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Muni Market Is Worrying About Credit Again.

The number of ratings sought by state and local government borrowers is creeping upward after falling steadily since the financial crisis, a sign that credit concerns are creeping back into the $4 trillion municipal market.

The percentage of debt issued without an opinion from a credit ratings firm fell to 6.8% in 2022 from 9.7% last year, according to Municipal Market Analytics data. Meanwhile, there were increases of about two percentage points in the shares of debt issued with two and three ratings.

Borrowers typically shell out for additional ratings when they believe the extra reassurance will enable them to raise money as they plan.

Credit concerns had abated over the past two years as cash from tax collections and stimulus payments filled state and local government coffers. Investors fretted instead about how rising yields were driving down the market value of their bonds.

Rates are still rising, with benchmark 10-year triple-A munis yielding 3.15% Thursday afternoon, up from 3.11% Wednesday, according to Refinitiv MMD, after Labor Department data showed one measure of inflation has reached a four-decade high. Now investors are worried about repayment trouble too.

The Wall Street Journal

By Heather Gillers

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