

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Munis: Downgrades Rise a Percentage of Rating Actions in Q1.**

***Fitch bumped up its negative rating watch listings, but didn't issue any positive rating watches in Q1.***

While the first quarter was the 12th consecutive quarter where upgrades outpaced downgrades, it outpaced them by a smaller percentage than last quarter, according to a new report from Fitch Ratings.

In the fourth quarter of 2016, downgrades were just 25% of all rating actions. In the first quarter of this year, downgrades were 40% (37 of 151 ratings actions).

Jessalynn Moro of Fitch's U.S. Public Finance group also notes that the downgrades were bigger in terms of dollar value this quarter — mostly due to the downgrade of Illinois.

While upgrades outpaced downgrades, we saw a higher par value on the downgrades this quarter due to the Illinois downgrade of nearly \$30 billion. This one downgrade accounted for 68 percent of all downgrades this quarter.

Fitch downgraded Illinois from triple-B-plus to triple B in February. That's the second lowest investment grade rating.

Fitch also notes in its report that there was a pretty big bump in "rating watch negative" listings — to 28 from 20. The average for the last four quarters is 21.75. No securities were listed as "rating watch positive."

Positive rating outlooks (a longer-term measure than a ratings "watch") decreased to 86 from 91 in 4Q16, and negative rating outlooks decreased to 109 from 118.

**Barron's**

By Amey Stone

Updated May 8, 2017 12:07 p.m. ET