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Presidential Politics a Boon to the Muni Market?

This year has seen a boost in bonds sold by states and localities in the municipal market. Experts are predicting 2016 will be the busiest year in a half-decade. RBC Capital Markets' Chris Mauro said this week that October will likely represent the third consecutive month of record bond issuance volume. In fact, he predicts that total issuance this year "will likely exceed the $433 billion record set in 2010 — a particularly impressive accomplishment, given that Build America Bond issuance greatly inflated 2010 volume."

The Takeaway: A big driver of all this activity on the governments' end is uncertainty. The biggest question mark has been over who will win the presidential election, followed closely by whether or not the Federal Reserve will raise short-term interest rates by the end of the year. Given the vastly different positions of the candidates, governments are unwilling to gamble on the tax and spending policies of a new administration. As such, Mauro predicts bond issuance could creep up to $450 billion by the end of the year.

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