

# Munis rally as relative volatility subsides

## Market recap

Interest rate volatility moderated amid optimism for a reopening of the Strait of Hormuz. Municipal interest rates fell steadily, ending the week lower 6-10 basis points, while mostly keeping pace with treasuries. New issue supply approached \$8 billion given the shortened holiday week in the U.S. Many deals experienced solid demand, particularly longer out the curve where ratios and yields were relatively more attractive. Net flows returned to the market coming in just shy of \$1 billion. High yield funds suffered modest outflows, but selling remained orderly reflecting the healthy market. New York State legislature continued to negotiate its 2026-2027 budget as Governor Hochul remains firmly opposed to personal income tax increases. Labor market data stabilized as payrolls surprised to the upside and unemployment fell sending rates slightly higher into the market open this week.

## How is supply trending?

Last week's supply was close to \$8B. Next week's supply is expected to top \$10B.

**Market impact:** Heavy supply could test the market, offering willing buyers attractive yields.

## Municipal market returns (%)

Index returns by maturity	WTD	MTD	YTD
Muni Agg	0.72	0.31	0.13
Muni bond 5-year	0.35	0.16	0.17
Muni bond 10-year	0.65	0.30	-0.49
Muni bond 15-year	0.89	0.40	0.00
Muni long bond (22+)	1.12	0.47	0.24
Muni bond 3-5-year blend	0.56	0.25	-0.09

Source: Bloomberg L.P., 02 Apr 2026. Performance data shown represents past performance and does not predict or guarantee future results. All index returns are Bloomberg; shown in U.S. dollars.

## What do yields look like?

Yields rallied as markets removed expectations for rate hikes and demand for longer bonds returned.

## Municipal market yields (%)

	Current (%)	Change (bps)	Ratio (%)
5Y	2.64	-6	67%
10Y	3.08	-10	72%
30Y	4.44	-10	91%

Source: MMD, Bloomberg, L.P.; data from 27 Mar 2026-02Apr 2026.

## KEY TAKEAWAYS

- Municipals returned 0.72%, as rates fell and technicals were supportive.
- Market tone was solid, and investors tip-toed back to risk assets as credit spreads tightened.
- As expected, New York State extended its budget deadline. Legislators continued to debate policy, and the extension does not signal financial concern.

## What are flows doing?

Munis flows swung back to positive, gathering \$923M last week. While flows were evenly distributed by maturity, investors slightly favored long-term funds.

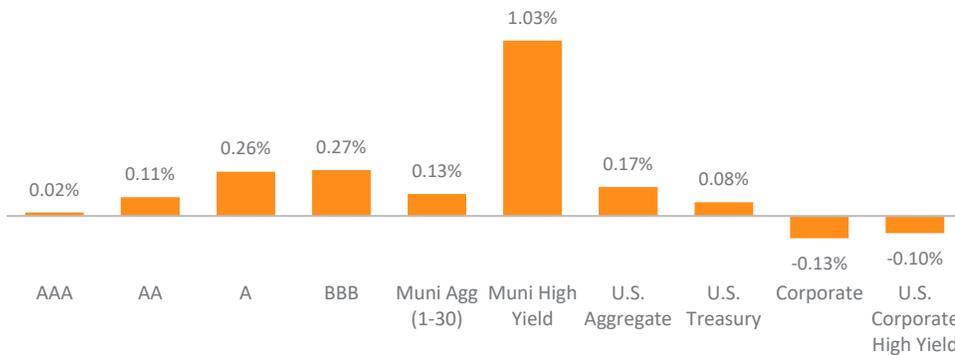
OEFS	\$209M
ETFs	\$714M
Long-term funds	\$396M
High yield funds	-\$173M

Source: LSEG Lipper, data from 26 Mar 2026-01 Apr 2026.

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**FIGURE 1: YTD INDEX RETURNS BY CREDIT QUALITY (%)**

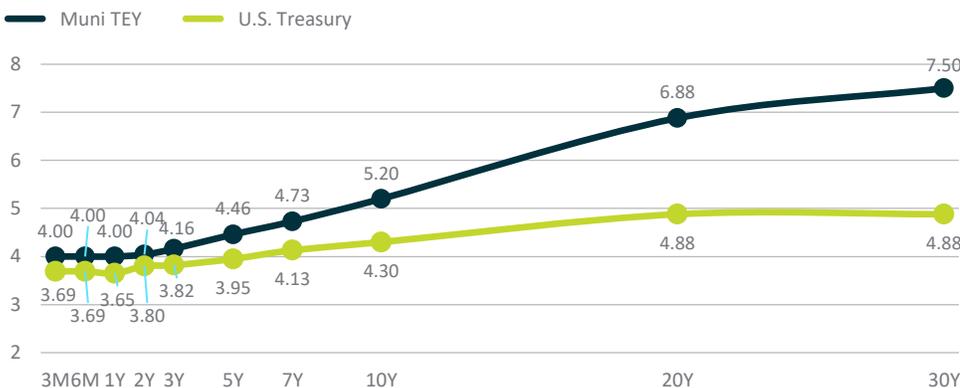


Data source: Bloomberg L.P., 02 Apr 2026. Performance data shown represents past performance and does not predict or guarantee future results. All index returns are Bloomberg; shown in U.S. dollars.

High yield munis posted solid results and outperform broader fixed income YTD.

**FIGURE 2: U.S. TREASURIES VS. AAA MUNICIPAL YIELD CURVE**

Taxable equivalent yield (%)

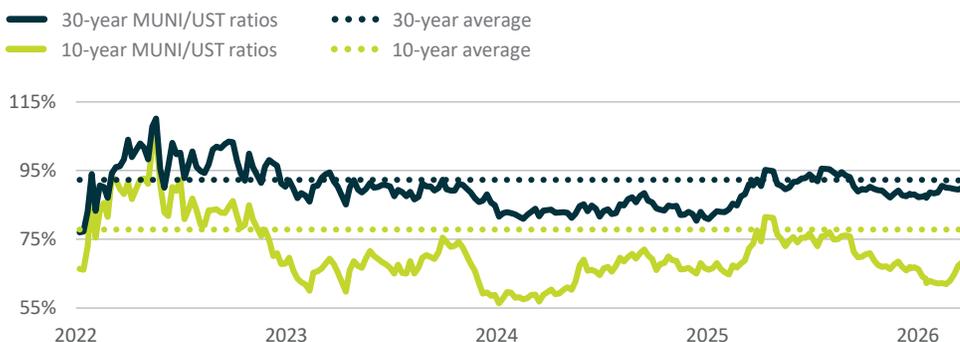


Data source: Bloomberg; Nuveen Portfolio Strategy & Solutions, as of 02 Apr 2026. Taxable-equivalent yield (TEY) is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-free municipal investment. The yields shown are based on the highest individual 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.

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

**FIGURE 3: 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, L.P. for 10- and 30-year U.S. Treasury yields, shown weekly, 31 Dec 2021 – 02 Apr 2026, averages shown from 01 Jan 1984 – 02 Apr 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.

Valuations remain more attractive in longer-dated munis versus Treasuries.

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### Endnotes

#### Sources

**Performance:** Bloomberg, L.P. **Issuance:** J.P. Morgan, 02 Apr 2026. **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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