

2025 Municipal Market Year in Review



Speakers



Mark T. Kim

MSRB President and CEO

Mark T. Kim is President and Chief Executive Officer of Municipal Securities Rulemaking Board (MSRB), the principal regulator of the \$4 trillion municipal securities market.



John A. Bagley

MSRB Chief Market Structure Officer

John Bagley leads the Market Structure department, which is responsible for the organization's activities and functions related to market leadership, market structure, market transparency, economic analysis, data analysis, research and industry operations.

Agenda

- Shifts in Municipal Securities Market Structure
- Trade Volumes
- Primary Market
- Yields
- Alternative Trading Systems
- Investor Overview
- Final Thoughts and MSRB Research

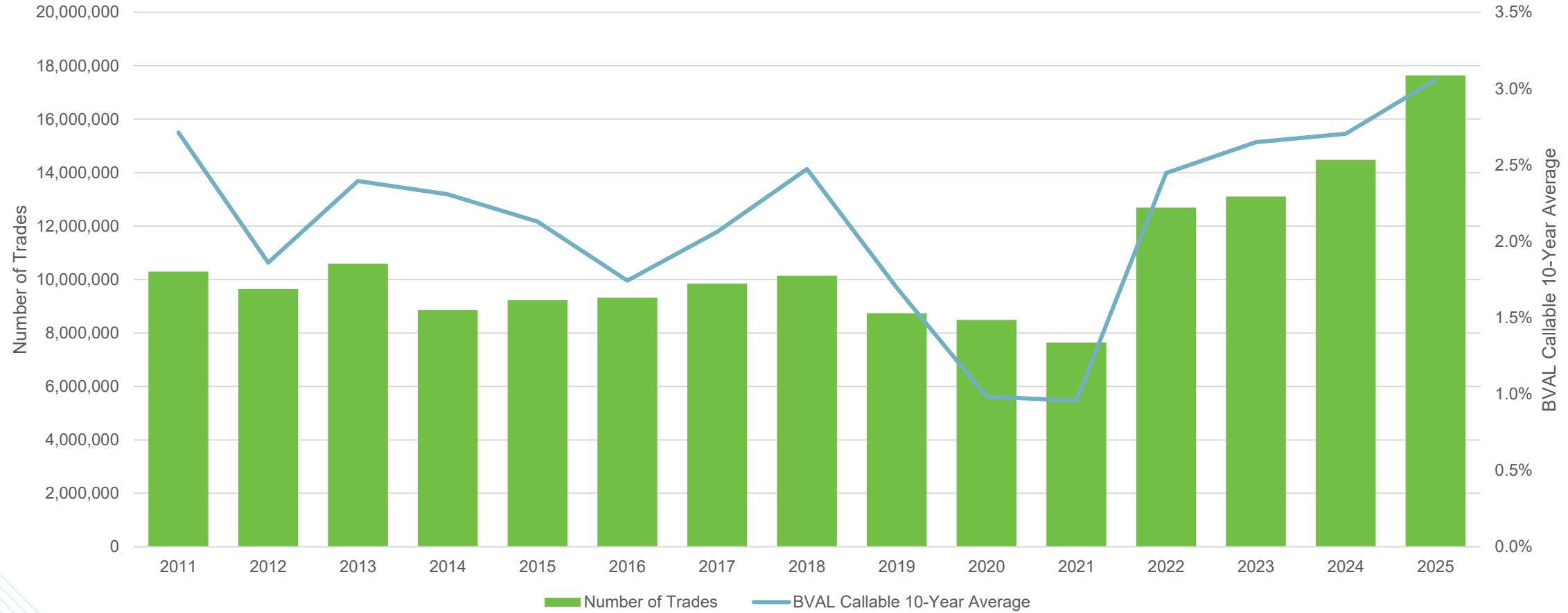
Shifts in Municipal Securities Market Structure

- Electronification has fundamentally changed municipal securities market structure
 - Dramatic growth in separately managed accounts (SMAs)
 - Lower minimums
 - Buy-side increasing participation in odd-lot trading
 - Increase in algorithmic/electronic trading
 - Dramatic increase in trading volumes, especially trade count
 - Dramatic growth in live quotes and bid-wanteds (RFQs)
 - The role of exchange traded funds (ETFs), especially in volatile markets
- Market is increasingly dependent on demand from individual investors
- Issuer borrowing needs are expected to continue to rise



Trade Volumes

Trade Count and Benchmark Tax-Exempt Yields 2011 – 2025



Sources: MSRB, Bloomberg Finance L.P.

Trade Count

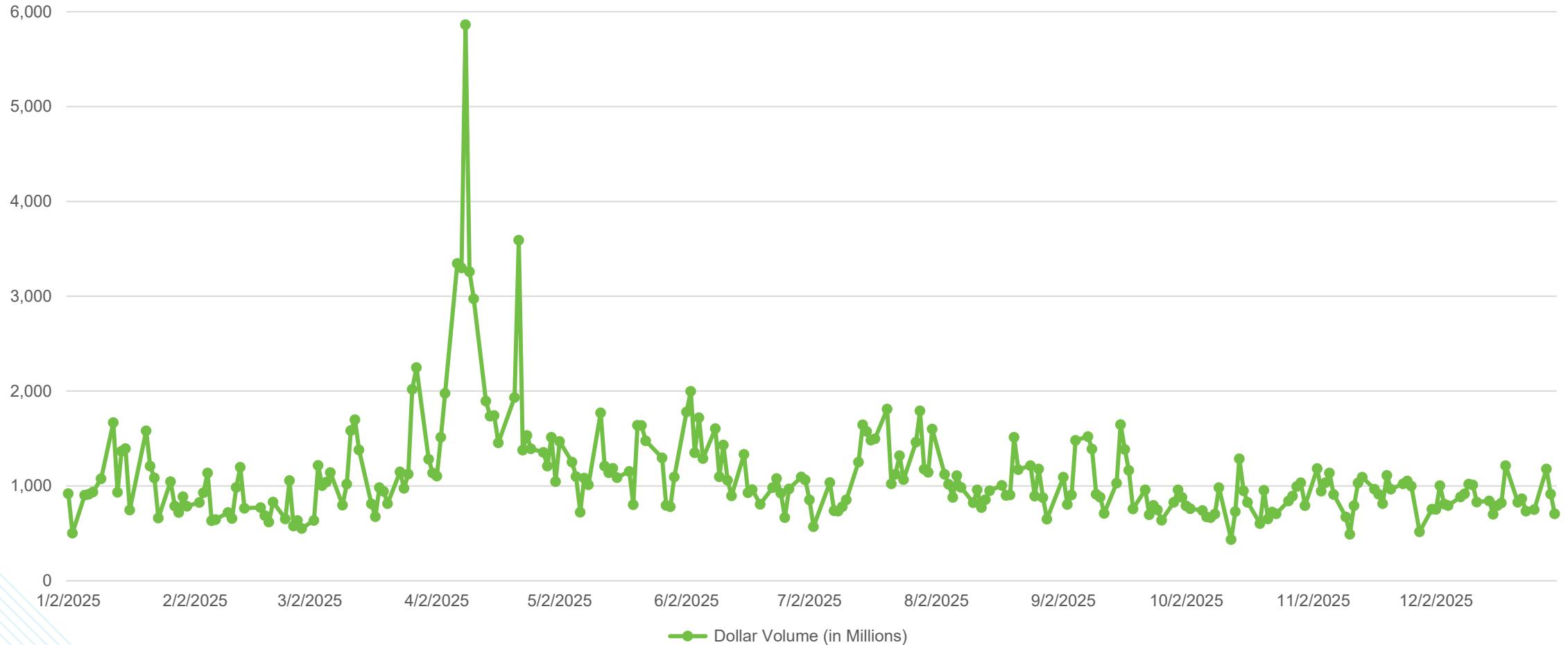
- 2025 trade count 17.6 Million
 - Up 22% from 2024, 35% from 2023, 131% from 2021
 - Average daily trade count in 2025 was 70,285, the previous record high was 57,422
 - In 2025, there were only 15 days with trade count below the 2024 average
 - Many associated with holiday shortened trading days
- Dramatic change in trade count since 2022 when yields began to rise
 - Prior to April 2022 there were 8 months with 1 million or more trades
 - All 8 months associated with some market event such as COVID-19 in March 2020
 - In 2022, there were more than 1 million trades in 8 of the last 9 months
 - Since April 2023, 31 of past 32 months with 1 million or more trades
 - Including the last 29 months in a row

Material Shift in Trading Volumes in 2025

- 7 of the last 9 months in 2025 had more than 1.5 million trades
 - In the 20+-year history of trade reporting, there has only been one other month when trade count exceeded 1.5 million - November 2023
 - In the second half of 2021, monthly trade count averaged just over 600,000 trades
 - 8 of the top 10 months for trade count occurred in 2025
- Prior to 2025, there were 15 days with 80,000 or more trades
 - There were 42 in 2025, 12 in April alone
 - For days with 70,000 or more trades, 79 days prior to 2025, 141 in 2025
- The top ten days for trade count all occurred in 2025
 - April 9, 2025, was the all-time high, with 113,000 trades
 - Up 26% from the previous high prior to April 2025

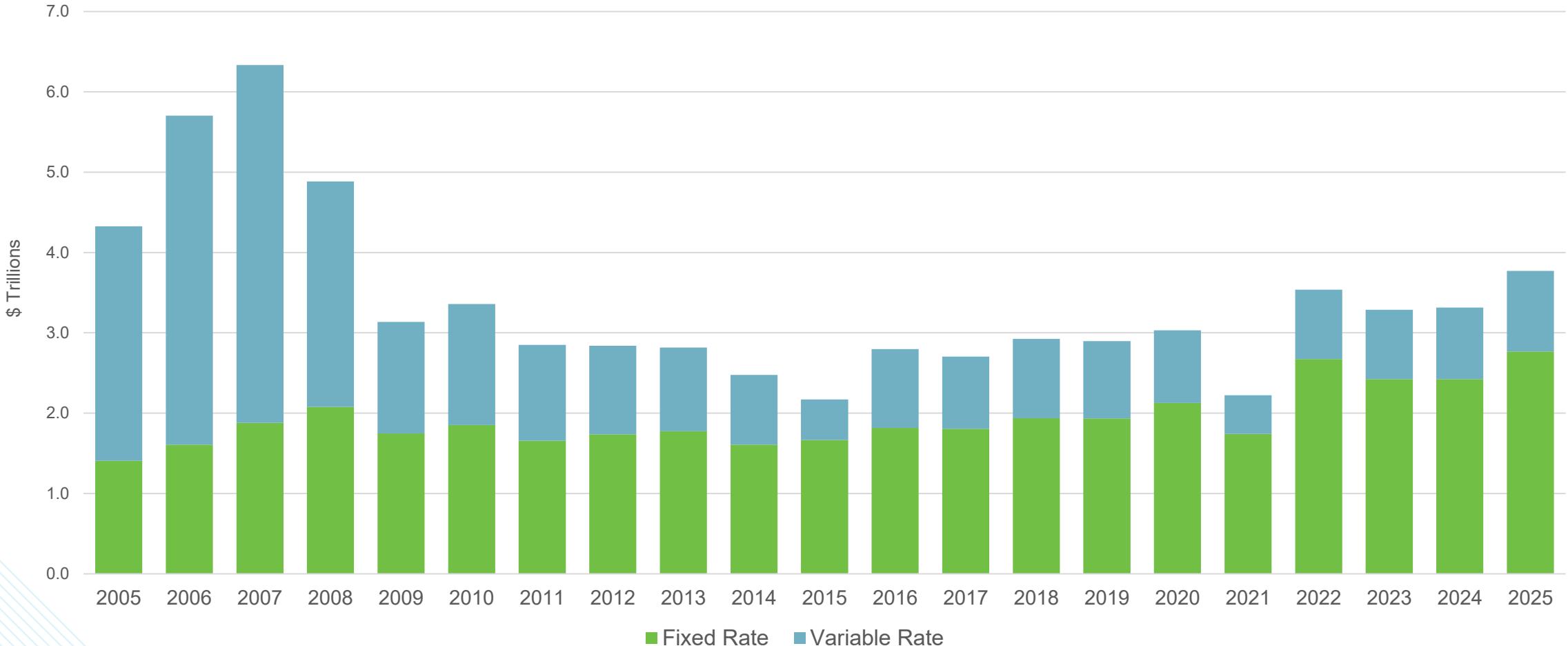
Daily Dollar Volume of Top 11 Municipal Bond ETFs

January 2 – December 31, 2025

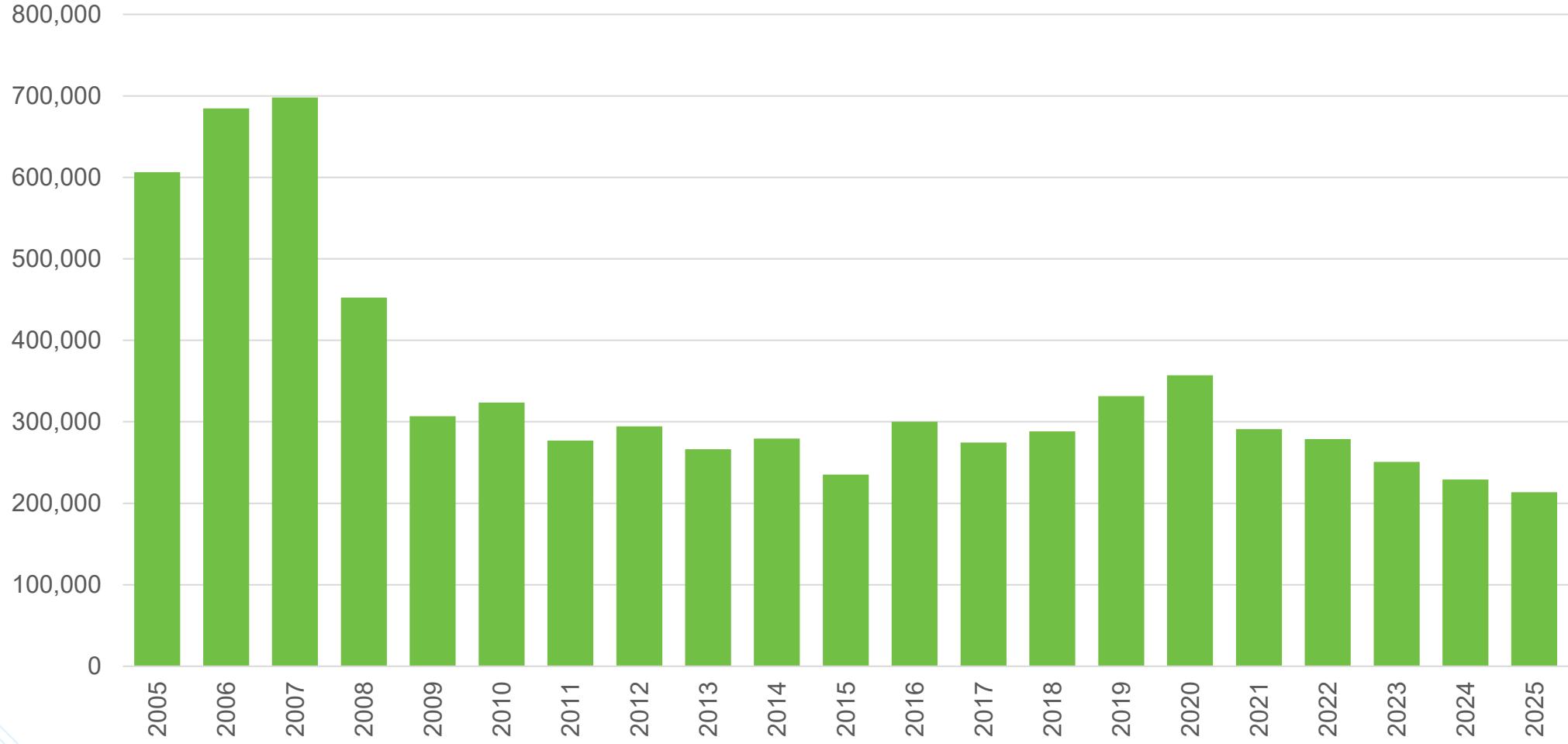


Source: Nasdaq

Par Amount Traded, 2005 - 2025



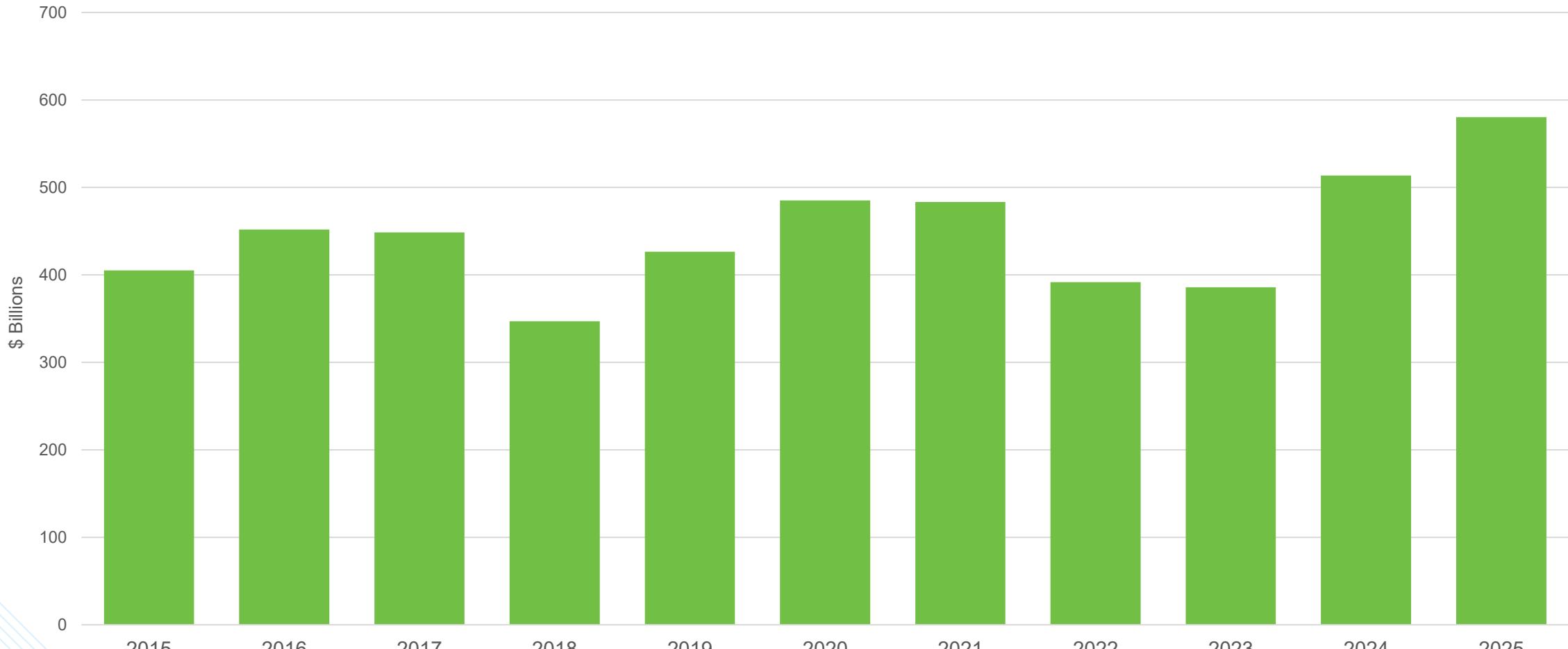
Average Trade Size 2005 - 2025





Primary Market

New Issuance 2015 - 2025



Source: LSEG

New Issuance 2025 vs 2021

	2025 \$Bil	2021 \$Bil	% Change	2025 % of Total	2021 % of Total
Tax- Exempt	522.8	347.6	50%	90%	72%
Taxable	33.3	121.0	-72%	6%	25%
AMT	24.1	14.8	63%	4%	3%
New Money	430.4	321.5	34%	74%	67%
Refunding	71.7	111.8	-36%	12%	23%
Combined	78.1	50.0	56%	13%	10%
Negotiated	468.7	357.5	31%	81%	74%
Competitive	101.6	99.6	2%	18%	21%
Priv Placement	9.9	26.3	-62%	2%	5%
Total	580.2	483.4	20%	-	-

Source: LSEG

New Issuance 2025 vs 2024

	2025 \$Bil	2024 \$Bil	% Change	2025 % of Total	2024 % of Total
Tax- Exempt	522.8	450.4	16%	90%	88%
Taxable	33.3	38.0	-12%	6%	7%
AMT	24.1	25.3	-5%	4%	5%
New Money	430.4	360.5	19%	74%	70%
Refunding	71.7	85.6	-16%	12%	17%
Combined	78.1	67.6	16%	13%	13%
Negotiated	468.7	409.5	14%	81%	80%
Competitive	101.6	86.3	18%	18%	17%
Priv Placement	9.9	17.8	-44%	2%	3%
Total	580.2	513.7	13%	-	-

Source: LSEG

Yields

10-Year Benchmark Tax-Exempt Yields



Source: Bloomberg Finance L.P.

Change in Treasury and Tax-Exempt Yields

Bloomberg BVAL AAA Callable & U.S. Treasury Yields						
	BVAL Callable 12/31/2025	Treasury 12/31/2025	BVAL YTD Change in Basis Points	TSY YTD Change in Basis Points	Muni/TSY Ratio 12/31/2025	Muni/TSY Ratio 12/31/2024
Year						
1	2.470	3.480	-48	-68	71%	71%
2	2.423	3.470	-38	-78	70%	66%
3	2.361	3.550	-45	-72	67%	66%
5	2.368	3.730	-51	-65	63%	66%
10	2.710	4.180	-40	-40	65%	68%
20	3.890	4.790	30	-7	81%	74%
30	4.130	4.840	31	6	85%	80%

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

Yellow highlight indicates lower yields compared to the end of 2024 and green are higher rates.



Alternative Trading Systems (ATSs)

ATS Live Quotes and Bid-Wanteds

- ATSs can have 125,000 unique securities with live quotes on any day
- ATSs averaging more than 225,000 average daily quotes
 - Up 28% from 2024, up 77% from 2023
- ATSs average daily par amount \$30+ billion
 - Up 19% from 2024, up 47% from 2023
- ATSs averaging 25,000 bid-wanteds per day
 - Up 87% from 2024, more than doubled since 2023 (Up 137%)
- ATSs averaging almost \$2 billion in par amount
 - Up 20% from 2024, up 71% from 2023

ATS Executions

- 56% of inter-dealer trades were executed on an ATS
 - Percentage has been between 55% - 58% for years
- ATSs account for 21% of the number of customer trades in 2025
 - Up from 12% in 2021
- Buy-side accounts have become increasingly more active on ATS platforms



Investor Overview

Overview of Municipal Securities Investors

- Tax-exempt mutual funds saw small net inflows (\$15 billion)
- Tax-exempt ETFs had record net inflows of almost \$46 billion surpassing 2022
 - Up 163% vs. 2024, 60% vs 2022 the previous record high
 - Trade volume increased dramatically during times of market volatility
 - Concentrated market – top two ETFs are 45%+ of market
 - Since 2022, tax-exempt ETFs have seen net inflows of about \$106 billion
 - Tax-exempt mutual funds have seen net outflows of more than \$122 billion
- Banks and insurance companies continue to decrease holdings
 - Holdings down 5% through June 2025
 - Orderly reduction in municipal securities holdings but demand unlikely to increase soon
- Individual investors continued strong demand
 - Overall demand is narrow and greatly reliant on individual investors

Municipal and Corporate Bond Holdings – June 2025

	Municipal	Corporate
Household	48%	2%
Mutual Funds	21%	15%
Banks and Credit Unions	9%	6%
Insurance	9%	28%
ETF	4%	7%
Money Market Funds	3%	0.1%
Rest of the World	3%	28%
Brokers and Dealers	0.5%	0.5%
State and Local Governments	1.3%	6%
Pension Funds	-	6%
Other	1%	1%



Final Thoughts and MSRB Research

What is Driving the Dramatic Change in Trade Volumes?

- Vibrant growth in separately managed accounts and ETFs
- Record ETF inflows and dramatic increase in volume during volatile markets
- Explosive growth in live quotes and bid-wanteds
- Improved tools for the buy- and sell-side
 - Allow for smaller minimums on SMAs and buy-side trading more in odd-lots
 - Allow for more participants in the odd-lot space
 - MSRB research shows likely 50%+ of customer transactions in odd-lots executed by institutional investors
- Benchmark tax-exempt yields
 - MSRB research shows high correlation between tax-exempt yields and trading volumes
- Funding needs for issuers
 - Volume driven by new money issuance, not refunding issuance

Recent and Upcoming MSRB Research of Interest

- **Recent**

- [What Drives Trading Volume in the Municipal Securities Market?](#)
- [Convergence of Individual and Institutional Trading Dynamics in Small Size Trades](#)
- [A Comparison of Transaction Costs for Municipal Securities and Other Fixed-Income Securities](#)
- [Liquidity Impact of Municipal Bond ETFs on Municipal Securities Market](#)
- [2025 Municipal Market Year in Review](#)

- **Upcoming**

- Concentration of Dealer Liquidity on Customer Trades
- Growth of Customers Providing Liquidity on ATSs