

# Voracious demand fuels muni's second-best weekly flow on record

## Market recap

Municipal bonds delivered an exceptional week, with the broad muni index returning 0.80% amid a confluence of macro and technical forces. A tentative U.S.-Iran truce paired with softer growth and core U.S. inflation data drove yields sharply lower across the curve. May's month-to-date performance returned to positive territory, and munis outperformed Treasuries last week—pushing valuations to richer levels—but leaving taxable equivalent yields highly attractive to investors. Insatiable demand drove \$2.3B into municipal funds and ETFs—the second-best weekly flow on record, underscoring sustained conviction among investors. While heavy June new issuance could test the market, robust principal and coupon reinvestment are expected to provide meaningful technical support. Any weakness from heavy supply should present buying opportunities, as we continue to expect enduring credit fundamentals and solid investor demand.

## How is supply trending?

A slower \$8.9B in new deals last week attracted solid demand, particularly in longer-maturity and lower rated credits.

**Market impact:** Demand outstripped supply driving positive results and tighter spreads.

## Municipal market returns (%)

Index returns by maturity	WTD	MTD	YTD
Muni Agg	0.80%	0.14%	1.11%
Muni bond 5-year	0.42%	0.06%	0.48%
Muni bond 10-year	0.68%	0.00%	0.20%
Muni bond 15-year	0.80%	0.02%	1.12%
Muni long bond (22+)	1.30%	0.31%	1.92%
Muni bond 3–15-year blend	0.59%	0.04%	0.55%

Source: Bloomberg L.P., 28 May 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?

Rates moved lower last week across the curve and municipal yields fell more than treasuries, outperforming on the week.

## Municipal market yields (%)

	Current (%)	Change (bps)	Ratio (%)
5Y	2.66	-11	64%
10Y	3.02	-12	68%
30Y	4.38	-12	88%

Source: MMD, Bloomberg, L.P.; data from 22 May 2026 – 28 May 2026.

## KEY TAKEAWAYS

- Investors poured \$2.3B into muni funds and ETFs, the second-best weekly flow since 1992, bringing the total YTD to nearly \$40B.
- High yield has gathered \$5.7B YTD—among the top 5 best starts to the year since 1992.
- Nuveen views any supply-driven softness as a compelling entry-point, supported by credit resiliency, and enduring investor demand.

## What are flows doing?

Municipals gathered \$2.3B, the second-best weekly flow on record, with continued focus on long-term and high yield strategies.

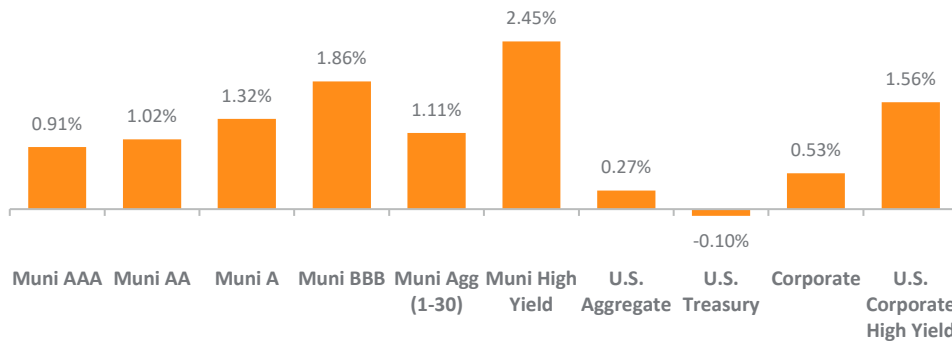
OEFs	\$671M
ETFs	\$1.66B
Long-term funds	\$1.61B
High yield funds	\$312M

Source: LSEG Lipper, data from 21 May 2026 – 27 May 2026.

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

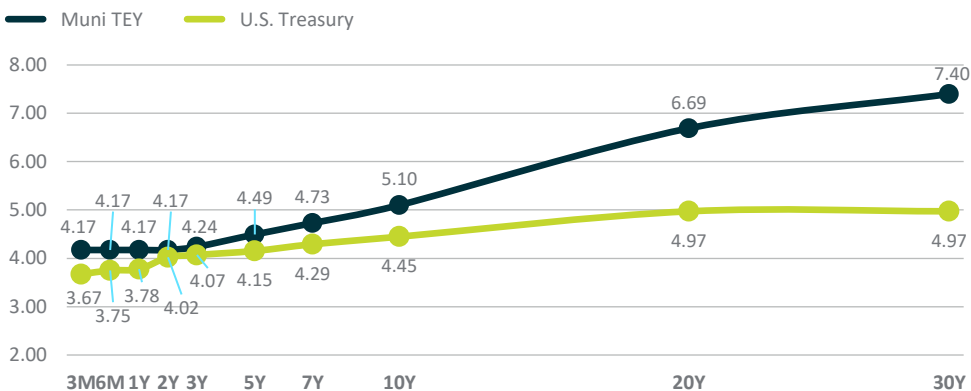


Data source: Bloomberg L.P., 28 May 2026. Performance data shown represents past performance and does not predict or guarantee future results. All index returns are Bloomberg; shown in U.S. dollars.

Lower-rated credits hold the top spot for year-to-date performance.

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

*Taxable equivalent yield (%)*

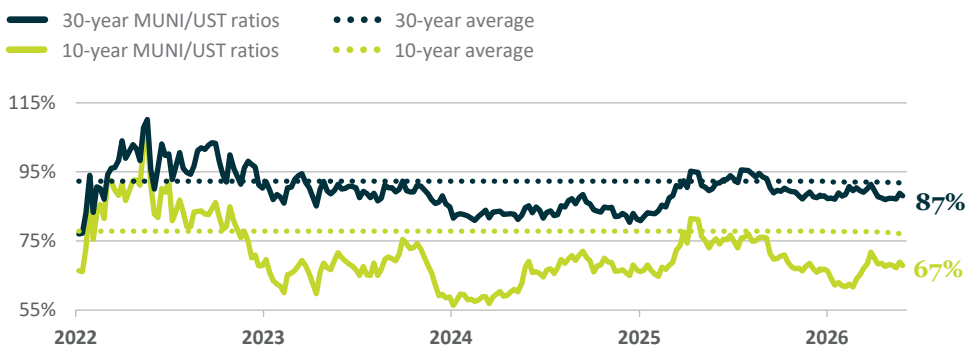


Data source: Bloomberg; Nuveen Portfolio Strategy & Solutions, as of 28 May 2026. Taxable-equivalent yield (TEY) is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-free municipal investment. The yields shown are based on the highest individual 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.

Tax-efficient yields are more attractive in longer-maturity municipals.

**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 – 28 May 2026, averages shown from 01 Jan 1984 – 28 May 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.

Ratios are constructive despite rich valuations, while longer maturities offer better entry points than shorter maturities.

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### Endnotes

#### Sources

**Performance:** Bloomberg, L.P. **Issuance:** J.P. Morgan, 28 May 2026. **Fund flows:** Lipper and J.P. Morgan. The sum of OEFs and ETFs represent the total municipal flows.

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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; **Muni Agg (1-30) 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; **Taxable municipals:** Bloomberg Taxable Municipal Index.

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Investing in municipal bonds involves risks such as market risk, credit risk, interest rate/duration risk, call risk, tax risk, political and economic risk, derivatives risk, and income risk. Credit risk refers to an ability to make interest and principal payments when due. Typically, the value of, and income generated by, muni bonds will decrease, or increase based on changes in market interest rates. As interest rates rise, bond prices fall and as interest rates fall, bond prices rise. Income is only one component of performance and investors should consider all of the risk factors for an asset class before investing. Income is generally exempt from regular federal income tax and may be subject to state and local taxes, based on the investor's state of residence, as well as to the federal alternative minimum tax (AMT). Capital gains, if any, are subject to tax. Income from municipal bonds 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. Please contact a tax professional regarding the suitability of tax-exempt investments as this information should not replace a client's consultation with a financial/tax professional regarding their tax situation. Nuveen and its investment specialists do not provide tax advice.

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