Risk Assessments for Municipal GO and Revenue Debt Investors During Economic Downturn.

In the midst of COVID-19, the domestic and global financial market outlooks are grim and the collective blow to the markets highlight the convoluted nature of their dependency and interconnectedness.

This notion applies to all financial markets, both domestic and globally: municipal debt markets, corporate debt, equities, commodities, etc. Furthermore, the notion that fixed-income markets often see a surge in capital influx during market downturns and recessions – because fixed income is generally considered a safer option than other instruments – may not be entirely true, given that investors are skeptical of the overall performance of both private and public sectors. This is also because both debt and equity markets are heavily reliant on consumer spending, which has come to a considerable halt.

In this article, we'll take a closer look at whether the economic downturn will impact GO and revenue-backed municipal debt in a similar way, and we will also highlight key signs for investors to look out for within their municipal debt holdings in order to assess risk exposure.

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Apr 08, 2020