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U.S. Municipal Debt Volume to Retreat in 2017: Loop Capital

Municipal debt volume will come in at \$395 billion next year, down an estimated 13 percent from 2016 levels as the incoming Trump administration's impact on economic growth will fall short of expectations, an investment bank said on Tuesday.

"Our volume forecast assumes the President-elect will have less success in stimulating the economy, and therefore, interest rates will not rise to the same degree as the market generally expects," Loop Capital Markets said in a forecast note.

Sales of municipal bonds and notes in 2016 are likely to set a new record, with a volume of \$445 billion, outpacing the previous high-water mark set in 2010 of \$433.3 billion, Chicago-based Loop Capital said.

New money volume into the market should represent the largest year-over-year increase during the period of new money austerity, which started in 2011 and has continued in the years since, Loop Capital said.

Supply in the \$3.7 trillion U.S. municipal market surged during the second half of the year as states, city and other public agencies clamored to sell bonds and notes at low interest rates.

The Federal Reserve is expected to announce a quarter-point increase in interest rates on Wednesday, and experts anticipate additional increases in 2017.

Reuters

By Rory Carroll

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(Reporting by Rory Carroll; Editing by Jonathan Oatis)