

Munis navigate a busy week ahead of a peaceful year end

KEY TAKEAWAYS

- Mixed and incomplete economic data kept near-term expectations for rate cuts in check. Consumer spending was elevated while labor rebounded following the government shutdown.
- S&P downgraded Brightline senior secured bonds, which could cause some added volatility. Brightline is the largest high yield index constituent and relative weightings are key.
- December, historically a solid month for returns, should end the month near neutral following strong October and November results.

Market recap

Heading into the peak holiday season, municipals balanced a slew of demands with poise. Increased tax-loss harvesting pressures, the release of delayed economic data and a \$9.2B calendar kept muni rates in check. The last of the 2025 reinvestment cash grabbed available supply with secondary bonds trading well and many primary deals oversubscribed. S&P downgraded senior secured Brightline train bonds to CCC from BB-. High yield underperformed investment grade munis for the week. Heading into the holidays, markets are hoping for an uneventful end to the year.

Municipal market returns (%)

Index returns by maturity	WTD	MTD	YTD
Muni bond 5-year	0.06	0.15	4.89
Muni bond 10-year	0.06	0.07	5.73
Muni bond 15-year	0.08	-0.02	5.02
Muni long bond (22+)	0.10	-0.46	1.81
Muni bond 3–5 year blend	0.07	0.09	5.11

Source: Bloomberg L.P., 18 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results. All index returns are Bloomberg; shown in U.S. dollars.

How is supply trending?

Last week’s supply came in heavier than expected near \$9B. Total 2025 supply broke yet another record and should reach \$550B by year end.

Market impact: The municipal market was able to absorb significant new issue supply as reinvestment cash made its way back into the market.

What do yields look like?

The municipal yield curve steepened slightly as yields 3-years and shorter fell 2 bps and the longer end was flat. Treasury yields fell and pushed Muni/UST ratios slightly higher.

Municipal market yields (%)

	Current (%)	Change (bps)	Ratio (%)
5Y	2.43	0	65%
10Y	2.76	-1	66%
30Y	4.22	+1	88%

Source: MMD, Bloomberg, L.P.; data from 12 Dec 2025–18 Dec 2025.

What are flows doing?

Inflows ticked up to net \$400M last week, driven by tax-loss harvesting.

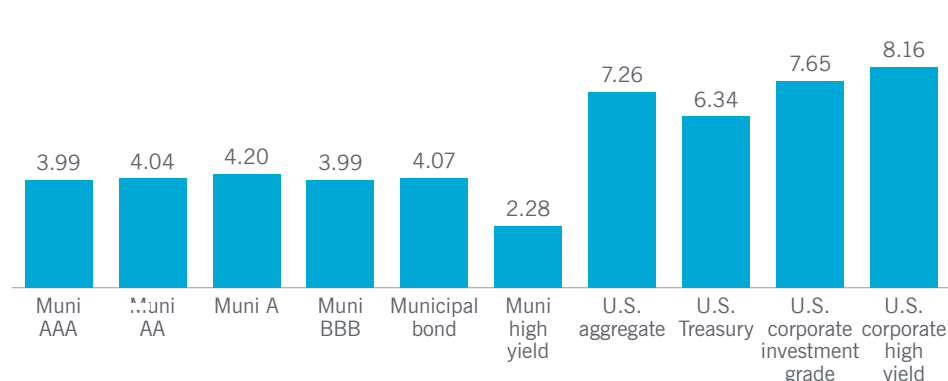
OEFs	-\$244M
ETFs	+\$644M
Long-term OEFs	-\$504M
Long-term ETFs	+\$217M

Source: LSEG Lipper, data from 11 Dec 2025–17 Dec 2025.

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Figure 1: YTD index returns by credit quality (%)

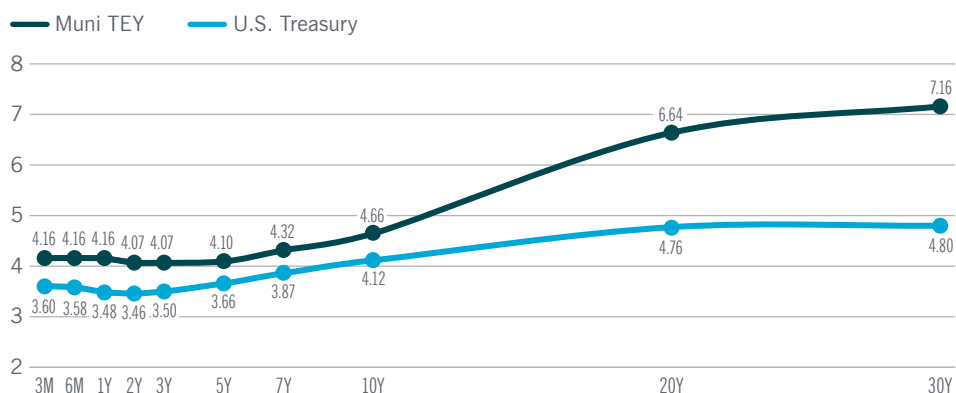


High yield muni bonds underperformed on the week and lag on a year-to-date basis.

Data source: Bloomberg L.P., 18 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results. All index returns are Bloomberg; shown in U.S. dollars.

Figure 2: U.S. Treasuries vs. AAA municipal yield curve

Taxable-equivalent yield (%)

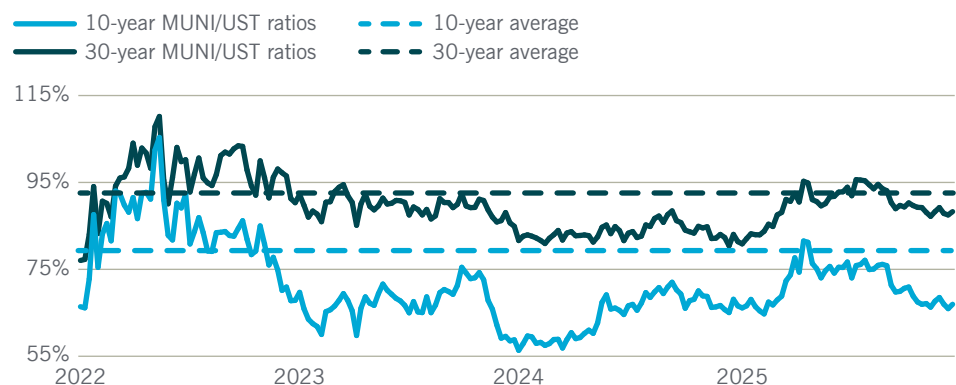


Longer-maturity municipals have offered meaningfully higher tax-efficient yields.

Data source: Bloomberg; Nuveen Portfolio Strategy & Solutions, as of 18 Dec 2025. Taxable-equivalent yield (TEY) is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-free municipal investment. The yields shown are based on the highest individual marginal federal tax rate of 37%, plus the 3.8% Medicare tax on investment income. Individual tax rates may vary. They do not take into account the effects of the federal alternative minimum tax (AMT) or capital gains taxes.

Figure 3: Municipal-to-Treasury ratios

AAA municipal bonds value relative to Treasuries



Valuations have been more attractive in longer-dated munis versus Treasuries.

Data source: Refinitiv MMD for fair value Municipal 10- and 30-Year Index AAA General Obligation bonds; Bloomberg, L.P. for 10- and 30-year U.S. Treasury yields, shown weekly, 31 Dec 2021–18 Dec 2025, averages shown from 01 Jan 1984–04 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results. Municipal-to-Treasury ratio represents the value of AAA municipal yields relative to U.S. Treasury yields.

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Endnotes

Sources

Performance: Bloomberg, L.P. **Issuance:** J.P. Morgan, 18 Dec 2025. **Fund flows:** Lipper.

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Representative indexes: **muni bond 5-year:** Bloomberg Municipal Bond 5 Year (4–6) Index; **muni bond 10-year:** Bloomberg Municipal Bond 10 Year (8–12) Index; **muni bond 15-year:** Bloomberg Municipal Bond 15 Year (12–17) Index; **muni long bond:** Bloomberg Municipal Long Bond (22+) Index; **muni bond 3–15 year blend:** Bloomberg Municipal 3–15 year blend (2–17) Index; **muni AAA:** Bloomberg Municipal AAA Index; **muni AA:** Bloomberg Municipal AA Index; **muni A:** Bloomberg Municipal A Index; **muni BBB:** Bloomberg Municipal BBB Index; **municipal bond:** Bloomberg Municipal Bond Index; **muni high yield:** Bloomberg High Yield Municipal Index; **U.S. aggregate bond:** Bloomberg U.S. Aggregate Bond Index; **U.S. Treasury:** Bloomberg U.S. Treasury Index; **U.S. government related:** Bloomberg U.S. Government-Related Index; **U.S. corporate investment grade:** Bloomberg U.S. Corporate Index; **U.S. high yield corporate:** Bloomberg U.S. Corporate High Yield Index.

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For term definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

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Taxable-equivalent yields are based on the highest individual marginal federal tax rate of 37%, plus the 3.8% Medicare tax on investment income. Individual tax rates may vary.

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