
S&P Updated 2025 U.S. Transportation Infrastructure Activity Estimates: Eroding Port Volumes And More Tempered Growth Across Asset Classes

Key Takeaways

- An evolving macroeconomic and trade environment is driving modifications to our Jan. 9, 2025 activity measures across the U.S. transportation infrastructure asset classes, with the largest impact on ports, reflecting the rippling effects of significantly higher tariffs. There is no change to our stable sector outlooks at this time.
- We believe trade disputes between the U.S. and its partners, resulting in a significant increase in the overall effective U.S. tariff rate, will erode port container volumes in the near term. We forecast U.S. port volumes, as measured by twenty-foot equivalent units (TEUs), will decrease about 4% in calendar 2025, revised from a 0.7% decline estimated in January, with the overall calendar-year impact somewhat mitigated by the surge in volume before the tariff announcements on April 2.
- Most U.S. large container ports have financial headroom to withstand trade volatility but a prolonged disruption or more gradual volume declines would pressure credit quality if not addressed by management.
- We expect weaker, but still positive, U.S. economic conditions will result in slower and more tempered growth for the airport sector, with limited effects on ridership recovery for transit operators and benign impacts on the toll road sector, aided by falling fuel prices.

Continue reading.

9 Jun, 2025 | 18:53

S&P: Federal Disaster Relief Funding Proposals Could Elevate Credit Risks For U.S. Governments

Key Takeaways

- The Federal Emergency Management Agency (FEMA) plays a critical role in disaster response, historically providing a reliable funding source in supporting recovery and rebuilding efforts after an event.
- States and local U.S. governments could bear a higher share of the funding responsibility for recovery should federally proposed changes to the parameters for disaster declarations come to fruition.
- S&P Global Ratings believes that, beyond the human toll on communities following an event, a higher threshold to qualify for FEMA assistance could lead to lasting financial and credit pressure for states and local governments, particularly if they are unable to adapt to policy or financial

shifts in a timely manner.

What Is Happening And How Could It Affect Credit?

The federal government is reconsidering FEMA's role in disaster preparedness, response, and recovery activities, a financial and operational responsibility it currently shares with state and local governments. FEMA is the primary federal agency tasked with coordinating response and recovery efforts, but is considering shifting the natural disaster recovery costs to states and local governments. These potential modifications come on the heels of the announcement earlier this year of the elimination of the Building Resilient Infrastructure and Communities (BRIC) program and the cancellation of applications from 2020-2023, returning any grant funds not yet distributed to the disaster relief fund or the Treasury.

Continue reading. **[Free registration required.]**

4 Jun, 2025

Fitch Revises U.S. Water and Sewer Sector Outlook to Deteriorating Amid Rising Costs.

Fitch Ratings-Austin-05 June 2025: Fitch Ratings has revised its outlook for the U.S. water and sewer sector to deteriorating from neutral. This change is largely due to a higher effective tariff rate (ETR) affecting the sector and rising inflationary pressures.

Although many tariffs are on hold, the ETR remains significantly higher than a year ago. The U.S. water and sewer sector is capital intensive and often relies on materials and equipment from international suppliers, which is driving up costs. While some utilities are proceeding with projects and adjusting rates, others are pausing bids and adopting a "wait-and-see" approach.

"Through 2024 and into 2025, most utilities adapted to the 'new normal' operating environment with higher costs for supplies, personnel, and contractors compared to pre-pandemic levels," said Audra Dickinson, Senior Director, U.S. Public Finance. "In addition to renewed inflationary pressure, the sector faces a higher ETR and greater uncertainty around federal policy, creating more challenging business conditions. Fitch will continue to evaluate each utility's response and the potential impact on credit quality."

Despite the sector's deteriorating outlook, most Fitch-rated water and sewer utilities have Stable Rating Outlooks. Disciplined rate actions have supported cost recovery, but financial metrics and ratings could face pressure if policy changes drive tariffs and the ETR to unprecedented levels.

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Additional information is available on www.fitchratings.com

Fitch U.S. Water and Sewer Mid-Year Outlook 2025.

Fitch Ratings has revised its water and sewer sector outlook to deteriorating due to higher tariffs and inflationary pressures. The federal administration's proposed fiscal 2026 budget includes a drastic cut to SRF funding, adding to the sector's uncertainty.

Access Report

Thu 05 Jun, 2025 – 9:17 AM ET

A Discerning Fund Amid Growing ESG Bond Market.

Environmental, social, and governmental (ESG) investing is proving to be a prevailing trend. Amid a growing bond market, consider a specific ETF from Vanguard.

The equity market wasn't the only asset that got struck with volatility in April. Bonds were also hit, including tried-and-tested debt issues like municipal bonds. One corner of the bond market that exhibited resilience, however, was green bonds.

"Even as municipal bonds sagged in April amid greater supply and worries that trade wars would boost inflation, the green bond market held steady," explained Morningstar.

Continue reading.

etftrends.com

by Ben Hernandez

June 6, 2025

The Investment Conversation: Taking the Measure of Municipal Bonds at Midyear - Lord Abbett Podcast

In this podcast, Lord Abbett Portfolio Manager Dan Solender examines the factors likely to drive municipal-bond market performance in the second half of 2025.

Listen to Podcast.

June 5, 2025

An Easy Way to Get Muni Exposure as Issuance Rose in May.

According to Bond Buyer, municipal bond issuance grew in the month of May by 3.6% versus a year ago. It creates an opportunity for fixed income investors to get exposure if they haven't already via a fund like the Vanguard Tax-Exempt Bond ETF (VTEB A+).

VTEB provides an easy ingress for income seekers to add muni exposure without having to research the vast universe of muni bonds available. The fund provides all-encompassing exposure by tracking the Standard & Poor's National AMT-Free Municipal Bond Index. This index encompasses the investment-grade segment of the U.S. municipal bond market, giving investors only quality debt issues, which is important during times of market uncertainty like now.

Furthermore, VTEB is heavily diversified with the fund holding under just 9,800 bonds as of April 30. The 30-day SEC yield is at 3.91%. Of course, a prime feature of munis is their tax-free income. VTEB includes debt issues from state or local governments or agencies whose interests are exempt from U.S. federal income taxes, and the federal alternative minimum tax.

Continue reading.

etfdb.com

by Ben Hernandez

Jun 09, 2025

S&P Report Card: U.S. Transportation GARVEEs Remain Stable Amid An Evolving Federal Policy Environment

Key Takeaways

- We believe U.S. federal agencies will continue to support highway and transit grant programs funded from the Highway Trust Fund (HTF) as required by current law and this will continue in subsequent surface transportation authorizations.
- Many grant anticipation revenue vehicle (GARVEE) issuers in our rated sector have contingency plans if, for any reason, federal funding is unavailable in the near term, and most have robust liquidity and coverage in the event of delays or rescissions.
- Highway and transit project cost inflation will likely be exacerbated by any tariffs on construction materials and wage growth, eroding the financial benefits of federal grants and overall infrastructure spending.
- Our analysis of key GARVEE sector financial metrics for fiscal 2024 shows continued stability across rated issuers, with a median maximum annual debt service (MADS) coverage of 10.0x that, combined with limited near-term debt plans, supports our stable outlook for the subsector.

Continue reading.

29 May, 2025

S&P U.S. Municipal Water And Sewer Utilities Rating Actions, First-Quarter 2025

Overview

S&P Global Ratings took 46 rating actions, made 13 outlook revisions, and placed 23 ratings on CreditWatch within the U.S. municipal water and sewer utilities sector in first quarter of 2025. We also affirmed 90 ratings with no outlook revisions.

View the S&P Rating Actions.

27 May, 2025 | 17:18 United States of America

S&P U.S. Brief: U.S. Supreme Court Split Decision On St. Isidore Supports Credit Stability For Charter Schools

On May 22, 2025, the U.S. Supreme Court issued a split decision effectively upholding a lower court ruling that blocked the establishment of a religious charter school in Oklahoma. In S&P Global Ratings' opinion, the outcome supports credit stability for the charter school sector by maintaining the long-standing funding framework under existing charter school laws. However, the lack of a definitive ruling means the decision could allow the court to possibly reconsider the issue in a future case.

Continue reading.

27 May, 2025

S&P: U.S. Public Finance Issuers' Inconsistent Cyber Security Faces State-Backed Threats

Key Takeaways

- Sovereign-sponsored and politically motivated cyber attacks are targeting U.S. critical infrastructure, according to warnings by the U.S. Cybersecurity and Infrastructure Agency (CISA) and the FBI.
- Utilities' exposure to cyber risks are exacerbated by widespread failure to implement all federal cyber security standards. Smaller water systems appear particularly vulnerable, due to investment constraints, limited industry-level cooperation, and inconsistent application and quality of cyber risk oversight frameworks.
- Rated issuers in the transportation sector have a generally higher degree of cyber risk awareness, according to anecdotal evidence from meetings with management teams, though risk to fiscal health and operational services remains.

Foreign state-backed cyber attacks on U.S. infrastructure, including utilities and transport operators, continues to be a threat to both safety and critical services, according to warnings by U.S.

security agencies including the Cybersecurity and Infrastructure Agency (CISA) and the FBI. At the same time, wide variations in the adoption and application of cyber security practices means many issuers, particularly among utilities, are failing to meet minimum federal standards aimed at preventing a breach by cyber criminals.

The targeting of U.S. public finance issuers, and the sector's cyber security preparations, were chief among the subjects discussed at S&P Global Ratings' recent U.S. Public Finance Credit Spotlight: The Changing Face Of Cyber Risk In U.S. Critical Infrastructure. The webinar also featured a fireside chat with Cyrus Bulsara, Chief Information Security Officer of Scripps Health.

Utilities' Varied Reponses
The potential for U.S. critical infrastructure providers to suffer disruption and damage by cyber criminals was highlighted by a May 2024 Environmental Protection Agency report, "Enforcement Alert: Drinking Water Systems to Address Cybersecurity Vulnerabilities," which noted that about 70% of utilities inspected by federal officials over the last year were found to be in violation of standards intended to prevent cyber breaches. The prospect of a cyber incident at a water and sewage system supplier could be exacerbated by the absence of standard cyber security and hygiene guidelines that apply to operators.

"Smaller water systems were found to be particularly vulnerable," said Jenny Poree, S&P Global Ratings analyst and sector leader U.S. Water & Sewer Utilities." Moreover, the closing of those vulnerabilities faces myriad challenges including competing demands for financial and management resources, limited cooperation and sharing of resources by entities that have sophisticated cyber security operations, and weak or inconsistent cyber security frameworks."

The webinar also discussed the potential impact of prospective changes to staffing levels at government agencies involved in cyber security and resilience, including CISA and the National Security Agency (NSA), and the potential for funding cuts to organizations including the Multi-State Information Sharing and Analysis Center (MS-ISAC).

Transportation: Providing A Path To Follow
On a more positive note, the webinar heard that transportation sector issuers rated by S&P Global Ratings generally demonstrate a high degree of cyber risk awareness. "We discuss in our management meetings and receive assurances from operators that they continue to embed cyber security into overall risk mitigation strategies and that these are reported to their governing boards," said Kurt Forsgren, S&P Global Ratings analyst and sector leader U.S. Transportation.

The webinar participants agreed that cyber criminality is evolving and often innovating, though incidents were often traceable to well-understood but difficult to manage vulnerabilities, including hacks that leverage social engineering and third-party vendors. And there was consensus that issuers' best defense against cyber criminality remains pro-active cyber risk management, including the enforcement of plans and protocols that reinforce good cyber hygiene and the purchase of cyber insurance.

29 May, 2025

WSJ: How Your Town Can Feel the Weight of the National Debt.

Rising bond yields are lifting long-term interest rates for some local governments

Key Points

- House bill advancing increases deficits, unsettling debt market and pushing municipal borrowing costs higher.
- Treasury rates rose after House passed budget bill that would add nearly $3 trillion to national deficit.
- Federal policy has previously led to higher interest costs for local governments, such as after Trump's tariffs.

City and state borrowing costs edged up this past week when House lawmakers advanced a bill that would increase deficits. With concerns about federal spending pressuring the bond market, here is what to know about how U.S. borrowing may affect your state or local government.

The details

Yields crept upward on some long-dated municipal bonds after expectations of increased federal borrowing unsettled the debt market. Some Chicago airport bonds maturing in 2053 traded at 5.15% this week, the highest level since President Trump's tariff's broadside in early April. Yields also increased on bonds that raised money for Texas toll roads and student housing at the University of Tennessee.

The context

While local governments get some federal dollars such as grants toward education and policing, they mainly rely on revenue from local sources such as property and sales taxes. The amount they pay to borrow, however, is affected by longer-term Treasury rates. Those rose after the House passed a budget bill that would increase projected federal budget deficits by nearly $3 trillion through 2034. That is because the Treasury would likely sell bonds to fund all that spending and the flood of new debt might require them to offer higher rates to find enough buyers.

The big picture

It isn't the first time this year that federal policy has led to higher interest costs for local governments. Muni rates jumped after Trump first announced wide-ranging tariffs in early April, unsettling the market.

Muni fallout from an uptick in the national debt is more unusual. America's deficit spending rarely bothers investors much. And when federal dollars flow to highways or national parks, local economies often benefit. Plus the federal government helps cities and states secure lower rates from investors by not collecting income taxes on muni bond interest.

A few municipal borrowers are dependent on the federal government though, and they are hurting. For example, Moody's Ratings recently downgraded the credit of Washington, D.C., and the Smithsonian Institution.

The Wall Street Journal

By Heather Gillers

May 26, 2025

A Tipping Point for Public Cash Managers.

They must soon decide whether tariffs will push money market rates above or below market expectations — and place their bets. But shrinking tax receipts and federal cost shifting are likely to have a bigger budgetary impact.

Money market interest rates have held quite steady this year while the stock market, long-term bonds and financial futures have bobbed and weaved in response to turbulent tariff news and shifting views of recession risks. Public treasurers and cash managers have lost nothing so far by staying ultra-short in their portfolio maturities, but external, outsourced managers running public money against popular indexes in the one- to three-year range have outperformed most others. That's because notes maturing in 2026 and 2027 have produced capital gains on top of coupon income, resulting in total returns this past year of 6 percent versus 4-ish percent for those who stayed short.

But that's now just history. The challenge for public cash managers is what to do next.

Normally, interest rates on bonds and money market instruments give investors a higher yield for longer maturities to reflect liquidity preference, market segmentation and market risk on longer-term paper. The current yield curve for U.S. treasuries is showing a relatively rare configuration: a "swayback" formation in which yields for investments maturing between four and 30 months are successively lower but thereafter increase as maturities lengthen, as would normally be expected. Therein lies the challenge for today's governmental money managers.

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governing.com

OPINION | May 27, 2025 • Girard Miller

How Climate Change May Be Reshaping the Landscape for Municipal Debt Issuances.

In an era marked by intensifying wildfires, rising seas, and increasingly severe weather, climate change may be transforming how America looks and lives — and soon, how municipalities borrow to grapple with the evolving realities of a changing environment. Even though the science is clear about climate change and the costs are mounting, the evolution of the municipal bond markets seems slow across the nation. However, for investors in municipal debt, this disconnect raises a critical question: How long can climate risk go unpriced for their risk appetite?

In this article, we will take a closer look at the impact of climate change on municipal & state governments and the progress towards evolving municipal debt landscape thus far.

The Mounting Toll of Climate Change

Let's start with the facts. According to the National Centers for Environmental Information, the United States experienced 27 separate billion-dollar disasters in 2024, costing a total of $182.7 billion and resulting in hundreds of deaths. Compare that with the 1990s, when the country

averaged fewer than six such disasters per year.

Continue reading.

dividend.com

by Jayden Sangha

May 27, 2025

If Anything, Bond Markets are Returning to Normal.

A lot of people are worried about the level of US interest rates. “I think we should be afraid of the bond market,” billionaire investor Ray Dalio said last week. To other observers, the bond market is “barfing,” “signaling a dire scenario for the economy,” “shaking Wall Street,” “sending a warning to Congress,” “giving stock-market investors the yips,” “worrying that something may be breaking beneath the surface” or just plain “breaking.”

I don’t see what all the fuss is about. There is nothing unusual about the current level of interest rates or their recent movement. If anything, this is a yawningly normal interest rate environment.

For perspective, the benchmark 10-year Treasury yield, at 4.5%, is more than a percentage point lower than its historical average of 5.6% since the 1950s (for finance wonks, a negative 0.3 sigma). Even if you remove the period from 1980 to 1985 in which the 10-year yield was persistently above 10%, that historical average declines only modestly to 5.1%, still well above the current yield.

Nor is the recent interest rate volatility all that unusual. Yes, the 10-year yield has bounced around a bunch since the White House’s tariff announcement on April 2. But similar — and always temporary — spikes in volatility were common throughout the 1970s and 1980s and have occurred regularly during every decade since then, including the current one.

So, why all the griping about bond yields? One reason may be that people aren’t used to a normal interest rate environment. The US only recently emerged from an unusually long period of low rates — the 10-year hasn’t topped 5% since before the 2008 financial crisis, even though it was higher than that about half the time since the 1950s.

Also, there’s always something to dislike about interest rates. When rates were at historic lows for more than a decade after the financial crisis, critics complained that cheap debt would encourage risk taking and overinvestment in sectors that rely heavily on borrowing, such as real estate and private equity. They were right. Low interest rates did encourage real estate investment, which, in the case of housing, drove up prices and constrained supply. Low rates also made private equity more lucrative, which allowed PE firms to raise trillions of dollars with which to gobble up broad swaths of the US economy.

A normal interest rate environment should help wring out those distortions. It should also encourage the federal government to reckon with its own excesses. Deficit spending made sense when money was cheap, particularly for investment or to bolster the economy during the Covid pandemic. Now that rates are higher and the economy is growing, policymakers should trim the deficits and shrink the US’s historically high debt relative to gross domestic product.

If they don't, interest rates could rise to truly concerning levels. The Trump administration is taking two big gambles on rates. One is the budget bill making its way through Congress, which, in its current form, could add as much as $5 trillion in deficits over the next 10 years. The White House is betting that growth will more than offset additional deficits and bring down debt-to-GDP. A second gamble is that tariffs won't kick up inflation and thereby lift interest rates, either because the threat of higher levies will ultimately result in lower trade barriers or because companies will internalize the cost of tariffs rather than pass them on to consumers.

The bond market will be the judge. If the 10-year yield drifts above its historical average and approaches, say, 7% or 8%, which would still be well within a normal historical range (roughly 1 sigma), that will be a sure sign that the market has lost confidence in Congress's ability to manage the debt or the White House's ability to execute a tariff war without stoking inflation.

As things stand, though, interest rates need not interfere with sound fiscal policy. If the US can limit deficits to 3% of GDP, as Treasury Secretary Scott Bessent has pledged to do, debt-to-GDP should drop to 80% by 2050 from closer to 120% today. That assumes nominal GDP growth of 5% a year, comprised of the Federal Reserve's 2% inflation target and 3% real growth, or some combination of the two.

Interest on the debt as a percentage of the federal budget would also decline significantly, even if rates stay where they are. Assuming an average interest rate of 5% on federal debt, which is well higher than the most recent rate of closer to 3.3%, interest payments as a percentage of the budget would fall to 16% by 2050 from about 26% today. That assumes a total budget of 25% of GDP, roughly the size Congress is currently contemplating.

Still, if the current 10-year Treasury yield seems too high, consider that there are good economic reasons why it has averaged around 5% historically. The base of that rate is inflation, which, if things go according to the Fed's plan, will run somewhere in the range of 2% to 2.5% long term. The Fed also aims for a short-term interest rate that is about 0.5 to 1 percentage point above the inflation rate, which closely matches the historical average yield on three-month Treasury bills. To lend for longer, investors usually demand a premium, which has averaged 1.6 percentage points for 10-year Treasuries relative to T-bills since the 1980s. The sum of those variables is a 10-year yield in the range of 4% to 5%, precisely where we are today.

The current 10-year yield, in other words, is a sign that the bond market is functioning normally. It may not stay that way given the gathering risks, notably credible estimates that deficits will continue to run well higher than 3% of GDP. But for now, there's no reason to fear the bond market.

advisorperspectives.com

by Nir Kaissar of Bloomberg News, 5/29/25

Long Munis Suffer on Tariff and Tax Fear as Short Bonds Gain.

(Bloomberg) — Muni investors seeking nearly instant gratification are being rewarded for their eagerness.

State and local debt is often seen as a buy-and-hold investment, but in 2025 bonds maturing in under a year are performing the best of all muni segments, according to data compiled by Bloomberg. The municipal short-term index has jumped 1.3% — the biggest year-to-date gain since at least 2012 —

while most other Bloomberg municipal indexes have posted losses.

While yields for benchmark state and local debt maturing in 30 years have climbed almost 67 basis points this year, they've shrunk nearly 36 basis points for bonds due in three and six months.

Continue reading.

Bloomberg Markets

By Shruti Date Singh

Tue, May 27, 2025

Muni Market Braces for 'Mega Calendar' of Fresh Supply Next Week.

The municipal-bond market is gearing up for a surge of supply in the coming week, adding to the onslaught of issuance seen in 2025.

JPMorgan Chase & Co. strategists are calling for $17.7 billion of tax-exempt bond sales next week, which would be the third-largest amount on record. They dubbed it a "mega calendar."

"It's a big week," said Christopher Lanouette, a Boston-based managing director and portfolio manager at CIBC Private Wealth Group LLC.

Continue reading.

Bloomberg Markets

By Amanda Albright

May 30, 2025

Long Munis Suffer on Tariff and Tax Fear as Short Bonds Gain.

Muni investors seeking nearly instant gratification are being rewarded for their eagerness.

State and local debt is often seen as a buy-and-hold investment, but in 2025 bonds maturing in under a year are performing the best of all muni segments, according to data compiled by Bloomberg. The municipal short-term index has jumped 1.3% — the biggest year-to-date gain since at least 2012 — while most other Bloomberg municipal indexes have posted losses.

Continue reading.

Bloomberg Markets

By Shruti Singh

May 27, 2025

Policy Ambitions, Market Reactions Keep the Municipal Bond Window Wide Open.

- The current market dynamic—and the attractiveness of municipal yields—are being shaped by a mix of optimism and realism. Key drivers include tariff-related uncertainty, elevated supply in the primary market, heightened investor demand for stronger credit quality, growing concerns over federal fiscal strain, and the recent Moody's downgrade of U.S. sovereign debt.
- Municipal bond yields remain near the peak of generational highs, offering a rare opportunity to lock-in high-quality, tax-advantaged income amid policy uncertainty and market volatility
- In today's relatively higher rate environment, investors can look beyond yield alone and carefully consider structure. Combining defensive features, longer duration, extended call protection, and lower coupons can help reduce reinvestment risk, improve long-term returns, and strengthen a portfolio's resilience across different interest rate scenarios.

Continue reading.

advisorhub.com

by HilltopSecurities

May 29, 2025

S&P Global Tariff Tracker: Rating Actions As Of May 16, 2025.

S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses–specifically with regard to tariffs–and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly [see our research here: spglobal.com/ratings].)

This report does not constitute a rating action.

In response to investors' ongoing interest in tariff impacts on global trade and its corresponding credit effects on issuers we rate, S&P Global Ratings is publishing a biweekly update of rating actions we have taken globally on nonfinancial and financial corporate, sovereign, U.S. public finance, international public finance, and structured finance entities (see list of article titles below), as well as a summary table and supporting charts.

These are public ratings in which 2025 tariff pronouncements are a primary driver of the action. Rating actions may include upgrades, downgrades, outlook revisions, and CreditWatch placements as of May 16, 2025, unless stated otherwise.

Continue reading.

20 May, 2025

House-Passed Reconciliation Bill Provides Largest Housing Credit Expansion in Quarter Century.

This morning, the House passed the 2025 reconciliation legislation, titled the "One Big Beautiful Bill Act," by a 215 – 214 vote, sending the bill to the Senate, which will consider it after it returns from the Memorial Day recess. The bill represents the largest increase in Housing Credit resources since Congress raised the caps on Housing Credits and Private Activity Bonds and indexed the caps for inflation 25 years ago. The bill would:

- Increase the Housing Credit volume cap for 9 percent properties by 12.5 percent for four years: calendar years 2026, 2027, 2028, and 2029;
- Lower the bond financing threshold to 25 percent for 4 percent Housing Credit properties placed in service after December 31, 2025, so long as the bonds financing the project have an issue date between December 31, 2025, and January 1, 2030; and
- Allow state Housing Credit agencies to provide a basis boost of up to 30 percent for properties located in rural and Native American areas placed in service after December 31, 2025, and before January 1, 2030.

Continue reading.

ncsha.org

Published on May 22, 2025 by Jennifer Schwartz

S&P: Tariff Uncertainty Could Weigh On U.S. Public Power Utilities

(**Editor's Note:** S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses–specifically with regard to tariffs–and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our research here: spglobal.com/ratings).)

Key Takeaways

- The U.S. power industry faces an acute supply backlog of critical grid components, such as foreign-manufactured transformers, and tariffs could increase the already elevated prices of the equipment and materials.
- S&P Global Ratings believes that whether credit quality will be negatively affected by tariffs will depend on their magnitude and duration and utilities' capacity to recover related costs from their customers.
- Our negative sector outlook does not mean that we contemplate lowering our ratings on a large swath of the public power utilities; rather, in the prevailing inflationary environment, public power utilities are more susceptible to weakening financial metrics and possible downgrades than they were historically.

Continue reading.

22 May, 2025

S&P Cyber Brief: U.S. Infrastructure Faces Evolving Threats And Federal Policy Uncertainty

Sovereign-sponsored and politically motivated cyber attacks on critical infrastructure in the U.S. have become more frequent, resulting in a heightened risk of infrastructure failures that could cause significant economic disruptions and loss of life.

U.S. infrastructure providers' preparedness for such attacks, which are often sophisticated compared to more common cyber criminality, is inconsistent due to differing federal regulations and ownership. At the same time, the level of continued federal support for government cyber security institutions is uncertain.

Continue reading.

20 May, 2025

Trump's Funding Threats Build a Case for Private High-Speed Rail.

While California High-Speed Rail's federal funding is in doubt, privately led Brightline West has been chugging along.

California has helped create much of the technology powering the 21st century. But travel between Los Angeles and San Francisco by train still feels trapped in the past.

Now, the state's plan to modernize that corridor — a long-promised high-speed rail line — is facing its most serious threat yet. President Donald Trump has called the project "stupid" and vowed to block $4 billion in federal funds, escalating a broader push by his administration to withdraw support from mass transit initiatives across the country. "This government is not going to pay," he said earlier this month.

The threat lands at a critical moment. After years and years of delays and cost overruns, California's high-speed rail project is approaching a point where additional funding is essential to keep construction moving. Without federal support, state officials warn that progress on the first segment from Bakersfield to Merced could stall — or stop entirely — potentially being the final nail in the coffin for the entire project.

Continue reading.

Bloomberg Markets

By Brian Kahn and Eliyahu Kamisher

May 22, 2025

Private Credit Eyes Gap in US Infrastructure as Federal Funding Dips.

Private credit firms are seeing an opportunity to finance everything from public transit systems to local utilities as the federal government and banks pull back on funding.

US state and local infrastructure is in need of alternative funding sources as pandemic-era stimulus funds wane and the Trump administration seeks to cut costs. As inflation drives up construction costs and government balance sheets are pressured by higher expenses, there are fewer dollars to be allocated to projects.

That's created an opening for private lenders to snatch up more of the infrastructure market, which would normally be dominated by public funding, according to Andy Prindle, the head of origination at lending firm Foundation Infrastructure Opportunities, a strategy within Foundation Credit.

Continue reading.

Bloomberg Markets

By Aashna Shah and Ellen Schneider

May 22, 2025

WSJ: Trump's War Against Higher Education Hits the Sector's Bonds

Analysis say the threat is contributing to an increase in the yields investors are demanding to finance higher education

The Trump administration's moves against prominent colleges and universities have spread concerns that a wide swath of higher-education institutions could see their borrowing costs rise, while some investors could end up with a win.

President Trump and the Republican-controlled Congress have discussed increasing taxation on, limiting tax benefits for and curbing federal funds to colleges and universities. The rising hostility has municipal-bond investors worried that higher-education institutions could lose an exemption that allows the buyers of their bonds to avoid federal income taxes on their returns.

The threat is contributing to an increase in the yields investors are demanding to finance higher education, according to analysts and portfolio managers. That means costs of capital investments, such as the construction of a new dorm or cafeteria, could go up, likely increasing tuition expenses.

Continue reading.

The Wall Street Journal

By Paulo Trevisani

May 22, 2025

A Big Beautiful Podcast: Bloomberg Masters of the Muniverse

Eric Kazatsky and Karen Altamirano are joined by BI Tax Analyst Andrew Silverman and BI POlicy Analyst, Nathan Dean to discuss the Big Beautiful Bill that was passed by the house and sent to the Senate. Discussed are the impacts to the tax-exempt municipal market, federal spending and the bond market's signalling of displeasure at the current state of affairs.

Listen to the Podcast.

May 24, 2025

Pristine Taxable Munis Seen Gaining After Moody's US Rating Cut.

High-quality taxable municipal bonds are poised to get a boost as the downgrade of the US government by Moody's Ratings will leave investors looking elsewhere for pristine credits, according to Barclays Plc.

The US was stripped of its last top credit rating by Moody's last week on concern about the country's declining fiscal outlook. The federal budget deficit is running near $2 trillion a year, or more than 6% of gross domestic product. Most US states and cities are required to maintain a balanced spending plan.

Municipalities "are more fiscally constrained in their actions as they are often mandated to maintain balanced budgets, and the loss of the US triple-A rating might be a gain for AAA-rated municipalities, as demand for AAA bonds might increase going forward," strategists at Barclays wrote in a research note published Friday.

Continue reading.

Bloomberg Markets

By Danielle Moran

May 23, 2025

Trump's Tax Bill Adds to Bond Market's Woes.

After the tariff scare, Treasury yields are on the rise as investors focus on the worsening fiscal outlook.

Key Takeaways

- Treasury yields are rising amid mounting concerns about an unsustainable fiscal outlook and stubborn inflation.
- Higher yields are a sign that investors see more risk in investing in US debt and are demanding a higher premium to compensate for that risk.

- Strategists say yields could remain elevated if the fiscal picture doesn't change.
- Higher yields mean higher mortgage rates and could hurt stock valuations.

The bond market is looking jittery again, thanks to President Donald Trump's new tax bill. Hand-wringing over the United States' fiscal deficit is nothing new, but the legislation's advance in Washington this week has set investors on edge, sending yields to their highest levels in months. If passed, the bill would cut taxes without significantly slashing spending, and experts estimate that it would add more than $3 trillion to the deficit over the next decade.

Continue reading.

morningstar.com

by Sarah Hansen

May 22, 2025

Impacts of Proposed SALT Cap Hike on Bond & Stock ETF Investments.

The Republican-controlled U.S. House passed President Trump's tax and spending bill by a razor-thin margin of 215-214 votes, adding $3.8 trillion to the national debt. The bill is now headed for the Senate approval. The bill raised the SALT (State and Local Tax) deduction cap to $40,000 (from the current $10,000 limit).

The concession on SALT came after a group of blue-state Republicans, who described themselves as the "SALTY five," hoped for more generous provisions. The new deduction cap applies to those earning under $500,000.

However, the bill is facing fierce opposition from fiscal conservatives, especially around provisions on Medicaid reforms and green energy credits. Analysts warn the expanded bill can add more than $3 trillion to the deficit, which has rattled bond markets and contributed to a U.S. credit rating downgrade by Moody's

Continue reading.

nasdaq.com

Written by Sanghamitra Saha for Zacks

May 23, 2025

With Muni Yields Attractive, Green Bonds May Appeal to More Than Just Sustainable Investors.

The outlook for renewable energy, a focus for many green bonds, is bright, says Nuveen's Liberatore.

There's an unusual opportunity in the municipal bond market for sustainable and conventional

investors alike today, according to Steve Liberatore, head of ESG/Impact for global fixed income at Nuveen. It lies in so-called green bonds, whose proceeds are targeted toward environmental themes, such as building solar generation, or bolstering the efficiency of power generation and transmission. Liberatore says that even as munis have sagged amid stepped-up bond issuance, green bonds and their relatively safe cash flows look attractive.

Green bonds have a market value of around $2.9 trillion globally. They're issued by a variety of entities, including corporations—not just municipalities. But they've been overlooked, partly because of the disdain for environmental, social, and governance approaches and outflows from sustainable equity funds. The Trump administration has taken an antagonistic stance toward renewable energy and called the future of the Inflation Reduction Act into question. Yet Liberatore believes the outlook for renewable energy (a focus of many green bonds) remains bright.

Over the years, he says, "the rapid growth of the green bond market has come with an ever-increasing diversification of issuers and funded projects. As a result, there are attractive opportunities across the ratings spectrum and up and down the capital stack that could align with any investor's risk/return parameters."

Continue reading.

morningstar.com

by Leslie P. Norton

May 21, 2025

CUSIP Request Volumes for New Municipal Securities Increase in April.

NORWALK, Conn., May 16, 2025 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for April 2025. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets activity over the next quarter, found a monthly increase in request volume for new municipal identifiers, while monthly request volume for new corporate debt and equity identifiers slowed.

North American corporate CUSIP requests totaled 7,676 in April, which is down 9.1% on a monthly basis. On an annualized basis, North American corporate requests were up 2.4% over April 2024 totals. The monthly decrease was driven by a 13.3% decline in request volume for U.S. corporate equity identifiers and a 29.8% decrease in request volume for U.S. corporate debt identifiers.

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – rose 24.0% versus March totals. On a year-over-year basis, overall municipal volumes were up 21.5% through the end of April. California led state-level municipal request volume with a total of 133 new CUSIP requests in April, followed by Texas (132) and New York (83).

"While corporate debt and equity requests were down sharply in April due to tariff-induced market volatility, strong derivatives volume drove higher overall municipal issuance despite many municipal bond offerings being postponed during the month," said Gerard Faulkner, Director of Operations for CGS. "We'll be watching issuance volume in the coming months to see whether there may be pent up demand for new corporate issuance waiting on the sidelines."

Requests for international equity CUSIPs fell 18.9% in April and international debt CUSIP requests fell 28.5%. On an annualized basis, international equity CUSIP requests were up 12.8% and international debt CUSIP requests were up 21.0%.

To view the full CUSIP Issuance Trends report for April, please click here.

Untouched Muni Tax Perk Eases Urge to Flood the Market.

Municipal bond investors likely felt relief this week when a draft tax bill didn't erase the all-important tax exemption, but that respite may cool this year's market for state and local governments seeking cash.

Most muni bonds pay interest that's exempt from federal taxes, a perk that entices investors without raising an issuer's borrowing costs. Public finance groups had feared the removal of the exemption would be looked at as a way to help fund President Donald Trump's tax cuts, but with the pressure off for now, Barclays municipal strategist Mikhail Foux said municipalities may push back plans for bond sales.

"They're not under the gun to come to the market and issue deals," Foux said in an interview. "Now they have time to wait for lower interest rates and bet that the Fed will be cutting later this year and into the next year."

Tom Kozlik, head of public policy and municipal strategy at Hilltop Securities, had estimated that muni issuance in 2025 would jump 50% from the prior year to $745 billion, largely driven by sellers rushing to close deals before the exemption was culled by lawmakers.

Reaching that number would have required about $62 billion in average monthly sales. If the tax exemption continues to avoid Congressional scrutiny, Kozlik sees muni issuance coming down to around $40 billion per month. In April, muni sales jumped above $51 billion.

But he warned that Monday's tax proposal was the start of a long process, and that pressure on the tax exemption could arise in future conversations about how to reduce the nation's deficit.

"From a big picture, municipals aren't safe," Kozlik said. "This is a very dynamic environment."

Bloomberg Markets

By Elizabeth Rembert

May 16, 2025

Siebert Sees Muni Borrowers Asking More of Banks Amid Volatility.

State and local borrowers are asking more of Wall Street banks when they select underwriters for municipal-bond deals, according to Gary Hall, the head of infrastructure and public finance at Siebert Williams Shank & Co.

Issuers in the $4 trillion muni market are increasingly querying banks during the underwriter

selection process about their willingness to use their balance sheet to support transactions, Hall said in an interview on the sidelines of a Bond Buyer public finance conference in Atlanta. This comes as investors, including banks and insurance companies, are being more selective in what they buy, he said.

“Issuers are asking that question more in RFPs, ‘Are you willing to use your balance sheet?’ and ‘How are you willing to use your balance sheet?’” Hall said, referencing the request for proposals that governments send out for underwriters. “That’s one of the reasons to make a concerted effort to make sure we had sufficient resources to be that player in the marketplace.”

This comes amid uncertainty across markets. Last month, municipal-bonds suffered their worst day in decades as investors sold off holdings amid the volatility caused by President Donald Trump’s tariff plans. Several deals were postponed amid the rising yields and market volatility. After last month’s swings, supply is picking up and investors are coming back.

Hall, who has over 25 years of experience in munis, said during a panel at the conference that he’s seeing a consistent rise in unsold balances on muni transactions, adding that the trend keeps him up at night. Siebert is finding the need to tap its own balance sheet more, he said.

His firm received an undisclosed investment from Apollo in 2022 that was expected to “significantly increase” its underwriting capacity. The commitment aimed to draw larger deal flow. Last year, Siebert was ranked as the 11th-largest underwriter of long-term muni debt having managed $16.6 billion of deals, according to data compiled by Bloomberg. That’s up three slots from 2021 when the bank managed $8.2 billion.

“We’re doing larger deals now, that requires sometimes us stepping up in order to do these deals and that’s something that now is more the norm than it used to be,” Hall said.

Bloomberg Markets

By Aashna Shah

May 19, 2025

US States Likely to Defy US Downgrade to Keep Top Credit Ratings.

US states from Florida to North Carolina and Texas would likely hold onto top-notch credit scores from Moody’s Ratings, mostly because they’re in better fiscal shape than the federal government itself.

More than a dozen states have pristine triple-A ratings from Moody’s, according to Bloomberg-compiled data, ranking them higher than the US government, which was stripped of its last top credit rating on Friday. That’s in part thanks to requirements for all but one, including the District of Columbia, to balance their operating budget in some form, according to a 2021 report by the National Association of State Budget Officers.

Analysts at JPMorgan Chase & Co. also suggested in a note on Friday that states should be relatively immune. They cited a Moody’s report from 2023, when the ratings firm changed its outlook on the US government to negative, that few public finance issuers were directly affected by that revision.

Continue reading.

Bloomberg Markets

By Amanda Albright and Scott Carpenter

May 18, 2025

NASBO Budget Blog: States' Revenue Forecasts Mostly Revised Down Over Recent Months

As states work to finalize their budgets for fiscal 2026, many have published revised revenue forecasts, with most having revised estimates downward. A number of revenue forecasts discussed heightened economic uncertainty partly brought upon by changes at the federal level, while stating a cautious approach is warranted. Specifically, revenue forecasts noted the impact of potential changes in federal spending, federal tax provisions, trade policy including tariffs, federal workforce levels, immigration, geopolitical events, and consumer confidence in explaining the revisions. The lowered revenue forecasts come at a time when states already have been experiencing tighter budgets due to slower revenue growth, increasing expenditure demands, and the winddown of federal COVID aid. In this environment, new money is limited, and some states are projecting budget gaps in the out-years as expenditure growth – particularly in Medicaid – is expected to outpace revenues.

Listed below are highlights from recent state revenue forecasts detailing changes in projections as well as explanations of the revenue revisions. For more information, please visit NASBO's website for links to updated state revenue forecasts.

Continue reading.

National Association of State Budget Officers

By Brian Sigritz

Fitch United States Quarterly Credit Snapshot: 2Q25

View the Fitch Credit Snapshot.

Wed 14 May, 2025

S&P U.S. Not-For-Profit Health Care Rating Actions, April 2025

In April 2025, S&P Global Ratings maintained 27 ratings and took four positive rating actions on U.S. not-for-profit health care providers. In addition, we revised two outlooks favorably.

There were no downgrades or unfavorable outlook revisions in April.

We also assigned ratings to 14 new debt issuances for nine systems, four stand-alone hospitals, and one long-term-care facility.

The six rating actions and outlook revisions consisted of the following:

Continue reading.

13 May, 2025

NLC: Utilizing Clean Energy Finance Programs in Your Community

The Inflation Reduction Act (IRA) continues to provide new opportunities for local leaders to advance clean energy projects in their communities.

These clean energy programs, grants and tax credits have been a target for repeal by some Members of Congress (PDF). However, cities, towns and villages can utilize them to deploy solar energy projects, purchase electric vehicles or install electric vehicle charging infrastructure, retrofit homes to reduce energy costs and more.

Two provisions in IRA for municipalities to access are the Elective Pay tax credits and the Greenhouse Gas Reduction Fund. These programs can support the work of cities, towns and villages in meeting their climate action goals and reducing energy costs for residents by bringing new financial support to critical projects.

As litigation on the Greenhouse Gas Reduction Fund continues and Congress scrutinizes clean energy programs as possible funding offsets for legislation to extend the 2017 tax package, projects are underway in communities.

Continue reading.

National League of Cities

By: Carolyn Berndt

May 13, 2025

Nossaman: America’s Infrastructure Improves to a C Grade on the ASCE’s 2025 Report Card

America’s Infrastructure Improves to a C Grade on the ASCE’s 2025 Report CardFounded in 1852, the American Society of Civil Engineers (ASCE) is the country’s oldest and largest civil engineering organization. Since 1998, the ASCE has issued a quadrennial assessment of the U.S.’s infrastructure networks known as the Report Card for America’s Infrastructure. The Report Card uses an A to F grading system and examines the country’s current infrastructure conditions and needs, assigning grades and making recommendations on how to improve those grades … Continue

By Adeyemi Ojudun on 05.16.2025

Nossaman LLP

Maximizing Water Utility Investment: TCO and ROI

For water utilities, wise investments hinge on understanding the full financial picture. Total Cost of Ownership (TCO) is a strategic framework that goes beyond upfront costs, revealing the true value of water system investments over their lifetime, typically 20 years for advanced metering infrastructure (AMI). Kamstrup's TCO analysis empowers utilities to optimize budgets, boost efficiency, and justify upgrades to stakeholders.

TCO encompasses hardware, installation, software, maintenance, and savings from reduced losses. Unlike Return on Investment (ROI), which is speculative, Kamstrup's TCO uses predictable, verifiable data for transparency. Key levers include hardware investment, ongoing software costs, and meter reliability, with Kamstrup's 0.25% annual failure rate saving millions compared to competitors' 2.3%

TCO shines in evaluating RFPs, gaining finance team approval, and persuading boards by translating tech into trusted financial terms. Kamstrup's customizable TCO calculator uses utility-specific inputs like water revenue and losses to deliver actionable outputs. For example, a 75,000-connection utility could save 87.2% with Kamstrup's RF solution versus cellular, avoiding costly lid replacements.

Continue reading.

Water Finance & Management

by WFM Staff

May 1, 2025

Highway Shakedown: How Local Road Users are Subsidizing State Highway Investments

Executive summary

The axiom that "the user pays" is one of the central ideas to how the United States invests in its publicly owned roads. For decades, federal and state governments have charged road users—most notably through gasoline taxes—and then reinvested those revenues back into the transportation system. Policymakers then have the responsibility to match spending to physical need and relative contribution, particularly when state and local governments own different but interdependent portions of the national network. Such accountable spending is even more important for localities that don't directly control the gas tax revenues.

Based on an assessment of national driving and spending patterns, it's clear that local governments are not getting a fair deal. While locally owned roads host 34% of all vehicle miles traveled in the United States—generating a significant sum of tax revenue—states spend only 16% of their total disbursements on local roads, whether those are spent directly or by sub-awarding money to local governments. Meanwhile, congressionally approved formulas overly prioritize state discretion

around which federal gas tax revenues will reach locally owned road networks.

It's little surprise, then, that physical conditions on local roadways are significantly worse than state roadways. For example, 49% of locally owned principal arterial mileage—America's major roadways—are in poor condition, compared to 7% of mileage on similar state-owned roads.

These funding disparities break the user-pay promise, but they can be addressed. Congress should adopt programming to directly allocate funds to localities and their regional partners. By our estimation, local governments can lay claim to $10 billion in annual federal funding simply as their portion of annual roadway distributions from the Highway Trust Fund. Such funding amounts could have profound effects on addressing America's backlog of roadway maintenance and make every driving trip more reliable.

Continue reading.

The Brookings Institution

by Adie Tomer and Ben Swedberg

April 24, 2025

Brookings: The Regional Transportation Block Grant

Principles for a new federal surface transportation program

Summary

Since the completion of the Interstate Highway System, congressional lawmakers have routinely revisited surface transportation programs to better reflect the country's contemporary investment needs. A long-standing gap is investment at the local and regional level. Those transportation networks keep the economy moving every day, and their roadways and industries contribute significant direct funding to federal transportation accounts. However, even with enormous demand for both routine maintenance and transformative projects within their jurisdictions, current federal programs fail to deliver adequate funding to the local and regional level.

A new Regional Transportation Block Grant program (RTBG) is ideally suited to address these deficiencies and modernize the federal commitment to regional prosperity. A new formula program can reduce administrative costs, promote faster project delivery, improve accountability, and simply deliver more projects in regions of all sizes. Using current tax contributions as a baseline, we recommend a $10 billion annual program that includes the following characteristics:

- Metropolitan planning organizations (MPOs) should be the direct recipients, whose boards would then suballocate funds to municipalities. State officials would distribute money to municipalities outside MPO boundaries.
- The RTBG can use the same project eligibility and matching rate rules as the Surface Transportation Block Grant program.
- Congress should modernize accountability requirements, permit spending on multisectoral planning, and expand asset management practices with states and regions.

Continue reading.

The Brookings Institution

by Adie Tomer and Ben Swedberg

May 8, 2025

Joe Gotelli Discusses Advantages of Active Municipal Bond Strategies.

With advisor enthusiasm mounting towards fixed income strategies, many portfolios are looking to build municipal bond exposure. Joe Gotelli, vice president and senior portfolio manager for American Century Investments®, recently sat down with VettaFi to break down the advantages of municipal bonds, American Century's fund library, and more.

A Muni Opportunity

Nicholas Wodeshick: Broadly speaking, all this uncertainty from the U.S. equity market is causing many investors and advisors to pivot to more fixed income allocations. What do you think munis offer at this moment that could be more attractive than other fixed income strategies?

Joseph Gotelli: The uncertainty that we saw in the month of April created a dislocation in the tax-exempt market in particular. Concerns around either federal funding cuts, the budget that's going to be necessary to extend the Tax Cuts and Jobs Act, or even the longer-term implications of tariffs really incited a lot of this volatility. The muni market was already more or less on edge coming into the end of March, where seasonal headwinds of less demand paired with supply that had been front-loaded into the year really had brought us to a point where, not only from an absolute level, but from a relative basis, the muni market was looking pretty attractive for retail investors in the United States.

Continue reading.

etftrends.com

by Nick Wodeshick

May 14, 2025

Such Attractive Yields in High-Grade Munis Are Rare and May Not Last Long.

According to this munis expert, the last time munis were this cheap was a brief period in 2023. If you kicked yourself for missing out then, you have a second chance now.

Municipal bond investors may have a rare and compelling opportunity to lock in high yields.

High-grade municipal bond yields, particularly at the long end of the curve, are near their highest levels in over a decade, according to the Bloomberg Municipal Bond Index through May 8.

And the ratio of the tax-equivalent yield on 30-year AAA-rated munis vs U.S. Treasuries is currently sitting just above 90%, according to Bloomberg's Evaluated Pricing Service as of May 8.

Continue reading.

kiplinger.com

By Paul Malloy

published 16 May 2025

Financial Analyst Sees a Bright Present for Municipal Bond Investors.

High-tax-bracket investors have an excellent opportunity to secure low-volatility, high-quality returns at yield levels rarely seen in over a decade.

For over a decade, fixed-income investors navigated a barren yield environment shaped by an era of relentless monetary intervention.

The Federal Reserve's prolonged near-zero interest rate policy and aggressive bond-buying programs — designed to resuscitate economic growth — effectively suppressed yields, leaving investors starved for cash flows.

However, the bond market landscape has changed significantly, giving investors new opportunities to generate meaningful income. We see this clearly in the municipal bond market.

Continue reading.

kiplinger.com

By Peter Aloisi, CFA® Charterholder

Why Munis Still Make Sense: Compelling Yields in a Changing Landscape

> Despite policy uncertainty, municipal bonds continue to offer compelling yields and experience strong investor demand, making them an attractive tax-advantaged income option in today's market.

Back in March, we wrote that the tax-exemption status of municipal bonds faced growing uncertainty as policymakers weighed major tax changes. While risks loomed, the case for munis remained grounded in one thing: compelling yields.

As of early May, the theme is unchanged—but the backdrop has evolved.

Continue reading.

vaneck.com

by Jim Colby
Senior Municipal Strategist

May 14, 2025

S&P U.S. Public Finance Rating Activity: April 2025

View the S&P Rating Activity

8 May, 2025

Fitch: US Public Finance Issuers Broadly Resilient to Federal Policy Pressure

Fitch Ratings-San Francisco/New York-08 May 2025: Federal policies on tariffs and immigration, program and funding reductions effected through executive orders, and likely federal budget cuts could negatively affect U.S. public finance (USPF) and public infrastructure issuers' operating environment and finances, Fitch Ratings says. While most issuers have the resources to handle revenue and cost stresses, those with less financial flexibility may experience ratings pressure.

If there is a significant reduction in the federal government's share of Medicaid expenses in the pending reconciliation bill in Congress, states and not-for-profit (NFP) hospitals would be hit the hardest. Medicaid is an average of 20% of the payor mix for NFP hospitals. Lower revenues and higher unreimbursed expenses from self-pay patients would slow hospitals' financial recovery, particularly for hospitals with a relatively large share of Medicaid patients and narrower margins.

Federal revenues make up 30%-60% of most states' total revenues, with approximately two-thirds coming from Medicaid funding. States are bound by federal statutory and regulatory Medicaid requirements but may reduce spending by lowering provider rates and limiting covered services. States generally have the fiscal capacity and flexibility to endure cuts and maintain financial performance, albeit with narrower margins and potential reserve draws.

Tariffs impacts depend on the severity and duration of the trade war. State and local governments with large agricultural and manufacturing sectors are particularly vulnerable to trade disruptions. NFP hospital supply costs would increase, although those with strong operating margins will be able to absorb costs without affecting their credit ratings. Academic hospitals face dual challenges from both tariffs and federal research funding recissions.

Vertically integrated publicly owned utilities and generation and transmission cooperatives are vulnerable to tariffs given the specialized construction of generation and transmission assets. Effects on public power utilities will be delayed as issuers typically secure major components a few years in advance.

Issuers with planned or existing capital projects are particularly exposed to higher tariffs and labor constraints and may defer, downsize or cancel projects. Debt metrics will weaken for issuers without contractor-guaranteed price caps or contingencies, or those with limited cash flow flexibility to offset rising costs. Mass transit agencies face significant construction cost risks due to capital funding gaps.

USPF and public infrastructure credits have low to moderate exposure to the effects of mass deportations. A reduced labor supply could drive wage inflation, with construction, agriculture, and

hospitality services among the most impacted sectors. Population declines may reduce tax revenues. Pressures will be greatest on school districts with large immigrant populations that lose ancillary workers and students, reducing school revenues that are typically based on per-pupil funding formulas. Fewer student visa approvals or the chilling effects of international student deportations may reduce higher education enrollment.

An economic slowdown would compound the effects of federal actions. State and municipal budget pressures could lead to lower funding for community colleges and public universities. Housing lenders might experience higher delinquency rates. USPF issuers' costs of funds will remain elevated if the Fed maintains higher rates to address inflation and would increase if issuers lose tax exemption.

Financial market volatility is a risk for public pensions, endowments, investment income and tax revenues. States are broadly well positioned to withstand steep market declines given revenue volatility control measures, robust reserve levels, and changes to pension system actuarial assumptions and contribution practices. Life plan communities may struggle to pass costs through fee increases, and demand may erode with declines in prospective residents' net worth.

Executive orders that freeze funding and downsize federal departments can affect program operations, funding disbursement or delays in approvals, with higher education and affordable housing and community development among those targeted.

Federal Government Policy Risks to USPF Credit

	Direct Impacts				Indirect Impacts		Financial Impact (Given Issuer Response)	Overall Credit Impact
	Federal Spending Cuts	*Trade War*	*Mass Deportations*	*Federal Job Cuts*	*Financial Market Volatility*	*Economic Effects*		
States	High	Low	Low	Low	Moderate	Elevated	Moderate	Moderate
Local Governments	Low	Low	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
School Districts	Moderate	Low	Moderate	Low	Moderate	Moderate	Moderate	Moderate
Public Power	Low	Elevated	Moderate	Low	Low	Low	Moderate	Moderate
Water & Sewer	Low	Elevated	Moderate	Low	Low	Low	Moderate	Moderate
Transportation	Moderate	Elevated	Low	Low	Low	Moderate	Moderate	Moderate
Hospitals	High	Moderate	Moderate	Low	Elevated	Moderate	Moderate	Elevated
Life Plan Communities	Low	Moderate	Moderate	Low	Elevated	Low	Moderate	Moderate
Higher Education	Elevated	Low	Moderate	Low	Elevated	Low	Moderate	Elevated
Community Development & Social Lending	Elevated	Low	Low	Elevated	Low	Elevated	Moderate	Moderate
USPF overall	Moderate	Moderate	Moderate	Low	Elevated	Low	Moderate	Moderate

Source: Fitch Ratings

FitchRatings

Thu 08 May, 2025

US College Muni Debt Lags Benchmark With Growing Higher-Ed Risks.

Municipal bonds sold by US colleges and universities underperformed the state and local government benchmark in April, a sign that investors are growing more cautious on the sector.

College and university bonds in the Bloomberg Education Municipal Index dropped .95% in April, compared to a 0.81% loss for the broader market, according to data compiled by Bloomberg.

Political and demographic pressures have dogged the sector in recent months. The Trump administration has frozen federal funding for universities including Harvard, Northwestern and Cornell, while others are facing a potential cut to research financing from the National Institutes of Health.

Continue reading.

Bloomberg Markets

By Danielle Moran

May 8, 2025

Local Officials Brace for Loss of Disaster Preparedness Funding.

The C.D.C. delivered $750 million annually to state and local health departments for emergency work. The program was eliminated in the Trump administration's budget blueprint.

St. Louis has been battered by two tornadoes in the past two months. A fire shut down a new nursing home last month in Enterprise, Ala., forcing residents to evacuate. Cleveland grappled with a power outage while inundated with visitors for the N.C.A.A. women's basketball Final Four.

In each case, local health officials played a key role in containing the fallout, assisting hospitals, finding new homes for displaced residents, and coordinating efforts with fire, police and other city departments.

The funding for this work, about $735 million in total, comes from the Centers for Disease Control and Prevention. In President Trump's proposed budget, the money has been zeroed out.

The proposed cut has left health officials increasingly alarmed, particularly since it followed $12 billion in cuts to state and local health departments in March. Nineteen states and the District of Columbia have sued to prevent the reductions.

Continue reading.

The New York Times

By Apoorva Mandavilli

May 9, 2025

There’s a $1 Trillion Time Bomb Ticking in Muni Finances.

Depriving local governments of federal relief money amid worsening climate disasters will threaten their economies, putting some of Trump’s staunchest supporters at risk.

If your insurance company ditches you in the middle of open-heart surgery, leaving you with the full tab, you’ll probably go bankrupt despite years of paying premiums to avoid just that fate. State and local governments face a similar future if and when President Donald Trump cuts off federal disaster relief in an era of supercharged natural disasters.

If he has his way, many places risk becoming like western North Carolina after Hurricane Helene: bogged down in a slow recovery that devastates the local economy, saps municipal finances and makes it even harder to withstand the next destructive storm. And poor rural counties that often voted overwhelmingly for Trump face the biggest risks of all.

As I wrote last week, Arkansas recently caught a glimpse of this grim future when the president turned down Governor Sarah Huckabee Sanders’ plea for assistance after a string of deadly tornadoes inflicted millions of dollars in damages. Trump has expressed a desire to make locals manage disasters, openly discussed disbanding the Federal Emergency Management Agency and proposed making it much harder for victims to get relief — jacking up the deductible, if you will.

Continue reading.

Bloomberg Opinion

By Mark Gongloff

Mark Gongloff is a Bloomberg Opinion editor and columnist covering climate change. He previously worked for Fortune.com, the Huffington Post and the Wall Street Journal.

May 7, 2025

Six Environmental Mapping Tools the White House Doesn’t Want You to See.

Government officials and advocates used them to help communities disproportionately affected by climate change and pollution.

The White House effort to scrub government websites of environmental data has researchers and activists trying to recreate several lost mapping tools to protect communities vulnerable to pollution and climate change.

One of them pinpointed existing air and water pollutant risks nationwide, for example. Another mapped low-income areas facing high energy costs, while a third showed the location and costs of future climate threats. Government officials, academics and activists used that data for everything from studying environmental harms at the local level to funneling money to help those communities protect themselves against those threats.

Without them, users say it’s harder and more time-consuming to do community organizing, grant writing and other work. Removing these public mapping tools “is actually dumbing down the way the

government works," says Robert Verchick, a climate legal expert at Loyola University.

Continue reading.

Bloomberg Green

By Zahra Hirji

May 7, 2025

Municipal Bond Market Outlook: Mid-2025 Strategic Analysis

Municipal bonds continue to be a core component of fixed-income portfolios, especially given their tax-advantaged income and historically low default rates. But the 2025 landscape introduces a set of different risks and opportunities for both investors and issuers. As the rate cycle turns, fiscal pressures evolve, and the political climate remains fluid, municipal bond market participants must reassess their risk and reward appetite to better understand the evolving environments.

1. Potential Rate Cycle Reversal: The Return of Duration and Opportunity

Investor Perspective:

After an aggressive tightening cycle that saw the Fed Funds rate peak above 5%, the Federal Reserve is signaling a potential shift toward easing as inflation moderates and economic growth decelerates. This pivot could present a potential re-entry point into longer-duration municipal securities, which stand to benefit from duration-driven price appreciation as rates come down. The steepening of the yield curve, particularly the normalization of the front end, will enable investors to capitalize on the price appreciation of long-duration bonds purchased at higher coupons, relative to where the markets may be headed.

In this context, tax-equivalent yields on high-grade municipal bonds remain attractive relative to corporate counterparts, particularly for investors in high marginal tax brackets.

Continue reading.

dividend.com

by Jayden Sangha

May 06, 2025

Busy Week for Muni Debt Sales Tests Investors Wading Into Market.

A wave of municipal-bond sales scheduled for this week will test a recent rebound in buyer demand after investors sold their holdings during April's market rout.

Roughly $14 billion of muni debt is scheduled to come to market over the next five days, according to data compiled by Bloomberg. That is running about 70% higher than the average weekly volume

over the last five years.

The influx of expected supply continues a pickup ever since the market began to settle down after April's tariff-fueled swings. Investors waded back into muni products with state and local government bond funds seeing $1.1 billion of inflows in the week ended May 7, snapping three consecutive weeks of withdrawals, according to data from LSEG Lipper Global Fund Flows. The largest municipal-bond exchange-traded fund, MUB, collected $260 million of cash last week — the most since November.

Continue reading.

Bloomberg Markets

By Erin Hudson and Arvelisse Bonilla Ramos

May 12, 2025

Munis Set to Outperform Fixed Income in Summer Redemption Season.

Investors are gearing up for a favorable time of year in the municipal-bond market as state and local government debt is poised to outperform other areas of fixed income over the next few months.

In the summer, new bond sales tend to slow down while money flowing back to investors increases — creating a supply and demand mismatch that boosts prices. The 10-year monthly average returns in May, June and July are positive, according to data compiled by Bloomberg.

"We continue to see a constructive environment for purchasing muni bonds despite a bearish Treasury market," analysts at Bank of America Corp. said in a Friday research note. "Outperformance of munis vs Treasuries should continue during the May-August time frame."

Continue reading.

Bloomberg Markets

By Aashna Shah

May 9, 2025

How the Ultra-Rich Use Municipal Bonds in Retirement.

For the ultra-wealthy, municipal bonds aren't just about earning interest. They're a way to lock in tax-free income, cover essential expenses, and free up the rest of their portfolio for higher-growth investments.

But even though muni bonds may offer stable income, they aren't a perfect fit for every retiree, and they come with risks that are easy to overlook.

Key Takeaways

- Municipal bonds offer steady, often tax-free income, but can come with hidden risks like liquidity issues and sometimes even unexpected taxes.
- Wealthy investors often use muni bonds to cover basic living expenses while investing aggressively elsewhere to build more wealth.
- Municipal bonds are best seen as one tool among many—not a complete retirement plan on their own.

Continue reading.

investopedia.com

By Jonathan Ponciano

Jonathan Ponciano is a financial journalist with nearly a decade of experience covering markets, technology, and entrepreneurship.

Updated May 09, 2025

Fact checked by Suzanne Kvilhaug

Recession Fears Spark Goldman's Appetite for High-Quality, Long-Term Municipal Bonds.

'We haven't seen yield like this in a really long time," Goldman Sachs' Sylvia Yeh says of the municipal bond market.

As Goldman Sachs has hiked its probability of a U.S. recession to 45%, the investment bank recommends a shift in client portfolios towards high-quality fixed income, citing resilience in the asset class amid broader stock market volatility.

"If we're going into an economic downturn, higher credit quality and longer duration would benefit in a scenario like that," said Sylvia Yeh, co-head of municipal fixed income at Goldman Sachs. "Whether it's munis [municipal bonds] or investment grade corporate bonds or others, I think you would actually see money move into those markets and the different vehicles because of recession fears."

S&P Global's Municipal Bond Index is down 0.87% so far this year, while Bloomberg's index for 10-year AAA municipal bonds has seen its yield rise to 3.26% in Q1 of this year.

Continue reading.

investmentnews.com

By Andrew Cohen

MAY 05, 2025

SIFMA US Municipal Bonds Statistics.

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market. Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders' statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

YTD statistics include:

- Issuance (as of April) $166.0 billion, +11.8% Y/Y
- Trading (as of April) $15.4 billion ADV, +23.0% Y/Y
- Outstanding (as of 4Q24) $4.2 trillion, +2.9% Y/Y

Download xls

May 1, 2025

S&P First 100 Days Recap: What We're Watching For U.S. Public Finance Sectors

(**Editor's Note:** S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and responses–specifically with regard to tariffs–and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential shifts and reassess our guidance accordingly [see our research here: spglobal.com/ratings].)

Key Takeaways

- The new U.S. federal administration's first 100 days in office were marked by various policy announcements that could become credit material for U.S. public finance issuers.
- We believe that if long-term credit implications arise from particular federal policy announcements, they could materialize over the next 12 to 18 months as more details unfold.
- In our view, credit pressures underpinned by tariffs or changes to federal policy are unlikely to be widespread and credit stability for U.S. public finance issuers will likely result from management's efforts to plan for and respond to the evolving macroeconomic conditions.

Continue reading.

30 Apr, 2025

S&P: Tracking Munis in Uncertain Markets

As uncertainties around tariffs, inflation and interest rates continue to make headlines, how are yield seekers viewing munis? S&P DJI's Jennifer Schnabl and Vanguard's David Sharp discuss key performance drivers of munis in challenging markets.

[TRANSCRIPT]

How have munis fared over the past 12-18 months and what's driving this performance?

Jennifer Schnabl:

When I think about 2024, it was a year largely driven by interest rate volatility. We began the market, as we remember, early 2024, the market was expecting six interest rate cuts by the Fed. Within a few months, that shifted wildly, where at one point, the market then only expected one rate cut for the entirety of the year. And when it ended up happening, as we know, the Fed finally did cut rates for the first time in over four years in September of 2024, followed by two more rate cuts to close out the year.

And what this meant was interest rates, Treasury yields, fixed income yields across the board really, swung pretty wildly with the shift in sentiment, and municipal bond yields certainly went along with that ride in interest rate volatility.

And just to put some numbers to it, our intermediate muni yields, so 0 to 20 year in maturity, this is as measured by our S&P Intermediate Term National AMT-Free Municipal Bond Index, those yields began the year at 2.9%, ended up being a low for the year. By May, they hit a high of 3.68% when the market peeled back its rate cut expectations. By October, they fell again to the low of 2.9%. This was after the Fed cut rates in September. And then they spent the remainder of the year drifting higher, closing the year out higher than where they began at 3.34%. So, those swings were not normal, certainly not in the year prior and in the many years prior.

But what's more telling is that, despite the interest rate volatility in the yields, and despite the move higher in yields throughout the year, the municipal bond market finished 2024 with positive returns, and the main driver of this was those elevated yield levels providing an income return high enough to not only drive performance but serve as a buffer to the broader market volatility.

How do munis stack up in today's yield landscape?

Jennifer Schnabl:

Municipal bond yields began 2025 at some of the highest levels since 2011. I think most fixed income asset classes currently have yields that are at historical highs, and this is an environment we really haven't seen in more than a decade, where the majority of a return generated in a fixed income asset class, munis in particular, can largely be driven by the income associated with the yield offered.

The second thing I'd mention is, with the uncertainty with the changing regulatory landscape, of the changing fiscal policy, I think tariffs, a new regulatory regime, immigration policies, those tend to be associated with inflationary sentiment as well as mixed or uncertain economic impact on U.S. growth, but they do tend to point to, and I think it's general market consensus, that perhaps a higher-for-longer framework for interest rates is about to ensue. If that were to come to fruition, what it would mean for muni bond yields is it would just support these elevated yields that are currently in the market right now and allow for that yield or income capture that market practitioners can participate in for a little bit longer.

The third thing is the data shows that there's still a significant amount of cash on the sidelines or in the front end of the curve. Should front-end yields decrease and the curves steepen, I think that it would be logical to assume that that cash would move further out the curve into longer-dated assets where higher yields could be captured.

What are the headwinds and tailwinds for munis in 2025?

David Sharp:

Jennifer spoke to a lot of really important points there on what some of those tailwinds could look like. Most specifically, what we'd like to note is over the last couple of years, yields are back, and the taxable equivalent yield within munis is quite compelling.

Last year, it ended around, or at the end of February, it ended around 6% on taxable for the intermediate part of the curve. That's really attractive compared to taxable bonds in the aggregate. Even corporate bonds in the intermediate part of the curve can't return yields quite like that. So, that's going to be attractive to the right investor, and that will add some tailwinds behind this product.

The other thing is it's certainly the fundamentals, a lot of, again, what Jennifer mentioned, are really good and look really good in munis right now. A lot of the rainy-day funds at some of the municipalities are still very strong after a few years being able to add to those savings, those buffers. That's good for, even in a credit cycle that might change a little bit, that's good for munis. And that fundamental is really is going to resonate for a lot of investors in that space.

The headwinds are really some of the uncertainty with just economic policy. What is that going to, what is the impact of tariffs? Some of the administration's policies could be inflationary, the way that they hit the market, and that could lead to changes in the way the Fed behaves and thinks about lowering rates and adding supply to the monetary policy.

So, those headwinds, it's more around just the uncertainty that some clients have, that they want to be in really safe investments, like U.S. Treasuries or cash on the sidelines that they're still sitting in with those higher yields, they still remain to be a bit of a headwind to the muni landscape.

How is the role of passive strategies changing for munis?

David Sharp:

When we look at passive, it hasn't got quite the adoption in the muni space that we've seen in other parts of the market historically, but we're seeing that tide start to shift. When we look at the end of last year, about 13% of all assets in funds, and ETFs specifically, were in passive. But 27% of the flows last year went into passive, so it was really outkicking its weight, showing that there is a greater adoption of passive investing in munis. And a big driver of that frankly is ETFs. Just using ETFs more, the tax efficiency that the ETF provides, the trading flexibility it provides, it works really well in model portfolios, which are a growing area of business for many advisors. So, having the ETF in that package, that's those ETFs, there's active ETFs in that space, but passive is where the big assets lie. Our broad market muni product is over USD 30 billion. There are some really large funds that sit on the passive side to get that inclusion in models because the models like to have that stability and consistency that a passive index provides.

Closing:

For more information on muni performance and to stay up to date with the latest index launches, visit spglobal.com/spdji.

Apr 28, 2025

S&P Tender Option Bond Update Q1 2025: What Tariffs Mean For Muni Securitization

Tender option bond (TOB) issuance rose in the first-quarter 2025 as supply pressures, fund outflows, and macroeconomic uncertainty lifted long-dated municipal bond yields. This uncertainty was further exacerbated as markets responded to the universal tariffs announced by the Trump administration on April 2, 2025.

We rated approximately $3.0 billion in TOB issuance across 167 trusts in first-quarter 2025, up from $2.2 billion in fourth-quarter 2024 and $1.1 billion in first-quarter 2024. Nearly half of this activity took place in March when yields confidently moved above 4% (see chart 1). At the same time, approximately $1.45 billion in TOB issuance was paid down, representing a $1.55 billion net increase in TOBs outstanding.

S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses–specifically with regard to tariffs–and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our research here: spglobal.com/ratings).

Continue reading. **[Free registration required]**

28 Apr, 2025

Fitch: Mass Deportation Implications for Corporates, Public Finance and Infrastructure

Mass deportations could impact the U.S. labor market, particularly in construction-related sectors, potentially reducing labor supply growth to 0.3% and exacerbating labor cost inflation, while also affecting revenues for school districts in immigrant-heavy states.

Access Report

Tue 29 Apr, 2025

Fitch: CDFIs Navigate Economic Challenges Amid Funding Uncertainties

Fitch Ratings-New York/San Francisco-29 April 2025: Community Development Financial Institutions (CDFIs) in the United States are actively navigating a challenging economic landscape marked by elevated interest rates, inflationary pressures, and uncertainties regarding federal funding, according to a new Fitch Ratings report.

However, CDFIs have shown resilience and adaptability through various economic cycles. This is in part due to their capacity to adjust to changing conditions. Federal policy changes typically do not have immediate credit impacts, allowing CDFIs time to modify their strategies to avoid potential

detrimental effects in the medium or long term.

Fitch believes CDFIs best equipped to handle these challenges possess a solid equity base. They are also largely self-sufficient operations, have a strong market position, a diversified loan portfolio and revenue sources, experienced management with change management skills, and access to diverse capital sources. As traditional funding sources become less accessible or reliable, many CDFIs are considering the bond markets to raise capital and diversify their funding.

The report also examines the implications of potential federal policy changes, such as those affecting the CDFI Fund, Greenhouse Gas Reduction Fund (GGRF) and Community Reinvestment Act (CRA) regulations, on CDFI operations. These uncertainties necessitate proactive management and planning to mitigate potential impacts on funding and operations.

Fitch anticipates that CDFIs will continue to demonstrate resilience through economic cycles by leveraging their adaptability and strong equity positions. Their ability to pivot in line with changing market conditions and policy landscapes will be essential for sustaining their mission-driven activities.

The full report can be viewed at www.fitchratings.com

U.S. Public Finance CDFI Loan Funds: What Investors Want to Know (Challenges and Opportunities for Raising Capital in Uncertain Times) - Fitch Special Report

CDFIs demonstrate resilience amid economic challenges by leveraging strong equity positions, robust risk management and diversified funding sources, ensuring continued support for underserved communities while adapting to evolving market conditions and policy changes, with equity now comprising 32% of CDFI loan funds' capital stack compared to 10% for banks.

Access Report

Tue 29 Apr, 2025

S&P Sustainability Insights: Does Nature Matter To Economic Development? A Look At U.S. Local Governments.

U.S. local governments manage the relationship between land use and economic development while considering the quality of life of residents through actions such as investments in green spaces and park areas. They typically evaluate the affordability of investing in nature, which has intangible economic value over the longer term, against more pressing needs such as housing and employment.

Download pdf.

S&P: Ongoing Water Delivery Uncertainty Intensifies Credit Pressure On Utilities In The Rio Grande Basin

Key Takeaways

- On April 28, Mexico committed to increasing the U.S. share of the water supply in six of its Rio Grande tributaries through the end of the current five-year water cycle that ends in October and to collaborate with the U.S. to develop a longer-term plan to ensure supply predictability under the 1944 Water Treaty, which we view favorably.
- The announcement followed the U.S. federal administration's rejection of Mexico's request for a special allocation of Colorado River water as well as threats of tariffs and sanctions related to compliance under the 1944 treaty's water sharing terms.
- While short-term supply predictability from Mexico may be resolved, its previous failures to meet delivery targets have created credit pressure by weakening the underlying economic fundamentals and financial performance of utilities that rely on these deliveries and could contribute to ongoing challenges for utilities in the Rio Grande basin, given the water supply stress stemming from drought, aridification, increasing demand, and aging and deficient infrastructure.
- We expect longer-term solutions will likely be necessary to address the basin's supply challenges and may require greater infrastructure investment and clearer guidelines within the 1944 treaty, which we believe could improve the predictability of water deliveries, but may increase costs and strain affordability for some utilities in the region.

Continue reading.

29 Apr, 2025

What Concerns Counties About Changes in Washington.

Counties have relationships with essentially every federal agency. They have to prepare for the biggest policy changes seen in decades.

Every day seems to bring new executive orders from the White House or announcements about federal staffing or spending cuts. Congress is considering massive cuts in domestic spending through the budget reconciliation process.

All of this concerns state and local governments that are heavily reliant on federal aid. The Trump administration is signaling that in many program areas, they'll be on their own more often, including during disasters.

More of a hands-off approach can lead to new opportunities, but change always brings uncertainty.

Continue reading.

governing.com

May 2, 2025 • Alan Greenblatt

A $6 Billion Shortfall Has US Mass Transit Facing a Death Spiral.

The federal government stepped in with $70 billion to get commuter rail and bus service through the pandemic. The funds are running out.

When Covid-19 broke the US economy, the trains and buses that carried millions of Americans to work every day emptied out. A $70 billion lifeline from the federal government kept them going — a bet that someday they would again be packed with commuters.

Five years later, that day has come. Workers and tourists are back on the rails and roads. Throngs of straphangers stand shoulder-to-shoulder on the subway. Finding a seat on a crowded rush-hour express train feels like a small victory. For transportation systems from New York to Chicago to San Francisco, it should be a moment to exhale. Faced with extinction, they survived.

Yet there has been no time for celebration.

Continue reading.

Bloomberg Business

By Sri Taylor and Aaron Gordon

April 29, 2025

How States Can Build Disaster-Ready Budgets.

Strategies for reducing fiscal risks in the face of rising costs

Overview

Policymakers at every level of government are grappling with the rising costs of storms, floods, wildfires, and other natural disasters and how best to aid affected communities. As disasters have grown in frequency and severity, so too has the strain on public finances and the urgency to update budgeting practices, especially in the states, to help public officials plan for changing spending needs.

A series of studies from The Pew Charitable Trusts from 2018 to 2022 examined how states manage the fiscal impact of natural disasters, including their spending practices, funding mechanisms, and risk reduction (mitigation) investments. The research revealed that data on public disaster spending is lacking, that states' typical budgeting approaches have not adapted to recent disaster trends, and that efforts to reduce loss of life and property, which could help control rising costs in the long term, are inconsistently and insufficiently funded.

As a result of these findings, along with lessons learned from observations of state practices and conversations with public finance and emergency management practitioners, Pew developed a set of strategies that state budget officials can adopt to improve disaster budgeting. These recommendations are organized around three key principles that can help minimize the fiscal risks stemming from natural disasters:

Continue reading.

The Pew Charitable Trusts

May 1, 2025

SOLVE Redefines Municipal Bond Pricing with AI-Powered Relative Value Intelligence.

New visualization capabilities empower buy-side and sell-side traders to evaluate bond value changes over time to achieve portfolio precision

NEW YORK–(BUSINESS WIRE)–SOLVE, the leading provider of pre-trade data and predictive pricing for fixed income securities markets, has unveiled new capabilities for SOLVE Px™, the firm's proprietary, AI-driven, predictive price data for the municipal bond market. Available immediately, the new Relative Value Analysis tool enables fixed income professionals to assess and visualize dynamic changes in a bond's value over time, providing advanced analytics to optimize portfolio decisions and manage risk effectively.

SOLVE developed this latest enhancement in direct response to industry demand, as municipal bond traders, portfolio managers, and risk managers increasingly voiced the need for a clearer, more dynamic view of bond value across changing market conditions. SOLVE worked closely with clients to design a solution that brings greater transparency, context, and usability to pre-trade decision-making.

"Relative Value Analysis brings a new level of transparency and intelligence to a market that's often been difficult to navigate," said Eugene Grinberg, CEO of SOLVE. "It empowers traders to build conviction in pricing with precision and speed by using AI-predicted pricing rather than relying on fragmented historical data or evaluated prices that may not keep up with volatility in the markets. This gives market participants a more current and actionable view of bond value over time."

Key functionality includes:

- **Establish relative value:** Users can quickly assess if bonds are rich or cheap relative to their historical performance or their peers to help decide whether to buy, hold, or sell based on predicted trade value.
- **Identify trends and anomalies:** View price movements for each security over a defined date range. This allows users to make informed trading decisions by easily spotting trends and anomalies in price, spread or yield changes over a defined date range, allowing traders to react promptly to changes and stay ahead of the market.
- **Compare and filter bonds:** The ability to leverage the SOLVE Quotes™ search feature to identify a group of similar bonds for comparison. The filtering capabilities enable users to exclude bonds that traders currently view as rich or cheap relative to their performance over time. Buy-side traders can also analyze their portfolio positions to look for relatively rich or cheap positions, or to find positions with significant price movements.

Grinberg added, "One of the biggest challenges municipal bond traders face is managing the sheer volume of securities available at any given time. At SOLVE, we set out to address this challenge by delivering an AI-driven predictive pricing platform that provides a centralized view of over 900,000 live municipal bonds, covering more than 93% of the active market. This is further supported by data on more than 1.25 million securities and over 20 million daily quotes, giving traders the clarity and

real-time context they need to make smarter, faster decisions."

For more information visit: https://solvefixedincome.com/solve-relative-value-analysis/

About SOLVE

SOLVE is the leading market data platform provider for fixed-income securities, trusted by sophisticated buy-side and sell-side firms worldwide. Founded in 2011, SOLVE leverages its proprietary Deep Market Insight™ to offer unparalleled transparency into markets, reduce risk, and save hundreds of hours across front-office workflows. With the largest real-time datasets for Securitized Products, Municipal Bonds, Corporate Bonds, Syndicated Bank Loans, Convertible Bonds, CDS, and Private Credit, SOLVE empowers clients to transform the way they bring new securities to market, trade on secondary markets, and value highly illiquid securities. Headquartered in New York, with offices across the globe, SOLVE is the definitive source for market pricing in fixed-income markets. For more information, visit https://solvefixedincome.com.

SOLVE Px does not constitute Investment Advice and does not seek to value any security and does not purport to meet the objectives or needs of specific individuals or accounts.

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Apr 29, 2025

High-Yield Munis Post Worst Month Since 2023 After Tariff Rout.

High-yield municipal bonds posted their worst month since September 2023 as the securities struggle to recoup losses from the tariff-fueled selloff earlier this month.

The riskiest segment of the market underperformed investment-grade securities for the first time since December, posting a 1.8% loss in April, according to Bloomberg indexes. The tariff-fueled selloff hit high-yield particularly hard and in one week they recorded a 5% loss, the worst week since the pandemic.

After President Donald Trump announced his sweeping tariffs on April 2, panicked investors sold bonds as part of a broader shift to raise cash. Munis, alongside other asset classes, have been performing better since then, though the securities have been slow to recover.

Continue reading.

Bloomberg Markets

By Aashna Shah and Amanda Albright

May 1, 2025

DC's DOGE Problem Portends Higher Borrowing Costs on $1.5 Billion of Debt.

The municipal-bond market is starting to price in the DOGE effect on Washington, DC's debt, and that likely means higher costs for the nation's capital on some $1.5 billion of bonds it's selling.

It's a routine offering for the District of Columbia, but the timing coincides with an unprecedented campaign by President Donald Trump and billionaire Elon Musk to slash federal government spending. Efforts by the new Department of Government Efficiency have put the district and its economy in the center of the storm, denting its financial outlook amid workforce cuts and prompting a downgrade of its debt from Aaa by Moody's Ratings.

The district is still considered a very strong credit, with per-capita income that's higher than all 50 US states and "exemplary" fiscal management, according to Moody's. Market watchers expect ample demand for the new issue. But recent activity in outstanding DC debt suggests investors will demand a higher yield premium to take on the risk of owning the new bonds.

"It's a whole new world" than the last time the district sold similar debt in 2023, said Eve Lando, portfolio manager at Thornburg Investment Management. "I fully expect the borrowing costs to be higher."

Included in the district's offering are about $1.2 billion of tax-exempt debt backed by income-tax receipts. Using existing debt as a benchmark, DC income tax bonds due in 2043 yielded 0.56 percentage point more than top-rated muni debt in April. That's up from a spread of 0.31 percentage point in December and much wider than the 0.11 percentage point premium the district paid when the debt was sold in 2023, according to data compiled by Bloomberg.

The new debt due in 25 years is being offered to investors with a 5.25% coupon and a 4.58% yield, or about 28 basis points more than top-rated debt, according to pricing wires viewed by Bloomberg. A security sold in 2023 with a similar maturity and coupon priced with a 19 basis point penalty.

The deal also comes at a time of heavy supply in the muni market, which may put some pricing pressure on all new issues this week. This is happening as the muni market claws back from a tariff-fueled selloff in April.

The district is going ahead with its sale even as it estimates it will lose as many as 40,000 federal jobs, or 21% of DC's federal workforce over the next four years as DOGE closes agencies, abandons leases and tears up billions of dollars in government contracts. Proceeds from the offering will go toward funding projects under its capital improvement plan, including upkeep on roads, schools and other parks, and to refund some outstanding bonds, according to bond documents.

"There's a lot of uncertainty, no doubt," said Glen Lee, chief financial officer of the district, in an interview. "But we have a very robust and dynamic capital program and in order to sustain it, we need to go to the market a couple of times a year."

In cutting the district's debt rating and assigning a negative outlook on the credit, Moody's cited the impact of the federal workforce cuts coupled with a weakening commercial real estate market and the increased likelihood of further federal spending reductions. All of this will "erode the stability that the institutional presence of the federal government has historically had on the District's economy," according to a Moody's statement.

However, both investors and district officials expect DC's still-strong credit profile will help ensure a

successful sale.

“Given the strength of this credit, given the debt service coverage of the pledge and assuming an orderly market, I would expect that the sale would go as well as other district sales have gone in the past,” said Darryl Street, associate treasurer for debt and grants management in the office of finance and treasury.

As issuers return to the market following a period of volatility, investor demand has surged. “The interest is there and the appetite is there,” Thornburg’s Lando said.

Deals on the new issue calendar have been performing well and some have even oversubscribed after the April selloff, according to Lando. She is confident in investor’s appetite for the sale given their familiarity with the district’s income-tax structure, credit quality and robust legal protections securing revenue streams for bondholders.

“It is a credit that is starting at a pretty high level from a rating standpoint,” said James Iselin, managing director at Neuberger Berman Group. “I think the market will need to see the longer-term impact on the credit to determine if more spread is warranted down the road.”

Bloomoberg Markets

By Aashna Shah

April 30, 2025

— *With assistance from Amanda Albright*

Why Are Muni Bond Funds Losing Money in 2025?

Vanguard’s Malloy says that muni underperformance has these funds as ‘cheap as it gets.’

Key Takeaways

- Most municipal bond funds are posting losses, even as taxable bond categories are posting gains.
- Higher issuance and volatility have pushed down municipal bond prices, which started the year high.
- Valuations on muni bonds now look attractive.

In a year when most bond fund categories are in positive territory, there’s been one noticeable laggard posting losses nearly across the board: municipal bond funds. Driving this poor performance is a combination of stepped-up bond issuance, lofty starting valuations, and fund outflows amid the market’s recent volatility. But Paul Malloy, head of US municipals at Vanguard, which manages $260 billion in tax-exempt assets, believes this underperformance has the category looking especially attractive. Munis are “as cheap as it gets,” he says.

Continue reading.

morningstar.com

by Gabe Alpert

May 2, 2025

US Municipal Bonds: Finding Investment Opportunities

A unique opportunity is unfolding in the municipal bond market. Recently, yields on these bonds have risen, driven by general market uncertainty and concerns about their tax-exempt status. Despite discussions in Washington about potentially taxing municipal bond interest to boost government revenue, we believe this interest will remain tax-exempt. This tax advantage, along with the current yield environment, makes municipal bonds a valuable component of a diversified investment portfolio.

Municipal bonds typically offer interest income that is exempt from federal, state and local taxes, making them especially appealing to investors in higher tax brackets. These bonds are attractive not only for their high yields but also because they offer better returns compared to U.S. Treasuries. The 2-year and 5-year municipal bonds are particularly appealing based on historical performance.

Continue reading.

Global Investment Strategy Team

J.P. Morgan Wealth Management

Published Apr 29, 2025

Cash Is Losing Its Crown: Why Short-Term Munis Are the Next Move

Cash has certainly been king over the last few years. As the Federal Reserve raised rates to combat inflation, cash, money market funds, and CDs have been paying yields not seen in roughly a decade. Investors are earning real interest on their savings. And when you add in all the uncertainty about the economy, cash has become a real allocation for many investors.

But cash’s time in the sun may be setting as a variety of factors take hold.

But there is a safe alternative in short-term muni bonds. Right now, short-term munis are paying more than cash rates before any of their tax benefits kick in. Moreover, they feature equally high credit quality as cash and other short-term asset classes. For investors, the time to get out of money is now, and short-term munis could be the answer.

Continue reading.

dividend.com

by Aaron Levitt

Apr 29, 2025

NASBO Summaries of Governors' 2025 State of the State Addresses.

View the Summaries.

S&P: Uncertainty Clouds 2026 U.S. State Budgets

Key Takeaways

- U.S. state executive fiscal 2026 budget recommendations were proposed early in the 2025 calendar year, before several federal policy changes were announced that we believe could introduce significant uncertainty for state finances and the U.S. economy.
- The recent trend of states enacting recurring tax reductions without offsetting revenue enhancing measures has slowed but continues.
- State revenue assumptions vary wildly, and downward revisions are likely on the horizon for states with more aggressive growth forecasts.
- State balance sheets remain healthy, with rainy-day funds largely maintained near all-time highs, which could provide short-term financial relief as budget officers navigate potentially worsening financial conditions.

Continue reading.

[Free registration required]

28 Apr, 2025

S&P U.S. Higher Education Rating Actions, First-Quarter 2025

View the S&P Rating Actions.

24 Apr, 2025

S&P U.S. Public Finance Housing Rating Actions, First-Quarter 2025

View the S&P Rating Actions.

25 Apr, 2025

Tariffs May Raise Building Cost and Muni Buyers' Demands.

Tariffs are going to complicate state and local governments’ construction plans, and investors will be looking for more compensation to account for the uncertainty. Van Eck Associates Senior Municipal

Credit Analyst Tamara Lowin has more on the story.

Watch video.

Bloomberg MarketsTV Shows

April 24th, 2025, 12:57 PM PDT

Closed-Loop Demand For Government Bonds.

With the whipsawing in the markets over the last month, a concern *du jour* has arisen. What if the United States cannot sell its bonds to the old reliable ready purchasers, to the same always game counterparties? The Chinese appear to be disgorging themselves of their vast stash of treasuries. (Emphasis on "appear"—China badly needs to maintain the impression that its currency is convertible in the dollar.) The stodgy economies of Japan and the UK have become the major holders. The United States is supposed to float its massive debt reissues to yesterdays-news buyers such as these? Duck and cover. "Maybe the Fed will buy it!" he said risibly.

How illuminating history can be on these issues. Let us cast our minds back not to the history of federal debt, but to that of the gigantic newcomer in the twentieth century, municipal debt, particularly of the school-bond variety. Readers will recall the column I wrote on the work of recent economics Nobelist Claudia Goldin, work that absolutely lionizes the tremendous boom in school, particularly high school construction over 1910-1940. The Nobelist forgot to tell us what it cost and what were the consequences of the financing model, namely unbelievably jacked-up property and new state-level income taxation. There is quite a case that financing this school-building caused, yes caused, the Great Depression. Thanks a lot, good government types.

Continue reading.

Forbes.com

By Brian Domitrovic, Contributor
Brian Domitrovic is a historian of supply-side economics

Apr 27, 2025, 12:00pm EDT

It's Time To Buy Muni Bond Funds - Here's Why And Where.

Tax-exempt bond funds offer handsome yields these days. This survey takes you quickly to the 40 Best Buys.

Good news for savers in fairly high tax brackets: Yields on municipal bonds are good, comfortably ahead of what you can clear from Treasury bonds.

Bad news: This is a treacherous field. It is easy to be gouged buying either individual bonds or high-fee funds.

Municipal bonds are worth considering for any fixed-income money you have in taxable accounts.

For tax-sheltered accounts like IRAs, munis are inappropriate; there, use this survey of taxable bonds and bond funds.

Continue reading.

Forbes.com

By William Baldwin

Apr 27, 2025

Baird Boosts Cash in Muni Funds to Shield Against Turbulence.

Baird is increasing cash positions within its municipal-bond funds in response to a tariff-induced selloff this month.

Its muni team previously kept a 1% cash cushion for its funds to weather volatility but discussed increasing that buffer to 3% “plus or minus” at a recent strategy meeting, said Lyle Fitterer, co-lead of Baird’s municipal sector, in an interview.

The decision was part of a larger discussion about how the growth of exchange-traded funds has increased liquidity in the muni market, notably accelerating the rout earlier this month. Two weeks ago, munis suffered their worst three-day selloff since the start of the pandemic because of uncertainty surrounding tariff policies.

Continue reading.

Bloomberg Markets

By Erin Hudson

April 23, 2025

Fitch Government-Related Entities (GREs) Report.

Fitch Ratings rates approximately 524 public Government-Related Entities (GREs) globally across four analytical groups: Corporates, International Public Finance (IPF), United States Public Finance (USPF) and Global Infrastructure Group (GIG).

GREs are defined by Fitch Ratings as entities with a significant relationship to a government, often reflected through ownership, control, or support. These entities typically perform public policy functions, benefit from government backing, or hold strategic importance to the government.

This report details not only the final ratings for all Fitch-rated GREs, but also allows users to filter and compare entities based on their standalone credit profile, notching expression – which can be top-down, bottom-up or equalised with the parent – and the key risk factors Fitch uses to assign an overall support score.

The matrix of assessment scores used by Fitch to assign a support score, following an assessment of a parent's responsibility and incentive to support, together with the notching guideline are also included at the end of the report for reference. This report allows users to compare and contrast GREs across regions and sectors.

Access Report

Tue 22 Apr, 2025

S&P U.S. Brief: Colleges And Universities Face Federal Research Funding Cuts That Could Create Financial Pressure

S&P Global Ratings believes heightened credit risks for U.S. colleges and universities with significant federally funded research are growing, given evolving policies that might reduce or delay the funding, or potentially limit indirect cost recovery rates. Depending on the significance of research funding cuts, R1 and R2 institutions could experience financial pressure; we believe R1 universities (those with very high research spending and doctorate production) are disproportionately affected.

Continue reading.

21 Apr, 2025

The Speed We Need: Unlocking the Secrets of the Accelerated ACFR - GFOA

Many local governments struggle to complete their Annual Comprehensive Financial Report (ACFR) on time and without excessive effort. This paper explores how governments can streamline the ACFR process to finish faster and with less strain—helping public finance officers avoid burnout and focus on other priorities.

Read report

Where Will Tariff Rates Settle? Three Scenarios Explained - JP Morgan Private Banking

U.S. large-cap stocks couldn't maintain last week's momentum.

Heading toward the week's close, the S&P 500 (-1.6%) and Nasdaq 100 (-2.3%) fell during the shortened trading week. The relief investors felt from a delay in consumer and industrial electronics tariffs was short-lived, as this week those delays were confirmed to be temporary.

Also weighing on investor sentiment was Federal Reserve Chair Powell's Wednesday speech, which delivered a slightly more hawkish tone. It may indicate that the central bank is unwilling to change its policy rate, given current economic conditions, despite pressure from the Trump administration.

Globally, European (+3.1%) and Chinese offshore (+0.7%) equities continue to perform well, possibly due to a shift away from U.S. dollar-denominated assets amid uncertainty.

Continue reading.

privatebank.jpmorgan.com

KBRA Releases Research – Potential Impact of Tariffs on Municipal Credit

KBRA releases a research report exploring the potential impact of trade tensions and tariffs on debt-issuing municipal entities in the U.S. These entities issue debt payable from the levy of a tax (i.e., tax-supported) or end-user fees and charges (i.e., revenue-supported).

While to date KBRA has observed no direct impairment of municipal credit quality solely as a result of the federal government's evolving stance on trade, the inflationary nature of tariffs can constrain revenues and increase costs over the longer term, potentially leading to diminished financial flexibility.

Click here to view the report.
Free Registration Required

About KBRA

KBRA, one of the major credit rating agencies, is registered in the U.S., EU, and the UK. KBRA is recognized as a Qualified Rating Agency in Taiwan, and is also a Designated Rating Organization for structured finance ratings in Canada. As a full-service credit rating agency, investors can use KBRA ratings for regulatory capital purposes in multiple jurisdictions.

Provided by Business Wire Apr 15, 2025 3:27pm

Public Finance: Adjusting to New Transportation and Infrastructure Priorities - Frost Brown Todd

In uncertain times, it is best to focus on what is known. We are going to see significant changes in the way in which the Trump administration and U.S. Transportation Secretary Sean P. Duffy want to define, build and maintain our nation's infrastructure. Existing funding programs are frozen by way of the initial executive orders, and there is a possibility that funding for projects that were already awarded, though not yet codified by a signed grant agreement, could be drawn back to the U.S. Department of Transportation (DOT) and either be reshuffled with new priorities or rescinded altogether. What's clear is that things are very unclear.

What Has Transpired

- 1/20 – Inauguration of President Trump and signing of executive orders (EO).
- 1/21 – Office of Budget Management (OBM) attempted to clarify the EOs.
- 1/27 – OBM pauses all federal disbursements.
- 1/29 – DOT Secretary Duffy is confirmed.

- 1/31 – Judge issues a temporary restraining order, while Trump administration continues freezing funds.
- 2/18 – Deadline for elimination of U.S. DOT funding that is out of line with the Trump administration's executive orders (didn't really occur).
- 3/10 – Secretary Duffy releases a memo rolling back some of the social equity and environmental policies of the Biden Whitehouse.
- 3/14 – Internal U.S. DOT communication asked department heads to review already awarded discretionary grants that include green infrastructure and bike lanes.

Continue reading.

frostbrowntodd.com

by Frances Kern Mennone

April 16, 2025

State and Local Fiscal Fallout From a Trumpian Economy.

Trade wars, federal aid cutbacks and IRS layoffs will all have an impact on revenues, though the shocks may not be as bad as some fear. Still, for most jurisdictions budget and staffing freezes or cuts lie ahead. But for now leaders should resist the temptation to raid rainy day funds.

Washington is reeling from budgetary blitzkrieg. As the White House continues to flood the zone with head-spinning rapid-fire executive orders, intergovernmental grant clawbacks, Department of Government Efficiency (DOGE) wood-chipping, federal layoffs and flip-flopping global tariff pronouncements, the fallout for state and local budgets is worsening. The most obvious and immediate impacts are frozen funding, shakeups at the Department of Education and likely Medicaid cost-shifting, plus unprecedented staff reductions in various federal departments that work with states, municipalities and public schools. Now we have to deal with "Tariff Terror" as China and others impose countermeasures.

The other shoe will drop in the upcoming round of congressional budget cuts that are expected to reinforce these dramatic executive branch barrages. More immediately, though, public finance officers must also gauge how federal trade policy, a U.S.-China trade war and the other new tariffs elsewhere will affect their own states' economies and thereby their own fragile tax revenues.

Continue reading.

governing.com

OPINION | April 15, 2025 • Girard Miller

Treasury Market Volatility's Impact on the Muni Market.

It was quite the week in the Treasury market last week, which was influenced by multiple factors: sticky inflation expectations, the Federal Reserve's (Fed) patient stance, rumors of foreign buyer

boycotts, hedge fund deleveraging, portfolio rebalancing from bonds to cash, and overall Treasury market illiquidity. The situation was exacerbated by a notably weak 3-year Treasury auction, where the Treasury Department had to offer higher yields to attract demand — which still fell short of expectations. At its peak, the 10-year Treasury yield surged by over 0.70% last week before partially recovering to end the week "only" 0.60% higher. As is often the case, these Treasury market disruptions quickly rippled throughout the broader fixed income markets.

Conceptionally, non-Treasury bond yields are a function of a Treasury yield component plus a spread component to compensate for additional risks (including credit and liquidity, to name a few important risks). So, as Treasury market volatility erupted last week, most other high-quality fixed income markets were negatively impacted as well, with the muni market, perhaps surprisingly, feeling the brunt of the Treasury market volatility.

While investment-grade corporate bond yields increased by nearly 0.50%, the municipal market saw yields rise by 0.65–0.85% across various points on the curve. Most of the yield increase stemmed directly from Treasury market movements, but municipal bond spreads also widened considerably. Investors appeared to be selling liquid holdings in an attempt to seek refuge in cash until volatility subsided. However, the municipal market's inherent illiquidity and fragmentation made this mass exodus particularly disruptive, amplifying spread widening beyond what might otherwise be expected.

Continue reading.

LPL Financial

Lawrence Gillum | Chief Fixed Income Strategist

Last Updated: April 15, 2025

Use Munis to Beat the Market's Madness, says Morgan Stanley Strategist.

Craig Brandon, co-head of municipal investments at Morgan Stanley Investment Management, sits down with InvestmentNews anchor Gregg Greenberg to discuss the risks and rewards in municipal bonds during the current uncertain market environment.

Watch video.

investmentnews.com

Apr 16, 2025

2025 Muni Outlook: Stay Invested and Remain Nimble

Trade war brings April showers

- Higher-than-anticipated tariff increases weighed heavily on municipal market sentiment.
- Seasonal supply-and-demand dynamics were further challenged by outflows.
- Most municipals are based upon domestic revenue that is less impacted by tariffs.

Continue reading.

advisorperspectives.com

by Patrick Haskell, Sean Carney of BlackRock, 4/18/25

ETFs Highlight Ease of Trading in Three-Day Selloff for Munis.

This month's panic-driven selling across municipal bonds — fueled by the boom in ETFs — is proving a mixed blessing for investors in a normally sedate market corner.

As the tariff-spurred turmoil erupted in recent weeks, money managers navigated the immense selling pressure via exchange-traded funds, which lived up to their billing as efficient vehicles for price discovery. That's a boon in an asset class where some securities can go months without trading.

At the same time, that ease of trading also contributed to the biggest three-day drop for munis since the pandemic, with ETFs accounting for more than 40% of the $3.3 billion in outflows from the market for local and state government debt in the week ended April 9, according to LSEG Lipper Global Fund Flows.

Continue reading.

Bloomberg Markets

By Erin Hudson and Shruti Singh

April 17, 2025

Money Managers Still See Muni-Bond Buying Opportunity After Rout.

Municipal bonds are looking attractive as they slowly start to recover from the tariff-fueled rout that sent yields soaring earlier this month.

Benchmark yields for state and local US government debt are still elevated compared to where they stood before the historic selloff. For example, the 30-year yield is at 4.5%, about 40 basis points higher than the average yield this year, according to data compiled by Bloomberg.

The current cheapness is a shift from the past several years when muni bonds had stayed relatively expensive, said Troy Willis, co-head and senior portfolio manager of Easterly ROC Municipals.

Continue reading.

Bloomberg Markets

By Amanda Albright

April 21, 2025

U.S. Public Finance Rating Momentum: Fitch Special Report

Fitch Ratings' study on U.S. Public Finance (USPF) credit ratings reveals significant momentum in rating changes, particularly negative momentum. Downgrades are more likely to follow a previous downgrade, with a rate 6.2 times higher than after an affirmation or no-action review. Speculative-grade ratings show the highest negative momentum, with a downgrade rate nearly 10 times higher post-downgrade. Positive momentum exists but is weaker, with upgrades following upgrades at a rate of 143% of the overall portfolio. Negative Outlooks remain strong indicators of future downgrades, with a downgrade rate of 13 times higher than Stable Outlooks. The study underscores the predictive value of prior rating actions and Outlooks in signaling future credit quality changes.

Access Report

Mon 14 Apr, 2025

Fitch: Market Volatility and Tariffs Could Challenge US NFP Hospital Liquidity

Fitch Ratings-Austin/Chicago/New York-14 April 2025: Market volatility presents a growing challenge to U.S. not-for-profit (NFP) hospitals' balance sheet stability, Fitch Ratings says. Maintaining balance sheet strength is crucial for addressing ongoing macroeconomic uncertainties, including tariffs and potential Medicaid changes that could affect enrollment or reimbursement.

The sector's strong liquidity and resilience in managing financial headwinds from tight labor conditions and inflationary pressures on costs are due in part to ample investment income over the past four years. Hospitals with robust financial reserves and liquidity are best positioned to withstand today's challenging operating environment characterized by labor and supply cost inflation. This enhances their ability to weather financial storms while maintaining creditworthiness.

Hospitals benefited from strong stock market performance from 2020 to 2024, with the S&P 500's annual return averaging over 14%. The Federal Reserve's aggressive interest rate hikes over the past two years have also supported investment earnings for lower-rated hospitals and hospitals with more conservative asset allocations, as shorter-term, lower-risk fixed income assets have yielded more favorable returns.

Continue reading.

S&P U.S. Not-For-Profit Health Care Outstanding Ratings And Outlooks As Of March 31, 2025.

View the S&P Ratings and Outlooks.

11 Apr, 2025

S&P U.S. Not-For-Profit Health Care Rating Actions, March And First-Quarter 2025.

In March 2025, S&P Global Ratings maintained 22 ratings, took four negative rating actions, and did not upgrade any U.S. not-for-profit health care providers. In addition, we revised two outlooks unfavorably and one outlook favorably.

Included in the month's activity were ratings assigned to seven new debt issuances for currently rated organizations (all affirmed but one outlook revised to stable from negative). We also assigned a rating to a new issuer, CharterCARE Health of Rhode Island.

The seven rating actions and outlook revision consisted of the following:

- Four downgrades on three stand-alone hospitals and one system in the 'A' and 'BBB' rating categories;
- Two outlook revisions to negative from stable on one health system in the 'AA' category and one stand-alone hospital in the 'A' category; and
- One outlook revision to stable from negative on a stand-alone hospital in the 'BBB' category.

Continue reading.

11 Apr, 2025

States, Cities Delay Bond Sales After Muni Yields Skyrocket.

A number of state and local government debt deals were postponed on Tuesday, as the asset class recorded a second painful trading session.

Louisiana delayed the sale of $351 million of muni bonds set to be sold via auction on Wednesday, according to a spokesperson for the treasurer's office. And a senior living center in Massachusetts shelved a $133 million sale as did school districts in California and Florida.

Benchmark bond yields jumped as much as 25 basis points on Tuesday, following a surge on Monday. Ten-year, top-rated bonds are yielding 3.5%, nearly 60 basis points higher than where they ended last week, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Erin Hudson, Martin Z Braun, and Amanda Albright

April 8, 2025

Tariffs Risk Raising Building Costs and Muni Buyers' Demands.

Tariffs are going to complicate state and local governments' construction plans, and investors will be looking for more compensation to account for the uncertainty, according to Tamara Lowin of Van Eck Associates Corp.

President Donald Trump's fast-changing trade policies risk upending supply chains, making projects more costly and more time-consuming, and potentially putting the viability of some municipalities' plans into question. Elevated costs — and, therefore, slimmer margins — increase risk, meaning that investors could demand higher yields, said Lowin, a senior credit analyst at Van Eck.

Projects meant to replace aging infrastructure or expand existing facilities could be particularly challenged, according to a note written by Lowin.

Continue reading.

Bloomberg Markets

By Erin Hudson and Aashna Shah

April 14, 2025

How the Muni Market Is Impacted by the Trade War: Bloomberg TV

Municipal-bond traders had their busiest day on record on Wednesday as yields surged and investors tried to make sense of an abrupt change in US trade policy. Franklin Templeton Director of Research for Municipal Bonds Jennifer Johnston gives her outlook on "Bloomberg Markets."

Watch video.

Bloomberg Markets TV Shows – Muni Moment

April 10th, 2025

Five Important Takeaways on Municipal Bonds and Market Volatility.

Some key points for municipal bond investors to consider in an uncertain environment.

Municipal bond investors have asked us about the market impact of the April 2 tariff announcements, a development that has broadly affected all asset classes. The upward move in rates across all markets is a result of the tariffs, which could lead to changes in monetary policy, stimulus of the U.S. economy through tax cuts, and potential inflationary impacts.

Here, we offer some insights on what municipal bond investors should focus on during this volatile period:

Continue reading.

lordabbett.com

By Daniel S. Solender – Partner, Director of Tax Free Fixed Income

April 9, 2025

Muni Rout Drags On After Market Sees Worst Day in 31 Years.

Municipal bonds extended their slump on Tuesday, following the market's worst daily slide in three decades, as a wave of tariff-induced selling pressure continued.

A benchmark index of municipal bonds dropped 2.85% on Monday, the biggest daily decline since at least 1994, according to data compiled by Bloomberg. The historic rout caused several deals to be postponed and wiped out total gains for this year. The pain continued on Tuesday with yields increasing as much as 10 basis points as of 11:00 a.m. New York time.

"The whole market moved from being buyers to being sellers in a very short period of time with nobody willing to take the other side of the trade," said Christopher Brigati, chief investment officer at SWBC.

Continue reading.

Bloomberg Markets

By Aashna Shah, Shruti Singh, and Amanda Albright

April 8, 2025

WSJ: Even Muni Investors Are Jittery

Prices for state and local bonds sank rapidly Monday and Tuesday after jittery investors unloaded the muni debt they had racked up last week when tariffs rocked markets.

"It's kind of incredible, we haven't seen anything like this since the pandemic," said Patrick Smith, senior director of municipal evaluations at ICE Data Services.

Triple-A rated Maryland state bonds traded at 106 cents on the dollar Tuesday, down from 110 cents Thursday, an unusually fast drop in the typically placid $4 trillion market.

Continue reading.

The Wall Street Journal

by Heather Gillers

Week-End Swings Tell Muni Traders the Volatility Isn't Over Yet.

The muni market is getting a tough wake-up call: The volatility may not be over just yet.

Benchmark yields rose as much as 29 basis points on Friday afternoon in New York. Muni bonds are belatedly joining other asset classes in selling off yet again despite President Donald Trump on Wednesday calling off many of his most punitive tariffs.

This week, the state and local debt market has seen wild swings. After a massive selloff, the muni market on Thursday saw its best day of performance since the spring 2020 pandemic-induced market volatility.

Continue reading.

Bloomberg Markets

By Amanda Albright

April 11, 2025

John Miller Sees 2025 Muni Supply Eclipsing Record After Shakeup.

Veteran municipal bond investor John Miller is calling for another banner year for new borrowings from state and local governments, even after the global trade war that's rocking stocks and bonds ripped through the usually placid muni market.

The head of high-yield muni funds at First Eagle Investment Management forecasts long-term municipal sales will reach as high as $550 billion this year, topping 2024's record. His estimates come after issuers hit pause on dozens of deals earlier this week as a tariff-fueled markets rout spilled over into municipal bonds.

Transactions were delayed while benchmark yields for securities maturing in 10 years surged roughly 85 basis points in three days, reaching the highest in more than a decade. Such a steep move, so quickly is rare for state and local debt which is usually more insulated against the wide swings seen in other asset classes.

Continue reading.

Bloomberg Markets

By Shruti Singh

April 11, 2025

Munis Stage Biggest Rally Since 2020 After Tariff U-Turn.

State and local government bonds jumped Thursday in a rebound rally, which followed three straight days of plummeting prices.

Benchmark yields on top-rated municipal debt declined as much as 49 basis points on Thursday. Ten-year benchmark bonds are yielding 3.32%, nearly 48 basis points lower than where they ended Wednesday, according to data compiled by Bloomberg. That would mark the biggest one-day rally

since March 2020.

Continue reading.

Bloomberg Markets

By Aashna Shah

April 10, 2025

Muni Bond Rout Deepens Even More as Investors Panic Sell.

Municipal-bond yields surged another 30 basis points Wednesday as the state and local debt market sees a continued steep selloff.

The rout drove the 10-year AAA benchmark to 3.8% as of midday, the highest since at least 2011, according to Bloomberg BVAL. Over the last three trading sessions, that rate has jumped about 87 basis points.

Patrick Haskell, head of municipal bonds at BlackRock Inc., in an interview with Bloomberg Radio said the US state and local debt market hit “panic levels” Monday and Tuesday. Investors were “searching for liquidity,” he said.

Continue reading.

Bloomberg Markets

By Amanda Albright

April 9, 2025

MSRB First Quarter 2025 Municipal Securities Market Summary.

View the MSRB Summary.

S&P U.S. Brief: Energy As A Service Is Off-Balance-Sheet, But On-Credit For Not-For-Profit Health Care Providers

While not-for-profit health care providers are increasingly embracing Energy as a Service (EaaS) to protect their balance sheets, we believe the arrangements could carry credit risks.

U.S. not-for-profit health care providers are more frequently entering into energy asset concession or lease arrangements as a means of catching up on deferred infrastructure spending while preserving balance-sheet flexibility. These arrangements can include benefits beyond those of direct

capital investment, but a primary consideration for management, in our view, is keeping associated debt off their balance sheets. While this trend is perhaps in the early stages of growth across the sector, S&P Global Ratings has maintained a consistent analytical approach to off-balance-sheet obligations when assessing credit risk. In our view, the provider's unconditional pledge to make annual payments, as well as the corresponding liability, are factors capable of diminishing credit quality. Put simply, we view these arrangements as debt substitutes.

What's Happening

Although balance sheets remain a principal strength of the sector, pressure has built in recent years as a result of compressed operating cash flow and ongoing capital needs. This, coupled with a tendency on the part of management to prioritize revenue-generating projects over core infrastructure, has left many providers operating with dated, or perhaps unreliable, energy infrastructure on their hospital campuses. As a result, more providers are expressing an openness to asset monetization and nontraditional financing arrangements.

Continue reading.

[Free Registration Required]

31 Mar, 2025

Fitch Ratings Updates Public-Sector Counterparty Obligations in PPP Transactions Rating Criteria

Fitch Ratings-New York/Sao Paulo/Monterrey/Madrid-07 April 2025: Fitch Ratings has updated its criteria for rating public sector counterparty obligations in public private partnership (PPP) transactions. This update replaces the previous report from May 2024.

The criteria report outlines Fitch's methodology for assigning new ratings and monitoring existing ratings for obligations of public-sector grantors under a concession, lease or other agreement (referred to herein as a framework agreement) used to support PPP financing for public infrastructure assets.

The update replaces the term "legislative framework" with "legal framework". "Legislative" only refers to the ability to make laws, while "legal" is broader and refers to all aspects related to laws. Therefore, "legal framework" better conveys the intended meaning: the framework created by relevant laws.

Furthermore, there was a small number of other minor editorial changes.

The key criteria elements remain consistent with those of the prior report. The update does not effect outstanding ratings. The previous version of the criteria has been retired.

The updated criteria report "Public-Sector Counterparty Obligations in PPP Transactions Rating Criteria " is available at www.fitchratings.com.

S&P: Cryptocurrency Is Growing Within U.S. State Reserves And Statewide Pension Plans

Key Takeaways

- U.S. states and statewide pension plans are increasingly considering cryptocurrencies (crypto), particularly bitcoin, as a reserve investment.
- So far, 17 states either allow or have introduced legislation to allow crypto as a reserve asset and 16 are proceeding toward including crypto investments in their statewide pension trusts.
- The recent creation of crypto exchange-traded funds (ETFs) and the rapidly evolving regulatory landscape may have increased interest in crypto as an investment by helping address some associated risks.

The Regulatory Landscape Is Expanding For Cryptocurrencies

Although crypto is still a very small allocation in U.S. state reserve and pension holdings, many states are in various stages of implementing policy changes to allow the use of bitcoin or other cryptocurrencies in their general fund and/or pension trust assets. Increasing investor interest, particularly in bitcoin, and the refinement of crypto regulation in the U.S. and around the world, including stablecoins, help the market increasingly treat crypto as a legitimate investment. See "Stablecoin Regulation Gains Global Momentum," published Feb. 10, 2025, on RatingsDirect. In addition, the creation of crypto ETFs alters the risk profile of crypto to exchange the novel operational and cyber risks of direct ownership for counterparty risks comparable with those of more typical high-risk investments. Although direct ownership of crypto requires specialized infrastructure and staffing, ETFs pass much of the risk and the complicated setup to a large financial entity for a fee.

Continue reading.

[Free Registration Required]

27 Mar, 2025

S&P: The U.S. Public Finance Housing Sector Could Face Credit Pressure From Federal Policy Shifts

Key Takeaways

- Affordable housing issuers that rely on federal funding could face operating pressures amid federal policy uncertainty, staffing cuts, higher tariffs, and potential appropriation reductions.
- Public housing authorities and stand-alone Section 8 properties could be the most exposed to credit pressures depending upon how evolving federal policy is implemented.
- We believe that issuers can help mitigate uncertainty through proactive management planning and financial flexibility.

Continue reading.

3 Apr, 2025

S&P Rating Changes Of 25 Major U.S. Cities Since 2000.

View the S&P rating changes.

1 Apr, 2025

ARPA SLFRF Reporting Language: What to Know - NLC

Co-authored by Claire Chan, the Manager of Research and Federal Relations at the Georgia Municipal Association

The April 30, 2025 reporting deadline for the American Rescue Plan Act's (ARPA) State and Local Fiscal Recovery Funds (SLFRF) is rapidly approaching, and many local governments have questions about how to accurately and effectively draft their reporting language. Below, we provide guidance on frequently asked questions (FAQs) and offer examples of what to do — and what to avoid.

Project Descriptions: Key Guidelines

Project descriptions must be detailed enough to convey the major activities involved and must be between 50 and 250 words.

Continue reading.

National League of Cities

by Dante Moreno

April 7, 2025

S&P: The U.S. Public Finance Housing Sector Could Face Credit Pressure From Federal Policy Shifts

Key Takeaways

- Affordable housing issuers that rely on federal funding could face operating pressures amid federal policy uncertainty, staffing cuts, higher tariffs, and potential appropriation reductions.
- Public housing authorities and stand-alone Section 8 properties could be the most exposed to credit pressures depending upon how evolving federal policy is implemented.
- We believe that issuers can help mitigate uncertainty through proactive management planning and financial flexibility.

Housing Issuers Could Grapple With Federal Cuts

U.S. affordable housing issuers, including public housing authorities (PHAs), housing finance agencies (HFAs), nonprofit housing developers, and community development financial institutions (CDFIs), have historically demonstrated management strength and the financial flexibility to

navigate changing economic and policy environments, including the Great Recession and the COVID-19 pandemic.

Continue reading.

3 Apr, 2025 | 15:11

Municipal Bonds Extend Rally as Investors Seek Tariff Haven.

State and local government debt rallied for a second day as investors sought shelter from the sinking US stock market after President Donald Trump's tariffs stoked fears about an economic downturn.

Municipal bond yields on Friday fell as many as nine basis points as of 11 a.m. in New York, echoing a widespread surge in US government debt as buyers try to shield cash from the tariff fallout.

"The markets are definitely in a risk-off mood," said Abigail Urtz, a strategist at FHN Financial. "We've seen some tremendous movements in Treasury yields and munis are along for the ride."

Continue reading.

Bloomberg Markets

By Elizabeth Rembert

April 4, 2025

Muni Rout Drags On After Market Sees Worst Day in 31 Years.

Municipal bonds extended their slump on Tuesday, following the market's worst daily slide in three decades, as a wave of tariff-induced selling pressure continued.

A benchmark index of municipal bonds dropped 2.85% on Monday, the biggest daily decline since at least 1994, according to data compiled by Bloomberg. The historic rout caused several deals to be postponed and wiped out total gains for this year. The pain continued on Tuesday with yields increasing as much as 10 basis points as of 11:00 a.m. New York time.

"The whole market moved from being buyers to being sellers in a very short period of time with nobody willing to take the other side of the trade," said Christopher Brigati, chief investment officer at SWBC.

Continue reading.

Bloomberg Markets

By Aashna Shah, Shruti Singh, and Amanda Albright

April 8, 2025

Muni Bonds Jump on Haven Rally.

Municipal bonds are providing a refuge for investors facing major stock-market losses as President Donald Trump's widespread tariffs fuel concerns about a recession. Bloomberg's Danielle Moran has more on the story.

Watch video.

Bloomberg Markets – Muni Moment – TV Shows

April 3rd, 2025,

Munis Rally Most in Five Months as Investors Seek Haven Assets.

Municipal bonds are providing a refuge for investors facing major stock-market losses as President Donald Trump's widespread tariffs fuel concerns about a recession.

State and local government bond yields are down as much as 11 basis points as of 3:00 pm New York time, with muni debt taking their cue from a broader rally in US government bonds as buyers seek haven assets.

"The market is just very much in a risk-off mode, taking money out of riskier assets and driving into safety and liquidity in fixed income," said Chris Brigati, chief investment officer at SWBC.

Continue reading.

Bloomberg Markets

By Erin Hudson and Aashna Shah

April 3, 2025

Trump Order on CDFI Fund Risks Aid for Small Businesses, Housing.

Credit unions, banks and nonprofits are alarmed by an executive order targeting Community Development Financial Institutions, which support projects in low-income areas.

Banking usually doesn't make for great cinema unless a heist is involved. But one classic movie moment is the exception: the famous bank run scene in It's a Wonderful Life, in which a community rallies around a public-minded savings and loan. It's a poignant depiction of the powerful metaphor of community lending.

That ideal — local money funding local enterprise and development — explains the angst over a March 14 executive order by President Donald Trump that targeted, among other institutions, the Community Development Financial Institutions Fund. This bipartisan program provides capital for

local credit unions and banks to help develop lower-income communities. Trump's directive ordered that the government corporation's functions be reduced to the statutory minimum required by law.

Continue reading.

Bloomberg CityLab

By Patrick Sisson

April 7, 2025

Forbes: Everything You Need To Know About Muni Bonds Right Now

The economy is slowing. And if you believe that these tariff-tapping brakes are going to land us in a recession, these muni bonds (with tax-equivalent yields up to 12.4%) are for you.

This is the time to recession-proof our retirement holdings. The new administration appears to want to get a slowdown "out of the way" early. Atlanta's GDPNow forecast says the economy is already shrinking:

Continue reading.

Forbes

By Brett Owens, Contributor
Brett uses "second-level thinking" to find dividend stocks to buy.

Apr 03, 2025, 10:55am EDT

Fidelity Expands ETF Shelf with Muni Bond Strategies.

The new municipal debt offerings build on a growing trend of ETF use among advisors while tapping into investors' growing need for safety amid volatility.

Fidelity Investments has launched two new municipal bond ETFs, expanding its lineup of fixed income products as investor appetite for tax-advantaged and cost-efficient vehicles continues to grow.

The two funds – Fidelity Municipal Bond Opportunities ETF and Fidelity Systematic Municipal Bond Index ETF – are now trading on Nasdaq and available commission-free on the firm's online brokerage platforms.

The products launched on Monday, which were converted from existing mutual funds, will maintain their respective investment strategies.

Continue reading.

investmentnews.com

By Leo Almazora

APR 07, 2025

Navigating Muni Bonds: Three Potential Paths to Success

Even with GPS and mapping software, a taxi driver who knows a good shortcut through a city is more than worth their tip. The municipal bond market—with 50,000 issuers—is like a big city, and as portfolio managers at Vanguard, we seek to generate value for our clients with the same skill a driver uses to deliver riders quickly and safely to their destination.

We currently see three alpha opportunities in the "three Cs": credit, carry, and convexity.

1. Credit

With a team of more than 20 credit analysts, research is one of the primary strengths of Vanguard's Fixed Income Group. We look to identify mispriced issuers with strong or improving fundamentals and those for which higher yields compensate investors for the extra risk taken.

Continue reading.

Vanguard

April 1, 2025

BlackRock Launches High-Yield Municipal Interval Fund.

BlackRock has launched a high-yield municipal interval fund which will be available to its retail wealth clients.

The BlackRock Municipal Credit Alpha Portfolio seeks to provide attractive after-tax total return through income and capital appreciation, by investing in municipal securities.

The fund's institutional share class (MUNEX) is launching with a 5.75 per cent annualised rate on the initial net asset value, payable monthly. MUNEX has approximately $565m (£437.3m) in managed assets, making it one of the largest municipal interval funds.

"In our view, high yield municipal bonds offer alternative return drivers that complement traditional fixed income portfolios," said Patrick Haskell, head of BlackRock's municipal bond group.

"We think that the interval fund structure is the best way to take advantage of inefficiencies in the high yield market, from both a yield and total return perspective.

"Our expertise in this market, particularly in the event-driven space, provides investors a unique opportunity for high tax-efficient yield and superior total return."

Read more: BlackRock predicts more performance dispersion in private debt

“The fund’s interval structure provides long-term capital, allowing my team to take advantage of bond market volatility and inefficiency,” added Ryan McDonald, portfolio manager for MUNEX.

“This enables MUNEX to invest in traditional high yield assets, while also utilizing our deep credit expertise to identify less liquid opportunities and special situations.

“Furthermore, the interval structure allows us to purchase assets when others are compelled to sell, potentially securing higher yields and greater overall returns.”

alternativecreditinvestor.com

by Kathryn Gaw, Patrick Haskell & Ryan McDonald

April 1, 2025

Corporate and Municipal CUSIP Request Volumes Increase in February.

NORWALK, Conn., March 25, 2025 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for February 2025. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets activity over the next quarter, found a strong monthly increase in request volume for new corporate and municipal identifiers.

North American corporate CUSIP requests totaled 8,103 in February, which is up 79.9% on a monthly basis. On an annualized basis, North American corporate requests were down 7.1% over February 2024 totals. The monthly increase was driven by a 112.8% rise in request volume for U.S. corporate debt identifiers, along with increases in request volume forshort-term certificates of deposit (61.6%) and longer-term certificates of deposit (19.5%).

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – rose 36.4% versus January totals. On a year-over-year basis, overall municipal volumes were up 17.1%. Texas led state-level municipal request volume with a total of 118 new CUSIP requests in February, followed by New York (73) and California (65).

Continue reading.

Charter Schools, Colleges Push Muni Debt Distress Near Record.

Municipal bonds issued for riskier projects like charter schools and small colleges may break a 12-year record for distress as pandemic aid dries up and inflation raises the cost of labor and supplies.

So far this year, 46 borrowers have become impaired, meaning they have defaulted on their debt, used reserves to make payments or missed financial metrics required by bondholders, according to Municipal Market Analytics. Last year, the independent research firm tallied 47 impairments in the first quarter, the most since 2012.

Much of the stress has come in the form of borrowers missing targets for debt-service coverage or

the amount of cash on hand. Charter schools, which are privately run but taxpayer funded, are showing the most strain, with 15 impairments. Last year, a record 45 charter schools reported distress, according to MMA.

Continue reading.

Bloomberg CityLab

By Martin Z Braun

March 26, 2025

Fitch: U.S. NFP Hospitals See Margin Improvement, but Challenges Mount

Fitch Ratings-Austin/New York/Chicago-26 March 2025: Fitch-rated not-for-profit (NFP) hospitals and healthcare systems with early fiscal year ends (FYE) saw notable improvement in 2024 median financial performance relative to the prior year, Fitch Ratings says. We anticipate full calendar year (CY) 2024 median results for all Fitch-rated NFP hospitals will be at least in line with the audited financial results for those hospitals with a FYE in 1H2024. However, full CY medians will remain well below pre-pandemic levels, even at the higher end of the rating spectrum.

The median operating margin for providers with early FYEs improved to 1.2% in CY2024 from -0.5% in CY2023. A decline in personnel costs, particularly a continued drop in contract labor use, contributed to the improvement in operating profitability. Personnel costs as a percent of total operating revenues fell to 54.5% in 2024 from 55.4% in 2023 when comparing mid-year FYE results.

Persistent labor challenges continue to push base salary and wage expenses higher, leading to a significant median yoy expense increase of 6.9%. This would have been even higher without the sector's ongoing efforts to recruit and retain talent, streamline operations and optimize supply chains. Fitch expects workforce development to remain a central focus for health systems to address labor shortages, enhance staff capabilities and maintain sustainable profitability levels.

Continue reading.

Using Blockchain to Democratise US Municipal Securities.

Officials from Quincy in Massachusetts on innovative ways to manage public finances

In April 2024 the city of Quincy in Massachusetts issued the first blockchain-based bond in the US with the aim to democratise debt sales for its citizens. Eric Mason, chief financial officer for Quincy, explains the city is building a new school using the technology. And blockchain could eventually allow somebody dropping off their child to see that they are earning interest from the bond which financed the building.

"Mayor Thomas Koch said the first goal was to prove the ground through the technology — you have to paddle a little while before you can swim in the ocean," Mason says. "Our long-term goal is to use blockchain to democratise debt."

The process started about a year before the issue when Ian Cain, city council president, read about Siemens, the German industrial company, selling a digital bond, and the district of Lugano in Switzerland issuing a bond on blockchain. He then asked if Quincy could do the same. City officials met with financial advisers at Hilltop Securities for a brainstorming session and reviewed everything, from Quincy generating its own token to pure decentralisation.

Continue reading.

thebanker.com

by Shanny Basar

March 25, 2025

Municipal Bonds Face Climate Risks Head-On Across the U.S.

What's going on here?

Municipal bonds across the US are now reflecting climate risks more explicitly, alerting investors to environmental challenges with spotlight data from ICE Climate Data.

What does this mean?

As the climate crisis intensifies, municipal bonds are under scrutiny, accentuating the financial repercussions of environmental threats. Ocean City, NJ is leading with a $13 million bond marked by an ICE Climate Data Flood Score of 5.0, indicating severe flooding risk. Close behind, Lindenhurst, NY is planning a $7 million issue with a 4.6 flood score. Meanwhile, Pennsylvania's Jeromy Shore Area School District and California's Val Verde Unified face flood and wildfire risks, scoring 4.1 and 4.2, respectively. Florida's Brevard County School District adopts a comprehensive climate risk view with a $54 million bond rated at 3.8 total climate risk score. ICE Climate Data's scoring, ranging from 0.0 to 5.0, offers investors insights into the potential climate hazards these bonds face.

Why should I care?

For markets: *Navigating climate-conscious investments.*

The climate-focused shift in municipal bonds prompts investors to reevaluate traditional risk metrics, factoring in potential climate impacts into their financial strategies. Changes in flood and wildfire risks can alter property values and resource allocation, directly affecting bond yields and appeal.

The bigger picture: *Climate risk becoming mainstream in finance.*

With cities and districts across the US integrating climate data into bond assessments, there's increasing acknowledgment of environmental risks in financial evaluations. This transition is critical for preparing broader economic systems to withstand the financial demands of intensifying weather-related events.

finimize.com

State Rainy Day Fund Growth Slowed in Fiscal 2024.

After years of rapid expansion, growth in state rainy day funds slowed in fiscal year 2024. Although the median rainy day fund balance increased by 7% in fiscal 2024, that still marked a steep drop from the 31% rise recorded the previous year, according to state data reported to the National Association of State Budget Officers (NASBO). This slowdown represents a return to growth rates that are more in line with prepandemic trends and reflects the end of the revenue wave that fueled record increases from fiscal 2021 to 2023.

Despite this moderation in the reserves growth rate, the capacity of rainy day funds—that is, the number of days they could cover state operations—increased in 22 states and nationwide, extending a decade-long trend that accelerated during the pandemic. Collectively, states could now operate on their reserves alone for a median of 49.1 days, up from 46.2 days in fiscal 2023. However, this growth comes as states are depleting their leftover budget dollars, known as ending balances, at the fastest rate since 2017. As a result, states' overall fiscal cushion is declining, leaving states with fewer resources to address widespread current and projected budget imbalances in the years ahead.

Continue reading.

The Pew Charitable Trusts

By: Justin Theal & Page Forrest

March 27, 2025

Is The State Revolving Fund In Jeopardy?

For decades, the State Revolving Fund (SRF) has served as a crucial financial backbone for water infrastructure projects across the United States. Established in 1987, the SRF provides low-interest loans to states and municipalities to maintain and improve drinking water and wastewater systems. The program, which operates under the Clean Water Act (CWA) and Safe Drinking Water Act (SDWA), has long enjoyed bipartisan support. However, recent executive actions from the Trump administration have raised concerns that even long-standing and widely supported programs like the SRF could face fundamental changes, or even outright repeal.

According to Stacy Barna, funding discipline leader and South Texas client service leader at CDM Smith, concerns about the future of the SRF surfaced as early as Day 1 of the current presidency. "One of the first executive orders that came out put a pause on the Infrastructure Investment and Jobs Act (IIJA), which has sent a lot of the additional funding over to the State Revolving Fund," she said. "So that was a concern."

This, combined with the pace and scope of efforts to enact changes, as well as the administration's methods for enacting them, has raised questions about the SRF's future.

Continue reading.

wateronline.com

By Christian Bonawandt

Guest Column | March 31, 2025

What FEMA's Demise Could Mean for Flood Insurance.

Flooding the zone

The announcement last week from Homeland Security Secretary Kristi Noem that she plans to "eliminate" the Federal Emergency Management Agency (FEMA) has cast a pall over the US government's disaster response unit.

While most of the focus has been on what it would mean for disaster recovery if the agency is wound down, there's another big issue at stake: FEMA's foundational role in managing the National Flood Insurance Program (NFIP). Any changes to the program or how it's run can potentially disrupt the lives of millions of homeowners living in flood-prone areas.

Congress created the program in 1968 because private insurance for flood risk failed; insurers simply couldn't price policies affordably enough for most homeowners. The government stepped in and offered subsidized rates. As of the end of 2023, according to FEMA's website, it held 4.7 million policies and $1.3 trillion in liability.

Continue reading.

Bloomberg Green

By Leslie Kaufman

March 31, 2025

National Association of Counties and cashVest by three+one Announce $1.3 Billion in New Revenue for Public Agencies in 2024.

WASHINGTON – The National Association of Counties (NACo) and cashVest by three+one today announced their collaborative efforts generated over $1.3 billion in new revenue for public entities in 2024, while simultaneously saving them millions in bank fees. This achievement highlights the impact of untapped sources of revenue, providing essential financial stability during uncertain times.

NACo partnered with three+one in 2020 to strengthen county finances using the cashVest portal. The portal allows counties to put dollars on deposit to work while still maintaining necessary cash flow balances. The partnership has supported hundreds of County governments to date and generated over $3 billion in new revenue for public entities.

County finance departments benefit from the cashVest program, which combines powerful liquidity data with hands-on guidance from a dedicated relationship manager. As a third-party data provider, cashVest by three+one analyzes cash flow and investment history on behalf of the county, providing data-driven insights and actionable recommendations. This empowers finance professionals to strategically allocate funds, optimize liquidity and maximize interest earnings, all while ensuring transparency and financial strength for the communities they serve.

“For county finance departments, the ability to generate new revenue while gaining insights into their financial future is invaluable,” said NACo CEO/Executive Director Matthew Chase. “This partnership ensures public entities are better equipped to manage uncertainties and prepare their 2026 budgets and beyond.”

The generation of new revenue is due in large part to three+one’s innovative MC Liquidity Forecast Model®. Built on decades of expertise in public finance, higher education and business, this tool integrates over 2.4 trillion data points from various economic cycles. The tool offers liquidity forecasts extending six months ahead, enabling public agencies to confidently navigate critical financial decisions.

For more information about NACo’s partnership with cashVest by three+one, click here.

About National Association of Counties (NACo)
The National Association of Counties (NACo) strengthens America’s counties, including nearly 40,000 county elected officials and 3.6 million county employees. Founded in 1935, NACo unites county officials to advocate for county government priorities in federal policymaking; promote exemplary county policies and practices; nurture leadership skills and expand knowledge networks; optimize county and taxpayer resources and cost savings; and enrich the public’s understanding of county government. www.naco.org

About three+one
three+one is a cutting-edge financial technology company committed to optimizing liquidity management for public entities. By leveraging advanced data analytics and financial expertise, three+one helps public agencies maximize their financial potential and achieve greater fiscal health.

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Muni Bonds Lag Treasuries by Most Since 2020 With March Loss.

Municipal bonds are heading for their worst month — compared to US Treasuries — since the asset class’s pandemic-fueled rout in March 2020.

Munis are track for a 2% loss this month, while US Treasury returns were flat as of March 30, according to Bloomberg index data. Though, the rout is poised to ease on Monday, as both asset classes are rallying as stock-market weakness sparks demand for safe-haven investments. Muni yields have dropped by as much as 4 basis points across the curve.

March is generally a tough month for the US state and local debt market. Sales of new debt tend to be higher — issuance this month has surged 20% year-over-year, according to data compiled by Bloomberg. But fewer bonds mature around this time, so investors may not have the money to reinvest. Some investors even sell their holdings to pay their tax bills due in April, adding to the pressure.

“Lighter redemptions in each month can be combined with average to heavier supply to create headwinds,” Kim Olsan, senior fixed-income portfolio manager for NewSquare Capital LLC, wrote in a email.

This March, these dynamics are exacerbated by policy-related uncertainty. Investors are assessing whether Republicans' effort to extend the 2017 tax cuts could pose a threat to the tax-exempt status of muni bonds.

These considerations have weakened demand, with investors yanking about $573 million from municipal-bond funds in the week ended Wednesday — the third straight week of outflows, according to LSEG Lipper Global Fund Flows.

The underperformance has meant that munis have cheapened compared to Treasuries. A key gauge of relative value in the market — a percentage of AAA muni yields versus Treasuries — shows that state and local debt is at its cheapest level since November 2022.

Despite this recent weakness Bank of America Corp. strategists said on Friday that they expect the backdrop to improve a bit by the second half of April, after taxes are due.

Still, supply looks like it will stay elevated even as demand teeters. JPMorgan Chase & Co. strategists said in a note on Monday that the $10 billion of sales slated for this week could pressure the muni market.

Last week's underperformance in munis was "chiefly the result of onerous net supply, UST rate volatility, exchange-traded fund outflows, and tax-loss trading," they added.

Bloomberg Markets

By Amanda Albright

March 31, 2025

Muni-Bond Rout Comes as Concerns Brew Over Tax-Exemption Repeal.

Municipal bonds are selling off this week, causing state and local government debt to cheapen compared to US Treasuries.

The rout comes after threats over a pullback in the muni tax-exemption have mounted. Those concerns coupled with recent market volatility, elevated bond issuance and seasonal pressure caused by investors selling to pay tax bills, have put pressure on the public finance market.

"When we talk to customers, the tax-exemption is having an impact — and it's having an impact even if people are staying on the sidelines," said Ryan Henry, a strategist at FHN Financial.

Continue reading.

Bloomberg Markets

By Amanda Albright and Martin Z Braun

March 27, 2025

Bank of America Boosts 2025 Muni Sales Forecast to $580 Billion.

The municipal bond market's biggest underwriter is expecting even more issuance this year as state and local governments tap the market at a rapid clip.

Strategists at Bank of America Corp. lifted their muni-bond issuance projection for 2025 to $580 billion from $520 billion, according to a research note published Friday.

The revision comes after an exceptionally strong start to muni bond sales this year, with more than $118 billion issued already, the most in at least a decade, according to data compiled by Bloomberg. Much of the growth has been in deals for infrastructure projects rather than refinancings, the strategists said.

Continue reading.

Bloomberg Markets

By Aashna Shah

March 28, 2025

Navigating Washington's Risks: Mar-a-Lago Accord, Tariffs and Municipal Tax Exemption - JPMorgan

U.S. equities are heading lower this week ahead of "Liberation Day" — the day the Trump Administration has said it will unveil its reciprocal tariff strategy.

U.S. consumers are not convinced about the prudence of the White House's strategy. Consumer confidence fell to the lowest level in four years in March, largely due to concerns about higher prices and the economic outlook amid escalating trade policy uncertainty. Their expectations for the future also darkened. The expectations component of the index fell to the lowest level in 12 years. Equity investors looking for a silver lining should know that spikes in policy uncertainty and troughs in consumer sentiment counterintuitively augur stronger forward returns ahead. Sometimes, it really is darkest before the dawn.

Economic data this week also signaled some reprieve. The Citi U.S. Economic Surprise Index (which measures how economic data is coming in relative to economist expectations) has increased from -16.5 in February to -4.6 now. Indeed, it seems like "hard" measures of economic data are holding up much better than the "soft" data derived from people's perceptions.

Continue reading.

BlackRock ETF Buys First Muni Bonds Issued via Blockchain.

BlackRock's iShares Short Maturity Municipal Bond ETF, also known as MEAR, just made history by purchasing municipal bonds issued and settled entirely on blockchain.

The bonds, issued by Quincy, Massachusetts in April, were sold using JPMorgan Chase's private

blockchain platform. This deal handled everything from issuance to settlement on the blockchain, completely bypassing traditional methods.

The Quincy transaction involved $6.5 million in municipal debt purchased by BlackRock, a huge player in the financial world. A BlackRock spokesperson reportedly called it a part of their actively managed ETF, MEAR, which holds $750 million in client assets and has been in operation since 2015.

Quincy Bonds and JPMorgan's blockchain tech
The city of Quincy made waves earlier this year when it issued bonds using blockchain tech instead of the traditional system. JPMorgan's blockchain platform, Digital Debt Service, was at the center of this innovation.

This platform managed everything. It cut out intermediaries, making the process faster and more efficient. The bonds stayed on the blockchain from issuance to settlement, a system that had never been attempted in municipal finance before.

BlackRock is the first big player to jump into the Quincy deal. The firm updated its ETF's prospectus to allow blockchain-based bond investments. This required a filing with the U.S. Securities and Exchange Commission, which also outlined the risks, like limited liquidity and the possibility of bugs or errors in the blockchain application.

Municipal bonds have traditionally been a conservative corner of the market, full of paperwork and delays. But not when the blockchain is in play.

BlackRock's ETF stays strong
Its iShares Bitcoin Trust (IBIT), launched earlier this year, is smashing records. Over the past day, IBIT pulled in $740 million in inflows. It now manages over $51 billion in assets, making it one of the fastest-growing ETFs in history.

Over the past 24 hours alone, IBIT pulled in $740 million. Combined with Ethereum ETF inflows, BlackRock's crypto ETFs hit $860 million in just one day.

To put that in perspective, it has already outpaced BlackRock's gold ETF, which has been around since 2005. Investors are pouring money into IBIT, while competitors like Grayscale's Bitcoin Trust are bleeding cash. Grayscale has suffered $21 billion in outflows this year.

Bitcoin's price trading above $108,000 has further fueled interest. Market watchers expect it to hit $110,000 soon, thanks to a dovish Federal Reserve policy and increased institutional demand.

S&P: U.S. Public K-12 Schools Credit Quality Is Not Currently At Risk From Proposed Changes To Department Of Education

Key Takeaways

- S&P Global Ratings does not expect President Trump's recent executive order that would eliminate the U.S. Department of Education (DOE) to result in widespread credit deterioration or downgrades, but some kindergarten to 12th-grade (K-12) education providers may experience operating pressure.
- Public K-12 schools currently receive the majority of their annual revenues from state and local

funds.

- All 50 states operate their own departments of education and, therefore, determine how school operations are funded. Should federal funding to K-12 schools decrease, we expect that each state will determine its response to the shifts.
- It's uncertain how the details of Trump's executive order will unfold and what that would mean for federal funding to local education agencies. If there are significant federal aid cuts or delays, liquidity–particularly for those schools or districts more dependent on federal dollars–would become increasingly important.

Continue reading.

Free registration required.

24 Mar, 2025

Fitch: Recent Cyberattacks Highlight Credit Risk to Vulnerable NFP Hospitals

Fitch Ratings-San Francisco/New York/Austin-19 March 2025: Recent cyberattacks on U.S. not-fo--profit (NFP) hospitals have highlighted the risk to some healthcare providers, particularly smaller hospitals or hospitals with fewer financial resources, Fitch Ratings says.

Threat actors continue to target hospitals and health systems given the sensitive data they maintain and technology vulnerabilities, including use of third-party vendors and equipment. While most cyber events to date have not materially affected a hospital's credit quality, Fitch recently took rating actions on two healthcare credits, Frederick Health Hospital in Maryland and Palomar Health in California, partly because of cyber incidents. Both providers are comparatively smaller with relatively weaker balance sheets and limited cushion for additional stress when compared to Fitch's rated universe.

On March 14, 2025, Fitch downgraded Palomar's Issuer Default Rating (IDR) to 'B-'/RON from 'B'/RWN due to continued financial challenges. This follows a downgrade in December 2024 from 'BB+'/RON due to pressured financial performance, which was exacerbated by a significant cyber event whose recovery lasted several months and severely disrupted operations and key billing functions.

Fitch downgraded Frederick Health's IDR to 'BBB'/RWN from 'BBB+' in February 2025 as a result of slower-than-expected recovery in operating performance. However, the RWN reflects uncertainty around the financial and/or reputational impact a recent cyberattack will have on the hospital. Fitch believes the attack and potentially prolonged recovery may lead to a heightened level of stress and weaken financial metrics.

These rating actions underscore the importance of robust cyber resilience measures to withstand and quickly recover from cyber incidents, although issuers with fewer resources may have a more difficulty improving current cyber defenses.

Fitch may take negative rating action if a hospital's financial profile is deemed to be materially impaired, or at risk for impairment, in the aftermath of a cyber event. A cyberattack that affects a hospital's ability to provide service, including affecting relationships with physicians and staff, and/or hinders customer billing could temporarily reduce revenue generation for the system. Typically, a hospital's liquidity position provides a rating cushion for one-off events with limited

operational and financial disruption.

Often, longer-term recovery expenses outstrip the immediate costs associated with a cyber breach. Such expenses, including remediation and enhanced security measures, along with increased cybersecurity insurance premiums, legal costs, and staffing and compliance expenses could add to a hospital's operating costs, erode liquidity and decrease funds available for debt service. With NFP hospitals already facing greater demands on their budgets from inflation and labor costs, unexpected borrowing to bolster cybersecurity infrastructure, including updating compromised hardware and software systems, may weaken leverage metrics and erode credit quality.

Fitch Affirms U.S. Municipal Standalone GARVEE Ratings.

Fitch Ratings – New York – 20 Mar 2025: Fitch Ratings has affirmed the ratings for the following standalone grant anticipation revenue vehicle (GARVEE) bonds:

–Chicago Transit Authority at 'BBB';

–Florida Department of Transportation at 'A+';

–Georgia State Road and Tollway Authority at 'A+';

–Idaho Housing and Finance Association at 'A+';

–Kentucky Asset Liability Commission at 'A+';

–Maine Municipal Bond Bank at 'A+'

–State of North Carolina at 'A+'.

–New Jersey Transportation Trust Fund Authority at 'A'.

The Rating Outlooks on all bonds are Stable.

Continue reading.

Municipalities are Waking Up to Climate Risk and That's a Good Thing.

Canadian and American cities are leading the way in disclosing climate-related financial risks and leveraging municipal green bonds to finance climate initiatives

When ratings agency Standard & Poor's (S&P) downgraded the creditworthiness of the largest municipal utility in the United States, some experts warned it could signal early cracks in the historically stable municipal bond market. But the wider consensus is that municipalities—in both the U.S. and Canada—are awakening to climate risk, a shift many see as a positive development.

In Canada, cities like Toronto, Montreal, and Vancouver are leading the way in disclosing climate-related financial risks and leveraging municipal green bonds, fixed-income investments issued by cities to finance infrastructure resilience and climate initiatives. Toronto alone had raised more than

US$1 billion in green bond issuances as of November 2023, writes the World Economic Forum (WEF).

But the heightened risk is still out there. On January 14, in an industry first, S&P Global Ratings downgraded the Los Angeles Department of Water and Power (LADWP) two notches from a very secure AA- rating to an A, which remains secure, but with vulnerabilities.

Continue reading.

corporateknights.com

by Gaye Taylor

March 20, 2025

Muni Risk Threshold Tested by $1 Billion Deal for Tire Factory.

The muni market's seemingly insatiable appetite for high-yield bonds will be tested next week by a $1.15 billion debt sale for a new tire factory.

A local agency called the Salina Economic Development Authority, charged with spurring economic growth in Oklahoma, is borrowing the debt to build and equip the plant. Though, the factory will be managed by American Tire Works — an offshoot of a company domiciled in Finland. ATW is working with Black Donuts Inc. — a Finnish consulting and technology firm focused on tire manufacturing.

The bonds are unrated and will be sold only to qualified investors, features that indicate a high degree of risk. The debt is backed primarily by revenues derived from the operation of the plant. Interested buyers will have to weigh the credit concerns with what is slated to be a juicy yield. Roadshow documents modeled debt with an 8% coupon and a 8.46% tax-free yield.

Continue reading.

Bloomberg Markets

By Aashna Shah

March 20, 2025

Rethinking Budgeting Reports: First Principles of Public Finance - GFOA

First principles are the basis for any field, including public finance. They express a fundamental truth about public finance. They remain consistent despite technology and organizational characteristics of public finance that change over time. Understanding first principles is a necessary complement to knowing best practices.

Read more

Introducing the Strong Towns Finance Decoder.

Cities across North America struggle with financial challenges, yet the tools we use to understand local budgets often fail to reveal the full picture. Year-to-year budget reports focus on short-term balance — ensuring that revenues match expenses — but they do not answer the deeper question: Can we sustain what we've built?

At Strong Towns, we advocate for financial resilience — cities that can maintain essential services, adapt to economic shifts, and avoid long-term financial crises. This requires looking beyond annual budgets to understand the structural forces shaping our financial future.

By applying a framework that examines financial sustainability, flexibility and vulnerability, we can better assess whether a city's budget is on a trajectory toward stability or decline. These three indicators provide a structured way to analyze budgets beyond short-term balances, helping local leaders make informed decisions that will benefit communities not just this year, but for generations to come.

Continue reading.

strongtowns.com

by Charles Marohn

March 24, 2025

From Bitcoin to Bonds: The Unexpected Blockchain Revolution in Muni Markets

Cryptocurrencies like Bitcoin and Ethereum have captured the attention of many investors, pundits, and even politicians. With such support, the asset class is now seen as a must-have for our digital future. But despite the promise, cryptocurrency investments remain as volatile as ever, with large— price swings and the potential for heavy losses until paying for crypto becomes commonplace.

So, it may come as a surprise that the volatile crypto market is making for strange bellows in the conservative municipal bond sector.

State and local governments aren't issuing bonds in Bitcoin. However, they are starting to use some of crypto's processes to remove the barriers to buying/selling muni bonds. With that, adding these assets could become much easier for smaller investors, reducing wide bid/ask spreads and creating transparent pricing.

Continue reading.

dividend.com

by Aaron Levitt

Mar 24, 2025

WSJ: Fast-Changing Federal Policies Shuffle Municipal-Bond Strategies

Some sectors and localities could get an economic boost while other look more vulnerable in an uncertain market

Tariffs, deportations and potential cuts to the federal budget are pushing municipal-bond investors to reevaluate debt from school districts, hospitals, port operators and other issuers.

The shifting policy landscape means entities considered safe just a few months ago now look more vulnerable in an uncertain market, while some sectors and localities could get an economic boost. The changes have bond-portfolio managers sifting through their asset allocations for signs of trouble.

“On a daily basis, we are really hanging on to every” post on President Trump’s TruthSocial account, said Dan Close, head of municipals at Nuveen. “We are looking at everything that comes out of the administration to see how tariffs, regulations, immigration, the muni exemption is going to impact the overall market.”

Close said that Nuveen isn’t making significant changes to its portfolio until there is more clarity about federal policies. For now, his team is analyzing individual issuers to understand “what our exposure is [and] what the potential impact to that exposure is and then just being prepared.”

The political turbulence is making investing less predictable than usual across asset classes. U.S. stock indexes and Treasury yields have moved sharply as markets struggle to figure out how announced measures will hit the economy. In the multifaceted landscape of municipal bonds, the policy whirlwind touches nearly everything.

“Broad and rapid federal policy changes since January 20 have far-reaching credit implications for US public finance, nearly all of them credit negative,” Moody’s said in a recent report.

Overall, munis are still considered a very low-risk investment, appealing mainly to institutional investors and wealthy individuals looking to hedge their portfolios from rising volatility. But maintaining that safety has become more difficult given the new political winds.

In a sign of how the perception of risk evolved after Trump’s election, the yield-to-maturity in an S&P municipal-bonds index was nearly 0.2 percentage points lower than the 10-year Treasury yield last September. That means the asset class was perceived as safer than federal government debt. The spread turned positive as the election approached, peaking at 0.6 in early January. It stood at 0.2 Thursday, above the 12-month average, according to FactSet and Tradeweb data.

There are also stress signs within certain sectors that have become political hotspots. One concern is potential cost reductions in Medicaid under discussion in Congress as a way to secure budget room for federal tax cuts.

“Hospitals heavily reliant on Medicaid are at higher risk,” said Kevin Holloran, a director at Fitch Ratings. Potential federal budget cuts “could exacerbate these challenges, particularly in states with limited ability to offset reduced federal support.”

Total return for the S&P Municipal Bond Index was 0.25% this year as of March 13, while the hospital-specific gauge was a negative 0.08%, according to Nuveen.

Munis are particularly attractive to investors in the highest federal income tax brackets, because of their tax exemptions. Lawmakers are threatening to eliminate, or at least reduce, the incentives, in an added headwind for the overall municipal-bond market.

But even if the tax exemptions survive, a variety of other Trump policies are expected to hit munis.

Bonds issued by colleges are under investors' microscope as the government threatens to pull funding for some institutions.

Big high-education names have enough revenue to keep honoring debt even without federal grants, Christopher Lanouette, managing director for CIBC Private Wealth, said. But the potential clash with Washington puts the whole sector under risk.

Lanouette said he is avoiding higher education as "you are seeing the Trump administration targeting certain colleges and universities."

The Bloomberg US Municipal Index was up 0.06% this year as of March 13, while its education sector returned negative 0.08% over the same period, according to Nuveen.

"We are looking at things that look riskier now than when we bought them," Jason Appleson, head of municipal bonds at PGIM Fixed Income, said. "You have to go sector by sector and look for areas of uncertainty."

On the bright side, deregulation could alleviate near-term costs for utilities, Nuveen's Close said.

To be sure, some portfolio managers don't see the effects of Trump policies on munis as something particularly challenging. Paul Malloy, head of municipals at Vanguard, compared the elevated level of uncertainty with previous experiences such as the Covid pandemic.

"This is what we are here for; we are designed for this," he said about dealing with uncertainty. "This is what our investors expect of us."

The Wall Street Journal

By Paulo Trevisani

March 19, 2025

S&P: The Municipal Bond Market: Historical Resilience and Finding Opportunities

Amid the backdrop of fluctuating U.S. economic conditions, evolving interest rate policies and persistent inflation, the municipal bond market has demonstrated resilience. As investors grapple with uncertainties in equity and bond markets paired with rising tariffs affecting inflation, municipal bonds seem to be well positioned for diversification and stability. In 2024, the U.S. Federal Reserve executed a series of three interest rate cuts, with the final adjustment in December lowering the benchmark rate to a range of 4.25% to 4.50%. This move reflects a cautious shift in monetary policy, signaling the Fed's intention to adopt a more calculated approach as it navigates the economic landscape in 2025.

Continue reading.

by Catalina Zota
Director, Fixed Income Product Management

Mar 17, 2025

Best Mutual Funds Awards 2025: Best Municipal Bond Funds

If you're evaluating mutual funds for your investment portfolio or retirement account, this list highlights the best municipal bond funds to consider now, based on each fund outperforming the Bloomberg Municipal Bond Index over the past one-, three-, five- and 10-year periods.

Shaded cells in the table below indicate the five best-of-the-best funds based on 10-year performance. Of 443 municipal bond funds at least 10 years old, 55 of them, or 12%, were winners in the IBD 2025 Best Mutual Funds awards.

A municipal bond fund invests in municipal bonds (also known as municipal debt). These bonds are issued by states, municipalities, counties and special-purpose districts to fund capital expenditures. Municipal bond funds have different objectives depending on where they are located, the credit quality of the bonds, and the duration of the bonds. Municipal bonds are exempt from federal income tax and may be exempt from state income tax.

Continue reading.

investor.com

03/21/2025

SIFMA US Municipal Bonds Statistics.

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market. Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders' statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

YTD statistics include:

- Issuance (as of February) $73.9 billion, +13.6% Y/Y
- Trading (as of February) $13.4 billion ADV, +7.0% Y/Y
- Outstanding (as of 4Q24) $4.2 trillion, +2.9% Y/Y

Download Report

March 13, 2025

Gauging the Impact of Federal Funding Cuts on Municipal Bond Sectors.

Many sectors appear well situated to weather the potential effects of planned fiscal changes.

In Brief

- Recent news regarding planned funding cuts to U.S. government programs and other fiscal changes has prompted questions from investors about the potential impact on municipal bond sectors, including healthcare, higher education, housing, and airports.
- We believe certain factors may help mitigate the potential for significant impacts, including strong post-pandemic financial conditions and diversified revenue sources for many issuers, and broad political support for programs such as Medicaid.
- While certain segments of the market are more exposed to federal funding changes, we do not anticipate substantial near-term impacts from these reductions.
- The changing U.S. fiscal spending backdrop highlights the importance of professional management, in our view, especially regarding credit research, security selection, and sector allocation.

Continue reading.

lordabbett.com

March 13, 2025

Fitch Ratings Updates U.S. Public Finance Tender Option Bond Rating Criteria.

Fitch Ratings-New York-11 March 2025: Fitch Ratings has updated its “U.S. Public Finance Tender Option Bond Rating Criteria”. This report replaces the criteria from March 16, 2021. The key elements of Fitch’s rating criteria remain consistent with those of its prior criteria report.

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Additional information is available on www.fitchratings.com

NASBO: The Impact of Surplus Funds on State Budgets in Recent Years

The COVID-19 pandemic ushered in an atypical period for state and territory budgets marked by record-breaking revenue growth, unprecedented levels of surplus funds, and a sharp uptick in one-time expenditures. Recently, state fiscal conditions began to "normalize" as revenue growth slowed, collections came in closer to forecast, and states had less new recurring and one-time money to spend, bringing the recent era of substantial, widespread surpluses to a close.

In examining state expenditures and budget conditions, it can be helpful to understand the impacts of states' unique revenue performance of recent years. Drawing on data from NASBO's Fiscal Survey of States, this analysis seeks to illustrate the scale of the general fund revenue surpluses states experienced during the years following the onset of the COVID-19 pandemic, as well as their impacts on state expenditures and balance levels. Note that this analysis focuses only on state general funds, and does not consider the role of federal funds – including enhanced federal aid related to COVID-19 – in state budgets, aside from the indirect impacts federal stimulus had on general fund revenue collections.

Continue reading.

The Rating Process: Fitch Special Report

Read the Fitch Special Report.

Thu 13 Mar, 2025

Elite Colleges in Trump's Crosshairs Rush to Bond Market at Record Pace.

America's most prestigious colleges are rushing to the debt market at the fastest pace on record, locking in financing while they can to pay for campus projects or refinance debt against a backdrop of tax and funding threats.

Municipal bond sales for higher education are up more than 40% so far in 2025 compared to the same period a year earlier, reaching nearly $10 billion and eclipsing the prior record start to a year in 2017, according to data compiled by Bloomberg. The sector is outpacing the broader market even as issuance of state and local government debt as a whole runs hot.

From Ivy League institutions such as Harvard University and the University of Pennsylvania to other elite colleges such as Stanford University and Smith College, schools are crowding in to sell bonds, all within the span of weeks. Next up are borrowers including Colgate University — and the barrage is nowhere near done.

Continue reading.

Bloomberg Markets

By Amanda Albright and Elizabeth Rembert

March 17, 2025

S&P U.S. Public Finance Rating Activity Brief: February 2025

In this report we present rating actions at the debt type level (e.g., general obligation, sales tax, parking revenue, etc.) rather than at the issuer level. Therefore, an issuer may have multiple rating actions associated with it in different sectors in the tables and charts. Because we present the rating actions at the debt level, the metrics presented may not be comparable to other research published by S&P Global Ratings or by other S&P Global divisions.)

Key Takeaways

- There were more than 410 rating actions across USPF through Feb. 28, 2025.
- Upgrades outpaced downgrades in the local governments, transportation, and housing sectors.
- Downgrades outpaced upgrades in the charter schools, education, public power, health care, not-for-profit, and utilities sectors.
- Unfavorable outlook revisions have exceeded favorable outlook revisions year-to-date.
- Overall, downgrades have exceeded upgrades year-to-date.

Continue reading.

11 Mar, 2025

(Editor’s Note: Data as of Feb. 28, 2025.)

Fitch: Transit Oriented Development Projects Can Achieve Investment Grade Ratings

Fitch Ratings-New York/San Francisco-11 March 2025: Affordable and/or essential residential Transit Oriented Development (TOD) projects, including those involving new construction, can be rated investment grade under Fitch Ratings’ criteria. Affordable and essential housing projects (the latter also known as middle-income or workforce housing) typically have low construction complexity and are therefore likely to have low completion risk.

Our evaluation of affordable and essential housing TOD projects follows our U.S. Affordable Housing Ratings Criteria, which applies to essential housing projects aimed at middle-income residents (usually those earning between 80% and 120% of the area median income [AMI]) and affordable housing projects (targeted to residents earning less than 80% of AMI). If the project entails construction, we also apply our Completion Risk Rating Criteria.

Insufficient housing supply and low affordability, driven by high mortgage rates and home prices, remain formidable challenges to homeownership. These factors, along with insufficient funds for down payments, have priced many rental households out of the homeownership market, further

driving up rental demand and rents. After years of under-construction following the Great Recession, new housing construction started to pick up steam following the onset of the pandemic, peaking in January 2022, but has since stagnated around 2019 levels.

Continue reading.

Fitch: New ERA Funding Pause Does Not Affect Electric Co-op Credit

Fitch Ratings-New York/Austin-11 March 2025: Uncertainties surrounding funding of the U.S. Department of Agriculture's (USDA) Empowering Rural America program (New ERA) are not expected to weigh on the credit ratings of electric cooperatives, says Fitch Ratings. Cooperatives are unlikely to face significant financial burdens related to the suspension of funding, given prudent resource planning and financial management.

New ERA program funding was halted by the Trump administration in January 2025 as part of a broader review of the Inflation Reduction Act (IRA) and Infrastructure Investment Jobs Act (IIJA). Under the executive order, federal agencies were given 90 days to complete a review of funding.

As of Jan. 10, 2025, 13 electric cooperatives rated by Fitch had been allocated grants and/or loans valued at over $6.5 billion. Some of the largest recipients include San Miguel Electric Cooperative and East Kentucky Power Cooperative, which were each allocated roughly $1.4 billion of investment. Funds were designated for projects related to electric grid resilience, renewable energy or battery storage projects.

The failure to fund these initiatives would represent a lost opportunity for cooperatives to significantly lower their cost of transitioning to a lower carbon emitting portfolio of resources but is unlikely to impair credit quality. Many of the proposed projects were contingent on funding and have yet to be started. These would likely be cancelled or significantly altered if the project economics prove burdensome.

Some projects had been planned and approved prior to the New ERA program's launch as part of each utility's resource planning process. In these cases, debt funding for the projects has already been accounted for, included in each utility's budget and financial plan, and considered in Fitch's rating analysis. While receipt of the approved funding would likely lower the overall cost of electricity to consumers and improve affordability, as well as improve financial coverage and leverage ratios, these positive credit aspects have not yet been factored into our rating analysis.

The New ERA program is designed to provide up to $9.7 billion in appropriated grants and low-cost loans to rural electric cooperatives to fund projects that reduce greenhouse gas emissions and promote clean energy. Eligible projects can involve energy efficiency improvements, carbon capture systems, construction of renewable energy systems or the purchase of renewable energy output. The New ERA program is managed by the USDA through the Rural Utilities Service (RUS).

Other USDA loan programs, including the electric infrastructure loan program administered by the RUS that provides over $40 billion in loans to approximately 500 electric cooperatives, are reportedly uninterrupted by the IRA and IIJA review and funding freeze. However, a similar disruption in funding and disbursement to these legacy lending programs, while not expected, could pressure liquidity and would be a greater concern.

Nearly all electric cooperatives rated by Fitch have established access to a variety of funding

sources, including relationships with CoBank, National Rural Utilities Cooperative Finance Corp., and large commercial banks, as well as issuance in the public and private debt markets. But a significant number of the country's electric distribution cooperatives still rely heavily on funding from RUS programs.

How NLC's Filling the Gap Tool Helps Communities Unlock Housing Finance.

Housing availability and affordability remain critical challenges for communities across the nation. These challenges stem from various interrelated factors, including construction and development hurdles, the need for land use and regulatory modernization, infrastructure and workforce gaps and financing barriers.

To help leaders tackle these challenges, the National League of Cities and the American Planning Association released the Housing Supply Accelerator Playbook, a resource designed to support communities in navigating their housing supply challenges through a system approach. Expanding this effort, the Filling the Gap Tool: Unlocking Housing Finance focuses on tackling one of the most persistent barriers to housing development: access to financing.

Why Focus on Finance?

Financing challenges consistently emerge as significant barriers to housing development.

A key factor contributing to this challenge is the misalignment between what it costs to build housing developments versus what consumers can afford in the market. This challenge becomes more acute for affordable housing, where development costs far exceed what tenants or buyers can reasonably cover. This results in a persistent housing funding gap.

Continue reading.

National League of Cities

By: Stephanie Onuaja & Sarah Minster

March 14, 2025

EPA Region 1 Doubles Down on Unprecedented Effort to Require Stormwater Permits for an Expansive Range of Formerly Unregulated Properties: Beveridge & Diamond

Update: On January 31, under the new Trump administration, the U.S. Environmental Protection Agency (EPA) reopened the comment period for the 2024 Preliminary Designation and draft General Permit for CII properties. Written public comments, which were originally due January 29, 2025, are now due March 17, 2025, and may be submitted online.

Key Takeaways

- **What Is Happening?** On October 31, 2024, the U.S. Environmental Protection Agency (EPA)

Region 1 provided notice of two proposed actions pursuant to its "residual designation authority" (RDA) under the Clean Water Act (CWA) that would broadly regulate stormwater discharges from thousands of previously unregulated properties across Massachusetts. First, EPA re-issued a Preliminary Designation, which was initially published in 2022, of stormwater discharges from certain private commercial, industrial, and institutional (CII) properties for regulation under the National Pollutant Discharge Elimination System (NPDES) permitting program. Second, EPA published a draft General Permit for these CII properties. As Beveridge & Diamond reported in 2022, and remains true today, this is the first time EPA (or any authorized state) has attempted to exercise RDA on such a broad geographic scale and for such a wide variety of sources. On January 31, 2025, EPA reopened the comment period. Written public comments, which were originally due January 29, 2025, are now due March 17, 2025, and may be submitted online.

- **Who Is Affected?** In the near term, the Preliminary Designation and draft General Permit will impact most CII properties with one acre or more of impervious surfaces—such as golf courses and private schools—located in Massachusetts' Charles, Neponset, and Mystic River watersheds. Dischargers will not need to apply for an individual permit under the NPDES Program. Once EPA issues a final General Permit, dischargers must secure coverage by submitting a Notice of Intent (NOI) and receiving authorization to discharge by a certain date. *See* Draft General Permit § 1.10 (NOI timeframes). If finalized and allowed to stand, these actions could, in the longer term, provide a roadmap for other EPA regions and states to use RDA to sweep into the NPDES program a wide variety of formerly unregulated sources on a broad, categorical scale.

Continue reading.

Beveridge & Diamond PC – Erika H. Spanton, Richard S. Davis, Andrew C. Silton, Julia F. Li and Abby E Barnicle

March 12 2025

Supreme Court Invalidates Certain 'Narrative' Water Quality Limitations in NPDES Permits: BakerHostetler

Key Takeaways:

- SCOTUS has directed EPA (and state counterparts) to more clearly "spell out what a permittee must do or refrain from doing" in NPDES permits. Broadly worded, non-specific, "end-result" narrative limits are not longer enforceable.
- Additional legal challenges over permissible vs. impermissible "narrative" limitations in NPDES permits now seems likely.
- Facilities should evaluate their NPDES permits to flag limitations that may no longer be enforceable.

On March 4, the U.S. Supreme Court ("SCOTUS" or the "Court") issued a decision in San Francisco v. EPA that invalidated certain "end-result" water quality limitations in NPDES permits — specifically, those that "do not spell out what a permittee must do or refrain from doing" and instead generally "make a permittee responsible for the quality of water" in its receiving waterbodies. For example, limitations that prohibit a facility from "contributing to a violation of any applicable water quality standards" or "creating pollution, contamination, or a nuisance" under state law.

Continue reading.

BakerHostetler – Martin T. Booher, Thomas E. Hogan and Cory Barnes

March 10 2025

Bloomberg: Alex Petrone on Single-State ETFs, Municipal Markets.

Rockefeller Asset Management Head of Fixed Income Alex Petrone discusses single-state ETFs, municipal markets, and the Trump administration looking to reduce government spending. She speaks with Katie Greifeld, Eric Balchunas and Scarlet Fu on "ETF IQ."

Watch video.

Bloomberg ETF IQ TV Shows

March 10th, 2025, 12:37 PM PDT

Model Portfolios, Municipal Markets Explained | Bloomberg ETF IQ 03/10/2025

"Bloomberg ETF IQ" focuses on the opportunities, risks and current trends tied to the trillions of dollars in the global exchange traded funds industry.

Today's guests: Capital Group Head of Global Product Strategy and Development Holly Framsted and Rockefeller Asset Management Head of Fixed Income Alex Petrone.

Watch video.

Bloomberg ETF IQ TV Shows

March 10th, 2025, 1:52 PM PDT

Interest Costs Could Eat Into City, State Budgets If Tax Exemption Is Axed.

Cities like Chicago, Atlanta and Houston, which already spend a substantial chunk of revenue to cover interest on their bond debt, could face more budget strains if Congress moves to strip the tax exemption from municipal bonds.

That's according to the Tax Policy Center, which examined which large cities and states already face relatively high interest costs in a March 13 blog on the muni bond tax exemption.

TPC senior research associate Thomas Brosy, who wrote the piece, said it came about after he saw the exemption named in a list of potential revenue raisers floated by House Republicans in January.

"I felt it was worth exploring a little more what it would mean for specific states and cities – I was interested in doing a shallow dive into the variation in interest burdens," Brosy said, adding that he

hopes the blog would “present some new facts for people interested in this issue.”

The blog is part of a drumbeat of data and reports centered on the costs and benefits of the municipal bond tax exemption as Congress tackles a massive tax package. The municipal market lobby is relying on pro-exemption arguments, including first-of-its-kind data from the University of Chicago, that illustrate how borrowing costs would rise for various cities and states if the exemption is eliminated. In aggregate, elimination of the tax-exemption would raise borrowing costs $823.92 billion between 2026 and 2035, according to the Government Finance Officers Association.

Those larger borrowing costs could become a “significant chunk” of the budgets of large cities, some of which have interest costs that already account for a double-digit share of expenditures, the Tax Policy Center found.

Brosy examined cities with populations over 500,000, and found that as of 2022, they had an average share of interest expenditures – on general obligation and revenue bonds combined – of about 5.6%, but with significant variation.

Atlanta, Houston, and Chicago had shares over 10%, while New York had a 6% share. Those cities are followed by Phoenix, El Paso, Dallas and Portland, Ore.

“I was surprised by how large the share was in terms of expenditures for some cities and states,” Brosy said.

New York, Illinois, Colorado, and Connecticut had the largest share of combined state and local interest. Connecticut by far had the largest share of interest on state debt, at more than 6% of its total expenditures, followed by Massachusetts, New York and Illinois.

Total interest expenditures in 2022, the latest year that U.S. Census Bureau numbers were available, averaged about 2.8% in the U.S., the blog said.

Interest on debt for state and local governments totaled $120 billion that year.

Brosy urged Congress to consider the pros and cons of the muni tax exemption. On the con side, it may not be the most efficient subsidy, as “the cost to the federal government is larger than the benefits received by state and localities,” he said. And the wealthiest 0.5 percent of investors had a 42 percent holding share in 2013.

On the pro side, repealing the exemption could lead to an increase in state or local taxes or spending cuts to maintain infrastructure, and the move may lead to less infrastructure investment overall, he said.

By Caitlin Devitt

BY SourceMedia | MUNICIPAL | 03/14/25 12:44 PM EDT

Muni Market Crosscurrents: Balancing Risks and Opportunities in 2025

With the new year nearly a quarter finished, a variety of trends and themes have already started to make themselves known. For the normally sleepy municipal bond sector, these trends have created a pretty volatile and difficult environment to navigate. Tailwinds and headwinds have churned the seas

of the normally calm waters of state and local government credit. There are crosswinds for sure.

For investors with big positions in muni bond holdings, reducing these stormy seas is paramount.

Luckily, there are ways to navigate these crosswinds and potentially finish the year with some gains, all while collecting income. With these strategies in mind, munis can go back to being a boring, income generator for a portfolio.

Continue reading.

dividend.com

by Aaron Levitt

Mar 17, 2025

Investors Rush to Buy Near-Junk College Bonds Even as Risks Grow.

- **Investors 'treading carefully' as private colleges struggle**
  Schools face demographic cliff, choking economic conditions

Investors are snapping up bonds sold by colleges with near-junk credit ratings in a push for higher-yielding assets — even as concerns linger about the challenges facing small, private institutions.

When Emerson College in Boston sold $88 million of debt in early January, the BBB+ rated deal received more than $900 million in orders from 26 different investors. And BBB- debt sold by Houston Christian University last month has climbed in the secondary market, indicating strong demand. Bonds due in 2054 traded in late February at an average spread of 98 basis points above top-rated debt, much lower than the 148 basis points spread the bonds initially priced at earlier that month.

That demand comes as riskier municipal bonds have outperformed the broader state and local bond market this year, according to Bloomberg index data. But buyers say they have to pick and choose with hypervigilance given that the institutions are confronting a demographic cliff from a smaller pool of would-be students and choking economic conditions that have pushed many to the brink.

Continue reading.

Bloomberg Politics

By Elizabeth Rembert

March 5, 2025

Risk-Off Tone Helps Muni Market See Best February Since 2020.

- **Returns in February were about 1% as issuance soared**
- **Investors are seeking less risky assets amid uncertainty**

The muni market notched an unusually strong month in February — but the asset class is facing headwinds as new bond sales build.

The state- and local-government debt market gained about 1% last month, marking the best February for performance since 2020 and the second-largest gain for the period in the past decade, according to data compiled by Bloomberg. On average, over the last 10 years, the muni market has posted a monthly drop of 0.27% during the second month of the year.

Jeffery Timlin, managing partner at Sage Advisory Services, said February's returns were driven by the gain in US Treasuries last month. Uncertainty over the impacts of rapid federal policy changes has led investors to buy higher-quality assets, he said.

Continue reading.

Bloomberg Markets

By Erin Hudson

March 3, 2025

The Muni Bond Boom: Why Active Management Is Key to Success

Thanks to a hefty amount of tax uncertainty, historically high yields and overall strong fiscal health, municipal bonds have continued to be a top draw for many investors across different tax brackets. Fund flows into muni ETFs have continued to rise, and more recently, the number of active ETF offerings in the space has jumped. More than half of all the active ETFs in the space have launched within the last two years.

And it turns out, that might be a great thing for investors.

According to asset manager AllianceBernstein, being active in the muni sector is better than simply following an index. Historically, outperformance has been on the active investor's side. And there are three reasons why.

Continue reading.

dividend.com

by Aaron Levitt

Mar 10, 2025

With Muni Bonds, the Getting Is Good.

Amid a volatile stretch for equities, muni bonds and related ETFs could garner renewed attention as shelters from the risk asset storm.

Just look at the ALPS Intermediate Municipal Bond ETF (MNBD B+), which is higher by almost 1%

year to date. No, municipal bonds will not outperform stocks over the long haul. But munis or ETFs such as MNBD could be sound ideas for investors looking to balance equity-heavy portfolios while bringing volatility-reducing, income-generating assets into the fold.

And while munis aren't known for thrills, that trait could be alluring in the current market climate. That's particularly so when coupled with MNBD's status as an actively managed ETF. That could enable the fund's managers capitalize on credit and duration opportunities.

Continue reading.

etfdb.com

by Todd Shriber

Mar 07, 2025

Vanguard Plans Two More Muni ETFs as Competition Heats Up.

- **Issuers' new muni ETF offerings set a record in 2024**
- **Vanguard, BlackRock have the two dominant funds in the class**

Vanguard Group Inc. is planning to launch two new municipal-bond exchange-traded fund offerings after tripling its lineup of products catering to state and local-government debt investors last year.

The Vanguard New York Tax-Exempt Bond ETF, which is expected to trade under the ticker MUNY, will focus on investment-grade New York debt. The fund will appeal to residents of the high-tax state of New York who are drawn to the tax-free interest paid by municipalities there. The investing giant also filed to register the Vanguard Long-Term Tax-Exempt Bond ETF, or VTEL, which will provide exposure to longer duration municipal bonds.

While muni-tied products make up just $146 billion in assets, a sliver of the more than $10 trillion US ETF market, issuers are competing to offer new products in a bid to draw in investors in an increasingly competitive space. Wall Street money managers launched over two dozen new muni ETFs in 2024, a record.

The Malvern, Pennsylvania-based company is vying for leadership in the space with BlackRock Inc. The $36.5 billion Vanguard Tax-Exempt Bond ETF and BlackRock's $40.6 billion iShares National Muni Bond ETF (MUB) dominate market share.

Currently, no other muni ETF products have more than $10 billion in assets, but that hasn't stopped other issuers from throwing their hat in the ring. Nuveen launched two actively managed muni ETFs in January.

Still, the low-cost, easy-to trade products continue to draw investors. Muni ETFs have seen inflows in each of the past 12 months, including $2.1 billion in February, Bloomberg Intelligence data show. The influx also comes as muni-bond yields stay relatively elevated, making the asset class more attractive compared to years of low interest rates.

Vanguard's two new passively-run funds are expected to have an expense ratio of 0.09%, or 90 cents per $1,000 of average net assets.

“MUNY is specifically designed for tax-sensitive residents of New York while VTEL serves investors looking for exposure to longer duration municipal bonds, low fees, tax-efficiency, and trading flexibility,” Vanguard spokesperson Jessica Schifalacqua said in an emailed statement.

Bloomberg Markets

By Amanda Albright

March 6, 2025

Vanguard Plans Two More Muni ETFs as Competition Heats Up.

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- **Vanguard, BlackRock have the two dominant funds in the class**

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Continue reading.

Bloomberg Markets

By Amanda Albright

March 6, 2025

US State Credit Quality Declines on ‘Destabilizing’ Trump Orders.

- **MMA revised down its outlook for states, state housing finance**
- **Cuts to federal funding, staffing poised to challenge states**

The “rapid and chaotic activity” of the Trump administration is undermining the credit quality of US states, according to a new report from Municipal Market Analytics.

MMA has lowered its state-sector outlook to neutral from positive, citing a bevy of White House executive orders and policies that have broad implications for federal funding and staffing. States rely on assistance from Washington for numerous programs including supporting public education and healthcare.

The uncertainty created by real or threatened changes in federal funding raises the likelihood that states will tap their reserves and may cut or pause projects. That may reduce state aid to local governments, colleges or hospitals, the research firm said. States do have an “exceptional” levels of reserves, according to MMA.

“The destabilizing actions of the federal government are a challenge to state credit quality,” Matt Fabian and Lisa Washburn of MMA wrote in the report. “State governments receive about one-third of their funding from the federal government and rely on such to provide essential services to their constituents.”

MMA lowered its outlook for state housing finance agencies, also pointing to cuts to federal funding and staffing as increasing the risk of a negative action on the US government’s bond ratings. It also highlighted the looming threat that the administration could eliminate the muni market’s tax-exemption entirely, or in part.

“States are also incurring increased costs from these actions in terms of distraction from normal government activities, increased costs for advisors and consultants to evaluate alternatives, and litigation costs related to challenging the federal government’s actions,” the researchers said.

Bloomberg Markets

By Erin Hudson

February 25, 2025

S&P: U.S. Local Government Credit Quality Could Wobble As Federal Policy Shifts

Key Takeaways

- Sudden changes to or uncertainty about the direction of federal policy could lead to credit instability for some local governments.
- Weakening economic performance or the loss of municipal tax exemption through the renegotiation of the Tax Cuts and Jobs Act would negatively affect all local governments.
- The effects of other policy changes, such as those pertaining to immigration and tariffs, would likely be experienced more regionally or locally.
- State and local governments have experience absorbing short-term revenue disruptions or expenditure requirements, but significant federal policy changes could have lasting effects that require management teams to proactively address their operating budgets.

Continue reading.

[Free Registration Required.]

27 Feb, 2025

NYT: In the Trump Era, Crafting a State Budget Becomes More Complicated

With funding from Washington uncertain, New Jersey, like other states, is budgeting cautiously.

Gov. Philip D. Murphy of New Jersey proposed a $58 billion budget on Tuesday that would keep spending roughly flat as the state braces for potentially drastic reductions in federal funding, including Medicaid.

State officials acknowledged that drafting the final budget of Mr. Murphy's second term had proved challenging amid uncertainty in Washington, where Republicans are considering deep cuts in spending on health care for low-income people to help pay for $4.5 trillion in tax cuts.

New Jersey estimates it could lose as much as $5.2 billion in Medicaid matching funds that help provide health coverage to roughly 700,000 residents.

Continue reading.

The New York Times

By Tracey Tully

Feb. 25, 2025

Not Even Municipal Bonds are Safe from Climate.

The nation's municipal bond market is waking up to the accelerating risks of climate change, a sign of potential economic instability for a $4 trillion market long seen as a safe investment for ordinary people.

S&P Global downgraded the credit rating of the Los Angeles Department of Water and Power last month as devastating wildfires spread across the city, writes Thomas Frank.

The financial ratings company cited "the increasing frequency and severity" of wildfires as its reason for the downgrade. Then S&P announced last week that it would begin assessing the threat of wildfires on the creditworthiness of all bond sellers in California.

That's a big deal.

Ratings firms have previously penalized major municipal bond issuers in areas struck by disasters based on property damage, the cost of rebuilding and the potential loss of tax revenue.

But this may be the first time the decision was tied to future climate risks. Experts say the municipal market has long ignored the potential for a disaster to wipe out a city's property tax base and force a bond default.

"It is a tipping point in the marketplace," Thomas Doe of Municipal Market Analytics told Tom.

The Trump factor

President Donald Trump's efforts to gut the federal government may also be forcing the municipal

bond market to wake up to the realities of climate change.

After natural disasters, the price of bonds tends to drop. Then the nation's disaster response apparatus hits the scene, provides technical and financial support for rebuilding, and "everybody's made whole, and the world goes on," Doe said.

But Trump has threatened to dismantle the Federal Emergency Management Agency, which would put states solely in charge of disaster recovery.

Without federal disaster money as a backstop, investors might look more closely at climate risks — and state and local governments may be compelled to undertake their own climate adaptation with projects to reduce their exposure to disaster damage.

"In a backhanded way, [Trump's] policies are going to end up generating a wave of adaptation investment," Doe said.

POLITICO.COM

By ARIANNA SKIBELL 02/25/2025 06:00 PM EST

$4T Municipal Bond Market Wakes Up to Climate Risk. (With Help from Trump.)

The bonds are considered a safe investment. The Los Angeles wildfires sparked concern that climate change is making them risky.

As wildfire tore through Los Angeles in January, a financial ratings company made a decision that could mark a crucial shift in how a trillion-dollar market assesses climate risk.

S&P Global Ratings downgraded the credit rating of the Los Angeles water and power utility, citing "the increasing frequency and severity" of wildfires and signaling a potential awakening of the nation's $4 trillion dollar municipal bond market to climate risk.

Short-term trouble followed the Jan. 14 downgrade of the nation's largest municipal utility. The bond values fell, default risk rose and some bondholders sold at a loss. If the utility issues new bonds soon, it will have to pay higher interest rates to compensate buyers for the heightened risk.

Continue reading.

politico.com

By Thomas Frank | 02/25/2025 06:19 AM EST

The Bond Buyer Releases its 2025 Predictions Report: What to Expect in the Year Ahead

Stakeholders see tax policy changes as the most significant challenge, with healthcare, higher education and affordable housing among the most-challenged sectors.

NEW YORK, Feb. 25, 2025 /PRNewswire/ — The Bond Buyer, Arizent's essential resource serving the municipal finance industry, publishes its latest research, 2025 Predictions: What to Expect in the Year Ahead, which provides a deep dive into the macroeconomic outlook for munis, the impact of policy and regulatory uncertainty, the state of technology adoption and more. Sponsored by Build America Mutual, the findings reveal industry leaders see tax policy changes as the most significant challenge in the coming year, with healthcare, higher education and affordable housing among the most-challenged sectors.

The report, based on a survey of municipal finance professionals, also highlights a growing consensus that municipal bond volume must expand significantly to address the country's escalating infrastructure needs. However, questions remain on whether funding will keep up with demand.

Key takeaways from the report include:

- Market outlook: 62% of respondents expect a favorable municipal finance climate in 2025, though concerns about inflation and policy volatility temper enthusiasm.
- Legislative priorities: Preserving tax exemptions on municipal securities and restoring tax-exempt advance refundings rank as the industry's top policy goals.
- Climate risk and disclosure: 67% of respondents believe climate and extreme weather events should be explicitly addressed in municipal credit disclosures.
- Technology's growing role: Nearly all respondents (96%) expect electronic trading, AI and machine learning to become increasingly integrated into muni markets over the next decade.

"Technology is finally occupying significant space in the minds of these professionals," says Janet King, VP of Research at Arizent. "The municipal bond industry has been notoriously slow to adopt new tech, even as advancements in data management, business intelligence and AI tools have transformed other industries. It feels like only a matter of time before innovation has a significant impact here. That expectation can be seen in the 62% of respondents who believe their organization's tech spending will increase in 2025."

For more insights and predictions — including expectations for bond volume and credit conditions, buy- and sell-side perspectives on resilient infrastructure and the outlook on policy and regulation — download the full report here: https://www.bondbuyer.com/research-report/charting-muni-fina-ce-progress-through-uncertainty

Research Methodology

This research was conducted by The Bond Buyer (an Arizent brand) to gain insights from municipal bond sector stakeholders about issues expected to affect their business and the industry at large in 2025. A total of 103 qualified respondents at firms in the municipal bond community answered the survey.

About The Bond Buyer

Since 1891, The Bond Buyer has empowered issuers, investors and other municipal finance professionals to navigate the complexities of policy, regulation, market activity, infrastructure and more. Across its journalism, events, research and benchmarking, The Bond Buyer provides insight into the most relevant topics — from public-private partnerships to innovative deal structures. As the only independent resource serving the complete municipal finance community, The Bond Buyer's authoritative content connects leaders online, in person and in print every day.

About Arizent

Arizent is a business information company that advances professional communities by providing insights and analysis and convening industry leaders. The company uses deep industry expertise and a data-driven platform to deliver its services, which include subscriptions, marketing services, live events and access to Leaders, an executive forum. Arizent also connects business communities through leading financial services brands like American Banker, The Bond Buyer, Financial Planning and National Mortgage News, as well as professional services brands like Accounting Today, Employee Benefit News and Digital Insurance.

About Build America Mutual

BAM Mutual is the only bond insurer that solely guarantees timely payment of interest and principal on U.S. municipal bonds, and has insured more than $150 billion of financing for essential public projects for more than 6,000 issuers. BAM is rated AA/Stable by S&P Global Ratings.

S&P U.S. Municipal Sustainable Bond Outlook 2025: Sustainable Bonds Expected To Trail Conventional Market, Report Says

NEW YORK (S&P Global Ratings) Feb. 26, 2025—S&P Global Ratings projects that U.S. municipal sustainable bond issuance will follow the broader municipal market, according to a new report titled "U.S. Municipal Sustainable Bond Outlook 2025: Sustainable Bonds Expected To Trail Conventional Market," published Feb. 26, 2025, on RatingsDirect.

Potential changes to tax-exemption status for municipal bonds could slow the market as a whole, as could changes in policy and sentiment.

"Green energy and transportation will continue to propel the market as certain states enact their mandates for renewable power supply and associated capital needs, supporting momentum in green bond financing," said S&P Global Ratings credit analyst Kaiti Vartholomaios.

We expect large repeat issuers to continue to embrace sustainable bonds and drive the market.

This report does not constitute a rating action.

The report is available to RatingsDirect subscribers at www.capitaliq.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by sending an e-mail to research_request@spglobal.com. Ratings information can also be found on S&P Global Ratings' public website by using the Ratings search box at www.spglobal.com/ratings.

Carnegie: How the Federal Financing Bank Could Strengthen Clean Energy Supply Chains

The need to deploy public funds for clean energy is clear. But how could the government do it? The Federal Financing Bank could be the answer.

Since my time at the Treasury Department, I have been intrigued by the possibility of repurposing and reimagining various financing mechanisms that currently live at the department in service to the need to finance clean energy supply chains.

I wouldn't characterize these mechanisms as ready to be deployed by any stretch, but I think they are worth uncovering and then understanding.

One such mechanism is the Federal Financing Bank (FFB), which was created by Congress in 1973. This so-called bank sits inside the Treasury Department and is administered by Treasury career staff—there are maybe four full time people at most running this bank. They have a management structure like any bank, but with a governance structure that consists of the undersecretary for domestic affairs, the assistant secretary for financial markets, and the deputy assistant secretary for public finance. It's not a bank as we think of banks, but rather a financing vehicle that facilitates borrowing by the various federal agencies so as to limit the stress that federal borrowings might otherwise press on private financial markets.

The Federal Financing Bank borrows from the Treasury and uses these funds to make loans to federal agencies that are tasked by Congress to executing program. Because the FFB can borrow cheaply, it can pass this low-cost funding onto federal agencies that are implementing particular programs. In other words, the federal programs that the FFB are funding are getting funds from the Treasury rather than from private markets; and because this funding is cheaper, there are savings to taxpayers.

The portfolio of the FFB for fiscal year 2024 is currently sized at approximately $185 billion. The breakdown of the loans spans entities like the Rural Utilities Service, HUD's Risk Share Program, and the DOE Loan Programs Office. The details of these loan facilities need examination, but the point is that there is an entity already stood up by Congress inside the Treasury that can potentially serve as an adjunct credit facilitator to clean energy supply chain federal projects. The funding is internal, and so the FFB mechanism has the potential to bring down the cost of financing these projects.

More exploration has to be considered here—for example, what federal programs exist whose cost could be reduced by virtue of this mechanism? And what federal programs could be created that relate to clean supply chains that could use a financing facilitator? Is the mandate for the Federal Financial Bank broad enough to contemplate its use in other ways, while staying consistent with the Congressional intent that created it? What other financial plumbing mechanisms exist at the Treasury and even elsewhere—like the Department of Agriculture—that can be deployed to bring down the cost of creating clean supply channels? Does the Exchange Stabilization Fund have relevance to the financing of clean supply channels?

In working on this Carnegie taskforce, we've reminded each other of why the United States should strengthen clean energy supply chains, both at home and abroad, and explored the best measures for doing so. But we can't forget the how: when the political will is there, policymakers will need to know how to best provide the finance to the clean energy projects that will secure U.S. prosperity and security in the future.

carnegieendowment.org

by Sarah Bloom Raskin

Published on February 26, 2025

Snapshot of the Municipal Bond Landscape.

Drew O'Neil discusses fixed income market conditions and offers insight for bond investors.

The overall size of the municipal bond market is over $4 trillion. While this a very large market, an investor's personal situation combined with the nuances of the municipal bond market can sometimes make it feel much smaller. Investor preferences such as coupon, maturity, call structure, and issuing state can shrink the available investment options considerably. There can be a benefit for investors living in states with high income taxes to purchase municipal issues from their own state, which in most situations avoids state, in addition to federal, taxes. Still, there are many situations where an investor might be better served looking for opportunities nationwide rather than isolating themselves to their home state.

Continue reading.

advisorperspectives.com

by Drew O'Neil of Raymond James, 2/27/25

The Municipal Market in 2025, Hilltop's Sector Credit Outlooks.

- The Golden Age of Public Finance is now over.
- A temporary upswing in municipal bond credit quality began in 2021 boosted by Federal fiscal policy. Four years later, municipal credit is now returning to normal levels.
- A more positive macro-economic backdrop exists to begin 2025 compared to last year.

Continue reading.

by HilltopSecurities

February 25, 2025

Financial Crisis Looming for Many U.S. Cities.

Five years after the start of the COVID-19 pandemic, many U.S. cities are still adjusting to a new normal, with more people working remotely and less economic activity in city centers. Other factors, such as underfunded pension plans for municipal employees, are pushing many city budgets into the red.

Urban fiscal struggles are not new, but historically they have mainly affected U.S. cities that are small, poor or saddled with incompetent managers. Today, however, even large cities, including Chicago, Houston and San Francisco, are under serious financial stress.

This is a looming nationwide threat, driven by factors that include climate change, declining downtown activity, loss of federal funds and large pension and retirement commitments.

Continue reading.

finance-commerce.com

John Rennie Short, University of Maryland, Baltimore County

February 20, 2025

State and Local Finance Officers Struggle With Funding Uncertainties.

A memo from the Office of Management and Budget freezing federal grants to states was canceled. But funds are still being kept back, and budget officers are looking for answers.

In Brief:

- A January memo from the Office of Management and Budget ordered a halt on disbursement of approved federal funds pending review from the Trump administration. The new president is intent on canceling federal programs that don't align with his vision, especially those related to diversity, equity and inclusion.
- The memo has since been rescinded, and two federal judges have ordered funds to be disbursed, but this hasn't resulted in a return to normal operation.
- Leaders from the Government Finance Officers Association talked to Governing about how these events are impacting their members.

Continue reading.

governing.com

Feb. 20, 2025 • Carl Smith

New Administration, New Budget Picture for State and Local Government?

Hundreds of technology partners focused on the public sector gathered outside Washington, D.C., for the annual Beyond the Beltway event, an industry-focused forecast of what 2025 looks like for state and local IT.

WASHINGTON, D.C. — The new administration took over last month, ushering in several significant policy changes affecting the federal workforce, the U.S.'s approach to artificial intelligence, energy policy and much more. President Trump's second term also begins as the end is nearing for generational investments that sent billions to state and local governments, namely the Inflation Reduction Act and the Infrastructure Investment and Jobs Act.

At e.Republic's* annual Beyond the Beltway event, technology firms that do business with government convened to hear how these large-scale changes will impact innovation in states and localities in 2025.

State chief information officers on hand described budget conditions that haven't changed a lot yet, but there are signs that belt tightening is on the way. Many talked about increased legislative scrutiny of IT budget requests, noting that the focus on finding efficiencies through technology is penetrating at the state level too.

Continue reading.

gov-tech.com

February 19, 2025 • Noelle Knell

Trump Clawbacks of FEMA Aid Present Risk to Muni Bonds, MMA Says.

- **DHS pulled back $80 million in FEMA grants to New York City**
- **Mayor Adams office is working to recoup withheld FEMA funds**

Municipal bond investors are being advised to scale back positions in credits that receive significant sums of money from the US government, as President Donald Trump seeks to affect state and local policy by withholding federal funding.

“It seems likely that Trump and Elon Musk will continue to find ways to cut back on federal assistance to cities and states from whom they want a policy change,” said Matt Fabian, a partner at Municipal Market Analytics. “Investors should be more careful with borrowers who have a deeper reliance on federal funding.”

The warning comes after Department of Homeland Security Secretary Kristi L. Noem announced that DHS rescinded $80 million in funds approved by congress to help New York City shelter undocumented immigrants in hotels and other facilities. The DHS grant program, which is overseen by the Federal Emergency Management Agency, came under fire last week by Trump, who claimed the money was being used to purchase rooms in “luxury hotels.”

New York City Mayor Eric Adams responded Wednesday to the funding revocation in a post on X. “Our office has already engaged with the White House about recouping these funds and we’ve requested an emergency meeting with FEMA to try and resolve the matter as quickly as possible,” wrote Adams.

Thus far in President Trump’s second term, his administration has threatened or implemented several policies that could have big impacts on the municipal bond market. The White House has been urging the General Services Administration, the government’s real estate manager, to cut federal office space, which is pressuring some municipal bonds backed by payments from the US government.

“Federal money used to be an asset,” Fabian said. “Now, it’s a liability.”

Bloomberg Markets

By Maxwell Adler

February 18, 2025

Corporate and Municipal CUSIP Request Volumes Decline in January.

NORWALK, Conn., Feb. 21, 2025 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for January 2025. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets

activity over the next quarter, found a monthly decrease in request volume for new corporate and municipal identifiers.

North American corporate CUSIP requests totaled 4,505 in January, which is down 36.9% on a monthly basis. On an annualized basis, North American corporate requests were down 24.2% over January 2024 totals. The monthly decrease in volume was driven by a 32.6% decline in request volume for U.S. corporate debt identifiers. Request volumes for short-term certificates of deposit (-27.1%) and longer-term certificates of deposit (-14.8%) also fell in January.

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – fell 14.1% versus December totals. On a year-over-year basis, overall municipal volumes were up 1.8%. Texas led state-level municipal request volume with a total of 78 new CUSIP requests in January, followed by California and New York, each of which had 59 new municipal CUSIP requests in the first month of the year.

Continue reading.

S&P U.S. Public Finance Rating Activity Brief: January 2025

In this report we present rating actions at the debt type level (e.g., general obligation, sales tax, parking revenue, etc.) rather than at the issuer level. Therefore, an issuer may have multiple rating actions associated with it in different sectors in the tables and charts. Because we present the rating actions at the debt level, the metrics presented may not be comparable to other research published by S&P Global Ratings or by other S&P Global divisions.)

Key Takeaways

- There were more than 210 rating actions in U.S. public finance (USPF) through Jan. 31, 2025.
- Overall, upgrades outpaced downgrades in the local governments and transportation sectors.
- Downgrades outpaced upgrades in the charter schools, education, public power, health care, utilities, and not-for-profit sectors.
- Through the end of 2024, unfavorable outlook revisions exceeded favorable outlook revisions.

Continue reading.

21 Feb, 2025

Who Should Pay to Fix the Sidewalk?

Denver has made sidewalk upkeep a public responsibility, becoming the largest US municipality to fund and maintain this critical but unsung pedestrian infrastructure.

Denver’s Colorado Boulevard is a major artery and an important transit corridor; local leaders are considering expanding bus service by adding a Bus Rapid Transit line along its length. But getting to or from a stop often requires trudging along unpaved paths that run between patches of crumbling concrete and then standing in the dirt waiting for the next bus.

The reason: Like a lot of US cities, Denver has a dearth of decent sidewalks. According to an analysis

last year, the city is missing 300 miles of pedestrian pathways; of the 2,300 miles that do exist, around 30% are too narrow and an unknown proportion are in disrepair, making them treacherous to negotiate.

Sidewalks are the unsung but essential infrastructure of millions of mundane daily journeys. But they tend to be chronically neglected — especially in neighborhoods whose residents rely on them most.

Continue reading.

Bloomberg CityLab

By David Zipper

February 20, 2025

CityLab's Most Popular Stories This Week.

Get Caught Up

Trump Targets $128 Billion California High-Speed Rail Project

The Trump administration has launched a review of California's high-speed rail project, adding to long-standing doubts about whether the venture, plagued by cost overruns and delays, will ever be completed.

After months of protests, the city stepped in to buy an apartment block where tenants faced eviction. But anger over high rents and real estate speculation continues.

Continue reading.

By Bloomberg News

February 23, 2025

Fitch Ratings Updates U.S. Public Power Rating Criteria.

Fitch Ratings-Austin/New York-24 February 2025: Fitch Ratings has updated its criteria for rating U.S. public power and electric cooperative entities. The criteria updates and replaces the criteria from March 2024.

Notable revisions include:

–Updated operating cost burden thresholds to adjust for rates of inflation, and to ensure accurate comparative evaluation. Periodic updates to the thresholds to recognize changes in sector-wide costs are likely to continue going forward.

–Inclusion of language clarifying when capital planning and management may be more influential in

the assessment of operating risk than operating cost burden.

–Expanded language noting that a neutral liquidity cushion may require more than 30 days cash on hand and more than 90 days of total liquidity, vis-à-vis certain risks.

–Confirmation that when factors suggest that an entity's financial profile may be higher or lower from what the Rating Positioning Table indicates, alternative operating, financial and liquidity metrics, along with attribute assessments, may be considered in determining the financial profile assessment and rating.

–Inclusion of secondary coverage metrics that may used as additional guidance when assessing the credit quality and financial profile of entities where debt balances and leverage metrics are, or are expected to be, temporarily distorted, including as a result of an entity's capex profile and its position within the capital life cycle.

The key criteria elements remain consistent with those of the prior report. There is no impact on outstanding ratings. The previous version of the criteria has been retired.

The updated criteria report is available at www.fitchratings.com.

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Additional information is available on www.fitchratings.com

Fitch Ratings Updates U.S. Water and Sewer Rating Criteria

Fitch Ratings-New York/Austin-24 February 2025: Fitch Ratings has revised its criteria for U.S. water and sewer utilities, updating and replacing the criteria from February 2024. The updated criteria report describes Fitch's methodology for assigning new ratings and monitoring existing ratings for U.S. municipal and not-for-profit water and sewer utilities (including wastewater and stormwater). Notable revisions that Fitch has made include:

–Confirmation that nonrecourse debt, or instances in which collection and repayment risk have effectively been transferred to a third party, and nonpayment would not result in a cross default or cross acceleration to an issuer's other outstanding debt, may be excluded from the calculation of debt metrics and leverage for analytical purposes;

–Confirmation that Fitch may consider funds retained for capital projects in its calculation of leverage;

–Clarification that the asymmetric risk related to customer concentration is specific to retail customers;

–When purchasers have utility-based operations, Fitch may consider the purchasers' general obligation credit quality when assessing wholesaler's purchaser credit quality.

As key elements in the updated criteria remain consistent with prior reports, no changes have been made to outstanding ratings and no credits are under criteria observation.

The updated criteria report is available at www.fitchratings.com.

Ohio, Vermont Showcase Successful Municipal Network Financing.

- **Financing municipal broadband networks is no cakewalk, with opposition from incumbents and interest groups adding to the difficulties**
- **But community leaders in Ohio and Vermont say they've succeeded in running financially stable networks**
- **Hiring the right expertise is key if municipalities want to maximize their chances at success getting financing. Like most internet service providers, municipalities face their fair share of challenges when building broadband networks. Particularly, they need to convince financiers that it's a worthwhile investment.**

Constant opposition from incumbents and lobbying groups doesn't help matters. A recent study from ITIF claimed public broadband networks have "poor financing models," noting most of the municipalities it analyzed earned less than their operating costs.

Continue reading.

fierce-network.com

By Masha Abarinova

Feb 21, 2025

Assessing the Impact of the LA Fires on Muni Bonds.

Margot Kleinman, director of research for municipals at Nuveen, sits down with InvestmentNews anchor Gregg Greenberg to explain the benefits of municipal bonds for high-net-worth investors, as well as the impact of the California fires on the municipals market.

Watch video.

investmentnews.com

Feb 19, 2025

California's Wildfires & Muni Bonds: Crisis or Opportunity

If California were its own country, it would be one of the largest in population and GDP size. It's also one of the largest issuers of municipal bonds. So, when anything potentially impacts its population, economic status, tax collection, or otherwise, muni investors take notice. And right now, they are taking notice in a big way.

The impact of the recent wildfires in several key California cities and regions is just starting to be known.

For current and would-be investors in the muni space, the question remains: what exactly will come from California bonds, and if the wildfire-insured volatility be an opportunity to bet big on the state's reliance and its credits?

Continue reading.

dividend.com

by Aaron Levitt

Feb 18, 2025

Bringing Order to Chaos: AI in the Municipal Bond Market

Advisor Perspectives welcomes guest contributions. The views presented here do not necessarily represent those of Advisor Perspectives.

By some estimates, there are over one million fixed-income securities issued by U.S. state and local governments to fund projects like schools, highways, and utilities. Each of these securities has unique tax treatment, credit ratings, and yield structures. They primarily trade in an "over-th--counter (OTC) " market with transactions occurring directly between parties rather than on centralized exchanges.

This decentralized structure leads to less frequent trading, as many investors adopt a "buy and hold" strategy, resulting in few daily trades. Some bonds are even less liquid, trading only by appointment. This means they don't trade continuously like stocks. Instead, trades occur when a buyer and a seller agree on a price, which can happen sporadically. Because they trade OTC, pricing is determined through negotiation rather than a centralized exchange.

Each municipal bond has unique characteristics – issuers, maturities, credit ratings, and potential tax treatments – making price discovery more challenging than for liquid, standardized securities like Treasuries. Unlike corporate bonds, municipal issuers follow different accounting standards, making financial comparisons difficult. Legal protections for bondholders vary by state, and political factors like pension liabilities and tax policies impact creditworthiness. This structure has historically led to wide bid-ask spreads, meaning the difference between what buyers pay and what sellers want can be larger. Most municipal bond trades require an intermediary, such as a broker, to facilitate transactions. Investors looking to buy or sell municipal bonds must often work with brokers, and buy on the offer, rather than executing trades instantly.

Continue reading.

advisorperspectives.com

by John Sweeney, 2/24/25

Breaking Tradition: Vanguard's Bold Bet on Active Fixed-Income ETFs

For many investors, indexing and Vanguard go hand-in-hand. After all, the asset manager pioneered the concept of tracking a stock market index and was one of the first firms to embrace ETFs as part of its line-up. It even has its own indexing fanbase, known as "Bogleheads", named after its founder John Bogle. So, when Vanguard takes an active approach to managing a fund, it's kind of a big deal.

When it launches several new active funds? Investors need to take notice.

And that's just what has been happening. Vanguard continues to launch a variety of new active ETFs covering the fixed-income space, with four new funds launched over the last few months. For investors, these launches underscore how powerful active ETFs and active management can be in the bond space.

Continue reading.

dividend.com

by Aaron Levitt

Feb 21, 2025

WSJ: Municipal Bonds Markets Fear Trump Tax Cuts Could Clip Momentum

The tax debate comes as the munis landscape looks bright

The Trump administration's efforts to cut taxes are threatening to upend the U.S. $4 trillion municipal bond market.

The potential change comes as local governments are increasingly relying on munis to finance public works. Municipal bonds issuance is growing, after a post-pandemic lull. Investors, in turn, have sought the low-risk securities to buffer their fixed-income portfolios while reducing their tax load.

"We truly benefit from a strong and sort of voracious market wanting to invest in safe, liquid and nearly riskless assets," said Emily Brock, a lobbyist for the Government Finance Officers Association, a national organization of state and municipal finance officials.

The momentum in munis could now wane, as lawmakers look for ways to increase federal revenues and offset wide tax cuts proposed by President Trump. Tax exemptions that for generations have made municipal bonds attractive could be eliminated, pushing investors to demand higher payouts to finance infrastructure including schools, sewage systems, roads, airports and more.

“Far and away, the biggest risk [for munis] is a change in the tax system this year,” said Matt Fabian, partner at research firm Municipal Market Analytics.

The tax debate comes as the munis landscape looks bright. Local budgets are healthy after states and municipalities used part of Covid-related federal transfers to beef-up their rainy day funds, while volatile markets bolster demand from investors for this type of low-risk assets.

“We are very comfortable right now that the municipal bond market is starting [2025] from a position of strength,” said Matthew Norton, chief investment officer of municipal bonds at AllianceBernstein. Norton said AB research shows that munis finance around 75% of the U.S.’s infrastructure.

Municipal bonds typically offer lower yields than other fixed-income options, including Treasurys. The ICE US Municipal Securities Index effective yield was 3.4% on Feb. 13, compared to 4.5% on the ICE BofA U.S. Treasury Index.

It is the tax advantage that makes them attractive, particularly to high-income individuals and institutional investors.

The Securities Industry and Financial Markets Association estimates there were $4.2 trillion outstanding munis in the third quarter of 2024, 3% more than a year earlier. According to SIFMA, $36.3 billion in munis were issued last month, the highest January issuance in records going back to 1980.

Using SIFMA data, the National Association of Bond Lawyers estimates that the vast majority, or around $3.5 trillion of outstanding munis, are tax-exempt.

The concerns about exemptions stem from discussions regarding the Tax Cuts and Jobs Act approved in 2017 with Republican support. Some cuts expire by year end and are widely expected to be extended or even deepened. But given the growing federal budget deficit, lawmakers face pressure to find alternative revenue sources.

Nixing tax exemptions on interest earned by municipal bondholders has been mentioned by the House Ways and Means Committee as a way to save $250 billion over 10 years. Local authorities are trying to dissuade lawmakers from doing so, arguing it would do more harm than good.

“There is a good chance, maybe 50% chance, that the Republicans remove the tax exemption entirely…to pay for extension of the TCJA,” Fabian said, referring to the 2017 Tax Cuts and Jobs Act.

The critical role munis play in reducing local governments’ reliance on federal handouts, however, makes some investors believe that the tax exemptions will survive.

Dan Close, head of municipals at Nuveen, said he is monitoring developments in Washington. “We are always concerned every time there is discussion about tax exemptions,” he said. But Close is confident that incentives will survive. He expects issuance to be around $500 billion this year —about the same as in 2024— with returns also unchanged. He isn’t changing strategy or holding cash.

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