



Municipal Securities Rulemaking Board

APRIL 2026

First Quarter 2026 Municipal Securities Market Summary

Figure 4. Municipal Market Issuance



Source: LSEG

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Introduction¹

The first quarter of 2026 saw significant volatility in yields. Benchmark tax-exempt yields declined through February only to rise quickly and sharply in March. Trading volumes are near or higher than levels seen one year ago. The number of trades is up slightly from the first quarter of 2025, but average daily trade count is down 5.4% from full-year 2025. New issuance was up 7% from the year-ago quarter, with tax-exempt issuance rising and taxable issuance declining. Finally, tax-exempt mutual funds and exchange traded funds (ETF) saw strong positive net inflows in the quarter as the market continued to see strong demand from individual investors, including separately managed accounts (SMA).

Yields

As Figure 1 shows, benchmark tax-exempt yields declined fairly consistently in the first two months of the year bottoming out at the end of February. However, rising oil prices and increasing concerns about inflation caused yields in all fixed income markets to rise in March. As seen in Figure 1, 10-year tax-exempt yields declined by about 24 basis points to 2.47%, from the end of 2025 to the end of February. However, they rose rapidly in March, surpassing 3.0% on March 24 for the first time since early September 2025. Benchmark 10-year tax-exempt yields closed the month at 3.06%, up 59 basis points from the end of February and 35 basis points since the end of 2025.

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.

Figure 1. Bloomberg BVAL 10-Year Callable Yields, January 2025–March 2026



Source: Bloomberg Finance L.P.

Figure 2 shows the change in benchmark tax-exempt yields in the first quarter as well as the Muni/Treasury ratio for various maturities. Tax-exempt yields on the short end of the curve dramatically outperformed tax-exempt yields for maturities of 5 years and longer. Tax-exempts also dramatically outperformed Treasuries on the short end while underperforming on the long end of the market. As mentioned previously, tax-exempt yields declined through February only to rise significantly in March. For the month, tax-exempt yields rose 35 to 59 basis points while Treasury yields rose 20 to 42 basis points. Additionally, the Muni/TSY ratio declined for maturities of up to three years and was relatively unchanged for securities maturing in 5 years, remaining unattractive on the shorter end of the yield curve. On the other hand, Muni/TSY ratios rose during the quarter for maturities of 10 years and longer. In fact, the Muni/TSY ratio for 30 years was higher than 90% at the end of the quarter, which makes the long end of the municipal market attractive relative to Treasuries.

Figure 2. Bloomberg BVAL[®] AAA Callable and U.S. Treasury Yields

Year	BVAL Callable 03/31/2026	Treasury 03/31/2026	BVAL Q1 2026 Change BPS	TSY Q1 2026 Change BPS	Muni/TSY Ratio 03/31/2026	Muni/TSY Ratio 12/31/2025
1	2.376	3.68	-9	20	65%	71%
2	2.393	3.79	-3	32	63%	70%
3	2.419	3.81	6	26	63%	67%
5	2.571	3.92	20	19	66%	63%
10	3.061	4.30	35	12	71%	65%
20	4.135	4.88	25	9	85%	81%
30	4.441	4.88	31	4	91%	85%

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

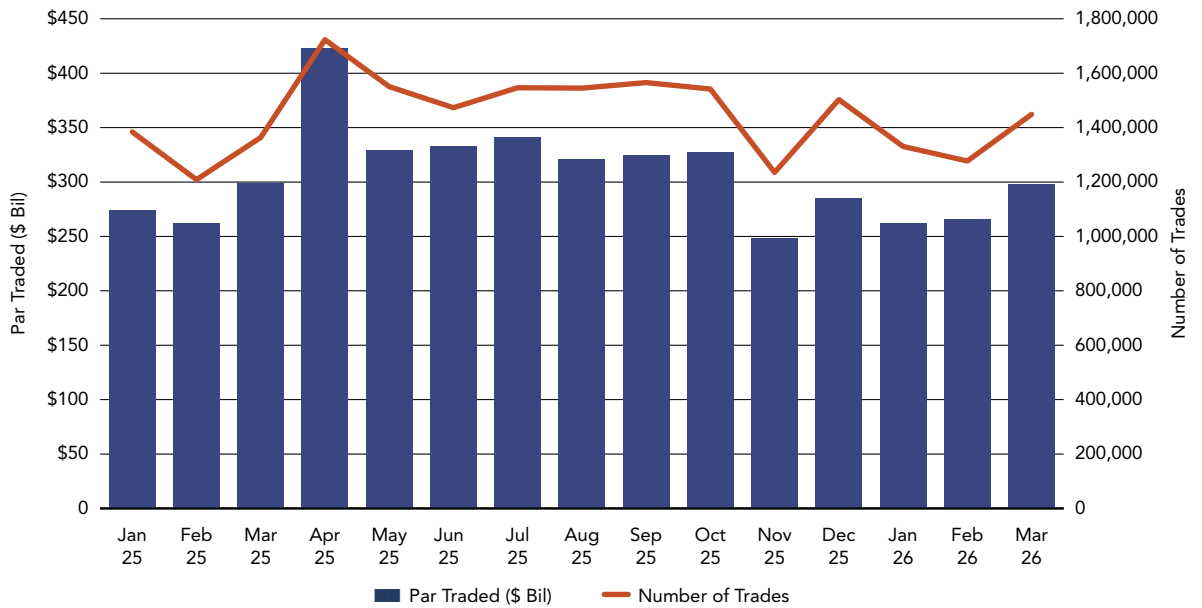
Trade Volume

After a fourth consecutive year of record trade count in 2025, trade count in the first quarter of 2026 was robust at just over 4 million trades, up 2.5% from the first quarter of 2025. However, at the beginning of April 2025, tax-exempt yields spiked, buoying trading volumes, and it remains to be seen if trading activity will remain elevated in the second quarter of 2026. Average daily trade count through the first quarter was 66,505, up 2.5% from the first quarter of 2025, but down more than 5% from the average daily trade count for all of 2025. As discussed in the 2025 year-end podcast, it is going to be difficult to see a fifth consecutive year of record trade count,² especially when you consider 10-year benchmark tax-exempt yields reached 3.80% in early April 2025. As previous MSRB research has shown, there is a high correlation between yields and trading volumes.

Par amount traded, which in 2025 was the largest since 2008, totaled \$826 billion in the first quarter of 2026, slightly below the levels in the first quarter of 2025. The average trade size continued to decline in the first quarter to below \$204,000, down 5% from full-year 2025. To illustrate how much average trade size has declined in recent years, the average trade size was \$242,000 in 2024 and \$291,000 in 2021.

² [MSRB Podcast: 2025 Municipal Market Year in Review.](#)

Figure 3. Monthly Municipal Market Activity, January 2025–March 2026



The percentage of inter-dealer trades executed on an alternative trading system (ATS) in the first quarter was 55%, down slightly from 56% for the same period last year. The percentage of customer trades executed on an ATS was 19.7%, up slightly from 19.2% in the first quarter of 2025.

Mutual Fund and Exchange Traded Fund Flows

Tax-exempt mutual funds and exchange traded funds (ETFs) have seen significant positive net inflows so far in 2026. According to the Investment Company Institute (ICI), year-to-date net inflows for tax-exempt ETFs were almost \$16 billion through March 25. These net inflows are on pace with the record level of net inflows into ETFs we saw last year.

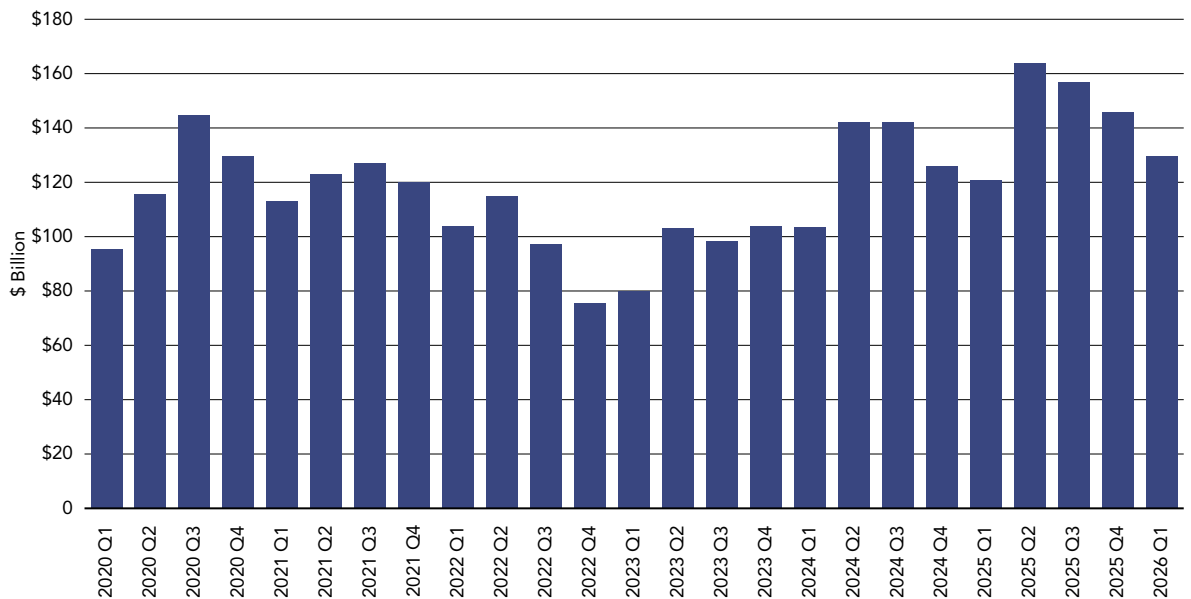
Tax-exempt mutual funds have seen also net inflows of more than \$16 billion through March 25.³ This is larger than the net inflows for all of 2025. The increased net inflows are positive for the municipal market, especially for the long end of the market because mutual funds are normally the biggest buyers on the long end. These net inflows are especially important with banks and insurance companies continuing to reduce their holdings of municipal securities.

³ Investment Company Institute: [Long-Term Mutual Fund and Exchange Traded Fund Net Cash Flow](#).

New Issue Volume

Following a second consecutive year of record new issue volume in 2025, new issue volume in the first quarter of 2026 exceeded that of the prior year's first quarter. Total volume for the quarter was \$129.6 billion, up 7% from the same period in 2025. Tax-exempt issuance was up 13%, but taxable issuance was down 13% and AMT issuance was down 61% from the first quarter of 2025. New-money volume was similar to 2025, but refunding volume rose 22%. Competitive and negotiated volumes were in line with 2025. Private placement volume dropped to only \$970 million, down more than 40%. For context, private placement volume in 2023 was almost \$5.5 billion.

Figure 4. Municipal Market Issuance, January 2020–March 2026



Source: LSEG

Conclusions

Key developments in the municipal bond market in the first quarter of 2026 include:

- Volatility in tax-exempt yields fueled by rising oil prices and inflation concerns, with a sharp rise in March following declines in the first two months of the year
- Continued robust trading volumes, with a slight increase in the number of trades and a slight decrease in par amount traded from the first quarter of 2025
- A continued decline in average trade size to less than \$205,000, down 4% compared to the first quarter of 2025
- Significant net inflows into tax-exempt mutual funds and ETFs
- A continued increase in new issue volume, up 7% compared to the first quarter of 2025, with tax-exempt issuance up 13%, taxable volume down 13%, and private placements continuing a persistent decline, down 41% to only \$970 million in issuance

Expectations are that the new issue calendar will remain robust in the second quarter. It would be beneficial for the market if the large positive net inflows into tax-exempt mutual funds and ETFs continue. With 10-year tax-exempt benchmark yields above 3%, we expect demand from individual investors including SMAs to remain significant but less robust than we saw in the second quarter of 2025. That is, unless tax-exempt yields move substantially higher.

ABOUT MSRB

The Municipal Securities Rulemaking Board (MSRB) was established by Congress in 1975 with the mission to protect investors, issuers and the public interest and to promote efficiency, competition and capital formation. MSRB is a private, self-regulatory organization governed by an independent board of directors with market knowledge and expertise. MSRB does not receive federal appropriations and is funded primarily through fees paid by regulated entities. MSRB is overseen by Congress and the Securities and Exchange Commission.



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