

SIFMA Basis Curve

Securities Industry and Financial Markets Association (SIFMA) is a trading organization in US. The Securities Industry and Financial Markets Association Municipal Swap Index, formerly the Bond Market Association Index, is a market index composed of tax-exempt variable rate demand obligations (VRDOs). VRDOs are municipal bonds with floating interest rates. The Securities Industry and Financial Markets Association index is issued weekly.

The Securities Industry and Financial Markets Association rate for each interest payment period is equal to the weighted average of the SIFMA index value. Both SIFMA and LIBOR are popular floating rate index.

The Securities Industry and Financial Markets Association rate represents the average interest rate payable on tax-exempt variable rate demand obligations, while the LIBOR rate represents the interest rate payable on non-tax exempt demand obligations. In general, the Securities Industry and Financial Markets Association rate trades as a proportion of LIBOR rate.

The coupon rates of many floating rate bonds or floating rate callable bonds refer to Securities Industry and Financial Markets Association index. The change of index has quite impact on the bond values. Thus, the Securities Industry and Financial Markets Association curve is major used to price various bonds, such as municipal bonds, municipal debts, bond purchase agreements, etc.

Reference:

<https://finpricing.com/lib/EqAsian.html>