



NASACT 2023

ANNUAL CONFERENCE

August 13-16 | Portland, Oregon



Tuesday, August 15 - 12:50 P.M – 1:40 P.M.

Concurrent Session #22:

How Do Investors Decide Which Municipal Bonds to Buy: Investors' Perspectives, Ratings, and Credit Analysis

Speakers:

Sue Perez, Deputy Treasurer for Debt Management (MA)

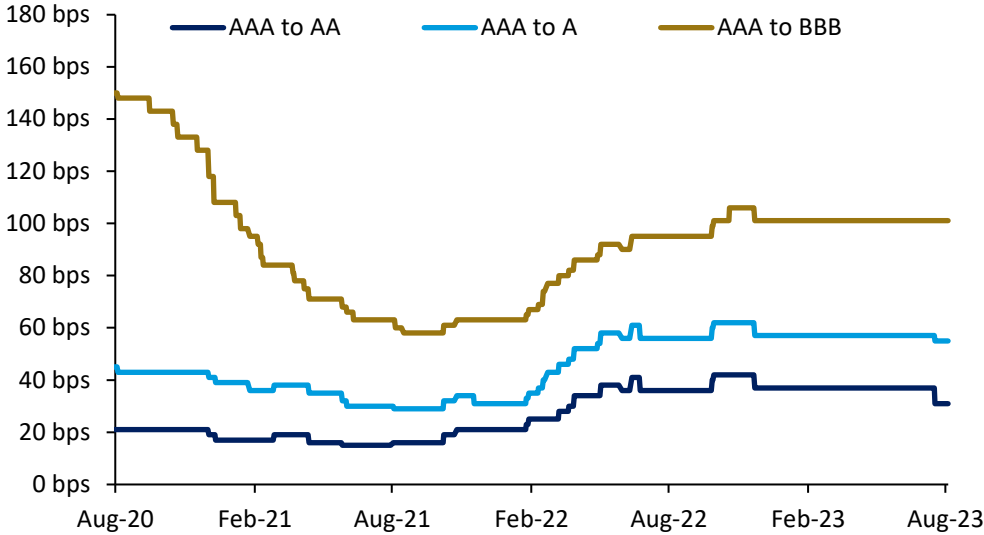
Maulin Shah, Managing Director, Municipal Banking and Markets, Bank of America Securities

Bradley Gewehr, Senior Vice President, Municipal Credit Products, Bank of America Securities

Moderator:

James MacDonald, First Deputy Treasurer (MA)

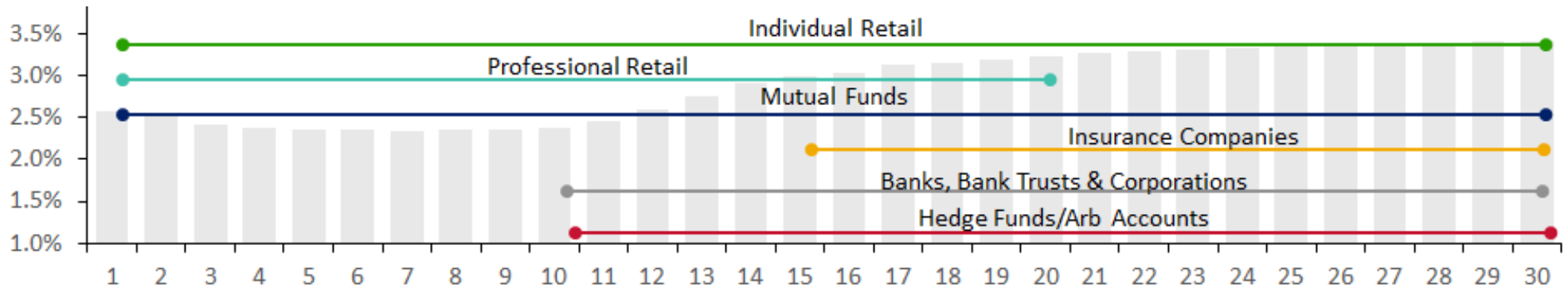
Tax-Exempt Credit Spreads (30yr)



Taxable Credit Spreads



Current Investor Appetite and Investment Goals Overview

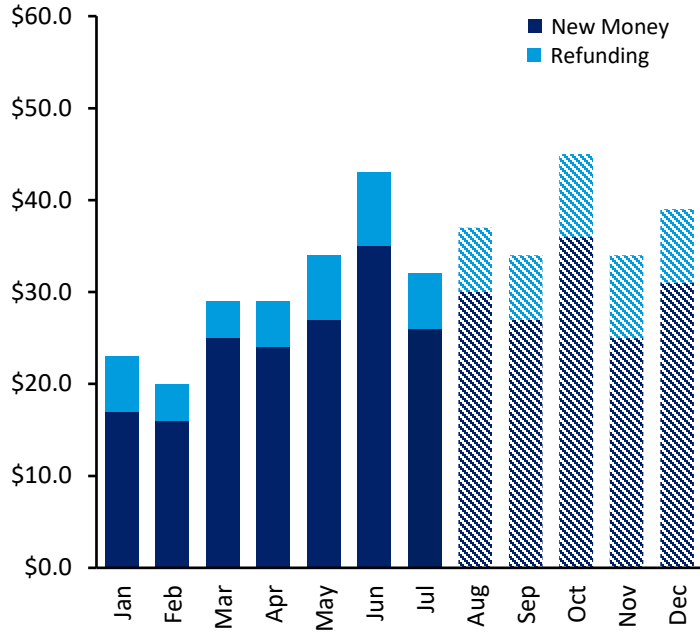


	Individual Retail	Professional Retail (SMAs)	Mutual Funds (Open, Closed & ETFs)	Insurance Companies	Banks, Bank Trusts & Corporations	Hedge Funds/Arb Accounts
Muni AUM ⁽¹⁾	- \$1.6 trillion	- n/a	- \$1.1 trillion	- \$469.2 billion	- \$623.3 billion	- n/a
Tenor	- 1-30 years	- 1-20 years	- 1-30 years	- 15-30 years	- 10-30 years	- 10-30 years
Product Types	- Fixed rate par-ish bonds - Various call options	- Fixed rate par-ish bonds with slight premium - Various call options	- Fixed rate premium bonds (coupon protection) - Open to 4%-5.25% coupons	- Fixed rate par to discount bonds and zeroes - Private placements	- Fixed rate - Private placements	- Fixed rate - Private placements
Investment Goals	- More active with higher rates	- Distribution income - Demand is price and credit sensitive (liquidity driven) - More active with higher rates	- Distribution income - Heavy focus on liquidity and credit	- Total return - Book yield	- Mark-to-market and hold-to-maturity books create different goals for structures - Less active with rich muni ratios	- Demand is highly market driven - Opportunistic buyers relative to taxable alternatives
Potential Investors		- GSAM - JPM Asset Mgmt - UBS - Alliance Bernstein - GW&K - Northern Trust - PIMCO	- Vanguard - Nuveen - Blackrock - Capital Group - Franklin - Invesco	- State Farm - Allstate - Hartford - Travelers - Nationwide - Liberty Mutual - Hartford	- Wells Fargo - JPMorgan - Morgan Stanley - Bank of America - Citi	- Fundamental Adv - Old Orchard - Spring Lake - White Haven - Susquehanna - Millennium

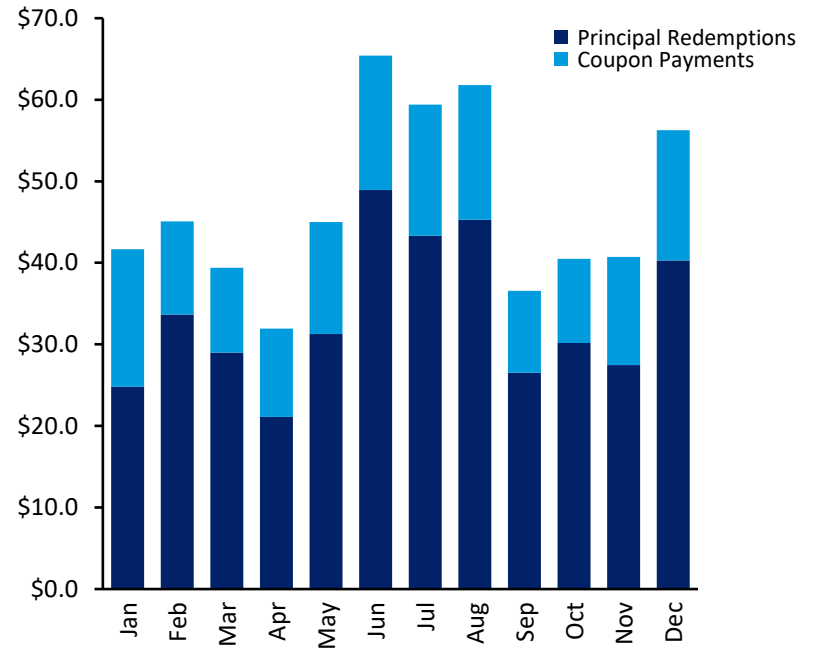
Rates and Ratios (UST / MMD Relationship)



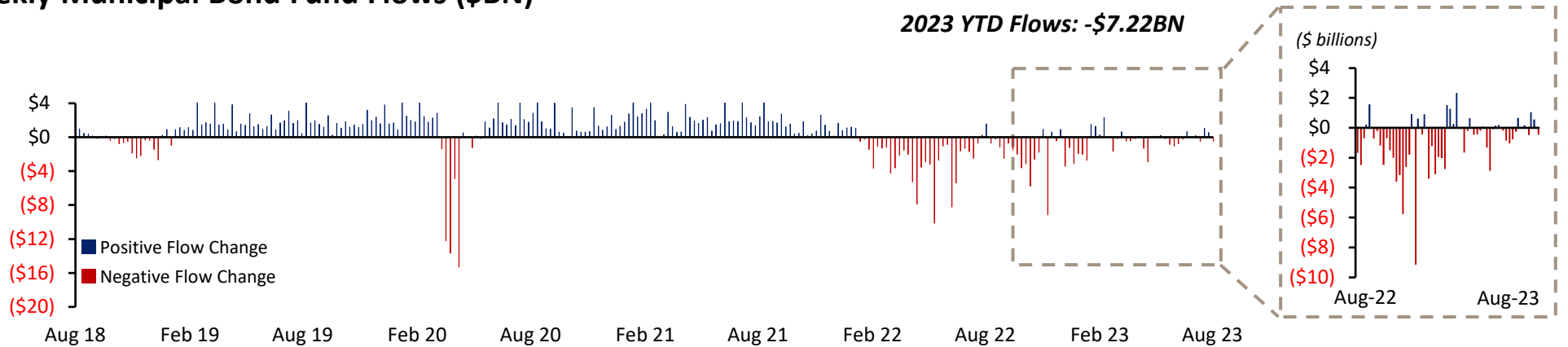
Projected Municipal Issuance (\$BN)



Projected National Redemptions (\$BN)



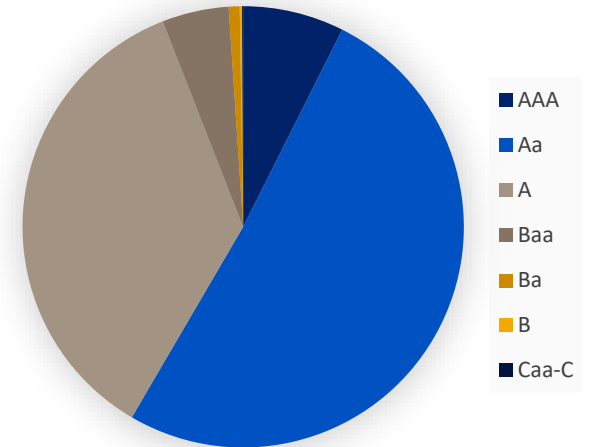
Weekly Municipal Bond Fund Flows (\$BN)



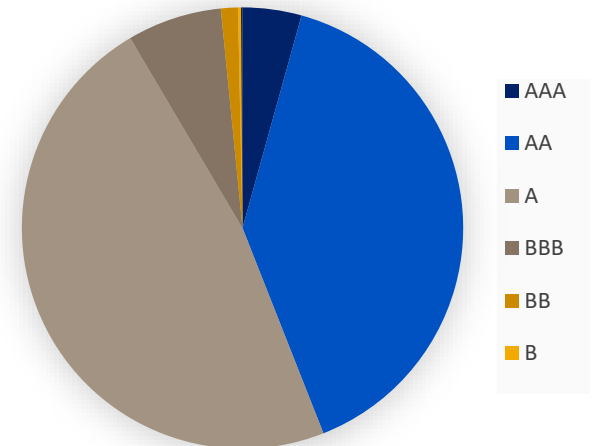
Majority of municipal issuers are rated A3 or higher

Moody's			S&P			Fitch					
Long Term	Short Term	Municipal Short Term	Long Term	Short Term	Municipal Short Term	Long Term	Short Term	Municipal Short Term			
Aaa	P-1	MIG 1	AAA	A-1+	SP-1	AAA	A1+	F-1	Prime		
Aa1			AA+			AA+			High grade		
Aa2			AA			AA					
Aa3			AA-	AA-							
A1			A+	A+							
A2	P-2	MIG 2	A	A-1	SP-2	A	A1	F-2	Upper medium grade		
A3			A-			A-					
Baa1			BBB+	BBB+							
Baa2	P-3	MIG 3	BBB	A-3	SP-2	BBB	A3	F-3	Lower medium grade		
Baa3			BBB-			BBB-					
Ba1	Not Prime	SG	BB+	B	SP-3	BB+	B	B	Non Investment grade		
Ba2			BB			BB			Speculative		
Ba3			BB-			BB-					
B1			B+			B+					
B2			B			B					
B3			B-	B-							
Caa1			CCC+	CCC		C	CCC		C	C	Substantial risks
Caa2			CCC								Extremely speculative
Caa3			CCC-								In default with little prospect for recovery
Ca			CC								
/	/	/	D	/	/	/	D	In default			
/			DDD								
/			DD								
/			D								

Moody's Public Finance Ratings



S&P Public Finance Ratings



Over 91% of US Public finance credits are rated A or better by S&P and 94% by Moody's

15 Year Average Defaults of S&P Rated Municipalities vs. Corporates 1986-2017

