Internet Appendix to "Where the Heart Is: Information Production and the Home Bias"[1]

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This Internet Appendix contains tables omitted from the body of the paper for brevity. Specifically, Table I.A displays summary statistics for credit ratings and analyst characteristics, by subsample, and Table II.A displays summary stats with differences in mean rating levels and rating agency affiliation; Table III.A provides robustness tests replicating the baseline analysis from Table I (Panel A Columns (1) and (3)) with alternative approaches to clustering standard errors; Table IV.A replicates the results in Table VI employing our alternative Home analyst definition (Alma Mater) with bias as a function of the distance between home and outside analysts' home states. Table V.A displays coefficients from regressions of offer yields (or credit spreads) on credit ratings, home analyst indicators, bond characteristics, and various fixed effects; Table VI.A. reports results from an analysis of certain potential selection effects; and Table VII.A provides a final robustness test with home bias regressions excluding bonds issued by Northeastern states.

[1] Cornaggia, Jess, Kimberly J. Cornaggia, and Ryan Israelsen, 2019, Internet Appendix to "Where the Heart Is: Information Production and the Home Bias" available on SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2518040

Table I.A
Summary Statistics

Panel A reports summary statistics for 10,029,703 bond-month-analyst observations associated with home and outside analysts. An analyst is a home (outside) analyst if he/she received his/her social security number in the same state as the issuer (a different state than the issuer). *Rating level* is a numerical translation of S&P and Moody's 21-point alphanumeric scales. Ratings are increasing in credit quality, such that AAA or Aaa = 21, AA+ or Aa1 = 20, etc. *Insured* is an indicator variable taking a value of one if the bond is wrapped with third-party insurance. *Moody's* is an indicator variable taking a value of one if the analyst works at Moody's and zero if the analyst works at S&P. *Female* is an indicator taking a value of one if the analyst's name is a traditionally female name and zero otherwise. *Advanced degree* is an indicator variable taking a value of one if the analyst has an advanced degree and zero if the analyst has a bachelor's degree or lower level of education. *Age* is the analyst's age in years. *Issuer tenure* is the number of years the analyst has provided ratings for the issuer. *Agency tenure* is the number of years the analyst has worked at his/her employing rating agency. We divide *Age*, *Issuer tenure*, and *Agency tenure* by ten in regressions to ease interpretation of coefficients. *In-state rating* is an indicator variable taking a value of one if the analyst currently works in an office in the same state as the issuer whose bonds the analyst is rating and zero if the analyst works in a different state than the issuer. Panel B displays characteristics of 61,652 new municipal bond issues. *Offer yield* is the raw offer yield on the bond. *Spread to Treasury$_1$* is the bond's offer yield minus duration-matched Treasury, where we calculate duration using the bond's time to maturity regardless of whether the bond is callable. *Spread to after-tax Treasury$_1$* is the bond's offer yield minus the after-tax yield of duration-matched Treasury, where we calculate duration using the bond's time to maturity regardless of whether the bond is callable. *Spread to Treasury$_2$* is the bond's offer yield minus duration-matched Treasury, where we calculate duration using the bond's call date if the bond is callable and the bond's time to maturity if the bond is not callable. *Spread to after-tax Treasury$_2$* is the bond's offer yield minus the after-tax yield of duration-matched Treasury, where we calculate duration using the bond's call date if the bond is callable and the bond's time to maturity if the bond is not callable. For both *Spread to after-tax Treasury$_1$* and *Spread to after-tax Treasury$_2$*, we assume a tax rate of 35% when calculating after-tax yields for Treasuries. If a bond is a Build America Bond, we substitute its raw yield with its after-tax yield, again assuming a 35% tax rate. *S&P home analyst* is an indicator variable taking a value of one if the new issue is rated by a home analyst at S&P and zero if the new issue is rated by an S&P analyst born outside the issuer's state. *Moody's home analyst* is an indicator variable taking a value of one if the new issue is rated by a home analyst at Moody's and zero if the new issue is rated by a Moody's analyst born outside the issuer's state. *S&P rating level* (*Moody's rating level*) is a numerical translation of S&P's (Moody's) 21-point alphanumeric scale. Ratings are increasing in credit quality, such that AAA (Aaa) = 21, AA+ (Aa1) = 20, etc. *Par* is the bond's par value measured in millions of dollars. *Maturity* is the bond's maturity measured in years. *Coupon* is the bond's coupon expressed as a percentage. *Outstanding bonds* is the number of other bonds outstanding for the issuer at the time of issuance. *GO* is an indicator variable taking a value of one if the bond is a general obligation bond and zero if the bond is a revenue bond or other type. *BAB* is an indicator variable taking a value of one if the bond is a Build America Bond and zero if not. *Negotiated* is an indicator variable taking a value of one if the offering was negotiated and zero if it was competitive. *Callable* is an indicator taking a value of one if the bond is callable and zero if not.

Panel A: Baseline Sample

	Mean	SD	10th pct	Median	90th pct
Rating level	18.33 (≈AA-/Aa3)	1.97	16 (=A/A2)	18 (=AA-/Aa3)	21 (=AAA/Aaa)
Home analyst	0.14	0.35	0	0	1
Insured	0.57	0.50	0	1	1
Moody's	0.50	0.50	0	0.5	1
Female	0.46	0.50	0	0	1
Advanced degree	0.87	0.34	0	1	1
Age	39.59	9.83	29	37	52
Issuer tenure	2.55	2.14	0.33	2.00	5.67
Agency tenure	6.03	3.02	2.08	6.00	10.25
In-state rating	0.21	0.41	0	0	1

Panel B: Observations in Tests with Offer Yields and Spreads as Dependent Variables

	Mean	SD	10th pct	Median	90th pct
Offer yield	3.6656	1.0837	2.1200	3.8000	4.8600
Spread to $Treasury_1$	-0.1217	0.7491	-0.9077	-0.2533	0.8435
After-tax spread to $Treasury_1$	1.2035	0.6821	0.4656	1.0962	2.0694
Spread to $Treasury_2$	-0.2855	0.7797	-1.0739	-0.4358	0.7324
After-tax spread to $Treasury_2$	1.0970	0.6575	0.4350	0.9787	1.9491
Home analyst at either rater	0.21	0.41	0	0	1
S&P home analyst	0.14	0.36	0	0	1
Moody's home analyst	0.15	0.36	0	0	1
S&P rating level	19.48 (≈AA)	1.59	18 (=AA-)	20 (=AA+)	21 (=AAA)
Moody's rating level	18.93 (≈Aa2)	1.83	16 (=A2)	19 (=Aa2)	21 (=Aaa)
Par	242	573	7	53	514
Maturity	9.5	6.2	2	9	18
Coupon	4.24	0.98	3.00	4.25	5.25
Outstanding bonds	911	1,488	87	354	2,272
GO	0.69	0.46	0	1	1
BAB	0.04	0.19	0	0	0
Negotiated	0.52	0.50	0	1	1
Callable	0.87	0.33	0	1	1

Table II.A

Summary Stats with Differences in Means of Rating Levels and Rating Agency Affiliation

This table reports summary statistics and differences in means tests. First, we split the sample of 10,029,703 bond-month-analyst observations by the average credit rating assigned by the two analysts covering the bond. *Rating level* is a numerical translation of S&P and Moody's 21-point alphanumeric scales. Ratings are increasing in credit quality, such that AAA or Aaa = 21, AA+ or Aa1 = 20, etc. For example, if, for a given bond-month, the S&P analyst assigns a credit rating of AAA (numerical value of 21) and the Moody's analyst assigns a credit rating of Aa1 (numerical value of 20), those two observations would appear in the AAA/Aaa subsample, as the average of 21 and 20 is 20.5, which rounds to 21. We report the number (N) and proportion (%) of observations in each broad rating category. Second, we split the observations by whether they are associated with home or outside analysts. Finally, we compute summary statistics for the rating (*Rating level*) and an indicator for whether the observation is associated with a Moody's analyst (*Moody's*). We conduct differences in means tests for each pocket of the data. We cluster standard errors at the bond level. P-values are in parentheses below differences. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

		Rating level			Moody's		
Broad category of average rating		Home analysts	Outside analysts	Δ (p-val.)	Home analysts	Outside analysts	Δ (p-val.)
AAA/Aaa	N	174,934	1,668,656		174,934	1,668,656	
	%	12.1	19.4		12.1	19.4	
	Mean	20.89	20.86	0.03	0.50	0.50	0.00
	Median	21	21	(0.02)***	1	0	(0.69)
AA/Aa	N	694,055	4,755,680		694,055	4,755,680	
	%	48.2	55.4		48.2	55.4	
	Mean	18.61	18.70	-0.09	0.54	0.49	0.05
	Median	19	19	(0.11)	1	0	(0.00)***
A/A	N	498,759	1,972,471		498,759	1,972,471	
	%	34.6	23.0		34.6	23.0	
	Mean	16.16	16.22	-0.06	0.60	0.47	0.13
	Median	16	16	(0.08)*	1	0	(0.00)***
BBB/Baa	N	72,524	182,082		72,524	182,082	
	%	5.0	2.2		5.0	2.2	
	Mean	13.18	13.20	-0.03	0.38	0.55	-0.16
	Median	13	13	(0.23)	0	1	(0.00)***
Speculative Grade	N	762	9,780		762	9,780	
	%	0.1	1.1		0.1	1.1	
	Mean	10.39	9.07	1.33	0.98	0.46	0.52
	Median	11	10	(0.00)***	1	0	(0.00)***

Table III.A

Home Bias Regressions: Robustness to Alternative Standard Error Clustering

This table replicates the results in columns (1) and (3) in Table I Panel A with alternative approaches to clustering standard errors. The dependent variable in these OLS regressions is *Rating level*, a numerical translation of S&P and Moody's 21-point alphanumeric scales. Ratings are increasing in credit quality, such that AAA or Aaa = 21, AA+ or Aa1 = 20, etc. *Home analyst* is an indicator variable taking a value of one if the bond was issued by a municipality in the analyst's home state. For robustness, we alternatively define *Home analyst* as an indicator variable taking a value of one if the bond was issued by a municipality in the state where the analyst earned his/her first college degree. Analyst control variables are defined and summarized in Table I.A above. Standard errors clustered by bond are in parentheses below coefficient estimates. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Replicating Table I Panel A Columns (1) and (3) with Alternative Approaches to Clustering SE

Home analyst defined by:	Social Security Number (Table I Panel A Column (1))				Alma Mater (Table I Panel A Column (3))			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Home analyst	0.09	0.09	0.09	0.09	0.13	0.13	0.13	0.13
	(0.04)**	(0.04)**	(0.03)***	(0.04)**	(0.06)**	(0.09)	(0.06)**	(0.05)***
Analyst controls?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SE cluster level	Issuer	State	Issuer-Yr.	State-Yr.	Issuer	State	Issuer-Yr.	State-Yr.
Agency FE?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bond-month FE?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.93	0.93	0.93	0.93	0.94	0.94	0.94	0.94
N	10,029,703	10,029,703	10,029,703	10,029,703	9,203,494	9,203,494	9,203,494	9,203,494

Table IV.A
Home Bias (defined by Alma Mater) as a Function of the Distance between Home and Outside Analysts' Home States

This table replicates the results in Table VI employing our alternative *Home analyst* definition from Table I. Here, *Home analyst* is an indicator variable taking a value of one if the bond was issued by a municipality in the state where the analyst earned his/her first college degree. The dependent variable *Rating level* is a numerical translation of S&P and Moody's 21-point alphanumeric scales. Ratings are increasing in credit quality, such that AAA or Aaa = 21, AA+ or Aa1 = 20, etc. Columns (1) and (2) split our main sample by the proximity of the outside analyst's home state to the home analyst's home state. Column (1) includes observations with home analysts and outside analysts, where the outside analyst is from a state that is contiguous to the home analyst's state. Column (2) includes observations with home analysts and outside analysts, where the outside analyst is from a state that is hinterland to the home analyst's state. *Outside analyst is from an adjacent state* is an indicator taking a value of one if the outside analyst is from a state that shares a border with the home analyst's state, and zero if the outside analyst is from a state that does not share a border with (i.e., is hinterland to) the home analyst's state. For example, if the bond in question were issued by a municipality in New York, this variable would take a value of one if the outside analyst was from, for example, Massachusetts. The variable would take a value of zero if the outside analyst was from, for example, California. We cluster standard errors at the bond level. Analyst control variables are defined and summarized in the Internet Appendix. Standard errors are in parentheses below coefficient estimates. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Outside analyst is educated in an adjacent state	Outside analyst is educated in a hinterland state	Pooled
	(1)	(2)	(3)
Home analyst	0.02	0.16	0.14
	(0.01)**	(0.01)***	(0.01)***
Home analyst × Outside analyst is educated in an adjacent state			-0.15
			(0.01)***
Analyst controls?	Yes	Yes	Yes
Agency FE?	Yes	Yes	Yes
Bond-Month FE?	Yes	Yes	Yes
Adjusted R^2	0.97	0.94	0.94
N	3,390,592	7,276,443	9,203,494

Table V.A

Home Analysts and Yields and Spreads on New Bond Issues – OLS Regressions

This table displays results from OLS regressions with offer yields and spreads on new issues as dependent variables. The dependent variable in columns (1) through (5) are as follows. *Offer yield*, is the raw offer yield on the bond. *Spread to Treasury$_1$* is the bond's offer yield minus duration-matched Treasury, where we calculate duration using the bond's time to maturity regardless of whether the bond is callable. *Spread to after-tax Treasury$_1$* is the bond's offer yield minus the after-tax yield of duration-matched Treasury, where we calculate duration using the bond's time to maturity regardless of whether the bond is callable. *Spread to Treasury$_2$* is the bond's offer yield minus duration-matched Treasury, where we calculate duration using the bond's call date if the bond is callable and the bond's time to maturity if the bond is not callable. *Spread to after-tax Treasury$_2$* is the bond's offer yield minus the after-tax yield of duration-matched Treasury, where we calculate duration using the bond's call date if the bond is callable and the bond's time to maturity if the bond is not callable. For both *Spread to after-tax Treasury$_1$* and *Spread to after-tax Treasury$_2$*, we assume a tax rate of 35% when calculating after-tax yields for Treasuries. If a bond is a Build America Bond, we substitute its raw yield with its after-tax yield, again assuming a 35% tax rate. The independent variables in Panel A include indicator variables for S&P's ratings assigned to new issues. The independent variables in Panel B include indicator variables for Moody's ratings assigned to new issues. *S&P home analyst* is an indicator variable taking a value of one if the new issue is rated by a home analyst at S&P and zero if the new issue is rated by an S&P analyst who grew up outside the issuer's state. *Moody's home analyst* is an indicator variable taking a value of one if the new issue is rated by a home analyst at Moody's and zero if the new issue is rated by a Moody's analyst who grew up outside the issuer's state. We define bond controls in the legend of the table containing summary statistics. Issuer type FE are indicator variables for whether the bond is issued by a city, county, state, or other level of government. We cluster standard errors at the issuer level. Standard errors are in parentheses below coefficient estimates. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A: S&P Home Analysts and Offer Yields and Spreads

	Offer yield	Spread to Treasury$_1$	After-tax spread to Treasury$_1$	Spread to Treasury$_2$	After-tax spread to Treasury$_2$
	(1)	(2)	(3)	(4)	(5)
AAA	-0.9319	-1.2618	-1.1390	-1.2451	-1.1281
	(0.1740)***	(0.2570)***	(0.2246)***	(0.2612)***	(0.2274)***
AA+	-0.8882	-1.2281	-1.1019	-1.2133	-1.0923
	(0.1742)***	(0.2588)***	(0.2259)***	(0.2631)***	(0.2288)***
AA	-0.7974	-1.1000	-0.9874	-1.0931	-0.9830
	(0.1727)***	(0.2570)***	(0.2243)***	(0.2612)***	(0.2271)***
AA-	-0.6724	-0.9680	-0.8673	-0.9438	-0.8516
	(0.1750)***	(0.2593)***	(0.2265)***	(0.2640)***	(0.2296)***
A+	-0.5878	-0.8249	-0.7356	-0.8128	-0.7277
	(0.1733)***	(0.2553)***	(0.2226)***	(0.2599)***	(0.2257)***
A	-0.5649	-0.8011	-0.7146	-0.7755	-0.6979
	(0.1769)***	(0.2694)***	(0.2340)***	(0.2710)***	(0.2350)***
A-	-0.3989	-0.6639	-0.5690	-0.6254	-0.5440
	(0.1891)**	(0.2789)**	(0.2425)**	(0.2828)**	(0.2451)**
S&P home analyst	-0.2583	-0.5127	-0.4222	-0.4556	-0.3850
	(0.2043)	(0.3089)*	(0.2654)	(0.3018)	(0.2598)
Moody's home analyst	0.0506	0.0109	0.0243	-0.0394	-0.0084
	(0.0396)	(0.0351)	(0.0313)	(0.0382)	(0.0291)
AAA × S&P home analyst	0.4372	0.4878	0.4655	0.3334	0.3651
	(0.2237)*	(0.3085)	(0.2652)*	(0.3098)	(0.2597)
AA+ × S&P home analyst	0.2656	0.5545	0.4480	0.5375	0.4370
	(0.2110)	(0.3130)*	(0.2687)*	(0.3073)*	(0.2637)*
AA × S&P home analyst	0.2627	0.5694	0.4570	0.5502	0.4445
	(0.2106)	(0.3116)*	(0.2686)*	(0.3069)*	(0.2647)*
AA- × S&P home analyst	0.1291	0.6358	0.4627	0.2493	0.2115
	(0.2143)	(0.3171)**	(0.2684)*	(0.3020)	(0.2609)
A+ × S&P home analyst	0.2006	0.2952	0.2585	0.2619	0.2369
	(0.2578)	(0.3502)	(0.3087)	(0.3781)	(0.3254)
A × S&P home analyst	0.3173	0.4795	0.4235	0.4684	0.4163
	(0.2194)	(0.3226)	(0.2791)	(0.3167)	(0.2746)
A- × S&P home analyst	0.5906	0.8427	0.7507	0.7388	0.6832
	(0.2467)**	(0.4462)*	(0.3650)**	(0.4596)	(0.3727)*
Constant	2.3875	0.6550	1.2424	1.0242	1.4824
	(0.2018)***	(0.2462)***	(0.2224)***	(0.2541)***	(0.2271)***
Bond controls?	Yes	Yes	Yes	Yes	Yes
Issuer type FE?	Yes	Yes	Yes	Yes	Yes
Issuer state FE?	Yes	Yes	Yes	Yes	Yes
Issuance year FE?	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.73	0.53	0.56	0.44	0.47
N	61,652	61,652	61,652	61,652	61,652

Panel B: Moody's Home Analysts and Offer Yields and Spreads

	Offer yield	Spread to Treasury$_1$	After-tax spread to Treasury$_1$	Spread to Treasury$_2$	After-tax spread to Treasury$_2$
	(1)	(2)	(3)	(4)	(5)
Aaa	-0.8001	-1.0896	-0.9823	-1.1079	-0.9942
	(0.1722)***	(0.2700)***	(0.2325)***	(0.2709)***	(0.2332)***
Aa1	-0.8067	-1.0897	-0.9857	-1.1060	-0.9963
	(0.1736)***	(0.2718)***	(0.2343)***	(0.2728)***	(0.2349)***
Aa2	-0.7172	-0.9827	-0.8842	-1.0005	-0.8958
	(0.1729)***	(0.2728)***	(0.2348)***	(0.2739)***	(0.2355)***
Aa3	-0.6601	-0.9211	-0.8305	-0.9320	-0.8376
	(0.1722)***	(0.2717)***	(0.2338)***	(0.2727)***	(0.2345)***
A1	-0.4221	-0.6296	-0.5518	-0.6493	-0.5646
	(0.1758)**	(0.2690)**	(0.2330)**	(0.2698)**	(0.2335)**
A2	-0.3848	-0.6167	-0.5329	-0.6263	-0.5391
	(0.1797)**	(0.2832)**	(0.2437)**	(0.2844)**	(0.2445)**
A3	-0.4018	-0.5215	-0.4723	-0.5536	-0.4931
	(0.2132)*	(0.2978)*	(0.2629)*	(0.2967)*	(0.2622)*
S&P home analyst	0.0181	0.0153	0.0150	0.0067	0.0093
	(0.0365)	(0.0435)	(0.0380)	(0.0429)	(0.0374)
Moody's home analyst	-0.0621	-0.3389	-0.2332	-0.3757	-0.2572
	(0.2049)	(0.3237)	(0.2703)	(0.3058)	(0.2597)
Aaa × Moody's home analyst	0.0850	0.4137	0.2875	0.4657	0.3213
	(0.2087)	(0.3242)	(0.2708)	(0.3061)	(0.2600)
Aa1 × Moody's home analyst	0.1989	0.4323	0.3425	0.4650	0.3638
	(0.2071)	(0.3214)	(0.2681)	(0.3035)	(0.2573)
Aa2 × Moody's home analyst	-0.0204	0.3087	0.1849	0.3617	0.2194
	(0.2066)	(0.3234)	(0.2699)	(0.3058)	(0.2595)
Aa3- × Moody's home analyst	0.0178	0.2773	0.1805	0.3107	0.2022
	(0.2129)	(0.3301)	(0.2771)	(0.3127)	(0.2668)
A1 × Moody's home analyst	-0.0885	0.1846	0.0786	0.2501	0.1212
	(0.2260)	(0.3365)	(0.2843)	(0.3188)	(0.2743)
A2 × Moody's home analyst	0.0665	0.2683	0.1918	0.2712	0.1937
	(0.2270)	(0.3381)	(0.2864)	(0.3204)	(0.2755)
A3 × Moody's home analyst	0.0436	0.0417	0.0287	-0.4256	-0.2751
	(0.2490)	(0.3519)	(0.3024)	(0.3370)	(0.2939)
Constant	2.3623	0.5329	1.1550	0.8519	1.3623
	(0.2072)***	(0.2638)**	(0.2354)***	(0.2661)***	(0.2374)***
Bond controls?	Yes	Yes	Yes	Yes	Yes
Issuer type FE?	Yes	Yes	Yes	Yes	Yes
Issuer state FE?	Yes	Yes	Yes	Yes	Yes
Issuance year FE?	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.73	0.52	0.56	0.44	0.46
N	61,652	61,652	61,652	61,652	61,652

Table VI.A
Frequency of Analyst Turnover as a Proxy for Likelihood of an Issuer Being Covered by Randomly Assigned Analysts

This table displays results from OLS regressions with *Rating level* as the dependent variable. *Rating level* is a numerical translation of S&P and Moody's 21-point alphanumeric scales. Ratings are increasing in credit quality, such that AAA or Aaa = 21, AA+ or Aa1 = 20, etc. *Home analyst* is an indicator variable taking a value of one if the bond was issued by a municipality in the lead analyst's home state. We define an analyst's home by where he/she received his/her social security number. Columns (1) and (2) split our main sample by whether the bond's issuer is covered by an above- or below-median number of unique analysts over the sample period. *Above median turnover* is an indicator taking a value of one if the bond's issuer is covered by relatively many different analysts during the sample period and zero of it is covered by relatively few different analysts during the sample period. Analyst control variables are defined and summarized in the Internet Appendix. We cluster standard errors at the bond level. Standard errors are in parentheses below coefficient estimates. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Below median turnover	Above median turnover	Pooled
	(1)	(2)	(3)
Home analyst	0.08	0.10	0.09
	(0.01)***	(0.01)***	(0.01)***
Home analyst × Above median turnover			0.00
			(0.01)
Analyst controls?	Yes	Yes	Yes
Agency FE?	Yes	Yes	Yes
Bond-Month FE?	Yes	Yes	Yes
Adjusted R^2	0.93	0.92	0.93
N	4,625,591	5,404,112	10,029,703

Table VII.A
Home Bias Regressions Excluding Bonds Issued by Northeastern States

This table displays results from OLS regressions with *Rating level* as the dependent variable. *Rating level* is a numerical translation of S&P and Moody's 21-point alphanumeric scales. Ratings are increasing in credit quality, such that AAA or Aaa = 21, AA+ or Aa1 = 20, etc. *Home analyst* is an indicator variable taking a value of one if the bond was issued by a municipality in the analyst's home state. We exclude observations associated with bonds issued by municipalities in Connecticut, Massachusetts, New Jersey, New York, and Pennsylvania. Analyst control variables are defined and summarized in the Internet Appendix. Standard errors clustered by bond are in parentheses below coefficient estimates. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)
Home analyst	0.15
	(0.01)***
Analyst controls?	Yes
Agency FE?	Yes
Bond-month FE?	Yes
Adjusted R^2	0.93
N	8,360,305