

## Driving the Case for U.S. Toll Road Bonds

We continue to observe that financial metrics have been on a strong improving trend from pandemic lows and should remain sound in 2024. Numerous large toll road issuers have amassed abundant cash holdings that provide a deep level of financial flexibility, which we also expect are likely be used to fund capital projects, thereby reducing the need for incremental new debt. Additionally, many toll roads have inflation-linked toll raising policies which enable them to maintain very health operating margins and solid debt coverage. Traffic volume, as measured by vehicle miles traveled, quickly recovered from pandemic lows and illustrates the durability of demand for highway driving. Toll road index yields have recently topped 10-year highs. Furthermore, toll road credits tend to be under rated and offer wider spreads than comparable high-grade credits. We think bond investors seeking to lock in relative value opportunities should consider adding U.S. toll road bonds with at least five years of call protection.

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