

Midyear Market Summary



July 8, 2026

Agenda

- Fundamental Changes in the Municipal Securities Market
- Trading Volumes
- ATS Data
- New Issue Volumes
- Investor Overview
- Yields
- MSRB Research and Final Thoughts



Fundamental Changes in the Municipal Securities Market

Fundamental Changes in the Municipal Securities Market

- The market in 2026 looks nothing like the market 5 years ago:
 - Benchmark 10-year tax-exempt yields
 - Electronification of the municipal securities market
 - Increase in algorithmic trading
 - Increased participation of buy-side accounts on electronic venues
 - Tools to make the buy-side and sell-side more efficient
 - Growth in ETFs
 - Dramatic growth in separately managed accounts (SMAs) - lower minimums
 - Continued borrowing needs of municipal entities



Trading Volumes

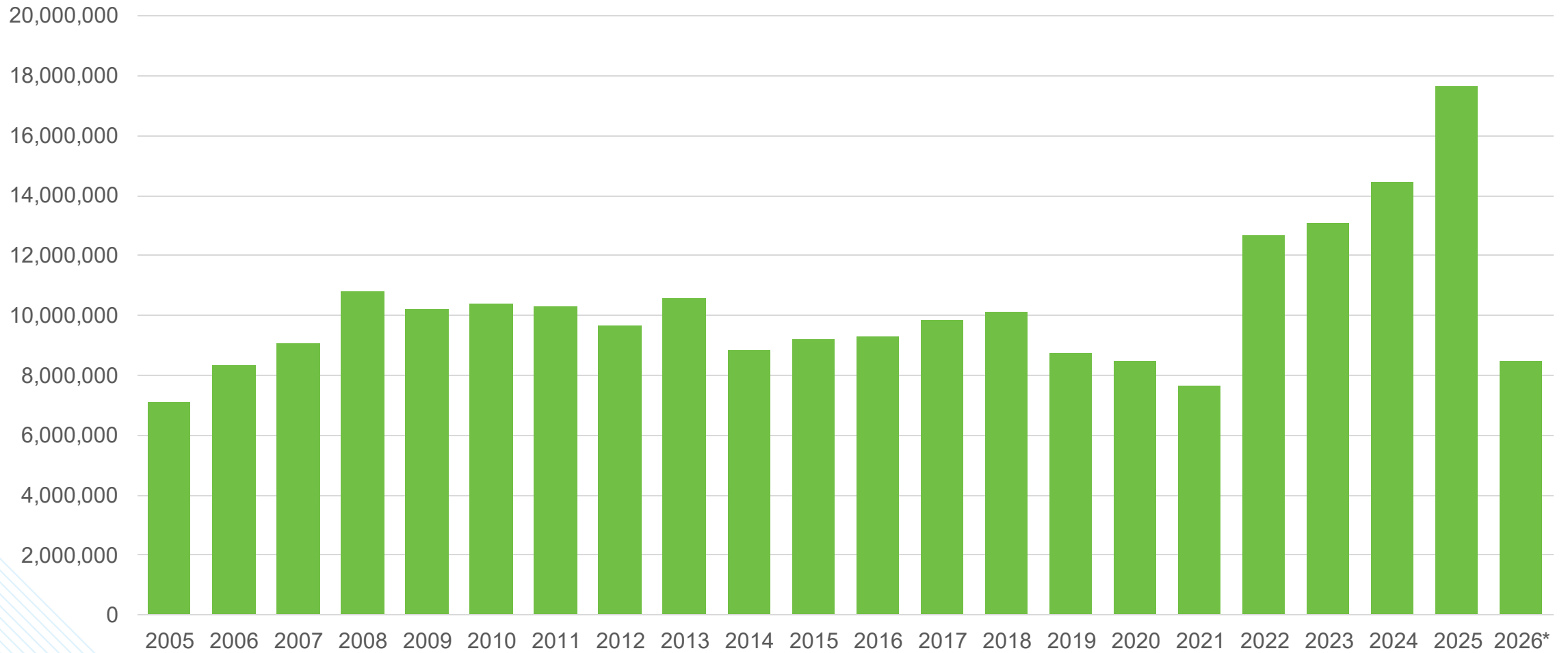
Unprecedented Trading Volumes

- 2025 trade count 17.6 million – 4th consecutive record year
 - Up 22% from 2024 and 131% from 2021
- 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 were associated with some market event.
 - In 2022, there were more than 1 million trades in 8 of the last 9 months.
 - Since April 2023, 36 of past 37 months had 1 million or more trades.
 - Including the last 34 months in a row
 - In 2025, 7 of the last 9 months of the year had more than 1.5 million trades.
 - We are averaging 1.46 million trades per month over the last 14 months.

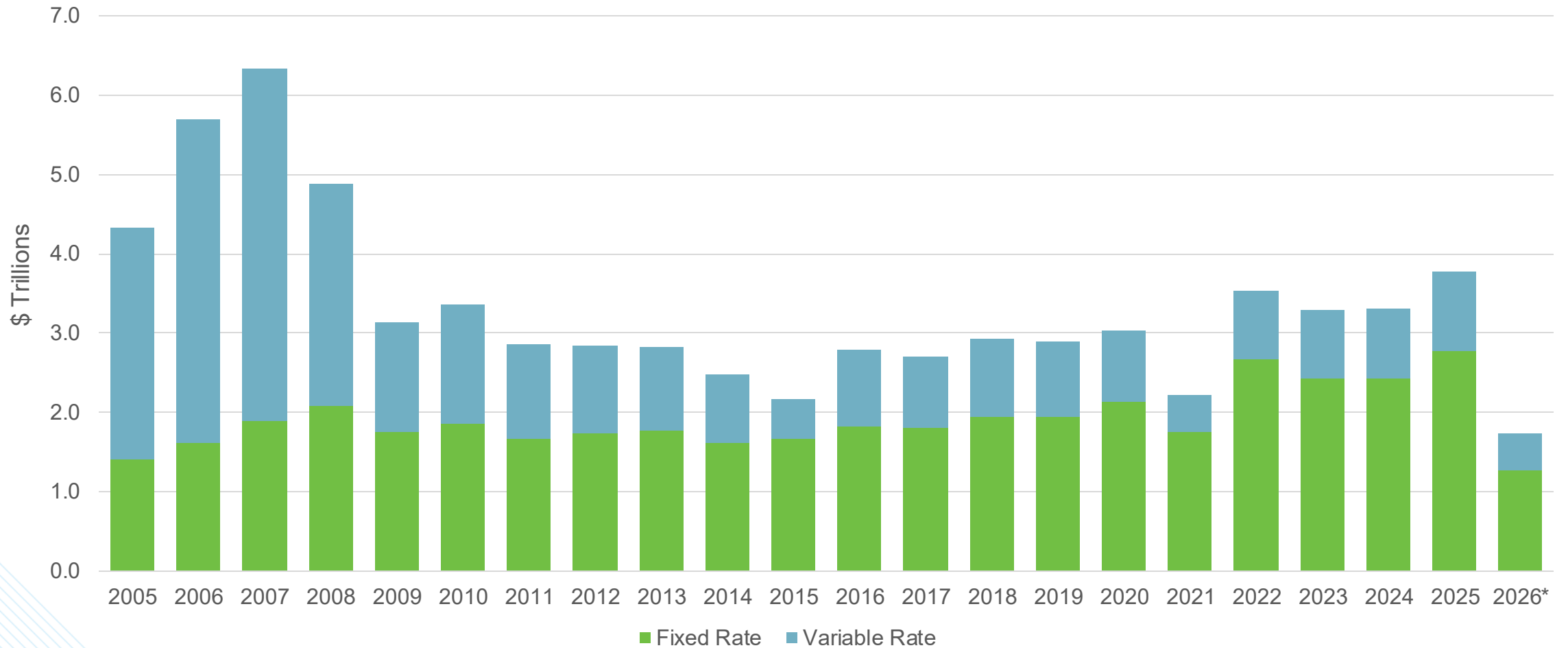
Trading Volumes (continued)

- 2026 YTD par value traded \$1.7 trillion
 - -10% from 2025
- 2026 1H number of trades 8.5 million
 - -3% from 2025
- Average trade size continues to decline
 - \$291,000 in 2021
 - \$214,000 in 2025
 - \$205,000 YTD 2026 – down 4% from 2025, 30% from 2021

Number of Trades, 2005 – June 2026

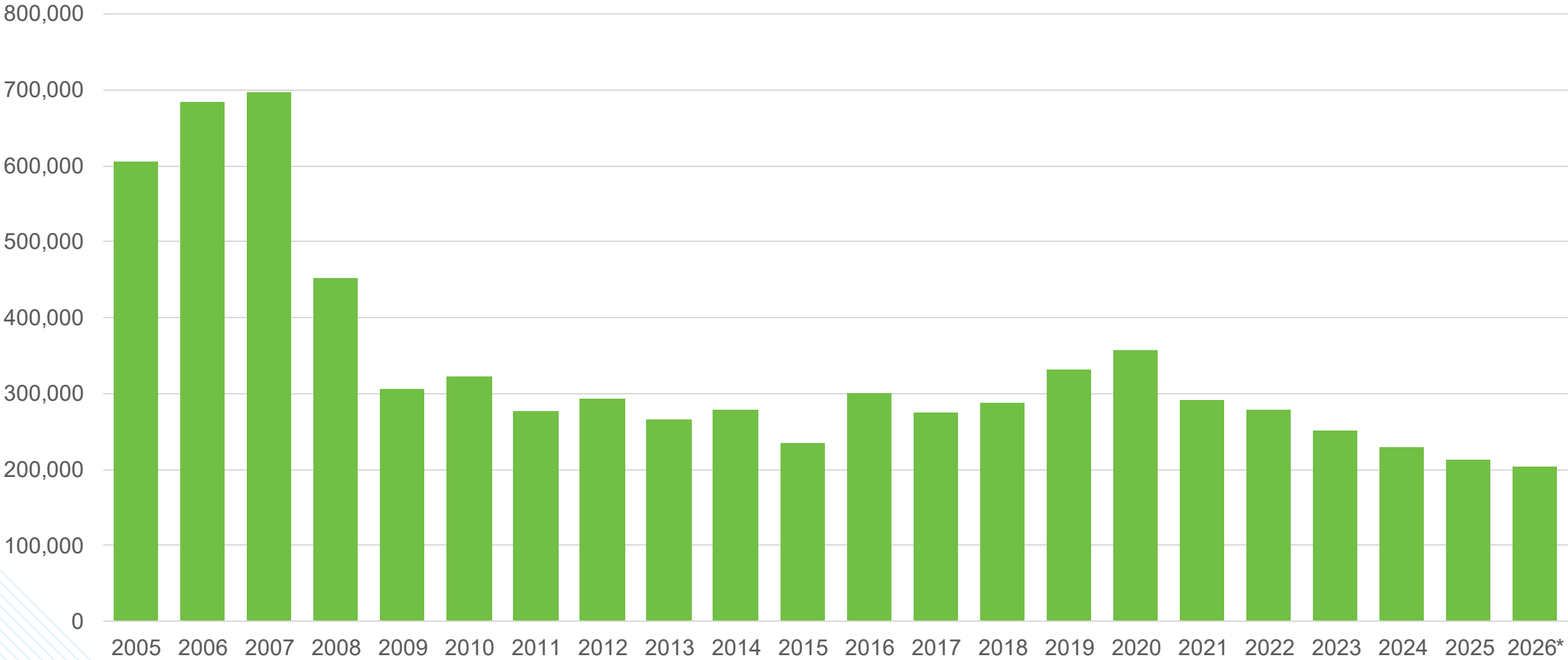


Par Amount Traded, 2005 – June 2026



* As of June 2026

Average Trade Size 2005 – June 2026



* As of June 2026

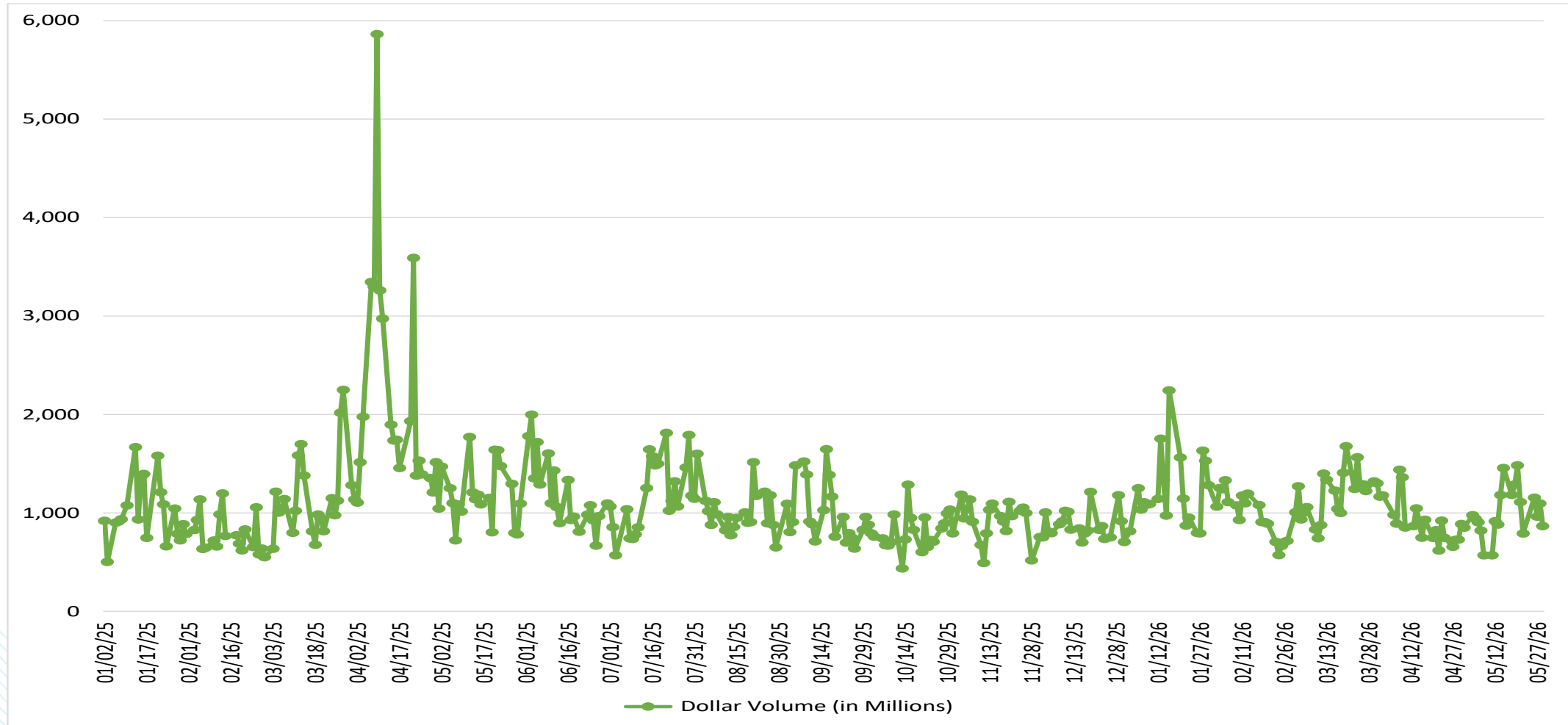


Algorithmic Trading – Impact on Trade Count

Number of Interdealer Trades by Month



Daily Dollar Volume of Top 11 Municipal Bond ETFs January 2, 2025 – May 31, 2026





Alternative Trading System (ATS) Data

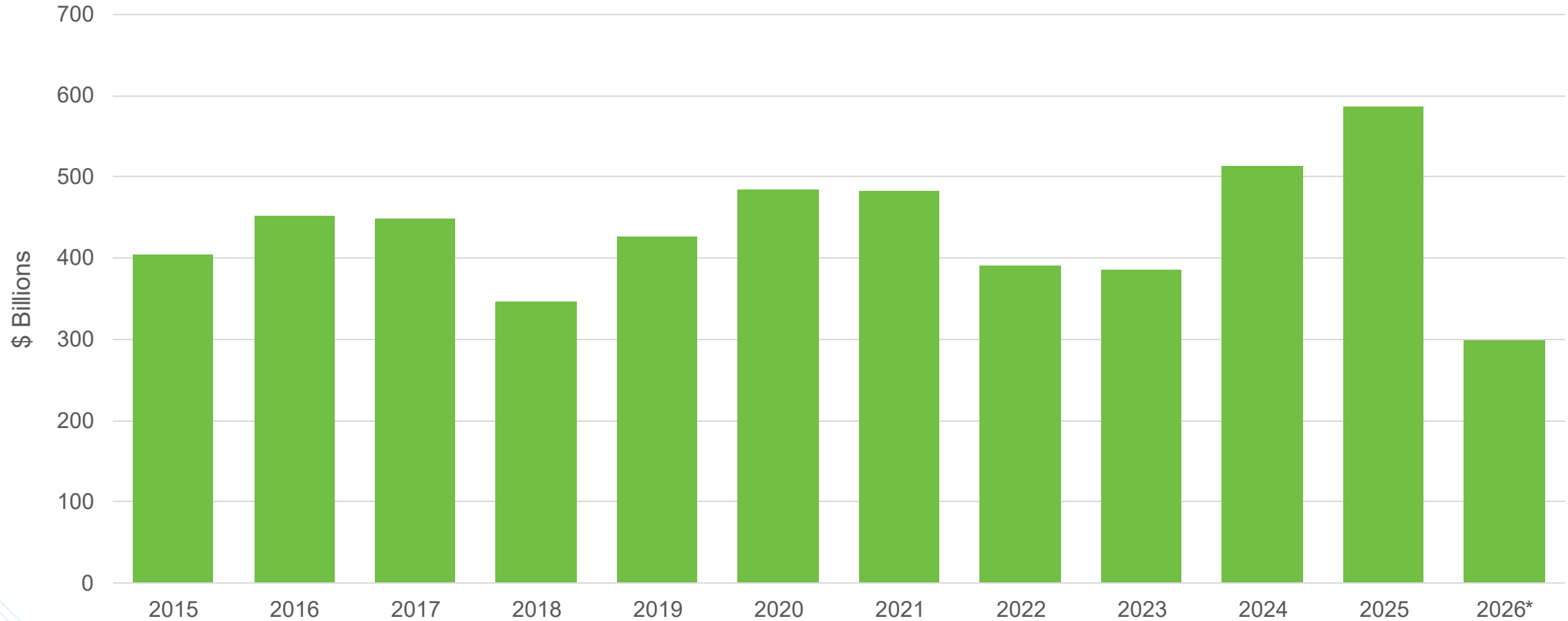
Electronic Trading

- ATs are important to the structure of the municipal securities market.
 - 125,000 unique securities with live quotes on any given day
 - \$33+ billion average daily par (+4% from 2025, +52% from 2023)
 - 250,000 average daily quotes (+6% from 2025, +87% from 2023)
 - 21% customer trades executed on ATs
 - 53% inter-dealer trades executed on ATs
- Bid-wanted activity on ATs
 - 29,000 average daily bid-wanted (+15% from 2025, almost tripled since 2023)
 - \$2.3 billion average daily par in bid-wanted (+20% from 2025, doubled since 2023)



New Issue Volumes

New Issuance 2015 – June 2026



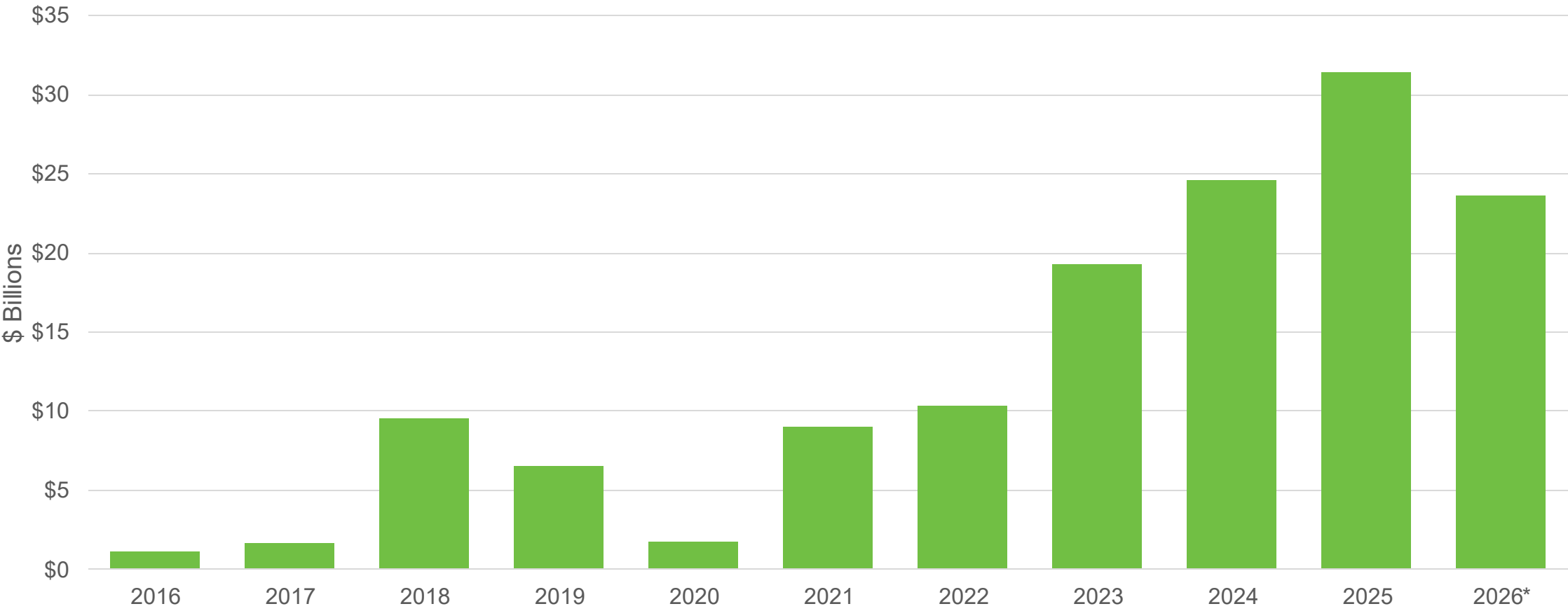
* As of June 2026
Source: LSEG

New Issue Volumes

- YTD through June new issue volume was \$299 billion.
 - Up 5% from 2025 (a second consecutive record year for issuance)
 - 2025 full-year issuance was \$587 billion
 - Tax-exempt issuance was \$273 billion, up 7% from 2025.
 - Taxable issuance was \$19 billion, down 2% from 2025.
 - New money issuance was \$205 billion, down 3%.
 - Refunding issuance was \$46 billion, up 48%.
 - Negotiated deals represented 78% of issuance while competitive represented 20%.
 - Private placement volume was \$6 billion, about 2% of issuance.
 - Down 7% from 2025
 - Compares with \$22 billion in 2023

Source: LSEG

Annual Issuance of Pre-Paid Gas Deals



* As of June
Source: Bloomberg Finance L.P.



Investor Overview

Investor Profiles

- Tax-exempt ETFs had YTD net inflows of \$33 billion
 - Record net inflows of \$61.5 billion in 2025
 - Net inflows of \$122 billion from 2022-2025
 - Top two ETFs account for 42% of tax-exempt ETF assets
- Tax-exempt mutual funds had YTD net inflows of \$33 billion.
 - Positive development because mutual funds are the primary buyer of the long end
 - Net inflows of only \$15 billion for 2025
 - Net outflows of \$122 billion from 2022-2025
- Banks and insurance companies continue to reduce their holdings of municipal securities.

Source: Investment Company Institute

Investor Profiles

- Narrow investor base
 - Pension funds and foreign investors
- Market heavily reliant on demand from individual investors, including SMAs
- Increased participation of buy-side accounts on electronic venues
 - MSRB research shows more than 50% of odd-lot customer trades are institutional customers
 - Customer-to-customer trading on ATSs grew from 4% of customer trades in 2021 to 7% in 2025

Holders of Fixed Income Securities Year-End 2025

Holders of Fixed Income Securities						
Year-End 2025	Municipals		Corporates		Treasuries	
Households	2,060,747	47%	222,755	2%	1,391,975	8%
Mutual Funds	906,324	21%	2,142,252	16%	1,143,569	7%
Banks and Credit Unions	371,978	8%	643,028	5%	894,181	5%
Property-Casualty Insurance Companies	208,534	5%	576,712	4%	163,817	1%
Life Insurance Companies	184,514	4%	3,136,292	23%	238,930	1%
Rest of the World	176,503	4%	3,768,894	28%	7,059,898	41%
State and Local Governments	155,031	4%	304,811	2%	611,571	4%
ETFs	153,296	3%	508,166	4%	258,336	2%
Dealers	125,031	3%	74,336	1%	241,108	1%
Money Market Funds	48,481	1%	17,694	0%	1,358,143	8%
Private Pension Funds	-	0%	837,462	6%	476,895	3%
Public Pension Funds	-	0%	472,975	4%	353,773	2%
Other	13,313	0%	651,391	5%	2,923,633	17%
Source: Federal Reserve Bank of New York						



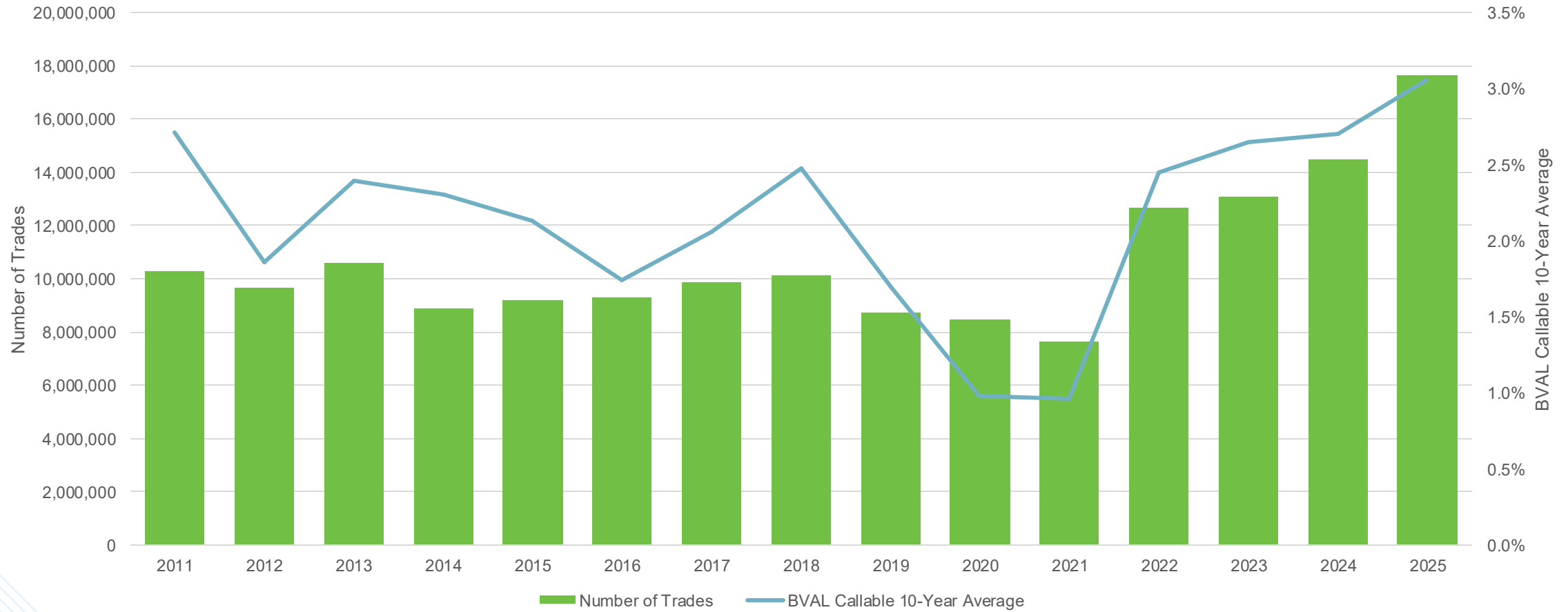
Yields

Benchmark 10-year Tax-Exempt Yields



Source: Bloomberg Finance L.P.

Trade Count and Benchmark Tax-Exempt Yields 2011-2025



Sources: MSRB, Bloomberg Finance L.P.



MSRB Research and Final Thoughts

MSRB Research

- Recent research
 - [Convergence of Institutional and Odd-Lot Trading for Small-Size Trades](#)
 - [What Drives Trading Volumes in the Municipal Securities Market?](#)
 - [Institutional Customer Activity and Use of ATS](#)
 - [Dealer Participation and Concentration in Municipal Securities Trading](#)
 - [Transaction Costs for Municipal Securities Odd Lot Trades](#)
 - [Trading Volume and Transaction Costs for Municipal Bond ETFs](#)
 - [Overview of the Taxable Municipal Securities Market](#)
 - [Midyear 2026 Municipal Securities Market Summary](#)

Final Thoughts on the Market

- Vibrant growth in SMAs and ETFs
- Record ETF inflows and dramatic increase in volume during volatile markets
 - Strong net inflows into tax-exempt mutual funds in the first half of 2026
- Continued growth in live quotes and bid-wanted
- 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
- Benchmark tax-exempt yields
 - MSRB research shows high correlation between tax-exempt yields and trading volumes
- Funding needs for issuers
 - Volume primarily driven by new money issuance