

**nuveen**

A TIAA Company



# Municipal market update

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As of 31 March 2026

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NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

# Municipal market insights

## Economy



### Inflation

**Energy related spike** has pressured prices, but **inflation should be well-contained** moving forward.

### Policy

The **Fed is holding rates steady for now** due to uncertainty around inflation and geopolitical events.

### Economic growth

Mixed economic data contributes to uncertainty and **present conditions show signs of softness**.

### Interest rates

**Elevated inflation and uncertain Fed policy** may keep interest rates **higher for longer**.

## Municipals



### Credit fundamentals

States and cities have strong revenue collections and reserves. We are closely monitoring **health care and higher education** sectors.

### Supply and demand

**Municipal issuance** is expected to hit **\$600B in 2026**. However, maturing bonds, coupon payments and bond calls should **offset this record supply**, while strong inflows could provide additional support.

### Valuations

Despite recent volatility, **municipal valuations are attractive relative to broader fixed income**. We believe the rally is still in the early stages.

Source: Nuveen as of 31 Mar 2026. Certain statements may be deemed forward-looking statements. Please note that any such statements are not guarantees or intended to constitute a prediction of any future performance; actual results or developments may differ materially from those projected.

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# Municipal investment themes

## Low money market rates



\$7.5T in cash on the sidelines may move toward **higher-yielding assets**

## Record supply



Projected **\$600B issuance** creates opportunities and demand is strong

## Steepest yield curve in years



20-year munis offer **attractive yield pickup** over 5- and 10-year bonds

## Federal policy shifts



**Policy headlines create volatility** but selective opportunities remain

## Record reserve levels



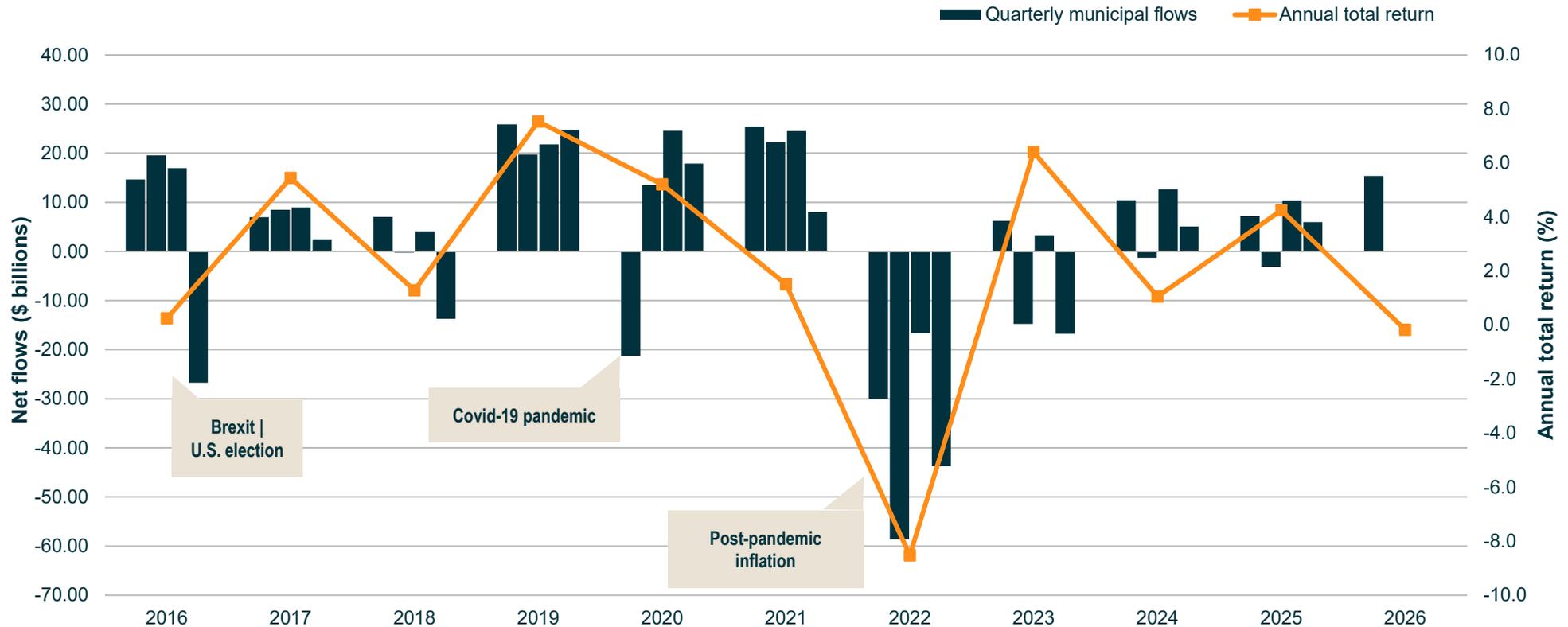
Municipal borrowers entered 2026 with reserves at **historic highs**

Source: Nuveen as of 31 Mar 2026. Certain statements may be deemed forward-looking statements. Please note that any such statements are not guarantees or intended to constitute a prediction of any future performance; actual results or developments may differ materially from those projected.

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# Municipal mutual fund flows have been strongly correlated with performance



**After massive outflows of \$149 billion in 2022 drove returns to -8.5%, the market has recovered with over \$60 billion in combined inflows from 2024 through March 2026, supporting improved performance.**

Data source: LESG Lipper Global Fund Flows, 01 Jan 2016 – 31 Mar 2026, fund flows shown quarterly and performance shown annually. Performance data shown represents past performance and does not predict or guarantee future results. Representative index: Bloomberg Municipal Bond Index. Municipals represent the total of all municipal bond open-end funds, including high yield, but excluding exchange-traded funds. Shading represents significant market events.

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# Investors have not missed the full rally for municipals; rally could be in early stages

Over the last 25 years, when the performance spread for municipals vs. US Agg has fallen below -400 bps, municipals have recovered to 375+ bps.



Recovery period	What happened?
Dec 2008 – Sep 2009	Global Financial Crisis
Dec 2010 – Aug 2012	Elevated supply; unwarranted negative credit forecast
Apr 2020 – Jul 2021	Covid-19 Pandemic
Jul 2025 – TBD	Policy uncertainty; historic supply; sporadic flows

Data sources: Bloomberg, L.P., Refinitiv MMD, 31 Jan 2000 – 31 Mar 2026, shown monthly. Performance data shown represents past performance and does not predict or guarantee future results. The chart shows the performance of the Bloomberg Municipal Index vs Bloomberg U.S. Aggregate Index. Municipal bond performance represented by the Bloomberg Municipal Bond Index; U.S. Aggregate performance represented by Bloomberg U.S. Aggregate Index. Periods of municipal underperformance with -400 bps were identified, and the corresponding number of months to recovery were tracked, as shown by the shaded periods: 31 Dec 2008 – 30 Sep 2009, 31 Dec 2010 – 31 Aug 2012, and 30 Apr 2020 – 31 Jul 2021. Different benchmarks, economic periods, methodologies and market conditions will produce different results.

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# Fixed income markets

Spread widening and higher Muni/Treasury ratios are creating relative value opportunities.

Sector	Yield	Duration	Total Return					Spread Change				Current Yield Percentile vs History			Current Spread Percentile vs History		
			1Mo	3Mo	YTD	6Mo	1Yr	Sprd	YTD	6Mo	1Yr	3Y	5Y	10Y	3Y	5Y	10Y
U.S. Agg	4.6	5.9	-1.33	-0.05	-0.05	1.05	4.35	30	4	3	-4	36%	58%	76%	5%	4%	2%
IG Corp	5.1	6.8	-1.56	-0.54	-0.54	0.30	4.78	89	11	16	-4	39%	58%	76%	45%	38%	19%
High Yield Corp	7.4	3.0	-1.08	-0.50	-0.50	0.81	7.01	320	52	50	-25	39%	50%	70%	58%	52%	31%
Senior Loans	8.7	-	0.78	-0.47	-0.47	0.71	4.79	514	59	63	16	44%	55%	76%	61%	63%	65%
CLO - A	5.6	-	0.17	1.05	1.05	2.47	6.17	192	29	34	1	20%	38%	69%	47%	28%	23%
CLO - BB	12.2	-	-2.01	-3.15	-3.15	-2.14	4.88	828	161	202	103	57%	64%	79%	68%	68%	73%
<b>Diversified Muni</b>	3.8	7.3	-1.97	-0.18	-0.18	1.27	4.26	19	-7	-3	7	71%	80%	87%	60%	65%	62%
<b>Muni - BBB</b>	4.6	7.8	-1.81	0.17	0.17	1.85	4.25	71	-13	-6	16	74%	81%	90%	37%	48%	28%
<b>HY Muni</b>	5.2	7.2	-1.46	0.80	0.80	2.54	3.90	141	-13	-8	34	50%	66%	67%	37%	48%	29%
<b>Short Duration HYM</b>	4.8	4.2	-1.35	0.02	0.02	0.74	3.64	165	-11	-2	38	87%	89%	85%	78%	87%	71%
Preferred - Institutional	6.2	4.2	-1.39	-0.21	-0.21	0.86	6.62	199	14	20	-10	33%	50%	74%	41%	25%	18%
Preferred - CoCo	6.8	3.6	-2.14	-1.08	-1.08	0.74	7.58	265	42	47	-8	28%	46%	70%	46%	35%	22%
Preferred - Fixed Rate	6.5	7.0	-3.20	-1.40	-1.40	-1.70	3.58	140	26	48	6	75%	79%	89%	67%	57%	61%

Higher yield / wider spread pct. vs column



Lower yield / narrower spread pct. vs column

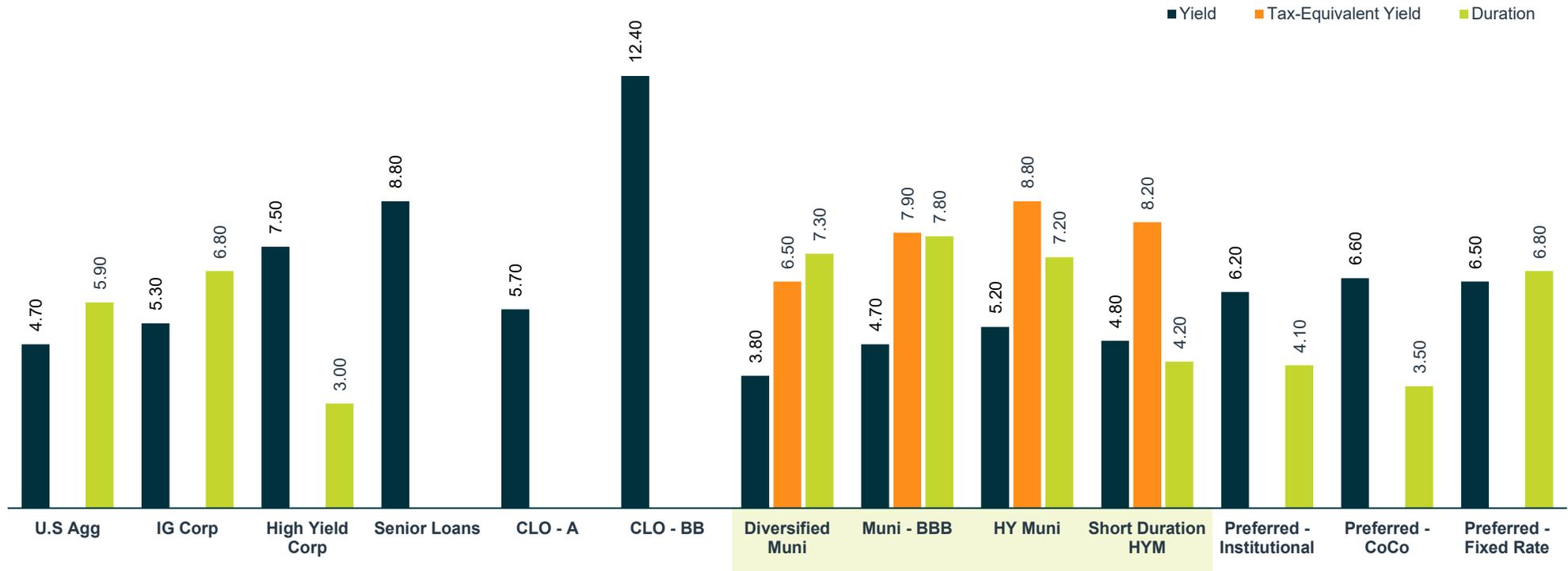
Source: Bloomberg as of Mar 31 2026. **Representative indices:** U.S. Agg: Bloomberg U.S. Agg Total Return Value Unhedged USD; IG Corp: Bloomberg US Corporate Total Return Value Unhedged USD; High Yield Corp: Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD; Senior Loans: S&P UBS Leveraged Loan Index Total Ret Index Level Unhedged USD; CLO-A: JPM U.S. CLOIE A; CLO-BB: JPM U.S. CLOIE BB; Diversified Muni: ICE BofA U.S. Municipal Securities Index; Muni-BBB: ICE BofA BBB U.S. Municipal Securities Index; HY Muni: ICE BofA U.S. Municipal High Yield Securities Index; Short Duration HYM: ICE 1-12 Year Broad High Yield Crossover Municipal Index; Preferred-Institutional: ICE U.S. Institutional Capital Securities Index; Preferred-CoCo: ICE USD Contingent Capital Index; Preferred-Fixed Rate: ICE BofA Fixed Rate Preferred Securities Index.

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# Current yields across fixed income sectors

Municipal tax-equivalent yields, combined with recent spread widening, creates a compelling entry point for municipals.



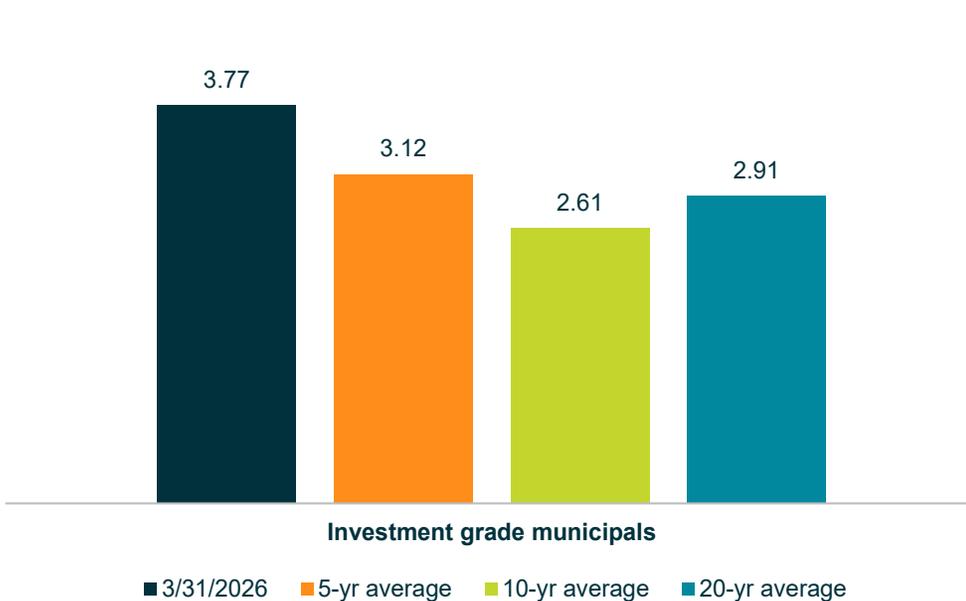
Source: Bloomberg as of Mar 26 2026. **Representative indices:** **U.S. Agg:** Bloomberg U.S. Agg Total Return Value Unhedged USD; **IG Corp:** Bloomberg US Corporate Total Return Value Unhedged USD; **High Yield Corp:** Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD; **Senior Loans:** S&P UBS Leveraged Loan Index Total Ret Index Level Unhedged USD; **CLO-A:** JPM U.S. CLOIE A; **CLO-BB:** JPM U.S. CLOIE BB; **Diversified Muni:** ICE BofA U.S. Municipal Securities Index; **Muni-BBB:** ICE BofA BBB U.S. Municipal Securities Index; **HY Muni:** ICE BofA U.S. Municipal High Yield Securities Index; **Short Duration HYM:** ICE 1-12 Year Broad High Yield Crossover Municipal Index; **Preferred-Institutional:** ICE U.S. Institutional Capital Securities Index; **Preferred-CoCo:** ICE USD Contingent Capital Index; **Preferred-Fixed Rate:** ICE BofA Fixed Rate Preferred Securities Index.

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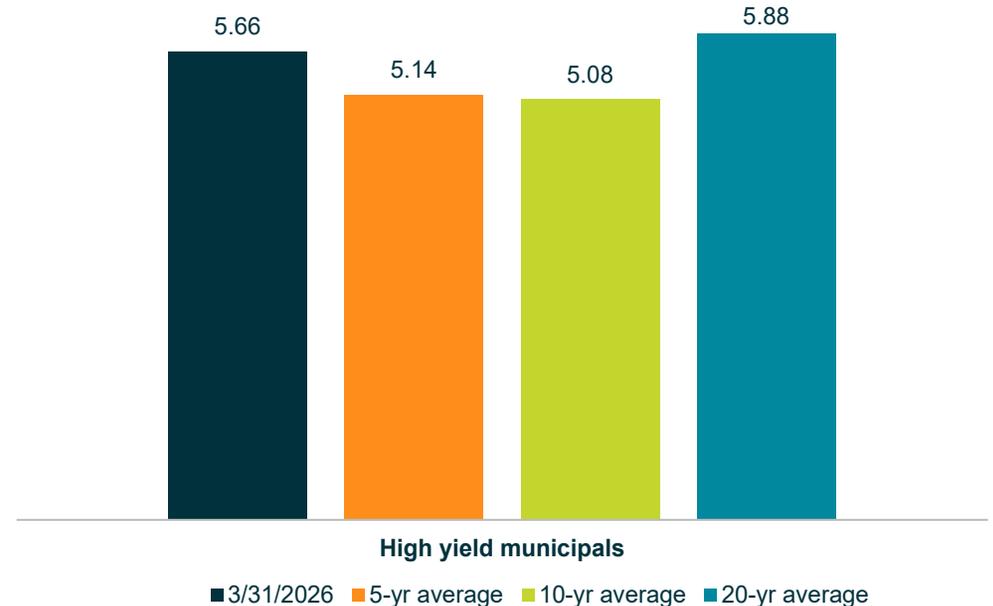
# Starting yield levels are elevated across investment grade and high yield municipals

Current municipal yields are attractive compared to history.

## Yield to worst (%)



**+65 bps vs. trailing 5 years**



**+52 bps vs. trailing 5 years**

Data source: Bloomberg, L.P., 31 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. Yields are yield to worst. Yield to worst is the lowest potential yield that can be received on a bond without the issuer defaulting. Representative indices: Investment grade municipals: Bloomberg Municipal Bond Index; High yield municipals: Bloomberg High Yield Municipal Bond Index.

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# Key factors in municipal bond returns

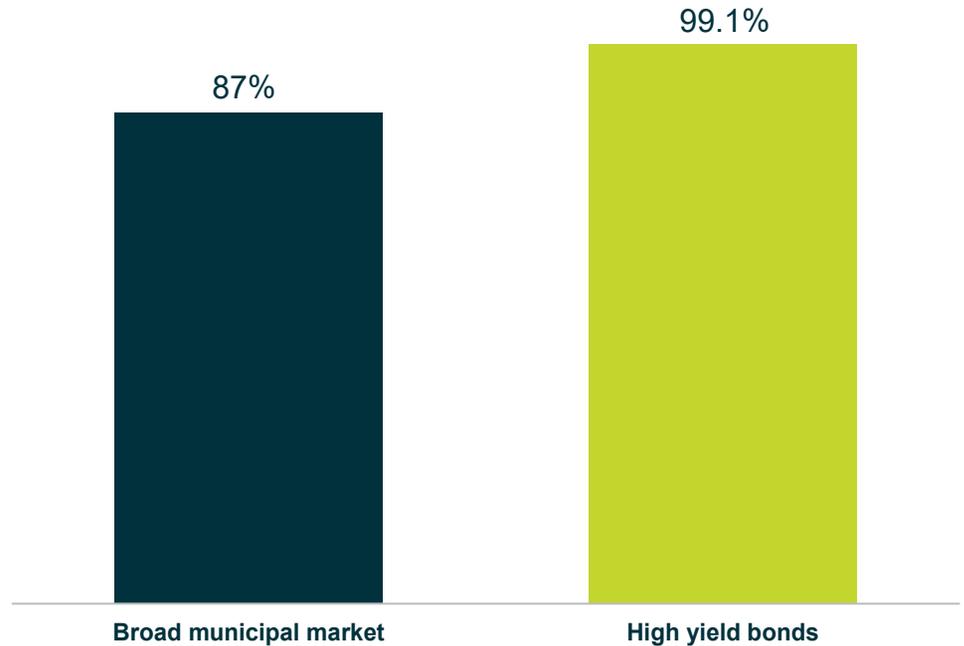
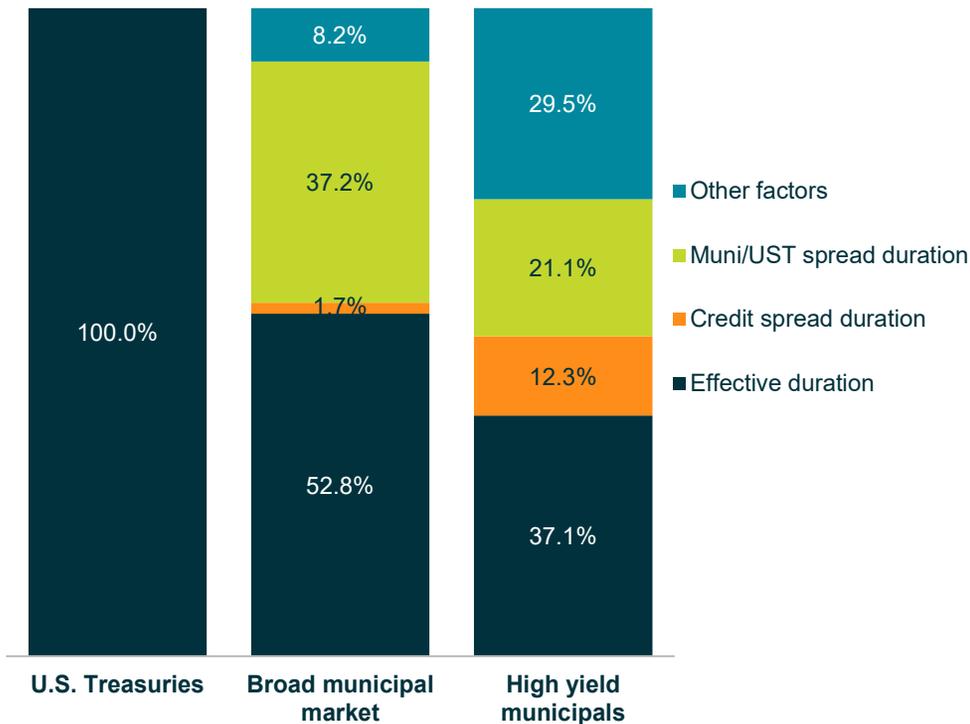
Municipal bonds react differently to market conditions when compared to U.S. Treasuries, while income drives overall returns.

## Drivers of risk<sup>1</sup>

Municipal bonds tend to be influenced by duration and spreads, whereas high yield municipals are more driven by credit spreads

## Income as a portion of total return (%)

Given multiple sources of risk, price stability is uncertain. This leaves yield as the most reliable predictor of total return, particularly within high yield municipals



<sup>1</sup> Risk defined as volatility of returns. Data source: Nuveen, monthly returns 31 Dec 2010 – 31 Dec 2025. Broad municipal market defined as S&P Municipal Bond Index, and high yield market defined as S&P Municipal Yield TR Index. It is not possible to invest in an index. Other factors can be attributed to credit selection and individual security selection.

Data source: Bloomberg, L.P. As of 31 Dec 2025.

Chart shows the percent of annualized total return derived from coupon return (as opposed to price appreciation) since index inception. Investment grade bonds are represented by the S&P Municipal Bond Index, which has an inception date of 01 Jan 1976; returns from 28 Feb 2006 – 28 Feb 2026. High yield bonds are represented by the S&P Municipal Yield Index, which has an inception date of 31 Jan 1993; returns from 28 Feb 2006 – 28 Feb 2026. The index return presented is for illustration purposes only and does not represent or predict performance of any Nuveen product. It is not possible to invest directly in an index. **Performance data shown represents past performance and does not predict or guarantee future results.**

# Muni sector scorecard

 Positive  Neutral  Negative

SECTOR	CREDIT FUNDAMENTALS	CREDIT MOMENTUM	KEY TAKEAWAY
<b>State &amp; local governments</b>			Steady tax revenue growth and strong reserves provide cushion against possible economic slowdown and federal policy uncertainty.
<b>Education</b>			Pressure due to increased competition for students and affordability coupled with federal policy changes. Large universities will be able to navigate, smaller colleges likely to struggle.
<b>Transportation</b>			Airport cash balances are healthy and passenger demand remains well above pre-pandemic peak levels, though emerging uncertainty around higher oil prices could impact travel. Capital investment is needed to expand capacity.
<b>Housing</b>			Need for affordable housing bolsters demand. Labor supply constraints due to immigration policy shifts may delay projects.
<b>Water &amp; sewer utilities</b>			Essential service, monopolistic providers with robust liquidity will continue to require significant capital investment.
<b>Health care</b>			Elevated labor and supply costs are normalizing. Most hospitals will adapt to federal Medicaid policy changes coming in 2027. Smaller, rural hospitals may struggle.

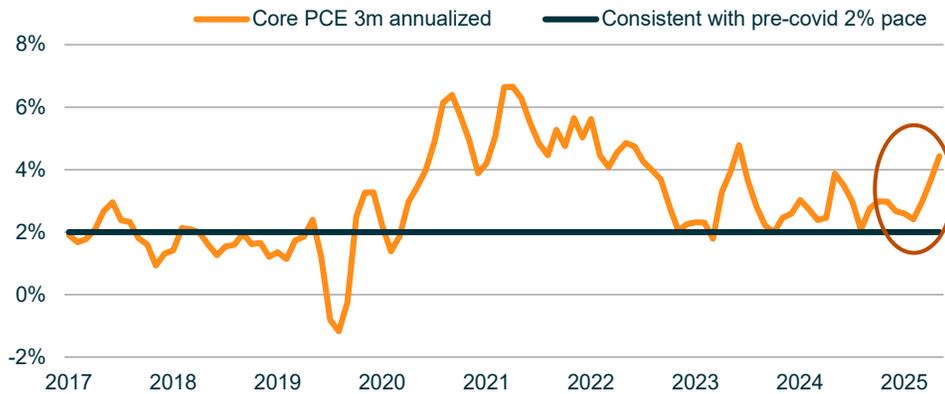
Source: Nuveen as of 31 Mar 2026. Certain statements may be deemed forward-looking statements. Please note that any such statements are not guarantees or intended to constitute a prediction of any future performance; actual results or developments may differ materially from those projected.

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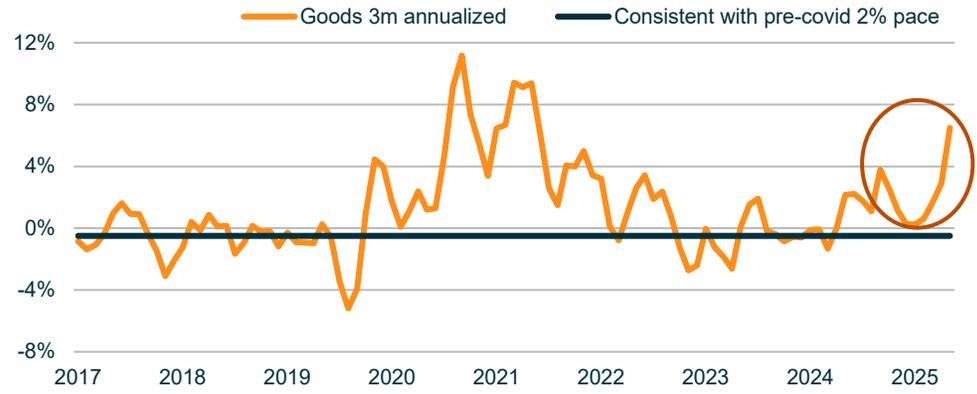
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# Core inflation remains elevated, largely due to the impact of last year's tariffs

**Core inflation has picked up recently, running well above the Fed's 2% target**



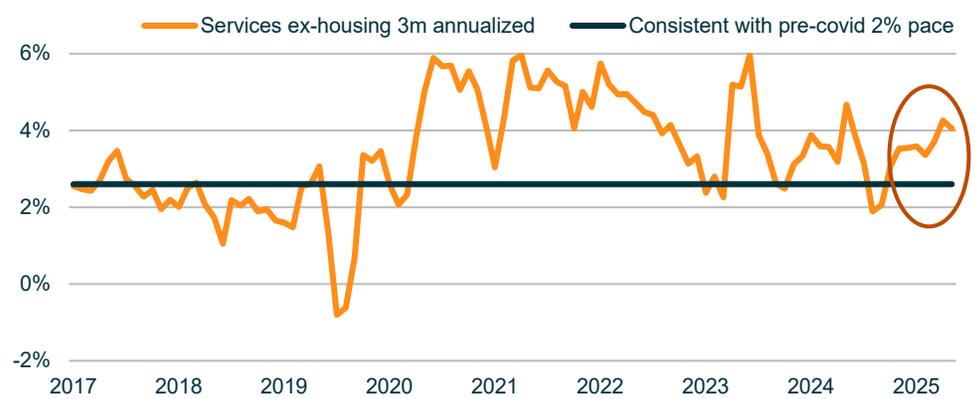
**Goods inflation picked up over recent months, increasingly reflecting the impact of tariffs**



**Housing inflation has slowed materially over recent months**



**Other core services remain slightly above target**



Sources: Bloomberg, BEA, as of 28 Feb 2026.

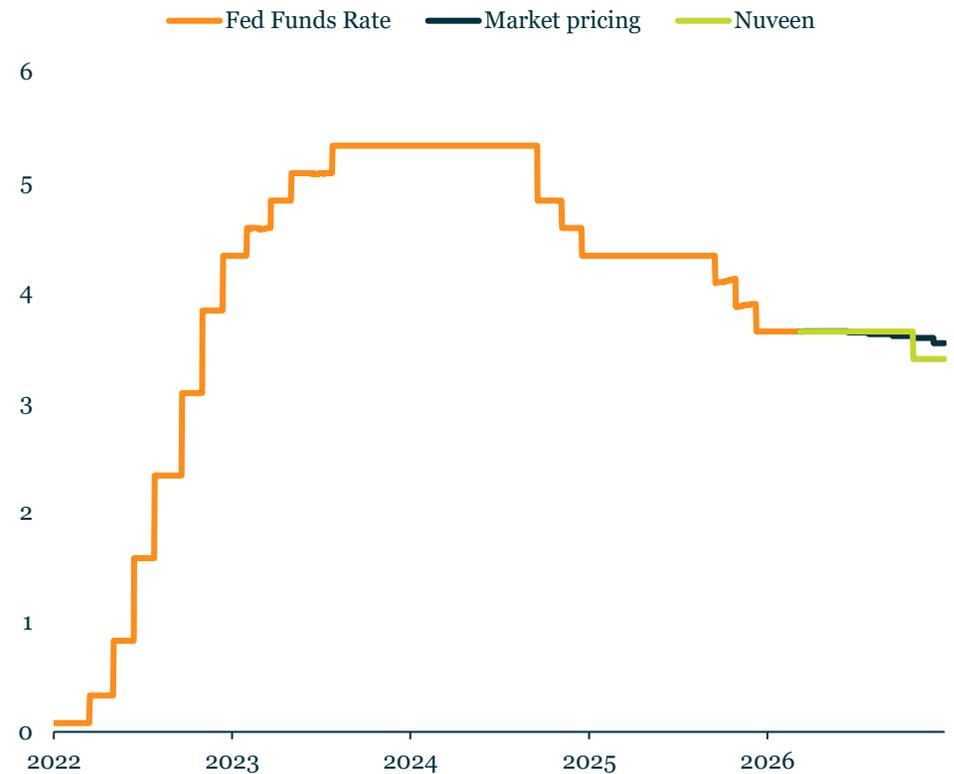
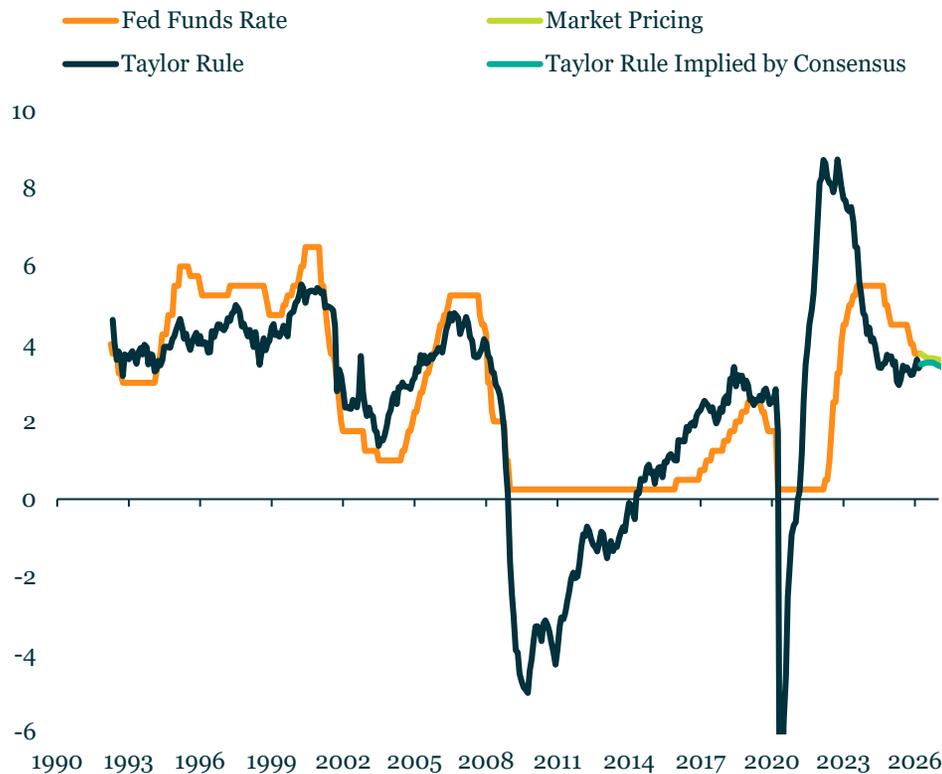
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# Fed outlook: we expect the Fed to remain on “pause” for the next few months

**Taylor Rule framework calls for minimal changes to Fed policy in near-term, due to higher inflation**

**We anticipate one 25 bps rate cut this year, one fewer than previously, due to higher near-term inflation**



Source: Bloomberg, Federal Reserve, as of 6 March, 2026.

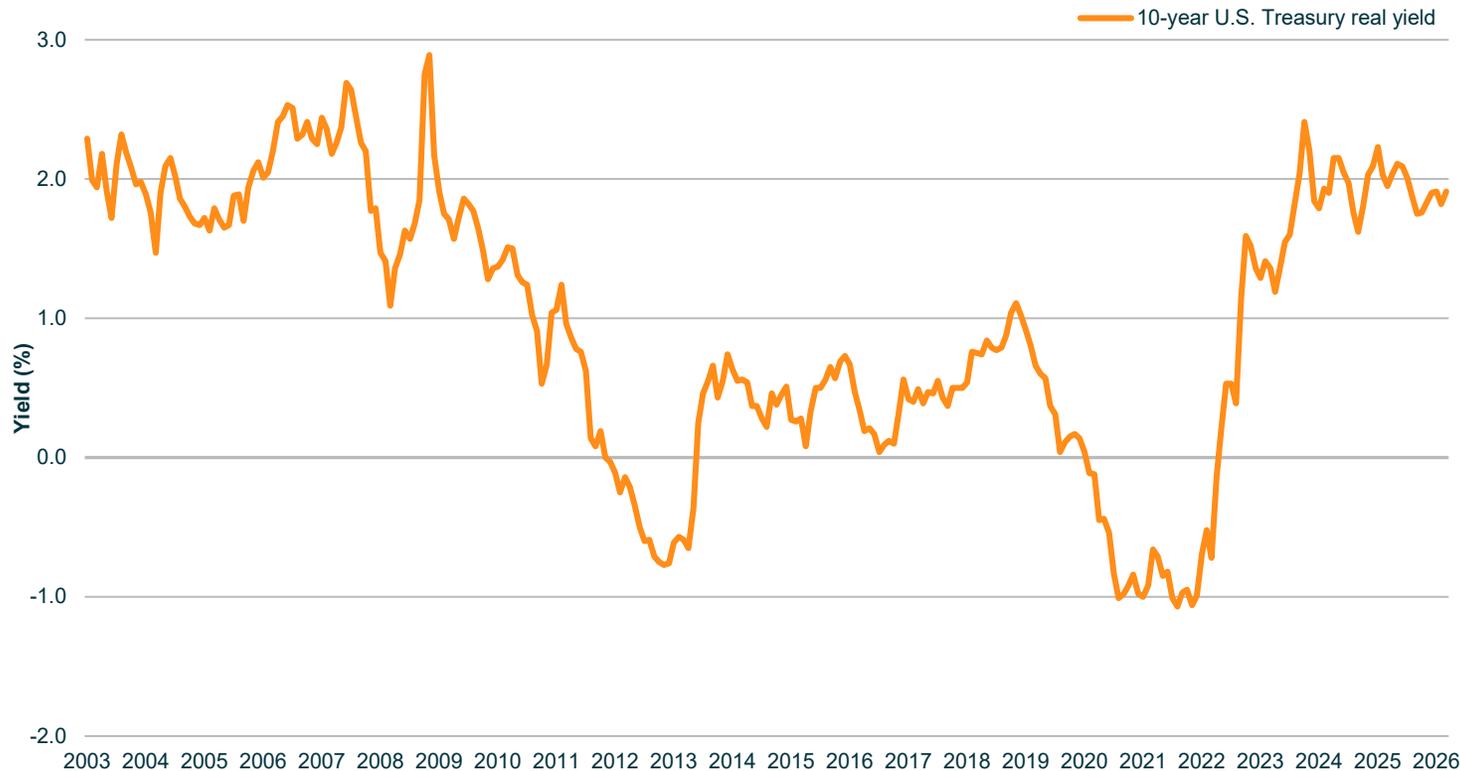
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# Real yield levels are outpacing inflation

Treasury yield minus inflation remains at levels not seen in nearly two decades.

## 10-year U.S. Treasury real yield



**10-year Treasury real yield is 1.91% through March, significantly up from -0.99% at the end of 2021.**

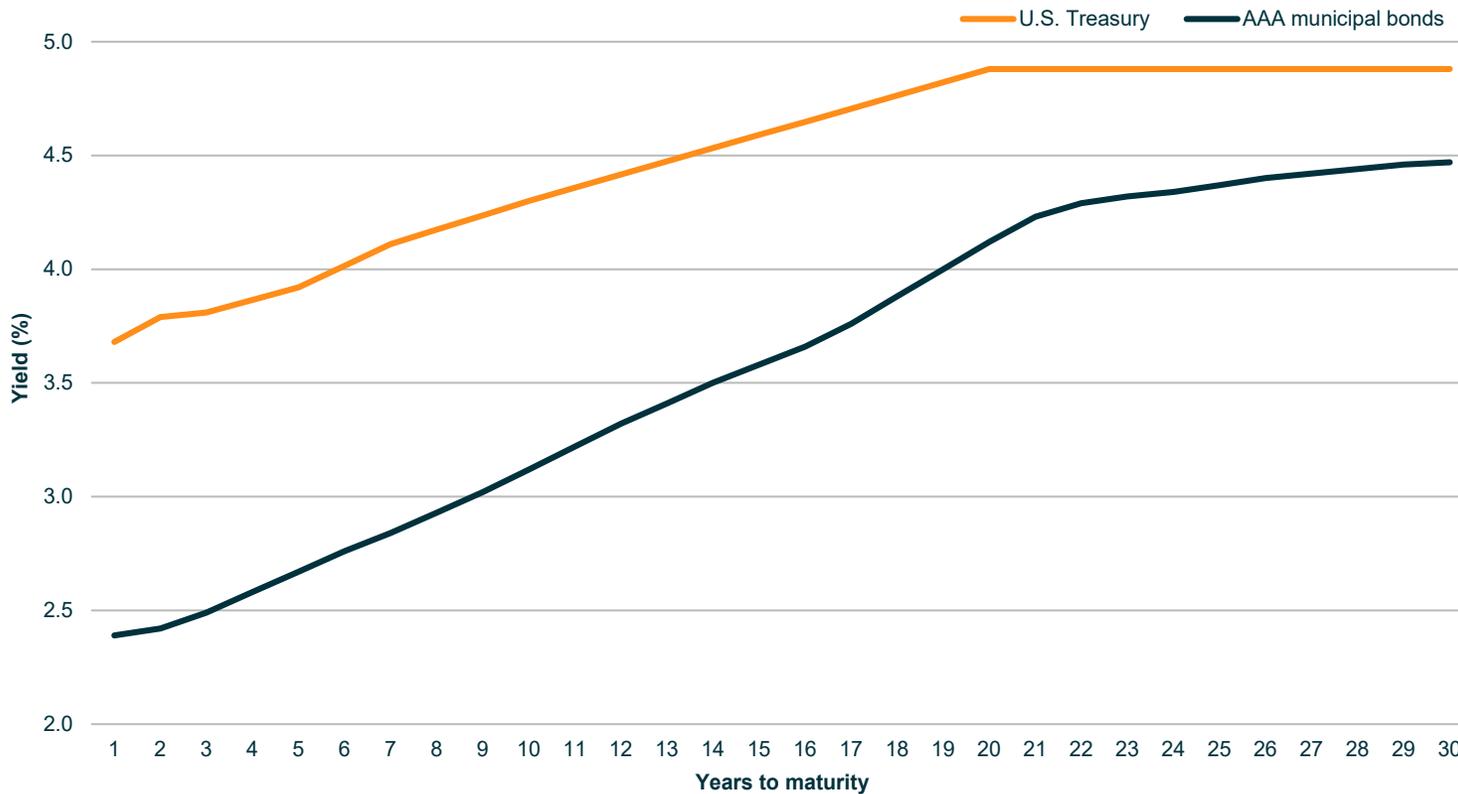
Data source: FRED, 31 Jan 2003 – 31 Mar 2026, shown monthly. The real yield is a measure of the stated return on Treasury bonds, minus inflation, as of 31 Mar 2026.

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# Municipal yield curve has more of a normal shape

U.S. Treasuries vs. AAA-rated G.O. municipal yield curve



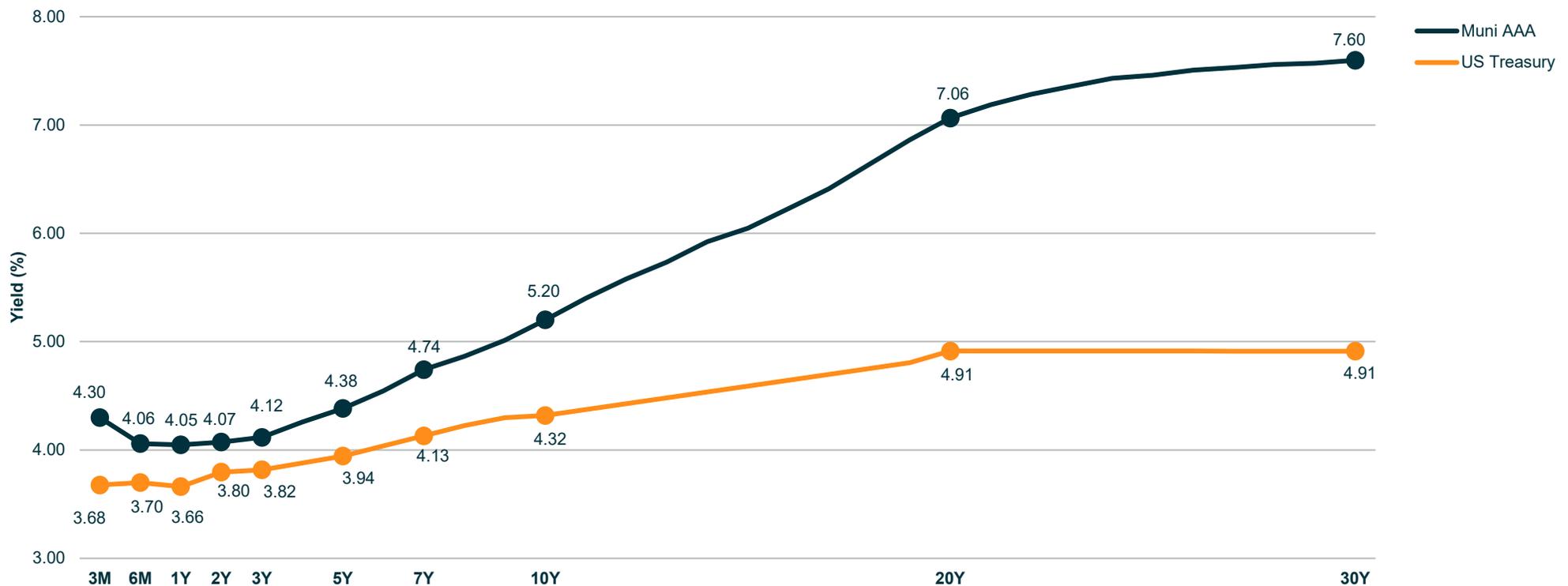
**Treasury curve remains flatter. The municipal curve is upward sloping and offers additional opportunity via pockets of steepness.**

Data sources: U.S. Department of the Treasury; Refinitiv MMD, 31 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. AAA municipals represented by Municipal Market Data (MMD) scale.

# Municipals remain attractive on an after-tax basis

The shape of the municipal curve offers meaningful opportunity to achieve higher tax-efficient yields by extending duration, as the curve has more of an upward slope.

## U.S. Treasuries vs. AAA municipal yield curve (taxable equivalent yield)



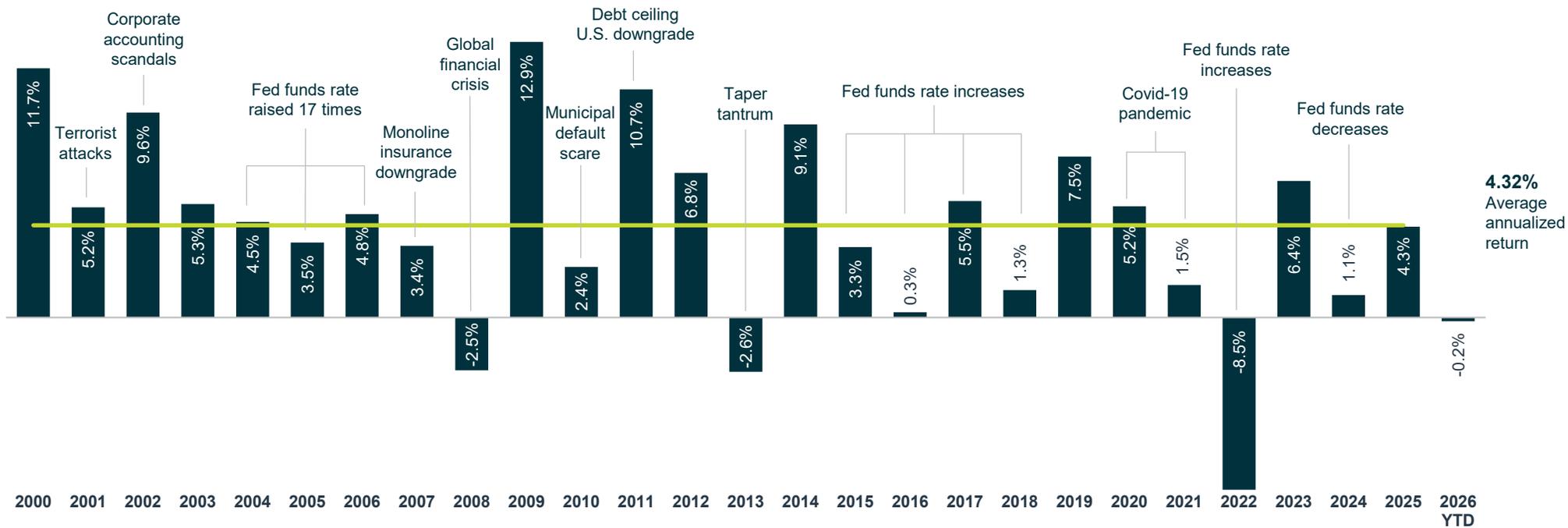
Data source: Bloomberg; Nuveen Portfolio Strategy & Solutions, as of 31 Mar 2026. **Taxable-equivalent yield (TEY)** is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-free municipal investment. The yields shown are based on the highest individual 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.

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# Municipals have historically been resilient

## Bloomberg Municipal Bond Index returns (%)



**2026 YTD index performance has returned -0.18% through March.**

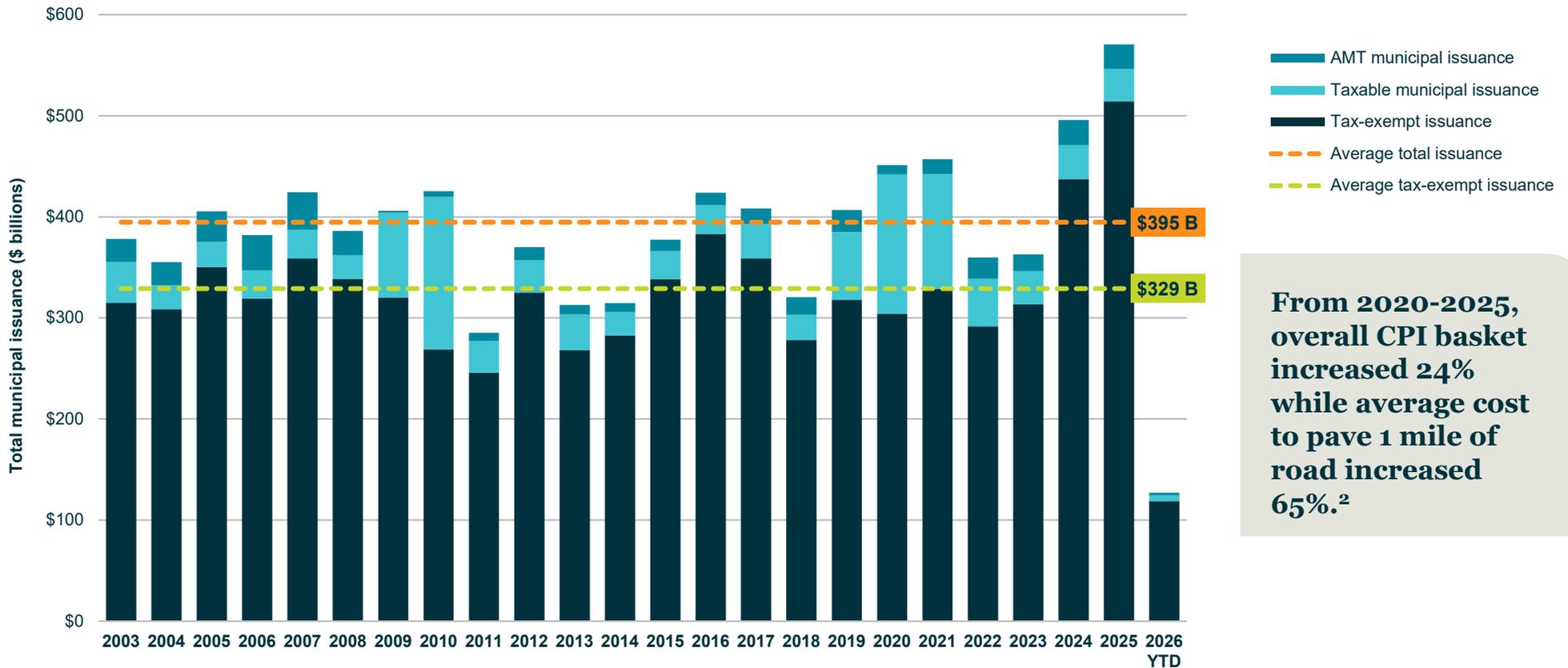
Data source: Bloomberg, L.P., 31 Mar 2026. The average annualized return shown is for the period 01 Jan 2000 – 31 Dec 2025. Performance data shown represents past performance and does not predict or guarantee future results. All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Index returns include reinvestment of income and do not reflect investment professional and other fees that would reduce performance in an actual client account.

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# Issuance is likely to be elevated in 2026

Higher costs are contributing to elevated supply with 2026 overall issuance expected to be \$600B. Issuance through March is up +6.8% compared to March 2025 levels.

## Municipal issuance<sup>1</sup>



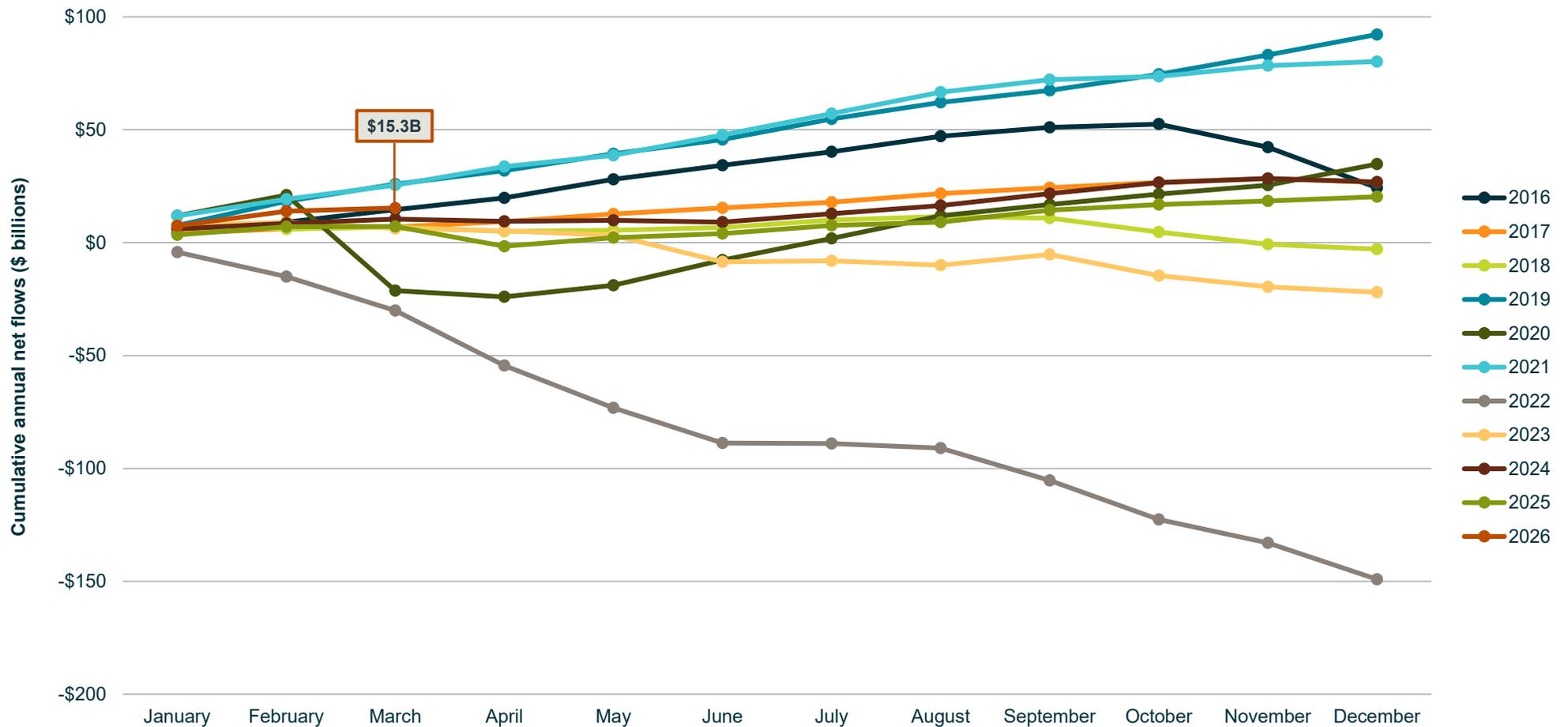
<sup>1</sup> Data source: Securities Industry and Financial Markets Association (SIFMA.org), *U.S. Bond Market Issuance and Outstanding*, 2 Apr 2026 for period ending 31 Mar 2026. The average total issuance and average tax-exempt issuance shown are for the period 01 Jan 2003 – 31 Dec 2025. AMT municipal issuance is part of the tax-exempt municipal market.

<sup>2</sup> Data source: National Highway Construction Cost Index, as of 31 Dec 2025.

# Fund flows are trending in the right direction through the first quarter

Municipal open-end fund YTD net inflows are \$15.34 billion through March 2026.

## Annual municipal bond fund flows by month 2016 – 2026 YTD



Data source: LSEG Lipper Global Fund Flows, 01 Jan 2016 – 31 Mar 2026, cumulative flows for each calendar year, shown monthly. Net flows represent the total of all municipal bond open-end funds.

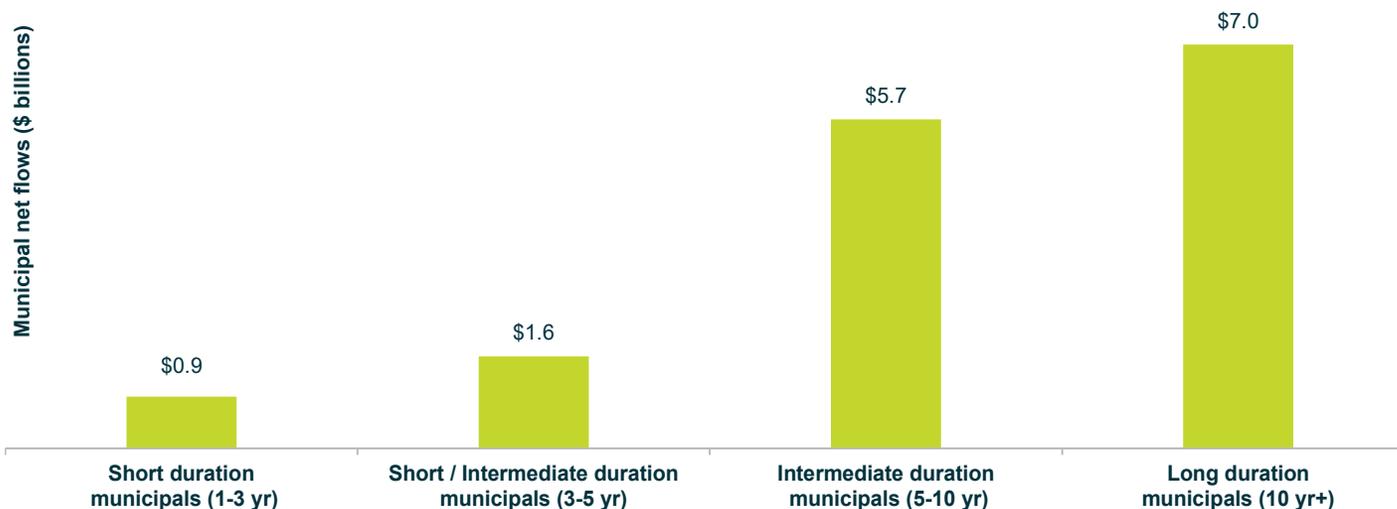
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# Investor flows are starting to favor owning duration and credit risk

Fund flows favor intermediate-to-long duration and high yield municipal bonds, after investors were skeptical of owning duration for much of 2025.

## 2026 YTD inflow or outflow by municipal bond category



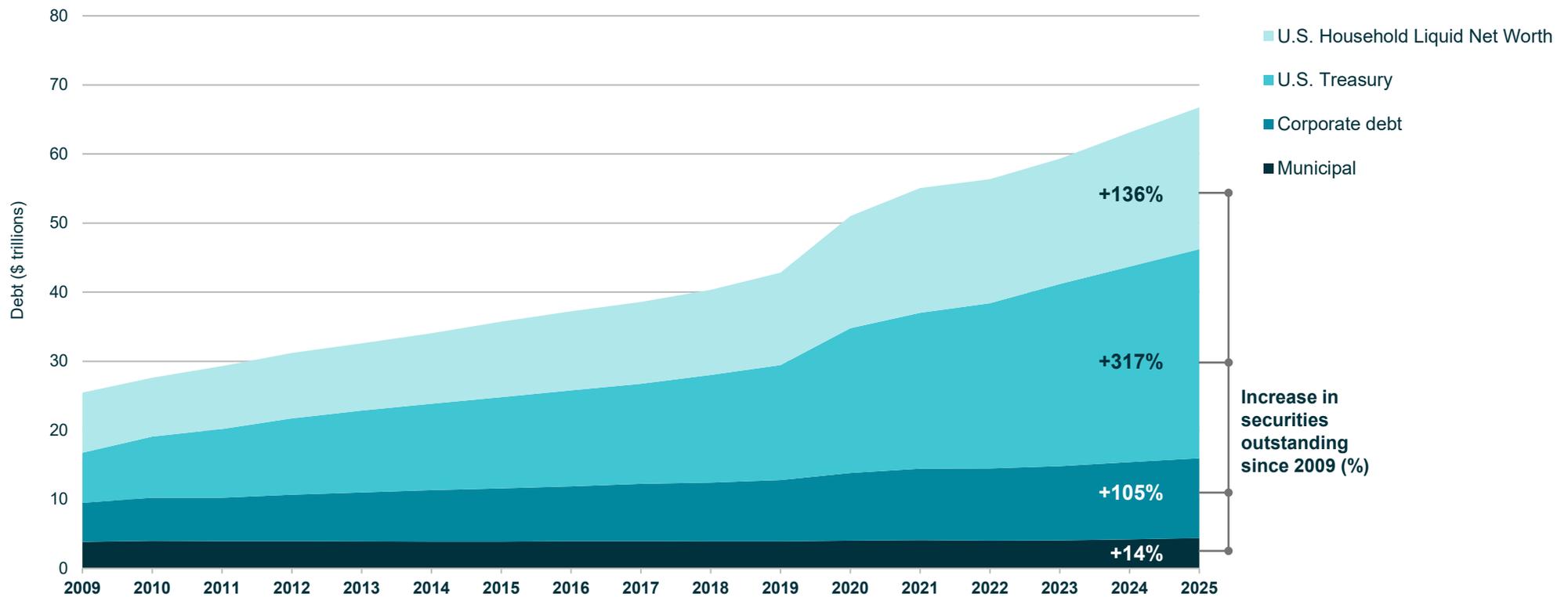
**Municipal open-end fund flows are strong, with \$15.3 billion of flows through March 2026. Investors are favoring high yield municipals, with \$3.3 billion allocated to high yield.**

Data source: LSEG Lipper, JP Morgan, 01 Jan 2026 – 31 Mar 2026. Net flows represent the total of all municipal bond open-end funds. Respective LSEG Lipper categories: Short duration municipals: Muni National Short; Intermediate duration municipals: Muni National Interim; Long duration municipals: Muni National Long; High yield municipals: High Yield Muni.

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# Municipal securities are growing slower than other fixed income markets

The municipal market has experienced slower growth than other markets, and U.S. household wealth has grown over time, supporting demand for the asset class.



Data sources: SIFMA, Bloomberg, Federal Reserve, U.S. Treasury, 31 Mar 2026 for period ending 31 Dec 2025.

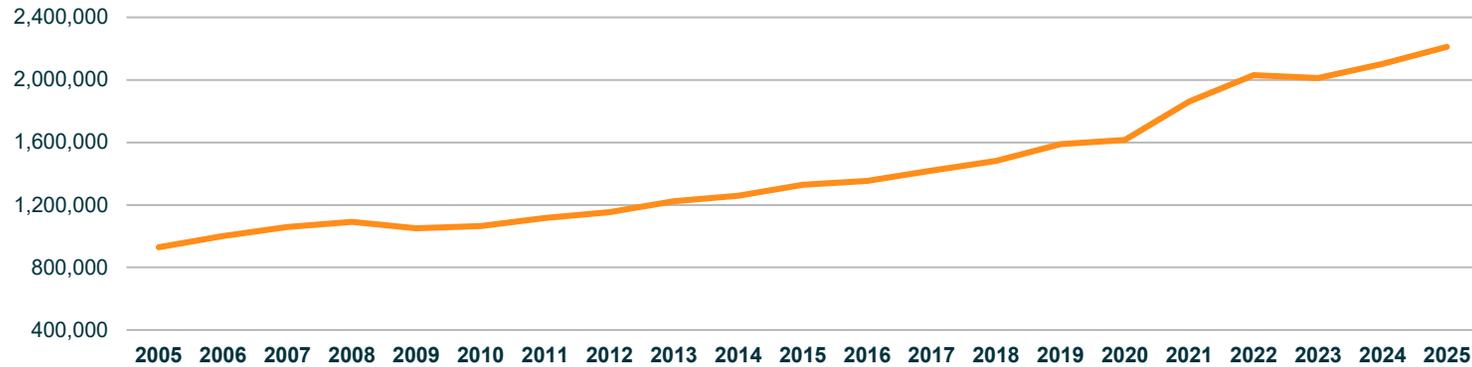
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# Municipalities are in a strong financial position

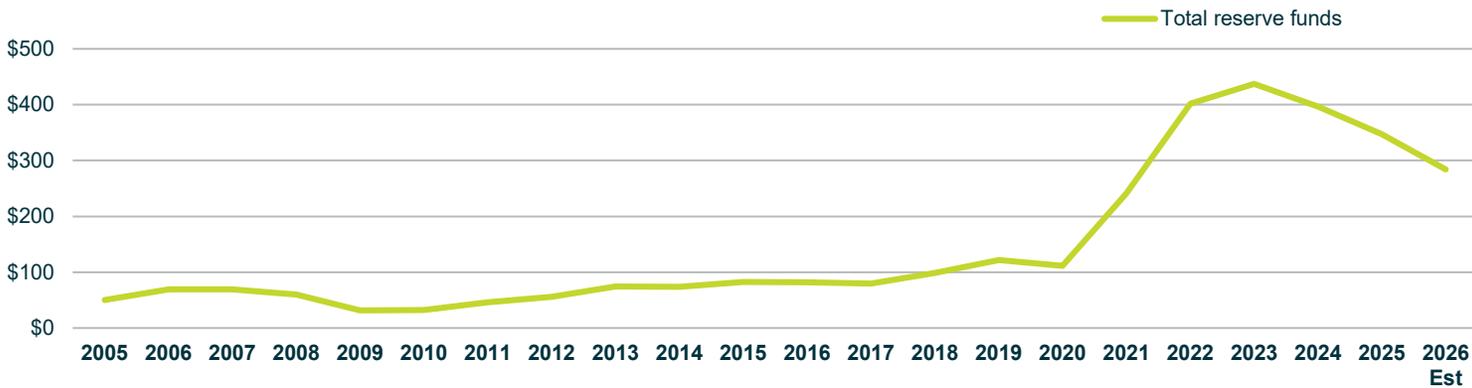
Revenue collections and reserves are near the highest levels in more than 40 years.

## State & local government tax revenue collections (\$ millions)<sup>1</sup>



**Total tax collections increased throughout 2025.**

## State government funds (\$ billions)<sup>2</sup>



**While reserves are being spent, total reserve funds are estimated to be 155% higher than 2020 levels at end of 2026.<sup>3</sup>**

<sup>1</sup> Data source: census.gov, 31 Dec 2025; updated annually.

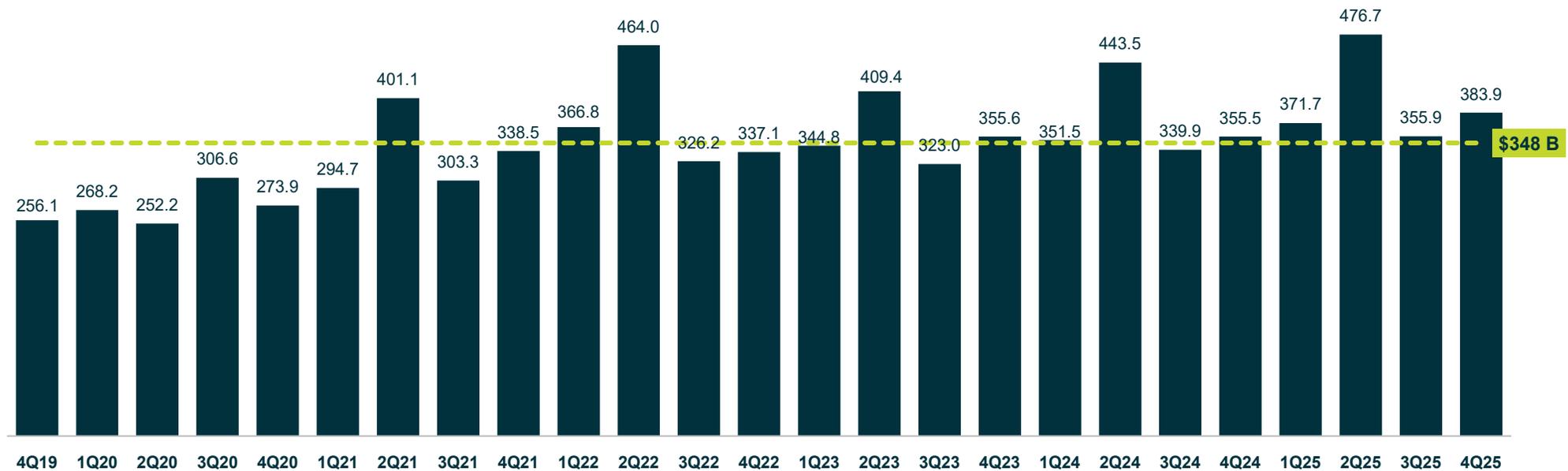
<sup>2</sup> Data sources: National Association of State Budget Officers (NASBO), *The Fiscal Survey of States*, Fall 2025. Pew Charitable Trust, *States Build Their Reserves Amid Growing Uncertainties*, 31 Dec 2025.

<sup>3</sup> Data source: Nuveen as of 28 Feb 2026. Reserve funds estimation based on a projected reserve fund level of \$284B at the end of 2026.

# Post-pandemic revenue growth collection remains strong

Credit research can be an important driver of investment success, despite expectation of near-term fiscal stability.

**National total state tax revenue (\$ billions)**  
01 Oct 2019 – 31 Dec 2025



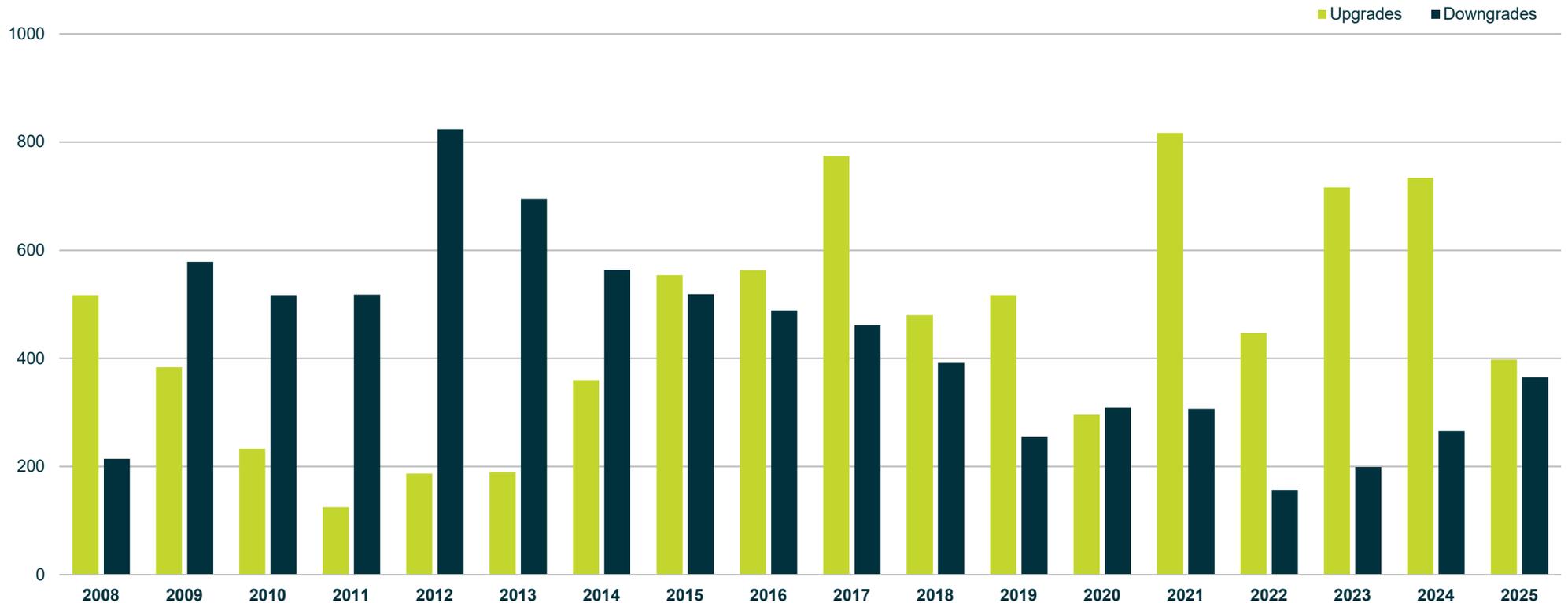
**Average tax collections have remained strong, averaging \$348 billion per quarter from 4Q19 to 4Q25.**

Data source: Nuveen; census.gov, as of 31 Mar 2026, with data as of 31 Dec 2025.

# While rating upgrades slowed in 2025, downgrades did not increase notably

Upgrades marginally outpaced downgrades in 2025.

## Number of rating changes for public finance



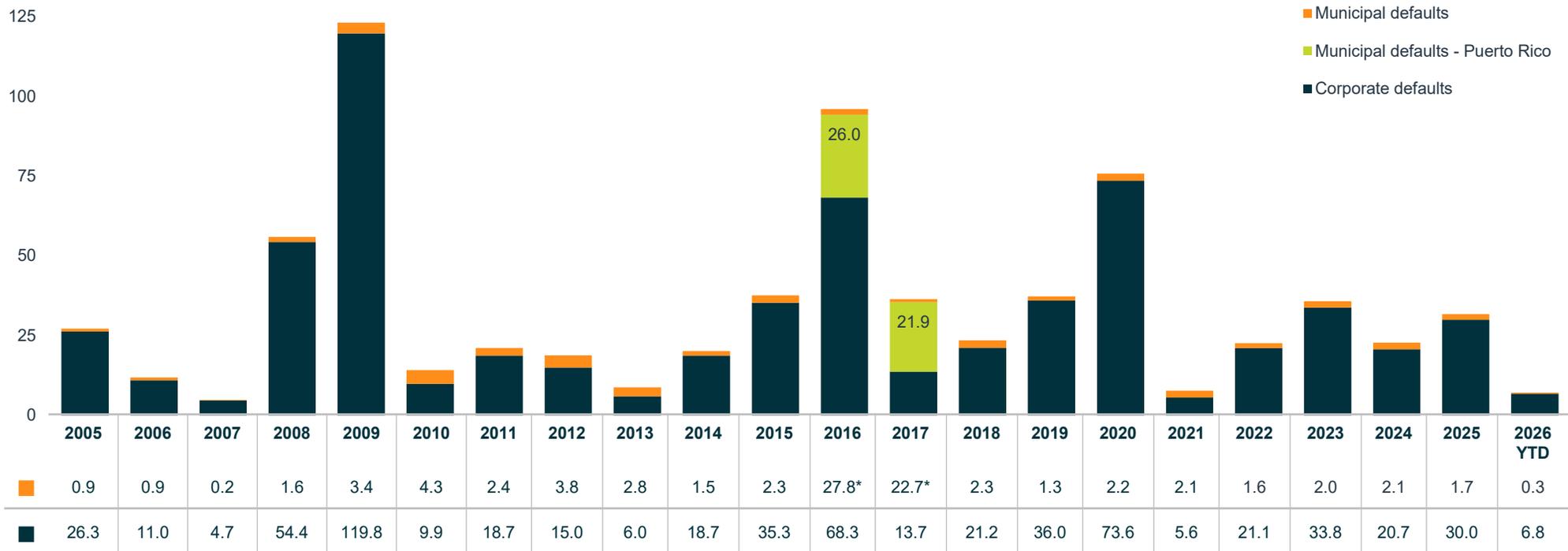
Data sources: Moody's Ratings, *Quarterly and Annual Municipal Rating Revisions*, 3 Mar 2026, data as of 31 Dec 2025; most recent data available.

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# Defaults remain in line with historical trends

**Municipal and corporate payment defaults (\$ billions)**



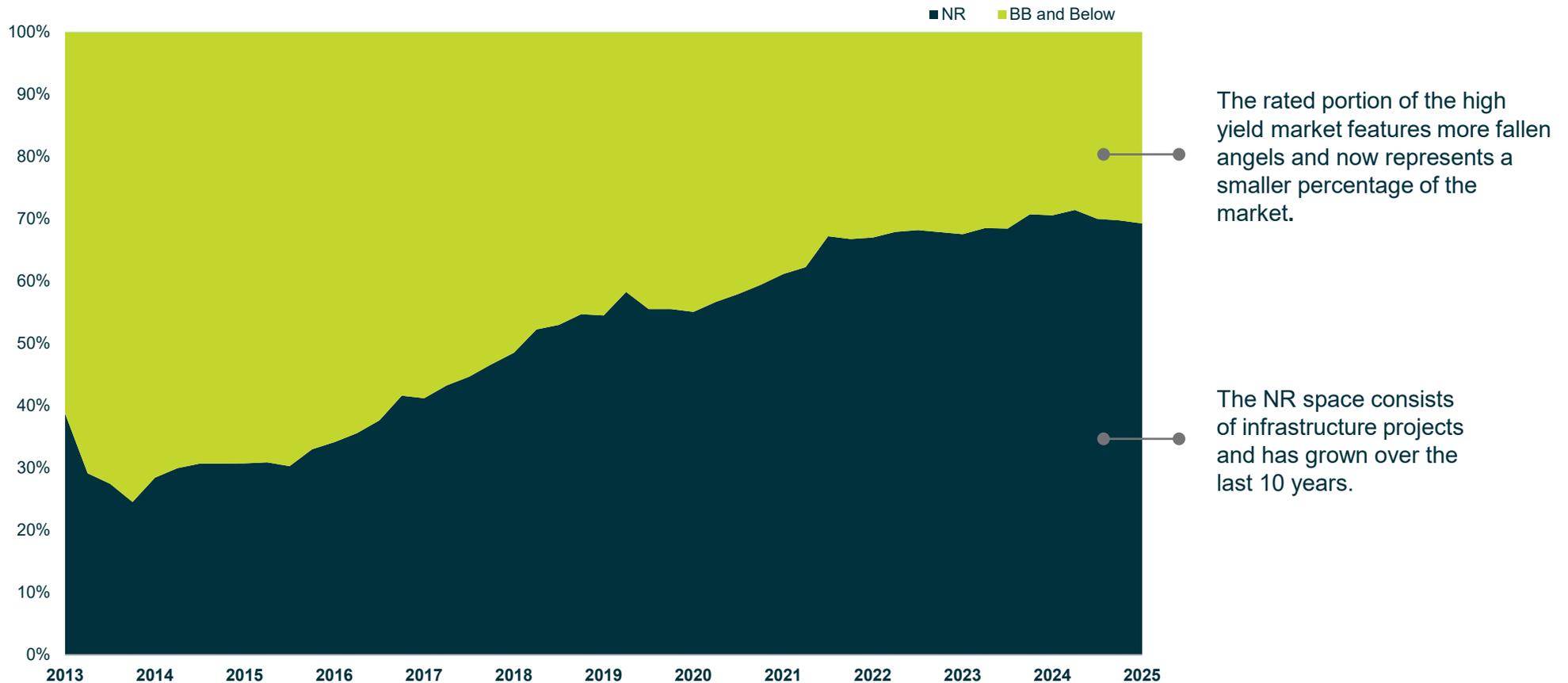
**Municipal defaults remain rare, isolated and idiosyncratic in the early stages of 2026, and are down 70% year-over-year.**

Data sources: Bank of America/Merrill Lynch Research, 08 Apr 2026, municipal default data as of 31 Mar 2026. Bank of America/Merrill Lynch Research HY Credit Chart book, corporate default data as of 31 Mar 2026. Data represents defaults on the entire universe of bonds, both rated and unrated, and includes Puerto Rico defaults. \*For 2016 and 2017, the figures shown for municipal defaults were primarily from Puerto Rico defaults; \$26.0B (2016) and \$21.9B (2017).

# High yield market increasingly moving toward non-rated bonds

Fundamental credit research at the sector and issuer level guides our selective participation in deals that can help drive performance.

## % of non-rated vs. BB and below paper



Data source: Bloomberg, 01 Jan 2014 – 31 Dec 2025. Represented by the Bloomberg Municipal Bond High Yield Index.

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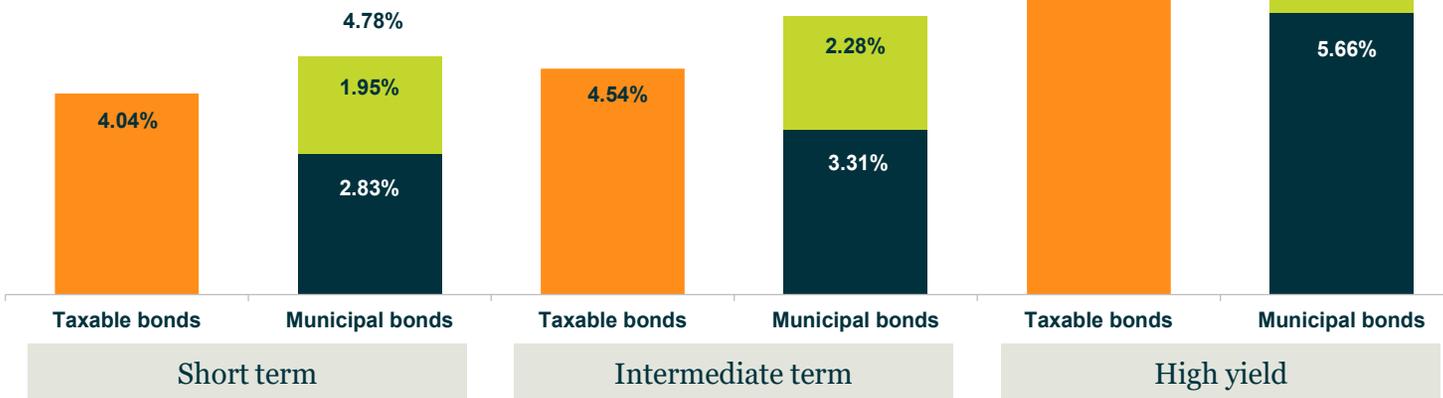
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# Municipals remain attractive on an after-tax basis

## Yield comparison

$$\text{Taxable equivalent yield} = \frac{\text{Tax-exempt yield}}{(100\% - \text{marginal tax rate})}$$

- Taxable yield
- Taxable-equivalent yield<sup>1</sup>
- Tax-exempt yield<sup>2</sup>



**The intermediate taxable-equivalent yield is 4.78% today vs. 1.52% at the start of 2022.**

<sup>1</sup> The taxable-equivalent yield is based on the highest individual marginal federal tax rate of 37.0%, plus the 3.8% Medicare tax on investment income (the Net Investment Income Tax). Individual tax rates may vary.

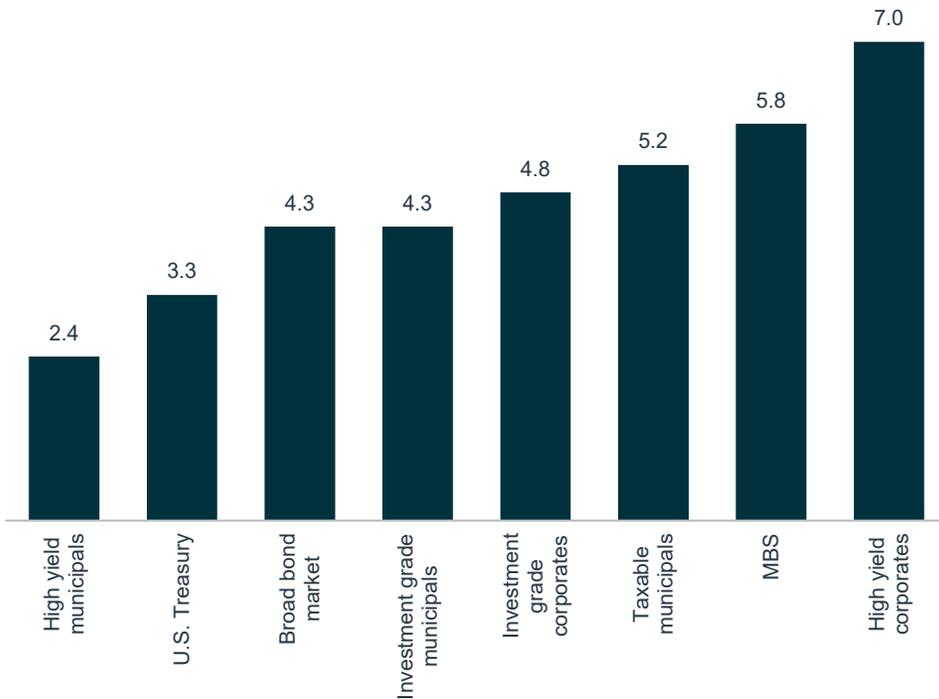
<sup>2</sup> Some income may be subject to state and local taxes and the federal alternative minimum tax.

Data source: Bloomberg L.P., 31 Mar 2026. **Performance data shown represents past performance and does not predict or guarantee future results.** Yields are yield to worst. **Yield to worst** is the lowest potential yield that can be received on a bond without the issuer defaulting. **Taxable-equivalent yield** 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. **Representative indexes: Short term taxable bonds:** Bloomberg U.S. Government/Credit 1-5 Year Index; **Short term municipal bonds:** Bloomberg Municipal Short Index; **Intermediate term taxable bonds:** Bloomberg U.S. Government/Credit 5-10 Year Index; **Intermediate term municipal bonds:** Bloomberg Municipal Intermediate Index; **High yield taxable bonds:** Bloomberg Corporate High Yield 2% Issuer Capped Index; **High yield municipal bonds:** Bloomberg High Yield Municipal Bond Index. Different benchmarks, economic periods, methodologies and market conditions will produce different results.

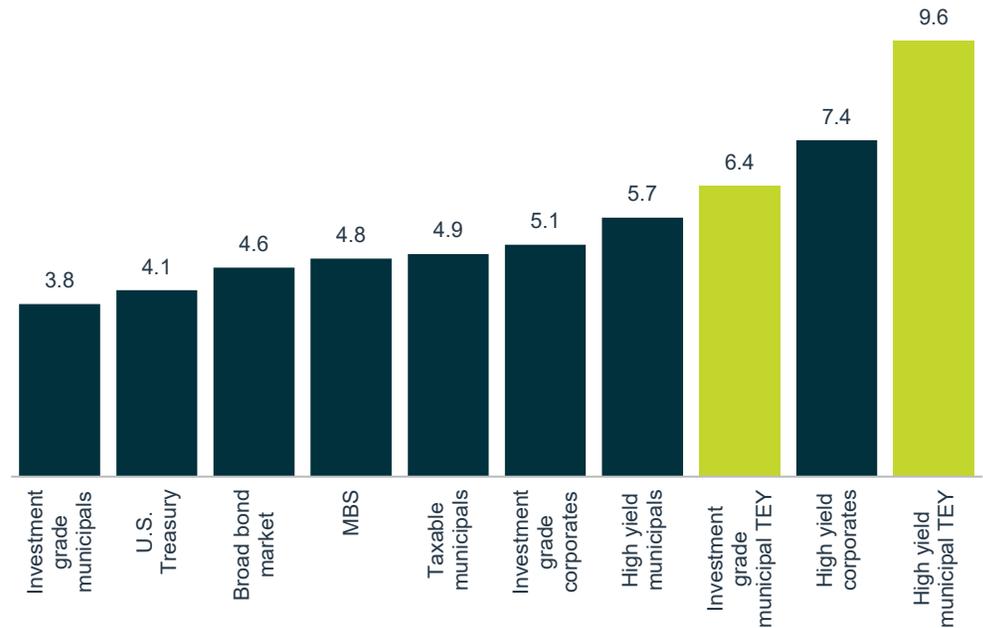
# Despite sector performance, investment grade municipals can show resilience

While recent municipal performance has been lagging, yield levels remain attractive.

## Trailing 12 month returns (%)



## Yield to worst (%)

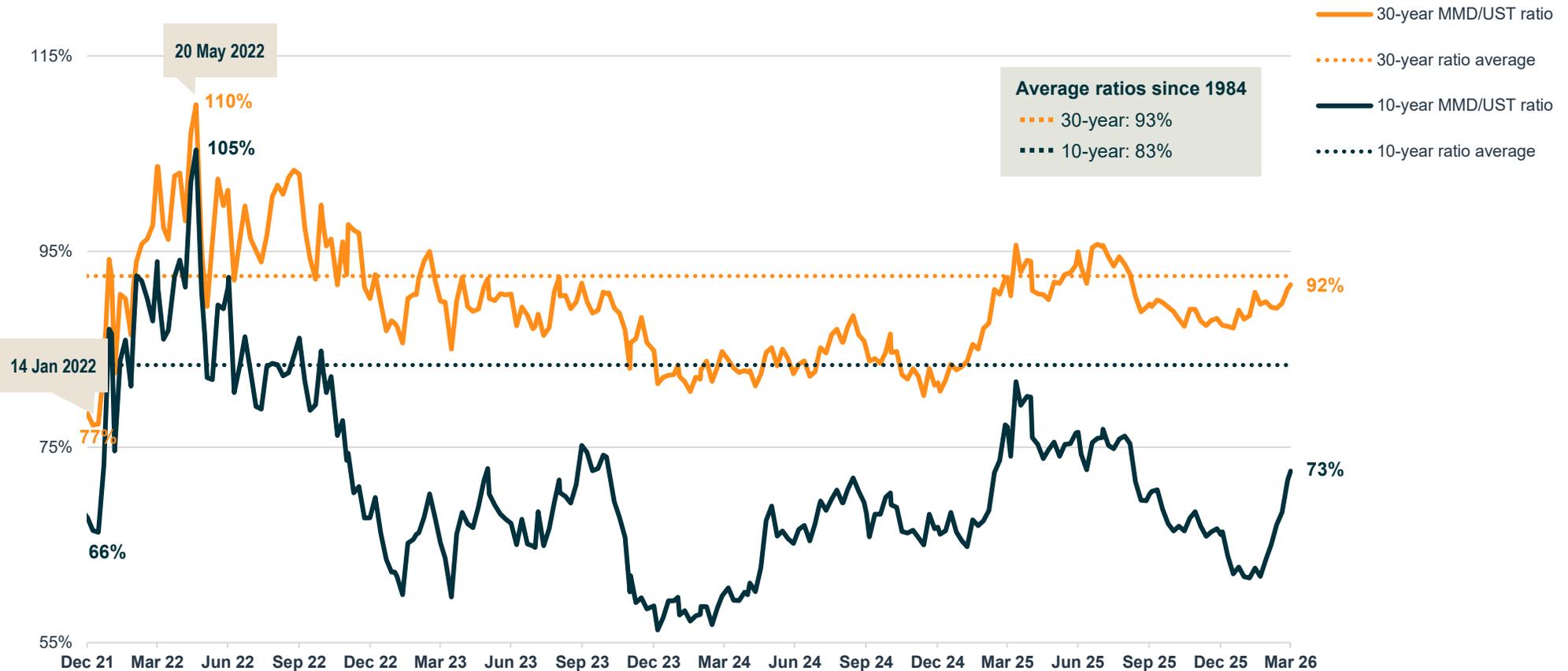


Data source: Bloomberg, L.P., trailing 12 month returns from 31 Mar 2025 – 31 Mar 2026; yield to worst as of 31 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. Yields are yield to worst. Yield to worst is the lowest potential yield that can be received on a bond without the issuer defaulting. Representative indexes: Broad bond market: Bloomberg U.S. Aggregate Bond Index. High yield corporates: Bloomberg U.S. Corporate High Yield Index; High yield municipals: Bloomberg High Yield Municipal Bond Index; Investment grade corporates: Bloomberg U.S. Corporate Investment Grade Index; Investment grade municipals: Bloomberg Municipal Bond Index; Mortgage-backed securities (MBS): Bloomberg MBS (fixed rate) Index; Taxable municipals: Bloomberg Taxable Municipal Bond Index; U.S. Treasury: Bloomberg U.S. Treasury Index. The taxable-equivalent yield is based on the highest individual marginal federal tax rate of 37%, plus the 3.8% Medicare tax on investment income (the Net Investment Income Tax). Individual tax rates may vary.

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# Absolute yield levels are attractive, and technical conditions are constructive

## Municipal-to-Treasury ratios: AAA municipal bonds value relative to Treasuries

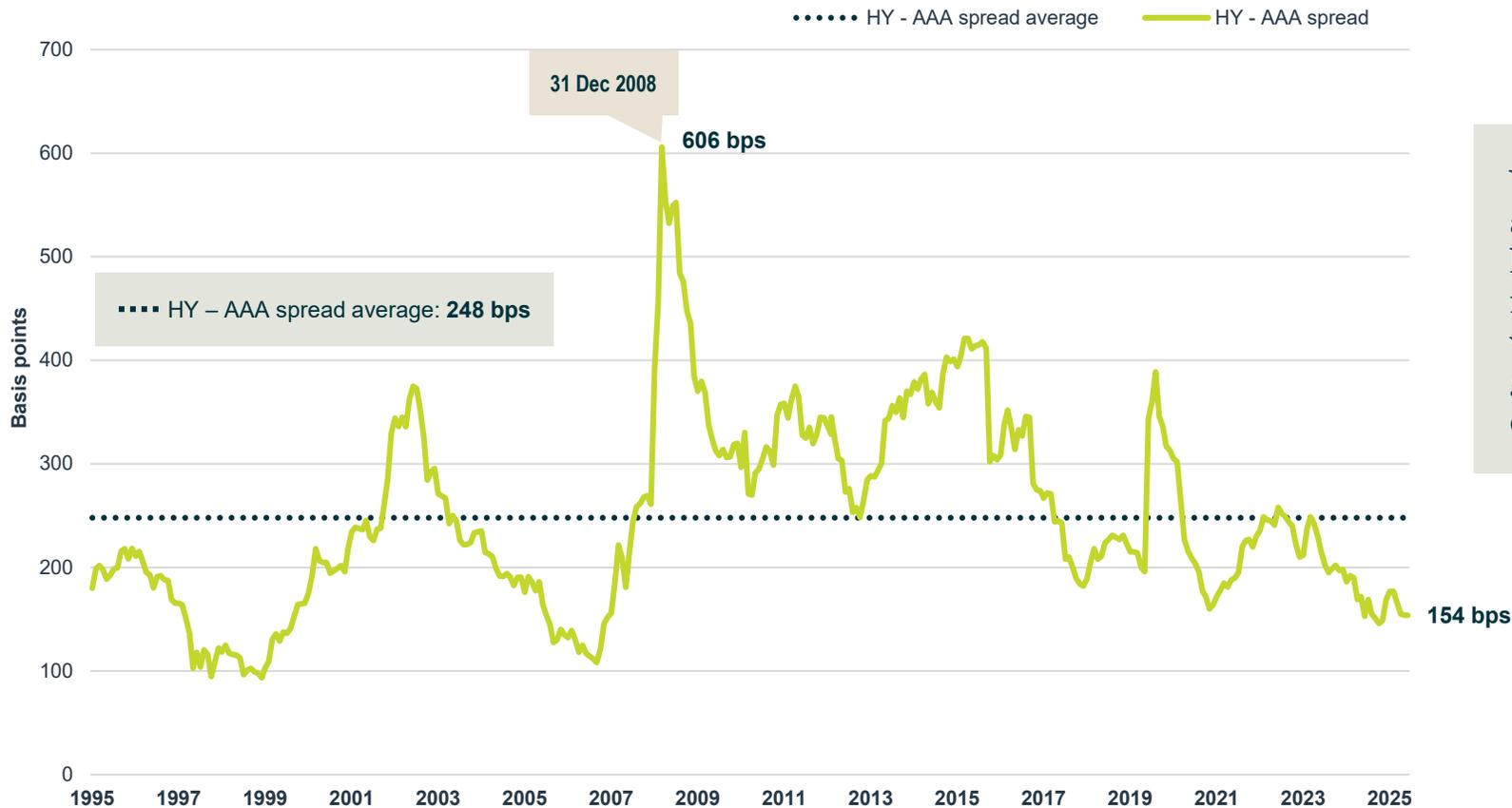


Data source: Refinitiv MMD for fair value Municipal 10- and 30-Year Index AAA General Obligation bonds; Bloomberg for 10- and 30-year U.S. Treasury yields, shown weekly, 31 Dec 2021 – 31 Mar 2026, averages shown from 01 Jan 1984 – 31 Mar 2026. Performance data shown represents past performance and does 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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# Flows are returning as high yield credit spreads are below historical averages

## Bloomberg High Yield Municipal Index versus AAA yields



**Yields remain attractive in the high yield municipal space, with a yield of 5.66% at the end of March.**

Data source: Bloomberg, Refinitiv MMD, 31 Oct 1995 – 31 Mar 2026, shown monthly. Chart shows data to the earliest period available. Performance data shown represents past performance and does not predict or guarantee future results. High yield municipal yields represented by the Bloomberg High Yield Municipal Index; AAA municipal yields represented by Municipal Market Data (MMD) yields for AAA rated 20-year bonds. High yield or lower-rated bonds and municipal bonds carry greater credit risk, and are subject to greater price volatility. Ratings shown are from S&P and are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC/CC/C and D are below-investment grade ratings. Different benchmarks, economic periods, methodologies and market conditions will produce different results.

# High yield municipal bond spreads have remained relatively stable over time

High yield municipal spreads are stable, even during equity selloffs.



**We favor fixed income sectors such as high yield municipals that could withstand an equity drawdown while rewarding investors with attractive income.**

Data source: Bloomberg, L.P., 01 Jan 2014 – 31 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: high yield municipal spread: Bloomberg Municipal High Yield Index yield-to-worst minus BVAL AAA Municipal 20-year tenor; high yield corporate spread: Bloomberg U.S. Corporate High Yield Option Adjusted Spread Index. Shaded areas represent S&P 500 Total Return drawdown periods of 10% or greater. Yield-to-worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

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# Outlook



## Opportunities

*Attractive interest rates, favorable yield curve and strong municipal credit fundamentals present compelling opportunities for investors.*

### **Yield & valuation advantages**

Favorable market conditions are creating attractive entry points for municipal investors.

### **Positive structural factors**

The current yield curve structure presents specific tactical advantages in intermediate and long maturities.

### **Credit fundamentals**

Solid municipal financial health is evidenced by resilient revenues and reserve funds.



## Challenges

*Municipals face potential volatility due to high supply levels, shifting demand dynamics, and attractive short-term rates that are keeping cash on the sidelines.*

### **Elevated supply to continue**

Issuance is expected to be higher in 2026 after all-time-highs in 2025, with \$600B of anticipated issuance.

### **Lagging performance**

Municipals underperformed other asset classes in 2025 amid a historic pace of supply and sporadic flows.

### **Changing landscape**

Greater inflows into ETFs and SMA structures leave the long end of the yield curve with limited support.

Source: Nuveen as of 31 Mar 2026. Certain statements may be deemed forward-looking statements. Please note that any such statements are not guarantees or intended to constitute a prediction of any future performance; actual results or developments may differ materially from those projected. Investing involves risk, including possible loss of principal. This information should not be relied upon as investment advice or recommendations. For additional information, please refer to Risks and Important Disclosures provided at the end of this presentation.

# Taxable municipal market

# Fundamentals and technical strength continue to be tailwinds

## Characteristics and performance

Index	Yield to worst (%)	Spread (bps)	Effective duration (years)	Returns (%)		
				March 2026	1Q 2026	2025
Taxable municipal (AA-)	4.94	54	7.40	-2.14	0.43	7.89
U.S. asset-backed securities (AA+)	4.40	52	2.75	-0.80	0.31	5.93
U.S. mortgage-backed securities (AA+)	4.83	24	5.29	-1.65	0.40	8.58
U.S. corporate investment grade (BBB+)	5.13	88	6.66	-1.98	-0.54	7.77
U.S. aggregate bond (AA)	4.56	30	5.79	-1.76	-0.05	7.30
U.S. Treasury (AAA)	4.13	1	5.75	-1.74	-0.04	6.32
Global corporate bonds (BBB+)	4.74	92	5.76	-2.85	-1.27	10.30
Global aggregate (unhedged) (A+)	3.77	32	6.16	-3.07	-1.07	8.17

Data sources: Bloomberg, L.P., Bloomberg indexes, as of 31 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. Total returns for a period of less than one year are cumulative.

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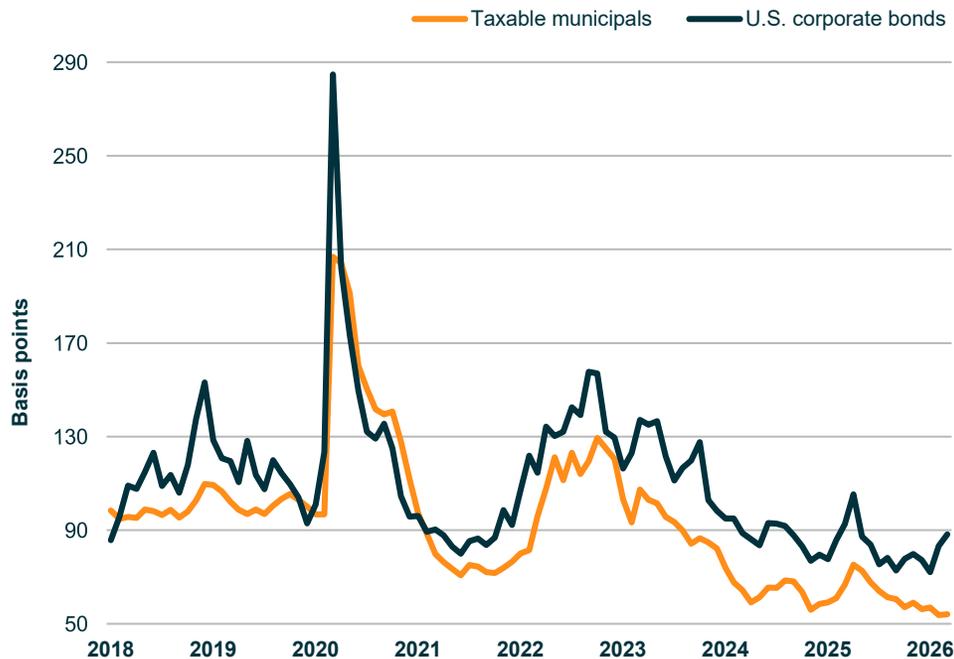
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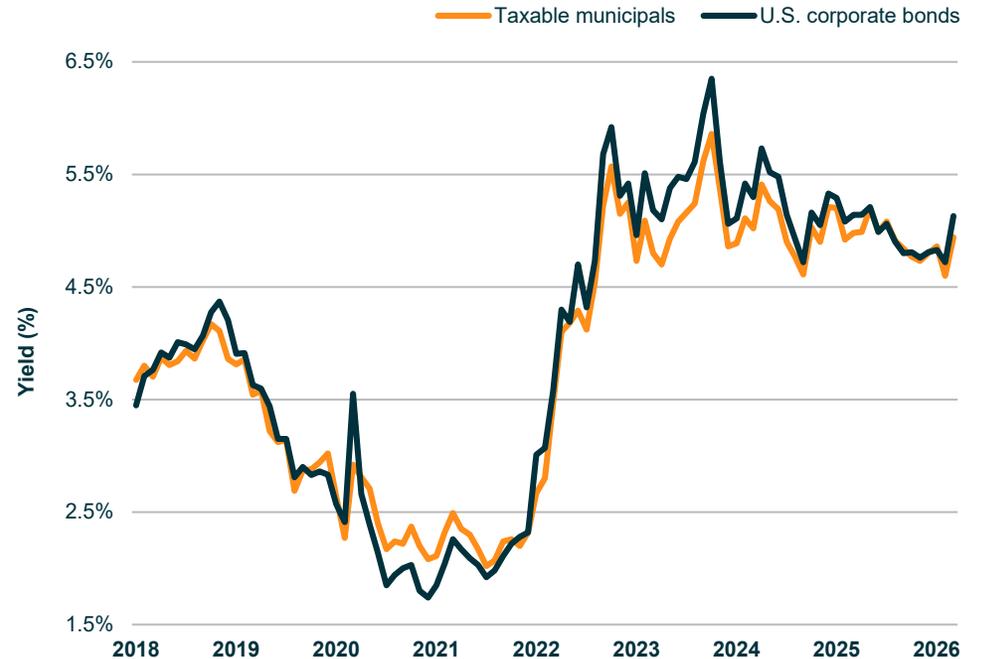
# Taxable municipals offer high credit quality at similar corporate spreads/yields

Taxable municipals have historically been more defensive during economic downturns.

## Credit spreads



## Yield

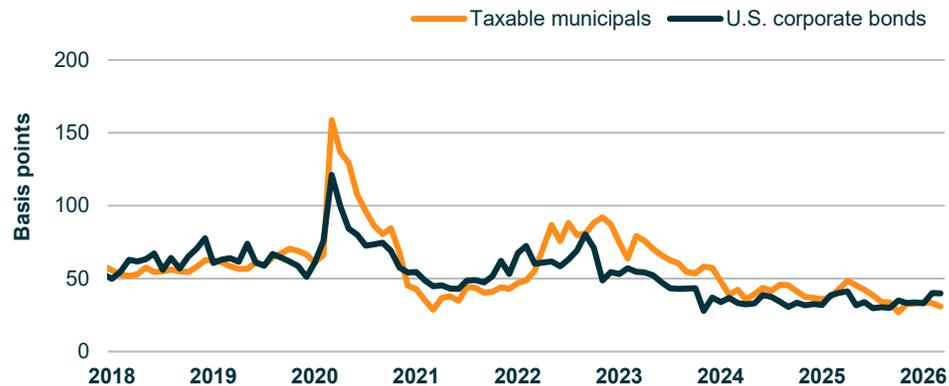


Data source: Bloomberg, L.P., 31 Jan 2018 – 31 Mar 2026, shown monthly. **Spread** represents option-adjusted spread (OAS). **Performance data shown represents past performance and does not predict or guarantee future results.** Representative indexes: taxable municipals: Bloomberg U.S. Taxable Municipal Bond Index; U.S. corporate bonds: Bloomberg U.S. Corporate Bond Index.

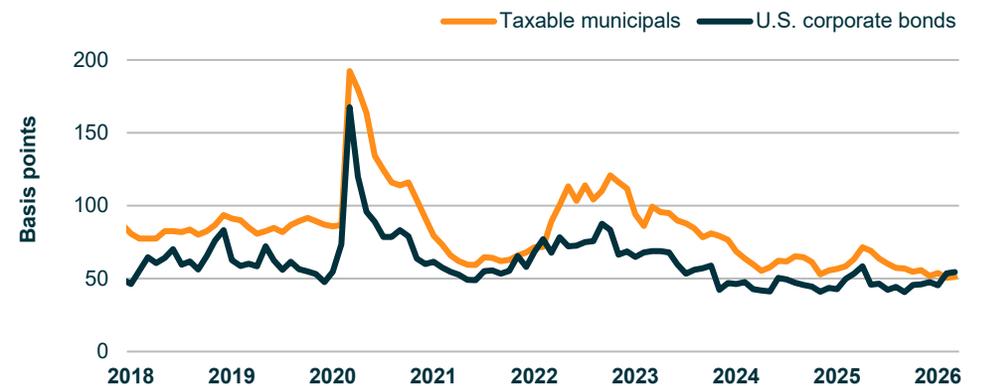
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# Analyzing the credit spectrum in taxable municipals can provide yield premium

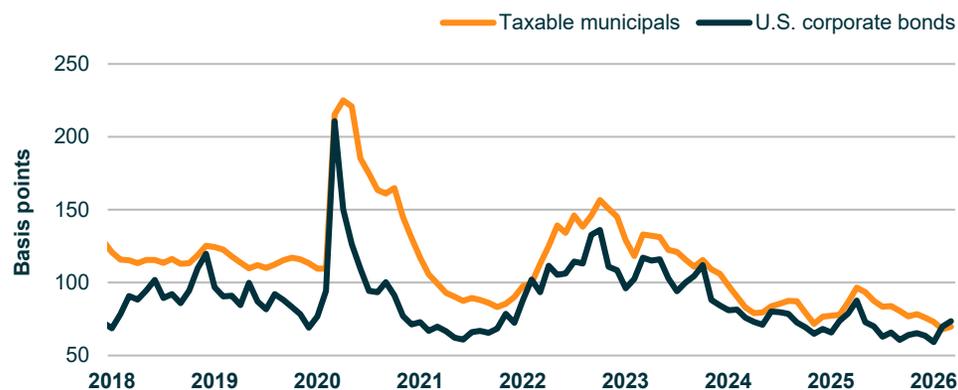
## AAA-rated spread



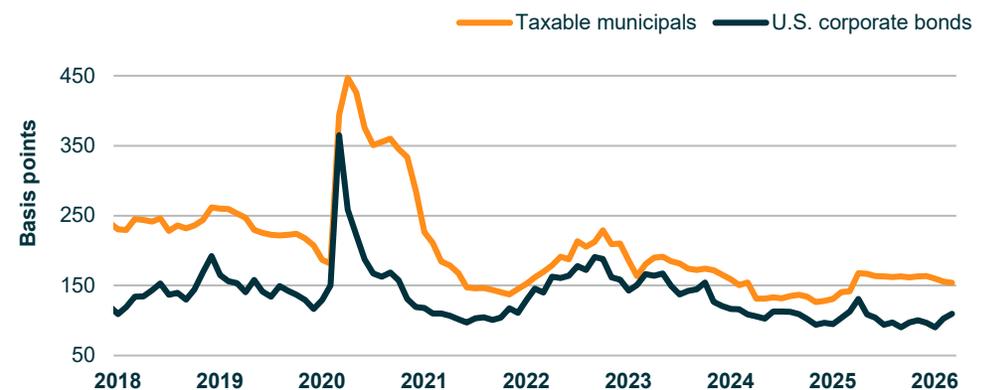
## AA-rated spread



## A-rated spread



## BBB-rated spread



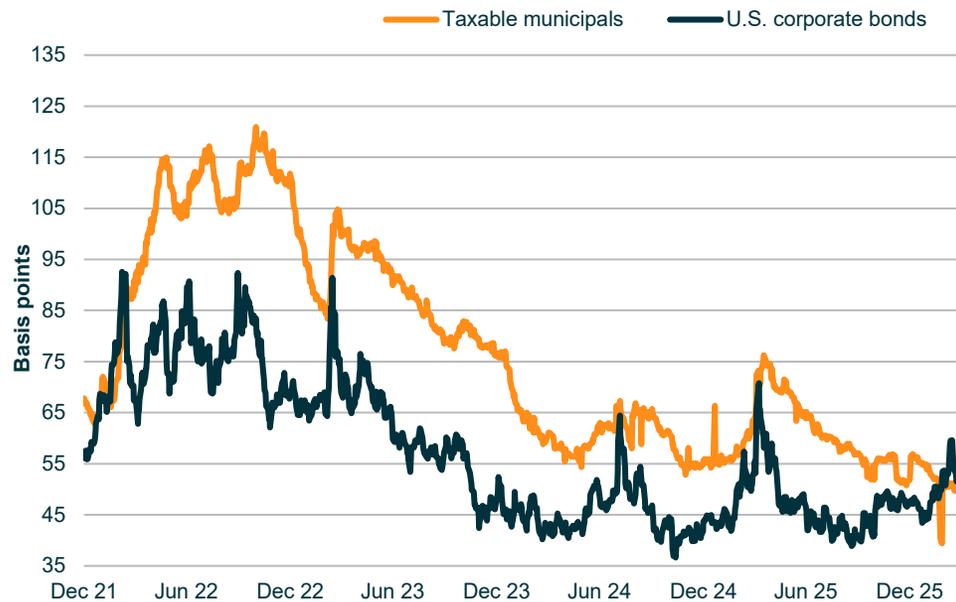
Data source: Bloomberg, L.P., 31 Jan 2018 – 31 Mar 2026, shown monthly. Spread represents option-adjusted spread (OAS). Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: taxable municipals: Bloomberg U.S. Taxable Municipal Bond Index; U.S. corporate bonds: Bloomberg U.S. Corporate Bond Index.

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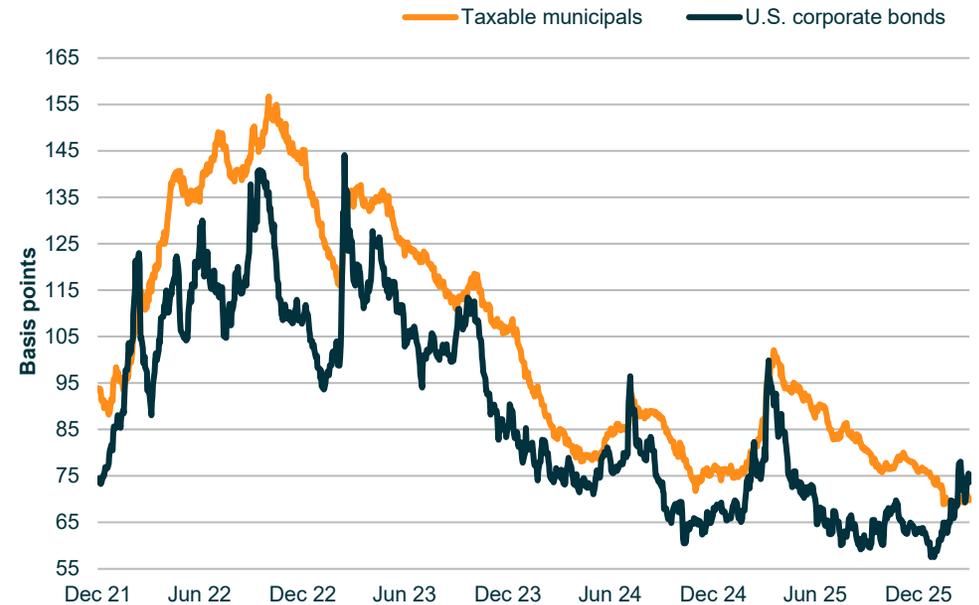
# Taxable municipal credit spreads remain wider relative to corporate bonds

Municipal bonds provide financing for essential services, which can help provide insulation from economic downturns.

## AA-rated spread



## A-rated spread



**Option-adjusted spreads finished the year near their starting levels and historically tight ranges. However, A-rated taxable municipals continue to provide attractive value compared to similarly rated corporate bonds.**

Data source: Bloomberg, L.P., 31 Dec 2021 – 31 Mar 2026, shown daily. Spread represents option-adjusted spread (OAS). Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: taxable municipals: Bloomberg U.S. Taxable Municipal Bond Index; U.S. corporate bonds: Bloomberg U.S. Corporate Bond Index.

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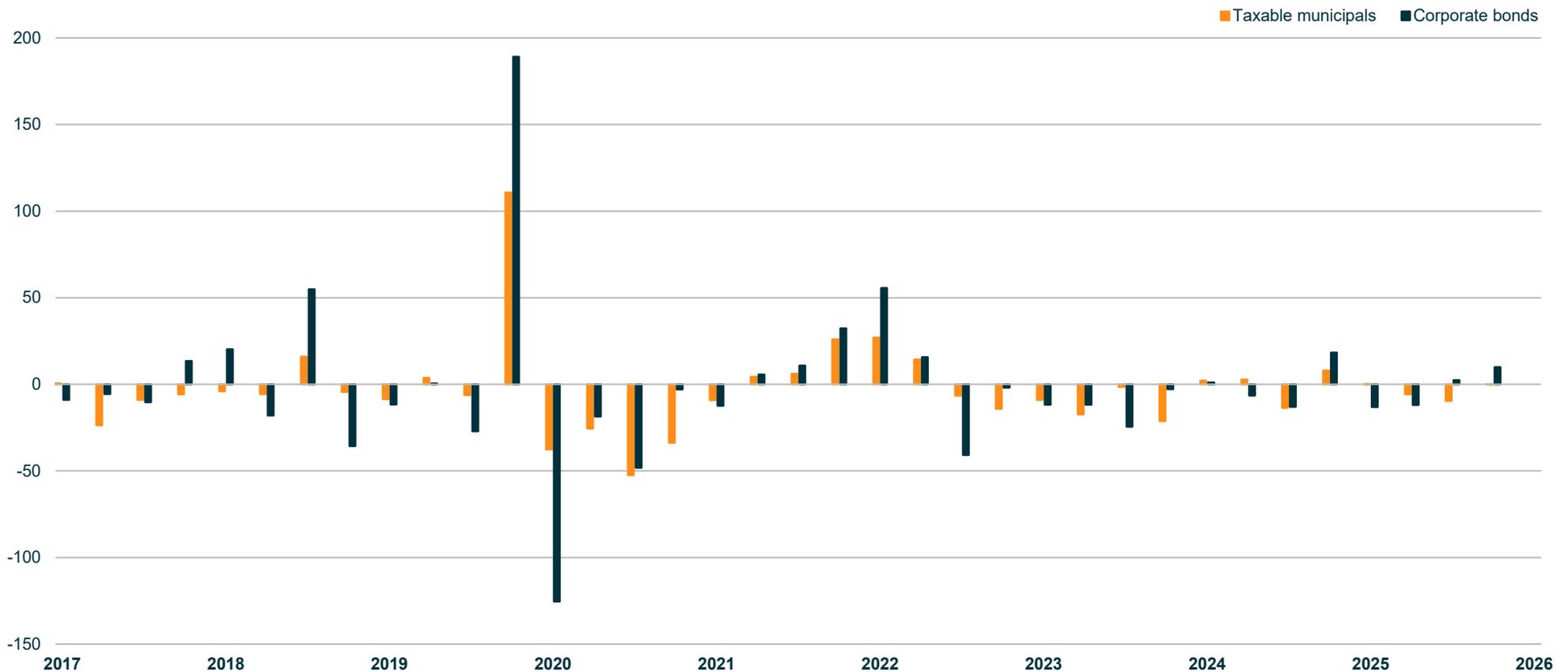
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# Taxable municipal bonds have displayed less credit spread volatility

Taxable municipals' spread movements reflect a more stable market for investors.

## Quarterly option adjusted spread changes



Data source: Bloomberg Taxable Municipal Bond Index and Bloomberg Corporate Bond Index. 7-10 year duration bonds only, data through 31 Mar 2026.

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# Appendix

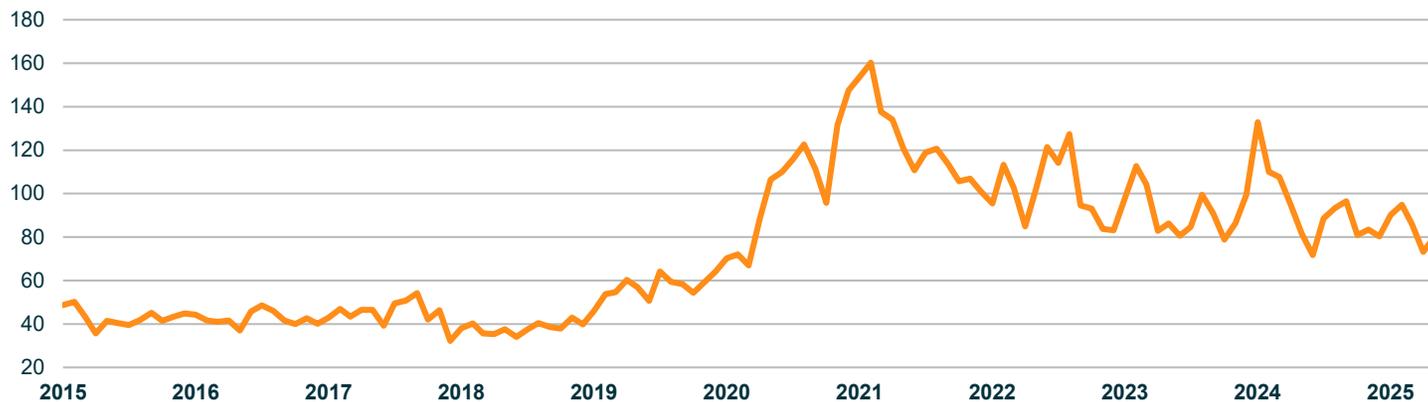
# Diminished dealer participation has created elevated volatility

**Muni fund AUM vs. average dealer position size<sup>1</sup>**



**Increased cost of capital has diminished dealer inventory. An institutional manager can help capitalize on market dislocations.**

**Muni fund AUM over dealer inventory ratio<sup>2</sup>**



**Muni fund AUM is 80x the size of dealer inventory levels, contributing to more volatile markets.**

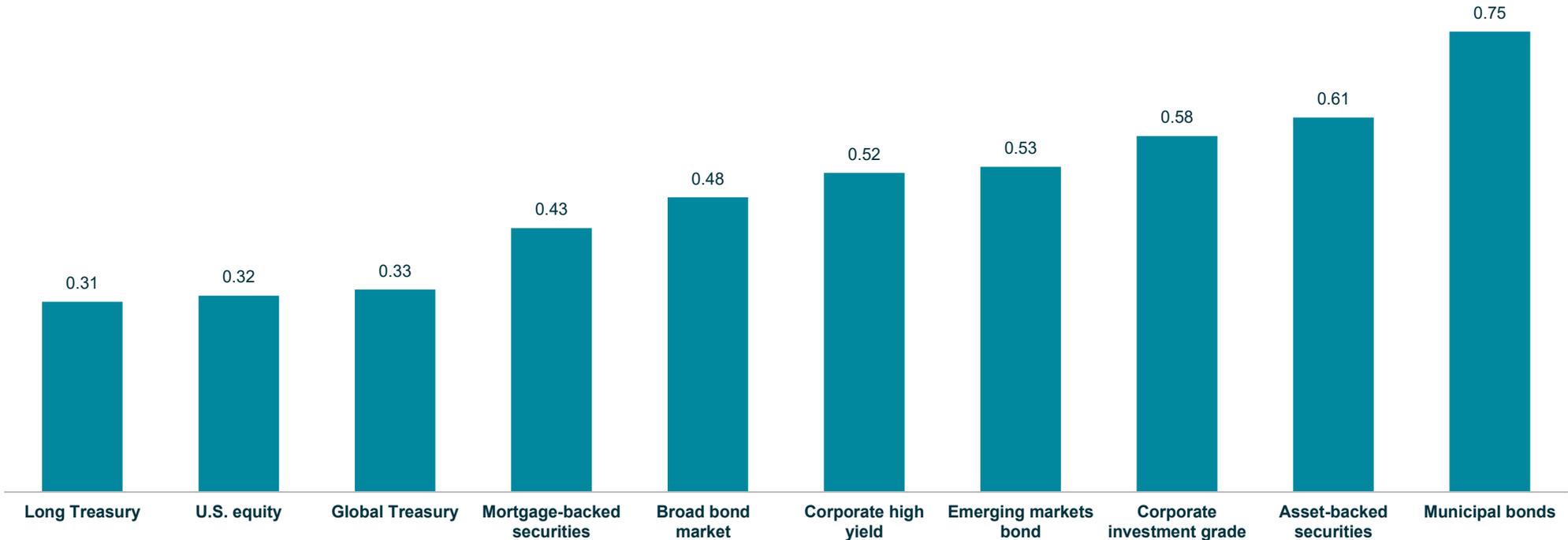
<sup>1</sup> Data sources: Fund AUM data is sourced from Morningstar. Coupon dealer position size is sourced from Bloomberg. Both data sets span from 31 Dec 2014 to 31 May 2025.

<sup>2</sup> Data sources: Fund AUM data is sourced from Morningstar. Dealer inventory ratio data is sourced from Bloomberg. Both data sets span from 31 Dec 2014 to 31 May 2025.

# High yield municipal bonds have a low correlation to other asset classes

High yield municipal bonds tend to be less cyclical than corporate bonds due to the essential nature of the projects being financed.

## Correlation to Bloomberg High Yield Municipal Bond Index 01 Jul 1999 – 31 Mar 2026



Data source: Morningstar Direct; 01 Jul 1999 – 31 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: **Asset-backed securities**: Bloomberg Asset-Backed Securities Index; **Broad bond market**: Bloomberg U.S. Aggregate Bond Index; **Corporate high yield**: Bloomberg U.S. Corporate High Yield Index; **Corporate investment grade**: Bloomberg U.S. Corporate Investment Grade Index; **Emerging markets bond**: Bloomberg Emerging Markets Bond Index; **Global Treasury**: Bloomberg Global Ex U.S. Treasury Bond Index; **Long Treasury**: Bloomberg U.S. Treasury Long Index; **Mortgage-backed securities**: Bloomberg MBS (fixed rate) Index; **Municipal bonds**: Bloomberg U.S. Municipal Bond Index; **U.S. equity**: S&P 500 Index.

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# Municipal default rates have fared better than for similarly rated corporate bonds

A-rated municipal default rates are lower than for Aaa corporate bonds.

**Moody's average cumulative default rates of municipals vs. global corporates, 1970-2024<sup>1</sup>**

	Rating	Aaa	Aa	A	Baa	Ba	B	Caa-C	Investment grade	Below investment grade
5-Year	Municipal	0.00%	0.01%	0.03%	0.46%	1.93%	11.90%	20.62%	0.04%	4.81%
	Corporate	0.08%	0.29%	0.71%	1.43%	7.62%	20.58%	35.24%	0.86%	18.98%
10-Year	Municipal	0.00%	0.02%	0.10%	1.09%	3.49%	17.07%	25.59%	0.10%	7.14%
	Corporate	0.36%	0.76%	2.03%	3.61%	15.25%	34.31%	51.44%	2.24%	29.74%

**Municipal recovery rates are significantly higher than for corporates, with an average weighted recovery of 65% for municipals vs. 47% for corporates.**

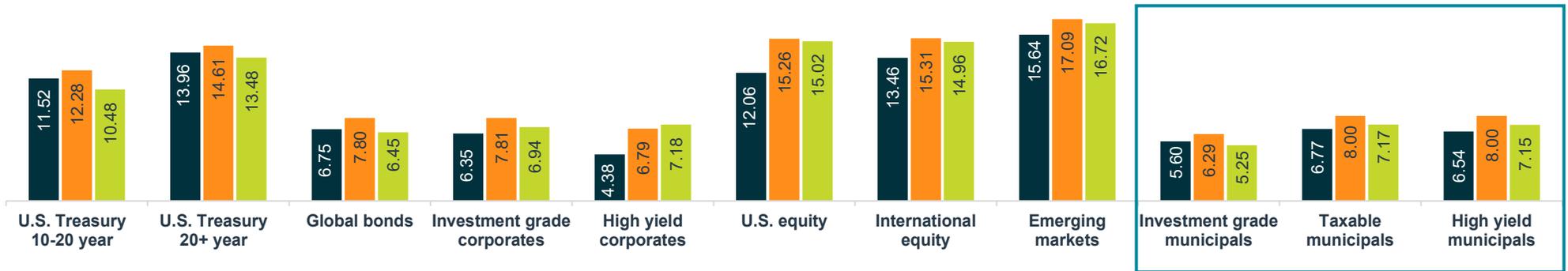
<sup>1</sup> Data source: Moody's Ratings, *U.S. Municipal Bond Defaults and Recoveries, 1970 – 2024*, 05 Aug 2025, with data as of 31 Dec 2024; updated annually. Performance data shown represents past performance and does not predict or guarantee future results. The universe for the study represents approximately 12,500 fundamental U.S. public finance ratings from Moody's.

# Municipals have exhibited lower volatility with strong risk-adjusted returns

## Standard deviation

■ 3 year ■ 5 year ■ 10 year

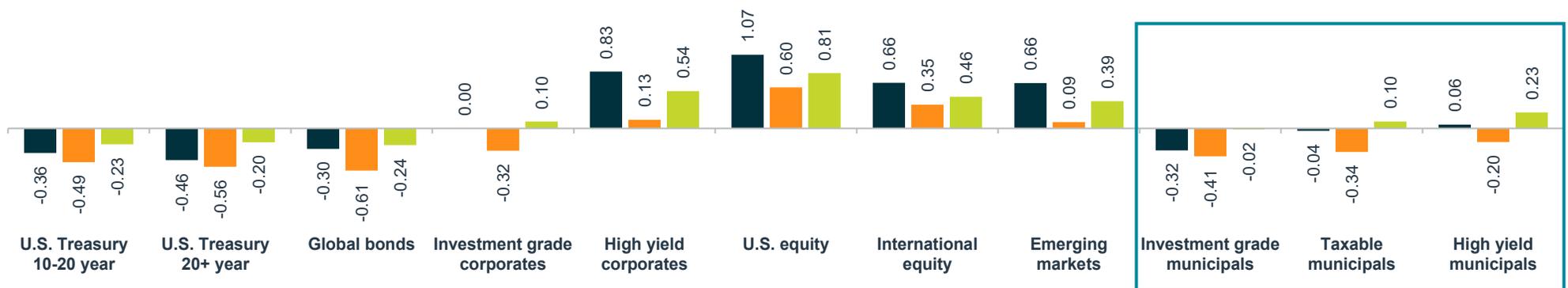
Municipals have exhibited low volatility among asset classes.



## Sharpe ratio

■ 3 Year ■ 5 Year ■ 10 Year

Municipals have been relatively attractive on a risk-adjusted basis.



Data source: Morningstar, period ending 31 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. Representative Indexes: Treasuries: Bloomberg U.S. 10-20 Year Treasury Index and the Bloomberg U.S. 20+ Year Treasury Index; Global bonds: Bloomberg Global Aggregate Unhedged Index; Investment grade corporates: Bloomberg US Corporate Bond Index; High yield corporates: Bloomberg High Yield Corporate Index; U.S. equity: S&P 500 Index; International equity: MSCI EAFE Index; Emerging markets: MSCI Emerging Markets Index; Investment grade municipals: Bloomberg Municipal Bond Index; Taxable municipals: Bloomberg Taxable Municipal Bond Index; High yield municipals: S&P Municipal Yield Index.

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Investing involves risk; principal loss is possible. All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. Investing in municipal bonds involves risks such as interest rate risk, credit risk and market risk. The value of the portfolio will fluctuate based on the value of the underlying securities. There are special risks associated with investments in high yield bonds, hedging activities and the potential use of leverage. Portfolios that include lower rated municipal bonds, commonly referred to as "high yield" or "junk" bonds, which are considered to be speculative, the credit and investment risk is heightened for the portfolio. Bond insurance guarantees only the payment of principal and interest on the bond when due, and not the value of the bonds themselves, which will fluctuate with the bond market and the financial success of the issuer and the insurer. No representation is made as to an insurer's ability to meet their commitments. This information should not replace an investor's consultation with a financial professional regarding their tax situation. Nuveen is not a tax professional. Investors should contact a tax professional regarding the appropriateness of tax-exempt investments in their portfolio. If sold prior to maturity, municipal securities are subject to gain/losses based on the level of interest rates, market conditions and the credit quality of the issuer. Income may be subject to the alternative minimum tax (AMT) and/or state and local taxes, based on the state of residence. Income from municipal bonds held by a portfolio could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager.

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