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BofA Sees More Muni-Bond Defaults in 2023 After January Uptick.

- **First-time payment defaults rose 122% in January from year ago**
- **Forecast reflects a tougher outlook for riskier debt**

Expect more defaults in the $4 trillion municipal-bond market this year, Bank of America Corp. strategists said. Most of the distress will be concentrated in riskier sectors like nursing homes and hospitals.

Muni-bond defaults are forecast to total between $1.7 billion and $2.1 billion in 2023, according to a research note the bank published Friday. First-time payment defaults in January rose 122% year-over-year to $611 million, marking the third highest month since 2019, the note said. Almost all of the defaults were unrated securities in the not-for-profit, nursing home and hospital industries.

The forecast reflects a toughening financial outlook for higher yielding debt that until recently had benefited from an extended stretch of low interest rates, and in some sectors, stimulus money. Most of the credit pain will likely be concentrated among smaller issues.

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