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Bond Market 2025 Forecast



Bond Market 2025 Forecast



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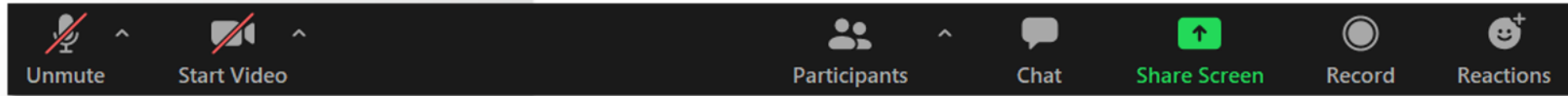
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Bond Market 2025 Forecast



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The Bond Buyer



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Bond Market 2025 Forecast



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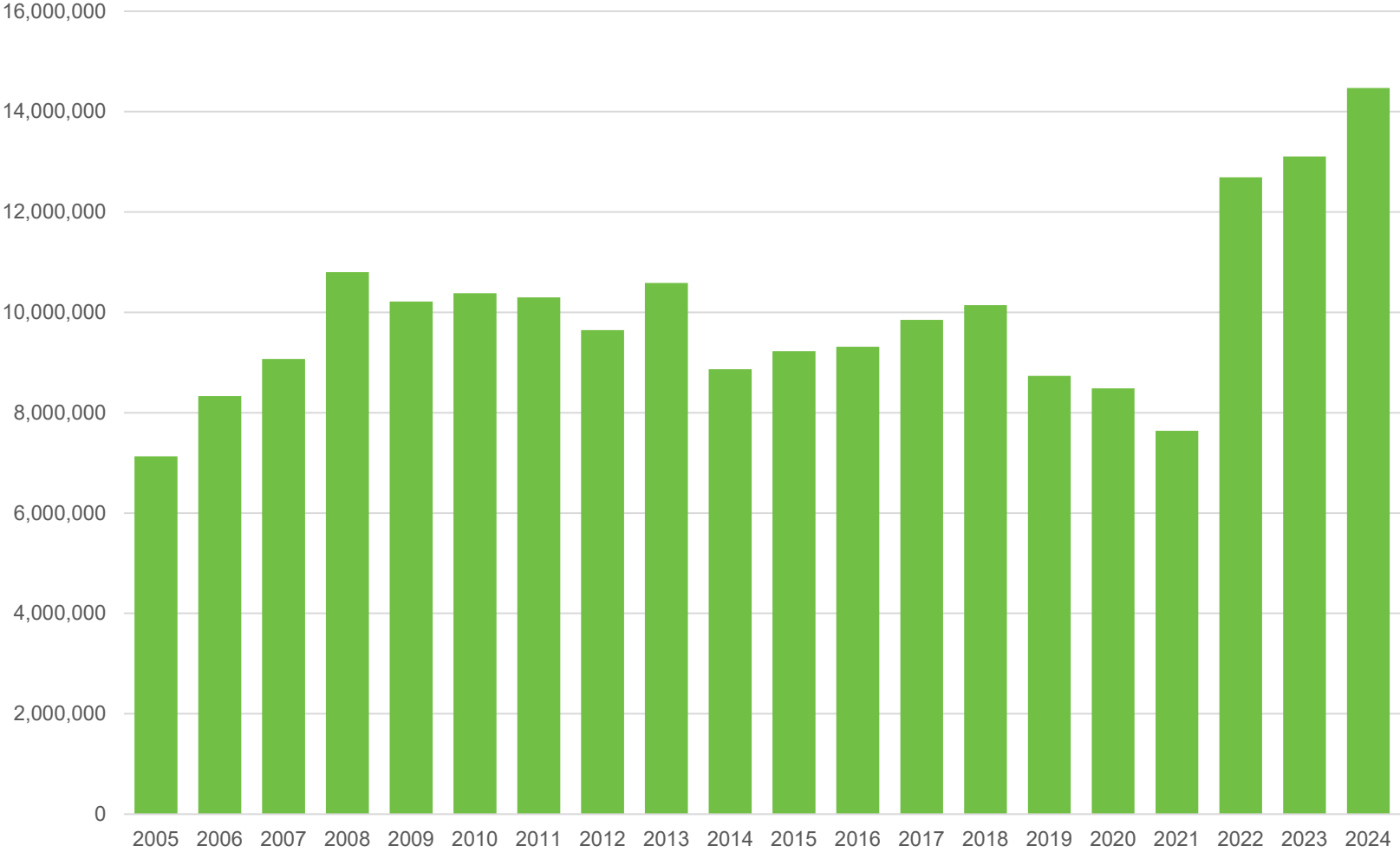
Senior Director, Strategy and Content, Live Media - Municipal Finance
The Bond Buyer



CDFA/BNY Development Finance Webcast Series: Bond Market 2025 Forecast

Market Trends and Predictions

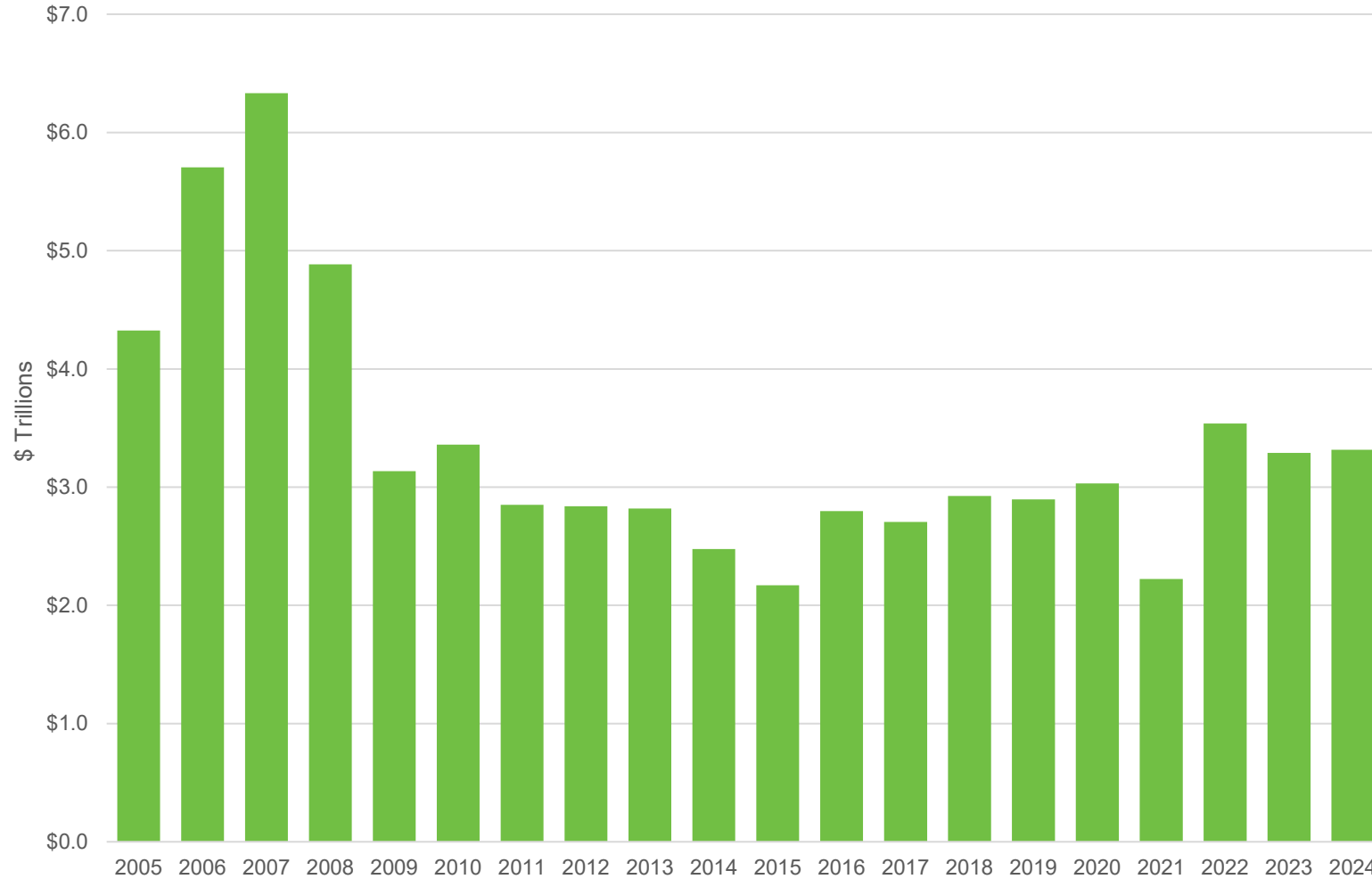
Trade Count 2015 - 2024



2024 Trade Count

- 2024 – Third consecutive year of record trade count
 - 14.5 million trades in 2024 compared to 13.1 million in 2023
 - Up 10% compared to 2023
 - Up 89% compared to 2021
 - Prior to April 2022, only 8 months with 1 million+ trades
 - Since April 2022, 28 of 34 months had 1 million+ trades including the last 18 months in a row
 - Fundamental change in the municipal securities market

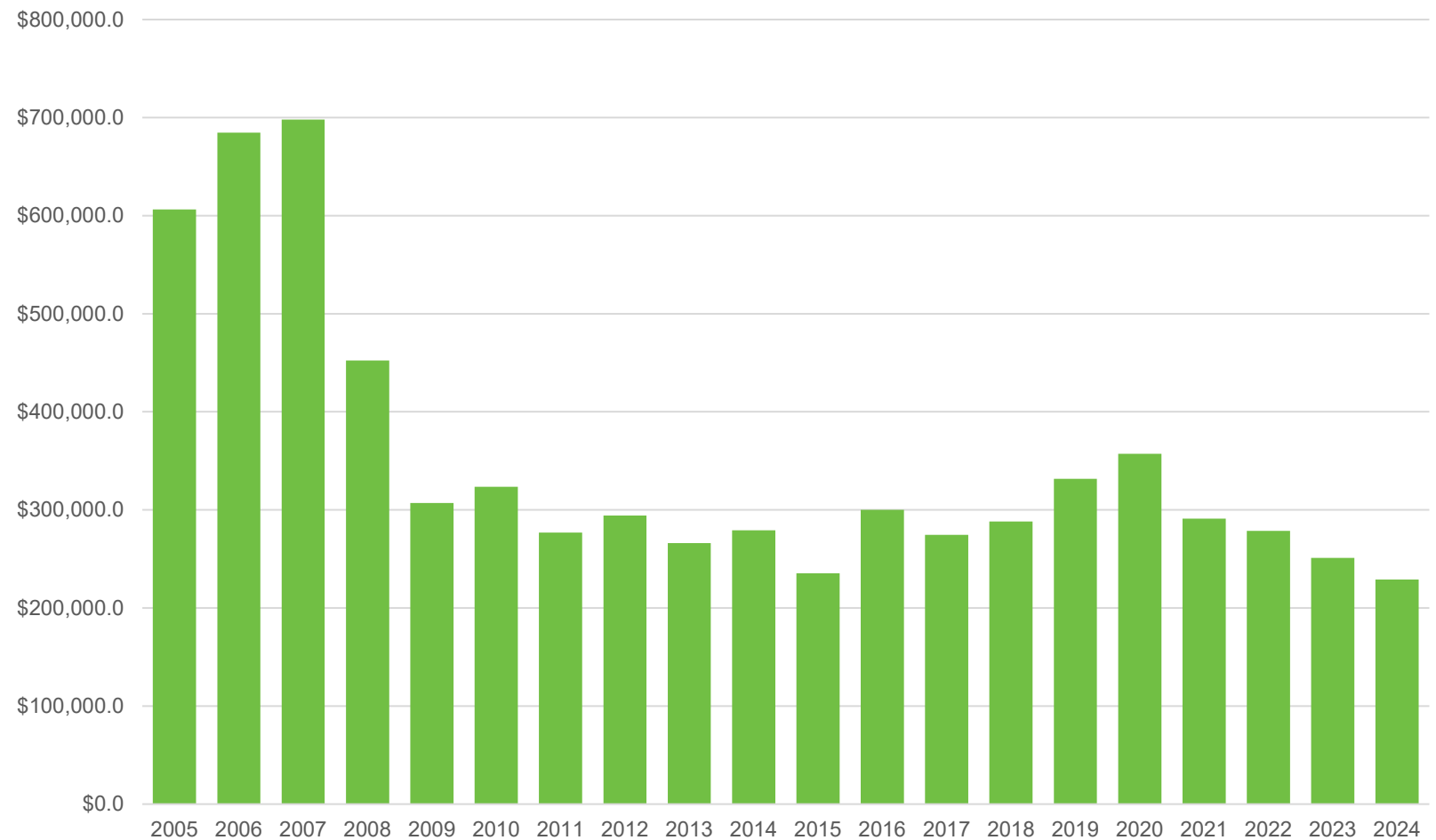
Par Amount Traded 2015 - 2024



2024 Par Amount Traded and Average Trade Size

- 2024 - Par amount only up 1% from 2023
 - Down 6% from 2022
 - Up 49% from 2021
- 2024 Average trade size 229,00
 - 2020 Average trade size 357,000
 - Down 36% since 2020
 - Number of trades up 71% since 2020
 - Par amount traded only up 9%

Average Trade Size 2015 - 2024



New Issue Volume 2015 - 2024



2024 New Issue Volume

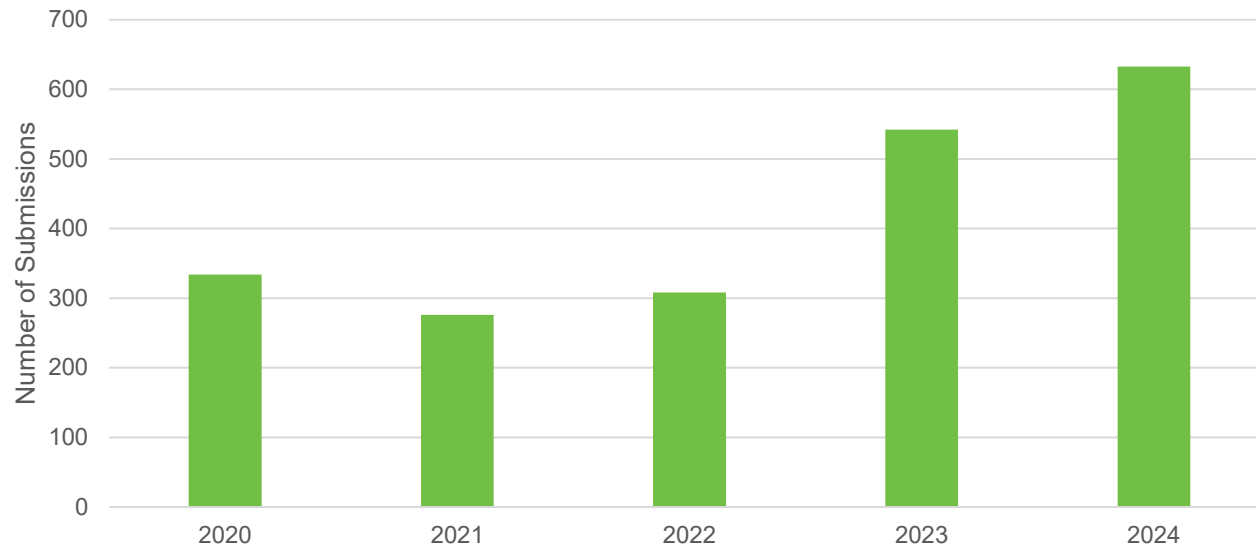
- New issue volume up 32% vs. 2023
 - Tax-exempt volume up 36%
 - Taxable volume down 11%
 - New money volume up 19%
 - Refunding volume up 64%
 - Negotiated volume up 40%
 - Competitive volume up 20%
 - Private placements down 45%

New Issue Volume 2024 vs. 2020

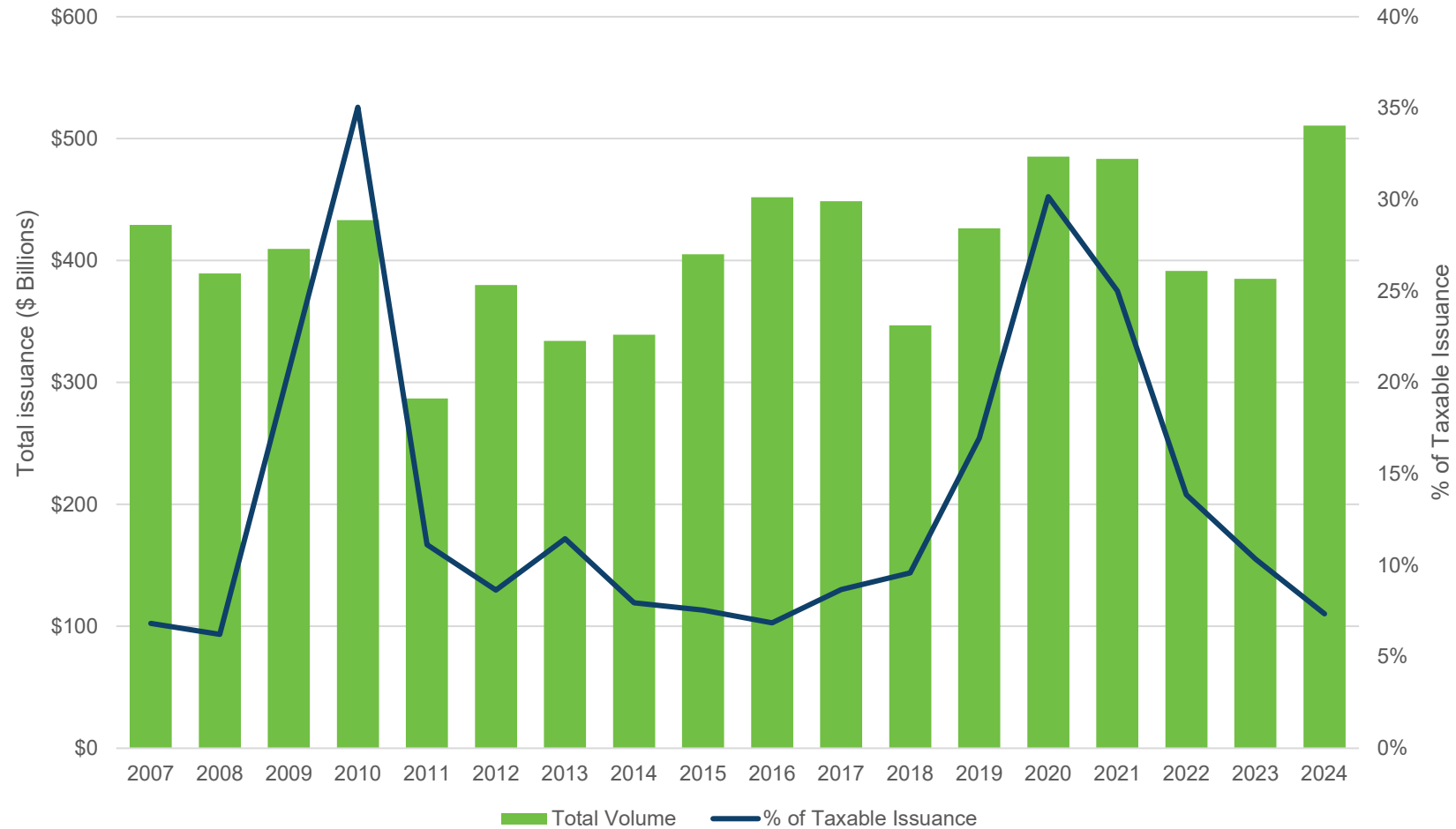
	2024	2020	Difference	% Change
Overall Volume	\$508	\$483	\$25	5%
Tax-Exempt	\$447	\$330	\$117	35%
Taxable	\$36	\$146	-\$110	-75%
New Money	\$356	\$276	\$80	29%
Refunding	\$85	\$150	-\$65	-43%
Negotiated	\$409	\$358	\$51	14%
Competitive	\$86	\$93	-\$7	-8%
Private Placements	\$12	\$34	-\$22	-65%

2024 New Issue Volume

- Factors in record new issuance
 - Depletion of COVID-19 relief funds
 - Infrastructure needs
 - Increase in tender offer activity
 - Increase in refunding of BAB deals



Taxable Volume vs. Overall Volume 2007 - 2024



Benchmark Tax-Exempt and Treasury Bond Yields 2024

Year	BVAL Callable 12/31/2024	TSY 12/31/24	BVAL YTD Change in BPS	TSY YTD Change in BPS	Muni/TSY Ratio 12/31/2024	Muni/TSY Ratio 12/31/2023
1	2.947	4.160	38	-63	71%	54%
2	2.802	4.250	32	2	66%	59%
3	2.814	4.270	48	26	66%	58%
5	2.878	4.380	69	54	66%	57%
10	3.110	4.580	86	70	68%	58%
20	3.588	4.860	50	66	74%	73%
30	3.817	4.780	48	75	80%	83%

Source: Bloomberg Financial L.P.

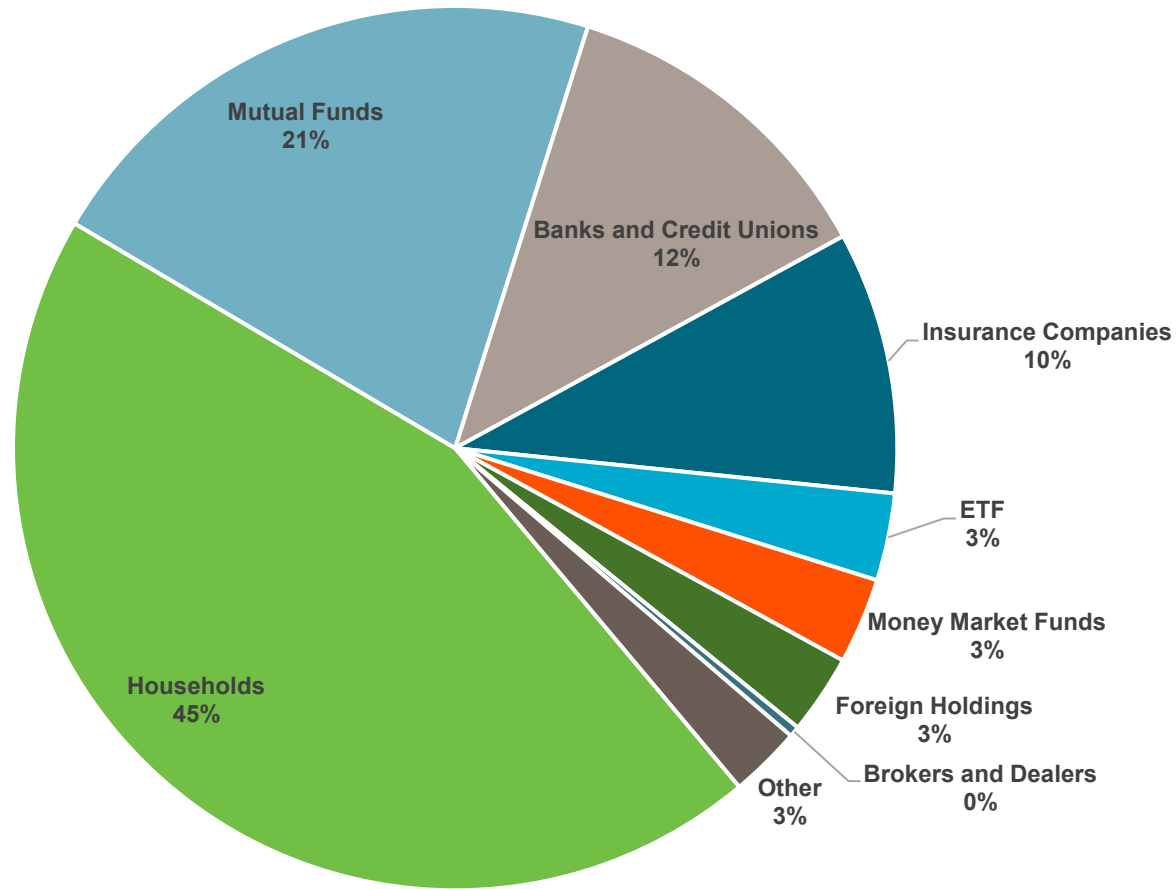
Bloomberg BVAL Callable 10-Year Yield



Trade Volume, Nominal Yields and Volatility

- New MSRB research publication
 - Trade count and par amount traded positively correlated with 10-year yield levels
 - Analyzed in 50 basis points increments and consistently higher trade count and par amount traded for higher yields
 - Examples -10-year tax-exempt yields between 2.00% – 2.50% average daily trade count was 38k
 - » 52k from 3.00% – 3.50%
 - » 73k from 3.50% – 4.00%
 - » Par amount traded shows similar pattern but to a lesser extent
 - At lower yields individual investors trade less compared to overall market
 - Trade more of overall market at higher yields
 - Overall trade volumes show similar correlation with market volatility

Holder of Municipal Securities Through September 2024



Source: Federal Reserve Bank

2024 Overview of Investors in Municipal Securities

- Robust demand from individual investors directly and through Separately Managed Accounts
- Return to positive net inflows for tax-exempt mutual funds
 - Net outflows in 2022 and 2023
- Continued positive inflows in tax-exempt ETFs
 - 11 consecutive years of positive net inflows
- Banks and insurance companies continue to decrease exposure to municipal securities
 - Banks down \$35 billion in 9 months – 6% of holdings
 - Insurance companies down \$14 billion – 3% reduction
 - Both impacted by lower corporate tax rates

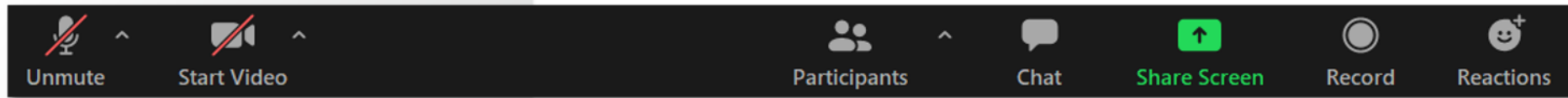
Fundamental Change in the Municipal Securities Market

- 3 consecutive years of record trade count
 - While par amount traded is little changed in this time
 - Average trade size down substantially
- Increased reliance on individual investors including SMAs
 - SMA market growing substantially but actual size is unknown
- MSRB research report will show that it is highly likely that 50% or more of customer trades of \$100k or less are executed with institutional investors, likely SMAs
 - Percentages hold for trades of \$50k or less and \$25k or less

Predictions for 2025

- Yields could stay high
 - Heavily influenced by inflation and the Fed
 - Could impact trading and new issue volumes
- Trade count could remain at record high levels
 - 10-year benchmark yields are 3.00%+
- New issue volume could exceed 2024 levels
 - Continued funding needs especially infrastructure
 - Could be impacted by potential new tax legislation

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Advanced Bond Finance WebCourse

Mar 12-13 // 12:00 – 5:00 PM Eastern

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