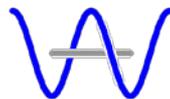


Win Analytics LLC



The Economic Value of Rating Outlooks in the Municipal Securities Market

by Sharon Kioko, Craig Johnson and Tima Moldogaziev

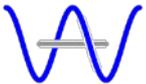
Discussion by Winthrop Smith

Municipal Finance Conference

August 7, 2015

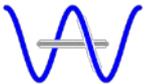
Questions

- What information do Outlooks provide?
 - Credit Information
 - Prediction of Future Rating Actions
- When is that Information absorbed?
 - Anticipated before Outlook announcement
 - At time of announcement
 - Any lags?
- How much do Outlooks affect pricing?



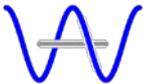
The Paper's Strengths

- Replication
- Subset Tests
- Distinctions
 - Callable vs. Non-Callable Bonds
 - Inter-dealer vs. Customer Transactions



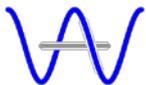
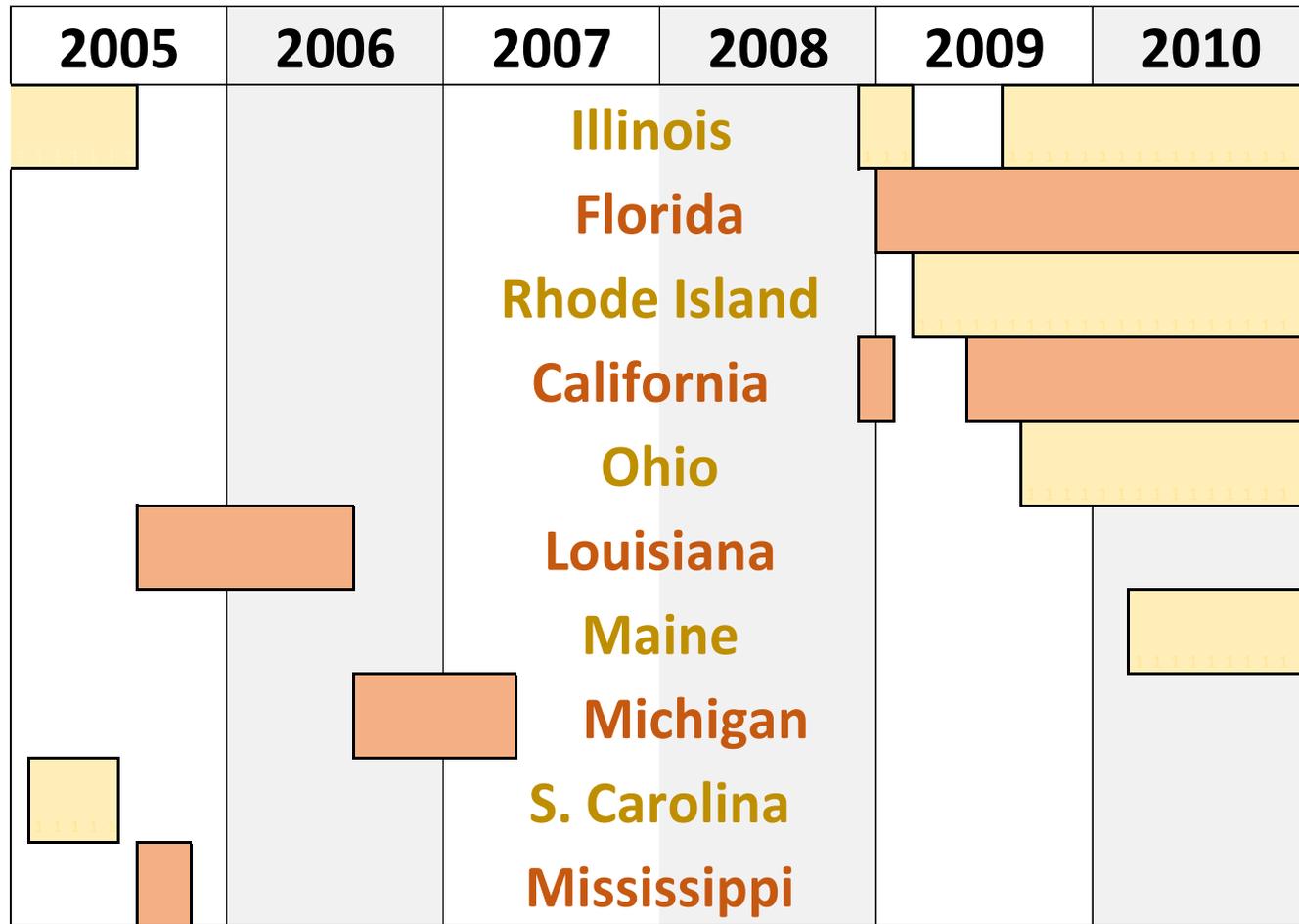
Possible Weaknesses

- Small Sample?
- Issuance Noise
- Dance of the p values



S&P Negative Outlook Episodes

State GOs, 2005-2010



Suggestion for Further Research: Event Study

- Find bonds with active trading
- Measure volatility, dispersion, and spreads
- Find announcement dates for Outlook changes
- Compare pricing before and after announcements
- Estimate impact of Outlook announcements

