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MSRB Analysis Finds Notable Shift in Trading Volumes in Municipal Market Over Last 15 Years.

Washington, D.C. — A [new MSRB analysis](#) reveals a significant decrease in trading volumes in the municipal securities market over the 15 years from 2007 through 2021, mainly due to a dramatic decline in the variable rate market. The report also identified spikes in trading volumes and unique trading activity during periods of market disruption or dislocation.

Over the 15-year period studied, the market saw a 67% decline in par amount traded and a 16% decrease in the number of trades, with the declining trend in number of trades most apparent in recent years. While yields also have declined significantly over the last 15 years, during periods of market disruption or dislocation, such as the global financial crisis and the start of the COVID-19 pandemic, trading volumes and yields generally tended to spike amid a notable rise in customer sales—both in terms of par traded and number of trades—and decline in customer purchases as compared to other trade types.

“Of all the periods of market disruption during the last 15 years, the global financial crisis of 2008 had the most lasting impact on the municipal securities market,” said John Bagley, chief market structure officer. “In particular, the sudden and dramatic decline in trading of variable-rate municipal securities in 2008 led to a fundamental shift in the municipal market structure over the subsequent years.”

The number of trades of variable-rate securities fell from 25% of the overall market in 2007 to an average of just 4% by 2009, while par traded fell from 70% of the overall market in 2007 to 44% in 2009, following a significant decrease in trading associated with tender option bond programs and the auction rate securities market. The variable-rate market has never recovered, with the number of trades averaging between 1% and 4% of overall trades between 2009 and 2021 and par amount traded declining further to 23% of total par traded in 2021.

Meanwhile, trading in the fixed-rate municipal market has not seen the same level of change as the variable-rate market. While trade sizes have increased, particularly in the tax-exempt market, the overall number of trades and par amount traded in the fixed-rate market remained relatively steady for the 10 years between 2007 through 2017, though they declined significantly starting in 2018, with 2021 volumes reaching the lowest levels in terms of number of trades and the second lowest in terms of par amount traded since 2007.

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