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Municipal Securities Rulemaking Board

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Third Quarter 2026 Municipal Securities Market Summary

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Municipal Securities Rulemaking Board

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Introduction[1]

The municipal securities market had record-setting trading volumes in the third quarter of 2026, especially in September. In the third quarter, there were over 5.2 million trades compared to 4.7 million in the second quarter of 2025, the previous record quarter. September was also the first month to see more than 2 million trades, dramatically higher than the 1.7 million trades in April 2025, the previous record month.

Benchmark tax-exempt yields soared in the quarter and reached the highest levels since the credit crisis in 2007–2008, likely contributing to the record trading volumes. New Issuance volume was a robust $164 billion, despite rising yields, remaining on pace for another record year.

Municipal exchange traded funds (ETFs) saw consistent and significant positive net issuance of $23 billion through September 30 and have already surpassed the total for all of 2025, the previous record year. Meanwhile, tax-exempt mutual funds saw net outflows of $4.3 billion in the same period. Notably, tax-exempt mutual funds saw three consecutive weeks of net outflows in September totalling $11 billion, the largest net outflows since May 2022.

Finally, the municipal securities market had to deal with record-setting levels of customer selling on ATSs and electronic institutional platforms.

[1] The views expressed in the research papers are those of the author(s) and do not necessarily reflect the views and positions of the MSRB Board and other MSRB staff.

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Trade Volume

Trade count in September and for all of the third quarter was unprecedented. One statistic sums this up. Prior to September, April 9, 2025, was the only day with more than 100,000 trades. In September, the daily average for trade count was greater than 100,000. As Figure 1 shows, September had nine of the top 10 days for trade count and 10 days with over 100,000 trades.[2] Consider that trade count in September reached a new record of 2.1 million trades, up 24% from the previous record month in April 2025. The week of September 21 also hit a new record of 534,000 trades, surpassing the high set the previous week.[3]

In addition, the third quarter saw a record number of trades at 5.2 million, 9% higher than the previous high of 4.7 million trades in the second quarter of 2025. The third quarter was also the sixth consecutive quarter with more than 4 million trades. Previously, that level had only been surpassed in the fourth quarter of 2023. The huge volume of trading in August and September has also lifted year-to-date trade count to 13.7 million trades, up 2.6% from the first nine months of 2025.

Finally, trade count in the last 18 months has averaged more than 1.5 million trades per month. To put this statistic in perspective, prior to April 2022, there had only been eight months since 2005 with at least 1 million trades.

Figure 1. Top 20 Trading Days

	Trade Count		Trade Count
9/29/26	138,670	**9/23/26**	110,808
9/30/26	136,641	**9/25/26**	110,744
9/28/26	117,452	**9/22/26**	106,367
4/9/25	112,633	**9/16/24**	105,609
9/24/26	112,408	**9/17/26**	105,272

The par amount traded in September was $475 billion, up 12% from April 2025, but still behind the $514 billion traded in March 2020 at the onset of the COVID-19 pandemic. March 2020 had the highest level of par amount traded since early in 2008, having been greatly impacted by trades in the variable-rate market.[4]

[2] The daily record was broken again on October 1, when there were 148,000 trades.

[3] The weekly record for trade count was set again at 667,000 trades during the week of September 28, which included two days in October.

[4] Prior to 2009, the par amount traded in variable-rate securities greatly exceeded the par amount traded for fixed rate securities, so we are unlikely to see the overall par amount traded exceed levels from 2007 and 2008.

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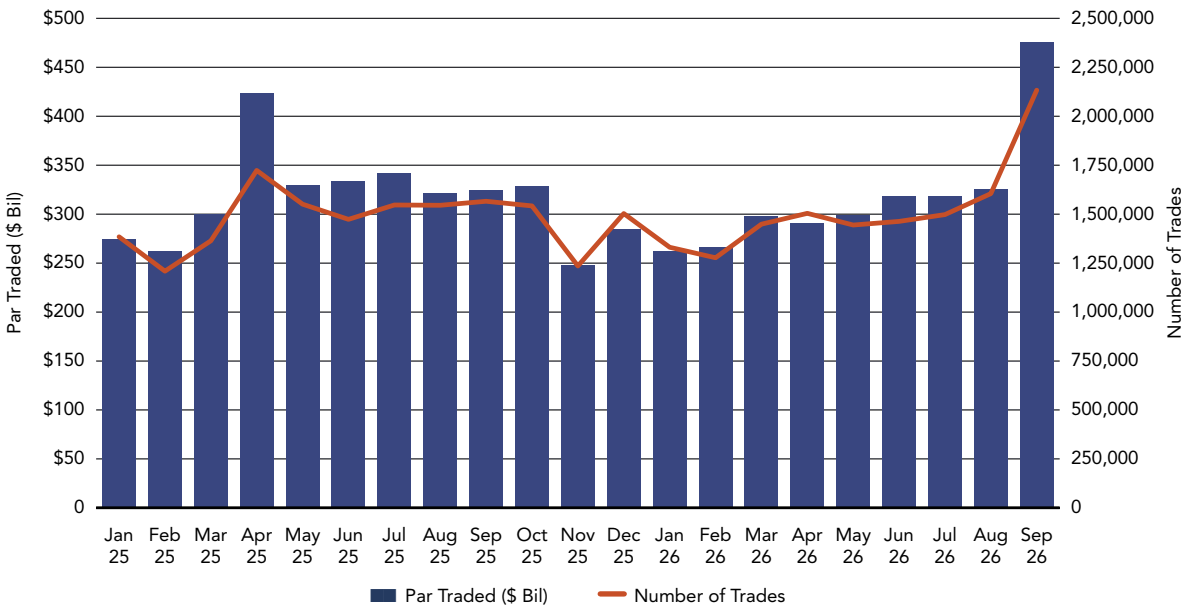
In the third quarter, the par amount traded was more than $1.1 trillion, up 3% from the previous record set in the second quarter of 2025. Year-to-date par amount traded is $2.85 trillion, approximately 2% lower than the par amount traded in the first three quarters of 2025.

Fixed-rate securities also hit record levels, with 2.1 million trades and $367 billion par value traded in September and 5.2 million trades and $826 billion in par traded in the third quarter.

Previous MSRB research has shown how average trade size has declined significantly in recent years. For example, the average trade size in the first quarter of 2023 was $283,000 but the average trade size by the fourth quarter of 2025 was just $201,000. That was the low point for average trade size, as we have seen a slight uptick, with an average trade size of $214,000 in the third quarter of 2026.

Figure 2. Monthly Municipal Market Activity, January 2025–September 2026



Yields

As seen in Figure 3, benchmark tax-exempt yields rose 61–105 basis points in September alone and 112–124 basis points in the quarter. In addition, the tax-exempt market dramatically underperformed the Treasury bond market as tax-exempt yields rose much more than Treasury bond yields. The underperformance of the tax-exempt market raised the Muni/TSY ratio[5] across all maturities compared to the end of the second quarter 2026.

[5] The Muni/TSY ratio is the benchmark tax-exempt yield for a maturity divided by the yield on Treasury bonds for the same maturity.

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The rise in yields in the third quarter was so significant that on September 29, yields on Bloomberg Valuation Services (BVAL) for 3-, 5-, 10-, 20- and 30-year maturities reached all-time highs.[6] The average daily 10-year yield in September 2026 was 3.74%. Prior to this, April of 2025 had the highest daily average for 10-year tax-exempt yields at 3.38%. As previous MSRB research has shown, there is a high correlation between benchmark tax-exempt yields and trading volumes.[7] This research publication is scheduled to be updated in the first quarter of 2027.

Figure 3. Bloomberg BVAL® AAA Callable and U.S. Treasury Yields

Year	BVAL Callable 09/30/2026	Treasury 09/30/2026	BVAL Q3 2026 change bps	TSY Q3 2026 change bps	Muni/TSY Ratio	Muni/TSY Ratio 12/31/2025
1	3.485	4.54	121	56	77%	71%
2	3.531	4.88	122	74	72%	70%
3	3.584	5.00	121	85	72%	67%
5	3.71	5.09	119	90	73%	63%
10	4.112	5.29	124	85	78%	65%
20	4.862	5.68	118	75	86%	81%
30	5.192	5.64	112	73	92%	85%

Sources: Bloomberg Finance L.P., U.S. Department of Treasury

As Figure 4 shows, benchmark tax-exempt 10-year bond yields rose about 80 basis points from the end of June to July 22. From July 22 to the end of August, benchmark tax-exempt yields remained in a narrow range of 3.2–3.3%. In September, tax-exempt 10-year yields soared, surpassing the previous high of 3.8% set on April 9, 2025, and peaking at 4.22% on September 29 before declining on September 30 to close at 4.11% at month-end. Before September 30, 10-year benchmark yields had not seen a significant daily decline since mid-August.

[6] Bloomberg's BVAL yield curve started in January 2011.

[7] See Simon Wu and John Bagley, "What Drives Trading Volume in the Municipal Securities Market? A Study of Likely Factors," MSRB Research Paper, February, 2025.

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Figure 4. Bloomberg BVAL 10-Year Callable Yields, January 2025–September 2026

Source: Bloomberg Finance L.P.

Investor Overview

Municipal bond ETFs continue to see consistent positive net issuance. Municipal bond ETFs saw net issuance of $23 billion for the third quarter and $55 billion year-to-date.[8] Year-to-date net issuance has exceeded the $46 billion in net issuance for all of 2025, which had been the record year for net issuance.

It appears that the rise in yields impacted net inflows into tax-exempt mutual funds, as the quarter saw net outflows of $4.3 billion, compared to net inflows of $16 billion in each of the first two quarters of 2026, significantly lagging ETFs. In September, tax-exempt mutual funds had three consecutive weeks of net outflows totaling $11 billion, including $6.7 billion during the last week of the month, the largest net outflows since May 2022. Year-to-date, tax-exempt mutual funds have seen net inflows of $28 billion.

Although we have seen a significant increase in trading volumes in the municipal securities market, it is relatively modest compared to increase in trading volume for municipal bond ETFs. In September on multiple days, trading volumes for the 11 largest municipal bond ETFs in the University of Chicago Muni VIX Index were five to six times higher than on an average day,

[8] Municipal bond ETF net issuance and tax-exempt mutual fund net flows are through September 30, 2026. They are furnished by the Investment Company Institute (ICI).

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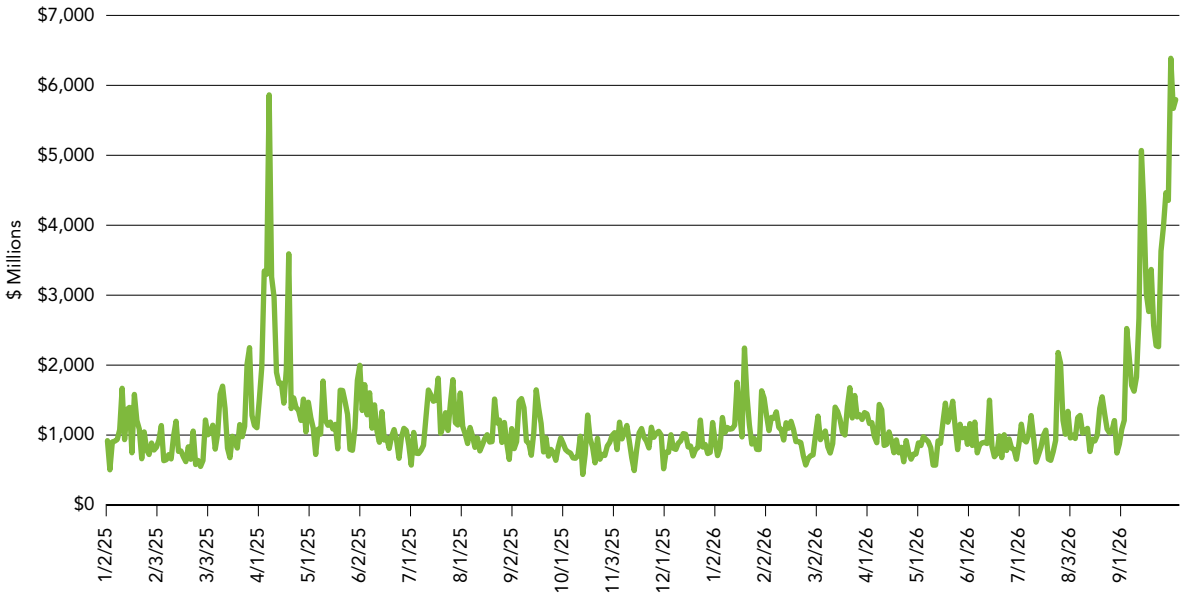
with September 28 setting an all-time high of nearly $6.4 billion. The $6.4 billion exceeded the previous daily high set on April 9, 2025. This likely indicates that large players on the buy and sell side were adjusting their exposure to the municipal market using ETFs as a trading product during periods of heightened volatility.

Figure 5. Daily Trading Volume for the 11 Largest Municipal Bond ETFs, January 2025–September 2026



New Issue Volume

Figure 6 shows that municipal securities new issue volume remains on pace for a third consecutive year of record issuance, despite significantly higher yields. For the third quarter, issuance stands at $164 billion, up 5% from the third quarter of 2025. Year-to-date, issuance is $467 billion compared to $442 billion for the first three quarters of 2025, on pace to exceed $600 billion for the first time.

Tax-exempt issuance is up 7% in the third quarter of 2026 compared to the same period in 2025, while taxable issuance is down 1%. Of note, the volume of private placements dropped nearly 80% compared to the third quarter of 2025, with private placement issuance at less than $1 billion for the quarter, by far the lowest quarterly total since 2023.

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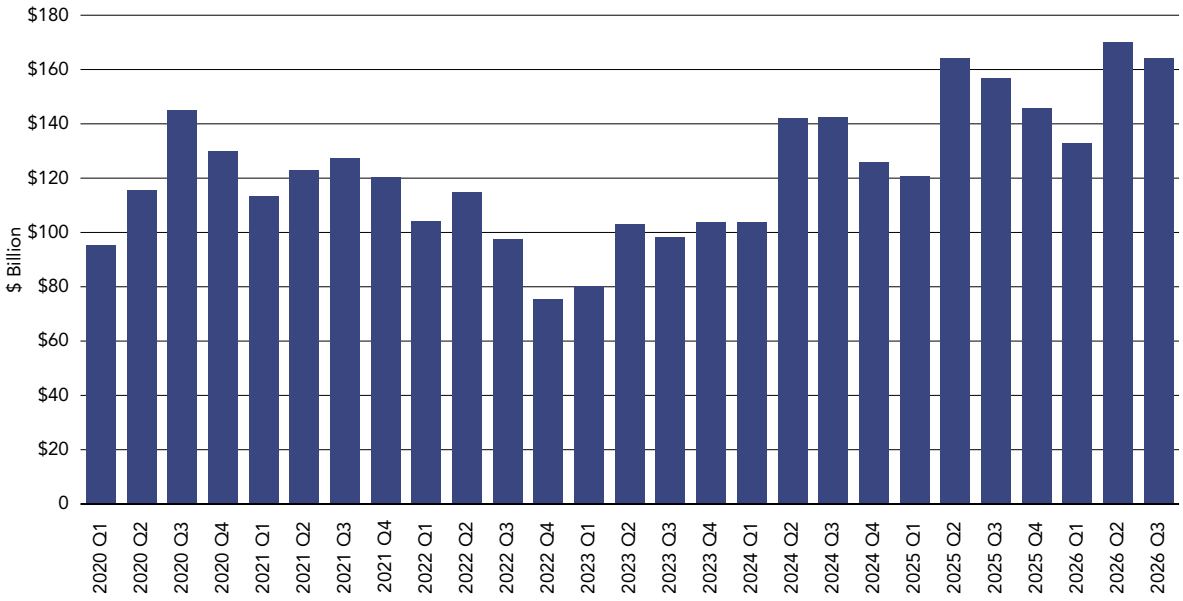
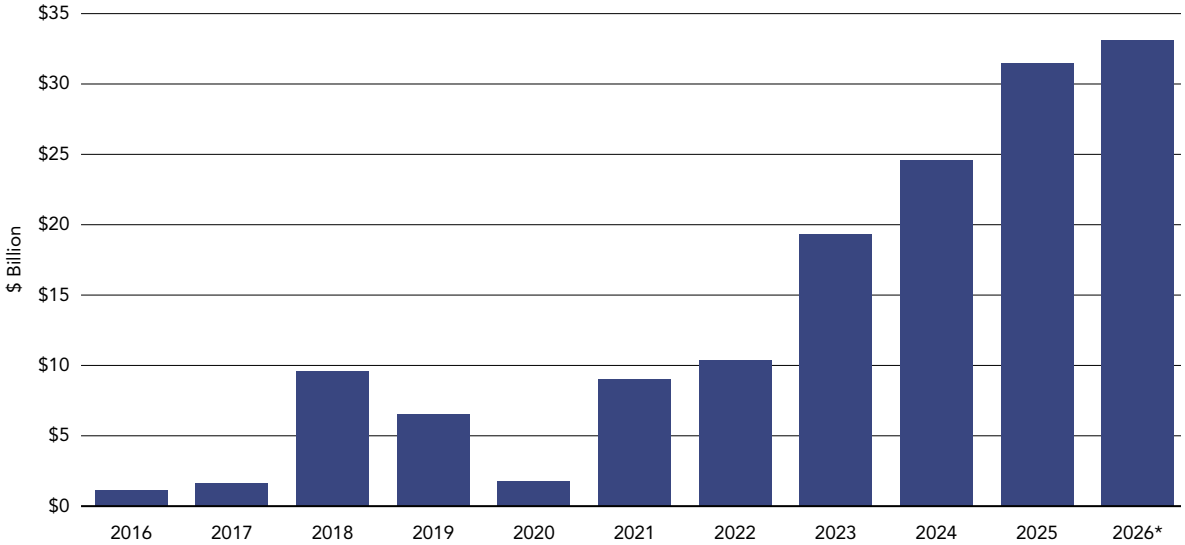
Figure 6. Municipal Market Issuance, January 2021–September 2026



Source: LSEG

As Figure 7 shows, one of the drivers in record new issue volume is the dramatic increase in prepaid energy issuance. For the third quarter, prepaid energy issue volume was $9 billion. Year-to-date, prepaid energy issuance is $33 billion, up 58% from the same period in 2025 and already higher than the total for all of last year.

Figure 7. Prepaid Energy Issuance 2016–2026



* As of September 30
Source: Bloomberg Finance L.P.

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Trading on Alternative Trading Systems and Other Electronic Platforms

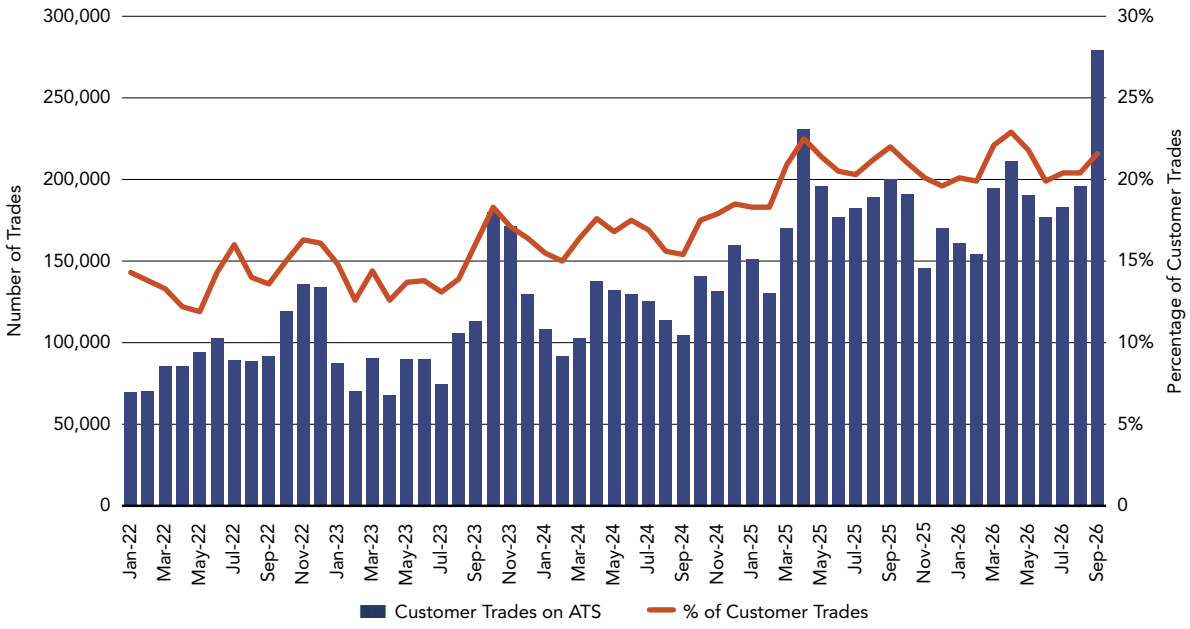
Alternative Trading Systems (ATSs) continue to be a primary source of liquidity for individual investors and an increasing source of liquidity for institutional investors. For the third quarter of 2026, trading on ATSs as a percentage of all interdealer trades was 27% of the par amount traded and 52% of the number of trades.

Figure 8 shows the number and percentage of customer trades executed with a dealer associated with an ATS. In the third quarter of 2026, the percentage was 20.9%, on par with the third quarter of 2025 but up from 16% in the third quarter of 2024. The par amount of customer trades executed on an ATS was 4.7% for the third quarter.

One significant development with ATSs is the announcement that Intercontinental Exchange (ICE) is buying Market Axess. Although this acquisition likely did not impact trading on ATSs in the third quarter, it could have an impact on trading in the future.

Additionally, the amount of bid-wanteds from institutional customers on Bloomberg rose dramatically in September. Prior to September, the last time there was more than $2 billion out for the bid on Bloomberg was in April 2025. While there were eight of those days in April 2025, there were 16 in September 2026, three of which exceeded $3 billion. September 29 registered $3.8 billion in bid-wanteds, second only to March 19 2020, at the start of the COVID-19 pandemic, when there was more than $4 billion out for the bid. This heavy amount of bid-wanted and customer selling activity likely led to the underperformance of the municipal market in September. Similar to what was seen on Bloomberg, there was a significant jump in the number and par amount of live offerings and bid-wanteds on ATSs, especially in the latter part of September.

Figure 8. Institutional Customer Trades Executed on ATS, January 2022–September 2026



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Conclusions

The third quarter of 2026 was an extraordinary period in the municipal securities market. Consider the following developments:

- Record trade count was established for a day, week, month and quarter. In the third quarter, there were 5.2 million trades, up 9% from the previous record set in the second quarter of 2025.
- The highest par amount traded since 2008 at $1.1 billion, up 3%, compared to the second quarter of 2025.
- New issue volume on pace for a third consecutive yearly record. New issue volume in the quarter was $164 billion, and year-to-date volume is up 6% compared to the first nine months of 2025.
- Tax-exempt benchmark yields rose dramatically in the quarter, and in September, the BVAL index established all-time high for yields for 3-, 5-, 10-, 20- and 30-year maturities. Rising yields have likely fueled increased demand from individual investors directly and through SMAs, and likely was a major factor in the slowdown in inflows to tax-exempt mutual funds.
- Municipal bond ETFs continued to see strong consistent net issuance and saw a dramatic increase in daily trading volume. Tax-exempt mutual funds saw net outflows of $4.3 billion in the quarter, a significant reversal from the prior two quarters.
- There was a dramatic increase in the number and par amount of bid-wanteds on Bloomberg and on ATSs. The volume of selling by investors was likely a major reason why the tax-exempt market dramatically underperformed the Treasury market in September.

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