Bond Case Briefs

Municipal Finance Law Since 1971

What It Means When the Biggest Banks Reduce Their Muni Debt Holdings.

For both individual and corporate investors, your tax rate serves as one of the biggest alluring or deterring factors in buying any municipal debt instruments. Typically, the interest earnings from municipal debt is tax exempt, safeguarding your total interest income from your marginal or corporate tax rate.

However, recent Securities and Exchange Commission filings by some of the major U.S. banks showed them reducing their state and local government bond holding by billions of dollars. For instance, Bank of America, JPMorgan Chase and Wells Fargo collectively reduced their local and state government holdings by close to $8 billion dollars during the first three months of 2018 and many other small and mid-size banks are following suit.

In this article, we will take a closer look at the steady increase in municipal debt demand after the economic collapse of 2008, the factors leading to significant reduction in muni debt exposure by major banks and what the future holds for the demand of municipal debt instruments.

Continue reading.

municipalbonds.com

by Jayden Sangha

Jul 05, 2018