

# **Bond Case Briefs**

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## **SIFMA Expects Long Term Municipal Issuance to Reach \$452 Billion in 2021.**

New York, NY, December 22, 2020 - SIFMA today released the results its [2021 Municipal Issuance Survey](#). Respondents expect total long-term municipal issuance to reach \$452.0 billion in 2021, a 3.2% decrease from the \$466.9 billion expected to be issued in 2020. Short-term issuance is expected to increase to \$50.0 billion in 2021, a 13.9% increase from \$43.9 billion expected to be issued in 2020. Including short-term issuance, total municipal issuance is expected to total \$502.0 billion in 2021, down 1.7% from \$510.8 billion expected to be issued in 2020.

Respondents were polled as to events that would most likely have the greatest effect on the municipal market in 2021. Federal stimulus, COVID-19 vaccine and general economic weakness/slow growth were identified as factors to have the greatest effect in 2021, followed by federal government focus on infrastructure finance.

Respondents project long-term tax-exempt municipal issuance to reach \$298.0 billion in 2021, slightly down from \$315.1 billion expected in 2020. Projected volume for taxable municipal issuance in 2021 is \$145.0 billion, a 1.9% increase from \$142.2 billion expected to be issued in 2020.3 Alternative minimum tax (AMT) issuance is expected to decrease in 2021 to \$9.0 billion, down 6.1% from \$9.6 billion expected in 2020.

The share of refundings is expected to decrease in 2021, with 34.0% of long-term tax-exempt issuance expected as refundings compared to 44.3% expected in 2020.

Floating rate issuance is expected to total \$2.0 billion in 2020, up 3.6% from \$1.9 billion in 2019.

Respondents were generally unanimous that general purpose and education would be the two largest sectors for 2021, followed by utilities and public facilities. In prior years, the general-purpose sector has traditionally been the largest issuing sector by gross amount.

Respondents expect approximately 75 issuers to default in 2021 for a par value of \$3.0 billion, defined for the purposes of the survey as the occurrence of a missed interest or principal payment or a bankruptcy filing.

Following the FOMC lowering the federal funds target rate to 0 to 0.25% in March 2020, the federal funds rate (mid-point) is expected to rise from 0.13% in end-September 2020 to 0.19% by end-December 2020 and then dip down as low as 0.11% in March and June 2021 and finish back at 0.25% by end-December 2021. The two-year Treasury note yield is expected to gradually rise from 0.14% end-September 2020 to 0.26% by end-December 2021. The 10-year Treasury note yield is expected to also gradually increase from 0.68% end-September 2020 to 1.18% end-December 2021. The ratio of the yield on 10-year AAA G.O. municipal securities to the 10-year Treasury benchmark is expected decrease from 122.92% at end-September 2020 to 76.0% end-December 2020 but increase back to 85.0% by end-December 2021.

December 22, 2020

