to 19.9% with a par amount of $35.21 billion in 542 transactions. That compares with 17.5% of market share in the first half of last year, with $20.86 billion in 367 issues.

“PFM has great clients and we work in close cooperation with them in preparing to access the debt markets when their funding needs require and when the markets provide good opportunities to refund or restructure prior obligations,” said John Bonow, managing director and chief executive officer of the PFM Group. “We have many strategic locations around the country that help us serve our clients well with both local resources and sector specialists who are supported by a dedicated capital markets pricing group – this combination helps us understand each unique governmental and non-profit credit and their appropriate cost of capital for a given debt structure.”

Bonow said the companies in the PFM Group have experts across all areas of governmental and non-profit finance, beyond debt advisory work, including budgeting and strategic forecasting, workforce, post-employment obligations, structured products, post-issuance compliance and investment management. This breadth of services provides the context required to offer appropriate advice in both cooperative and challenging economic environments, he said.

“As our clients’ needs develop and markets evolve, we add the resources necessary to continue to be the trusted advisor with comprehensive services and subject matter expertise that our clients have come to expect,” Bonow said.

Bonow expects that refunding volume will continue to be strong, even if the Fed takes rate action in the third quarter.

“We also think there is pent-up need to address deferred infrastructure renewal and replacement needs, and assuming economic conditions remain stable, new money bond volume should continue to increase,” he said. “Moreover, the uncertainty at the federal level means that sectors such as transportation will continue to look for expanded and innovative local funding alternatives to tackle the substantial amount of capital funding needed for our nation to remain competitive and for local jurisdictions to pursue greater economic growth. Finally, underfunded pension and OPEB obligations will continue to get even more well-deserved attention, as the challenges of such funding responsibilities increasingly strain many governmental and non-profit budgets and impact credit ratings.”

FirstSouthwest finished with $17.98 billion in 440 deals or 10.1% of the market, up from $12.53 billion in 321 deals last year.

“We have been building a national FA presence over the past 15 years starting to come into place,” said Jack Addams, vice chairman and head of public finance for FirstSouthwest. “We have great bankers all across the county, good people and a good market, it all came together. The firm is proud of our policy, which is that the client comes first and we are there to do what the client needs to get done. The clients realize the quality of the service that they get with us. It’s a team effort and it reflects the quality of the team we have here.”

Public Resources Advisory Group finished a close third with $15.83 billion, up from the $12.14 billion in par amount from the same period last year. Piper Jaffray came in fourth place and RBC rounds out the top five. Piper moved up from seventh last year, while RBC leaped up from 13th place. The biggest mover on the list however was Kaufman Hall & Associates Inc., which went from 27th place last year to seventh place this year as they saw their par amount balloon to $3.73 billion from $974 million.

Negotiated Underwriting

JPMorgan claimed the top spot for underwriting negotiated deals, after finishing in third place in this category a year ago. The firm finished the first half of 2015 with a par amount in negotiated deals of $19.52 billion, up from the $10.08 billion during the same period of last year. Citi stayed in the number two spot with $19.37 billion, up from $10.40 billion the year prior. BAML dropped to the third spot with $17.46 billion, after finishing first this time last year with $12.11 billion. Morgan Stanley finished fourth with $12.89 billion and RBC came in fifth with $12.42 billion.

Competitive Underwriting

BAML finished the first half of 2015 as the top competitive underwriter, just as it did during the first half last year. The par amount in competitive deals rose to $10.07 billion from $7.32 billion. Citi and JP Morgan flip-flopped positions year over year, as Citi finished in second with $6.23 billion and JP Morgan third with $5.25 billion. Morgan Stanley remained in the fourth spot with $5.14 billion and Robert W Baird moved up one spot from last year, coming in fifth with $3.95 billion.

The biggest mover was Barclays, which rocketed to the ninth spot this year from the 26th spot in the first half of 2014. Barclays’ par amount increased to $1.24 billion from $122 million.

Top Issuers

Three of the top six issuers so far this year hail from the Empire State, including two from the city that never sleeps. Topping the list is the New York State Dormitory Authority with a par amount of $4.67 billion in 24 issues. Last year at this time DASNY ranked fifth with $2.36 billion. The Regents of the University of California finished second with $3.35 billion, the New York City Transitional Finance Authority is third with $3.33 billion, the state of California is fourth with $3.04 billion, the Texas Transportation Commission is fifth with $2.39 billion and New York City is sixth with $2.32 billion.

THE BOND BUYER

BY AARON WEITZMAN

JUL 6, 2015 3:58pm ET