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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

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