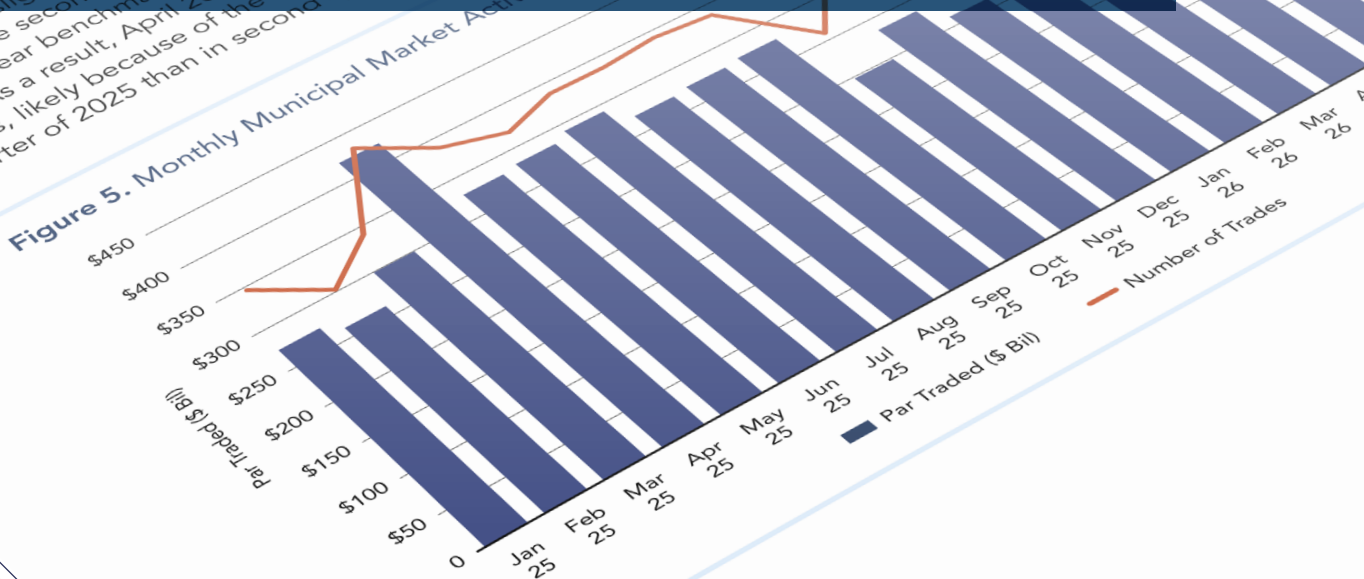




Municipal Securities Rulemaking Board

JULY 2026

Midyear 2026 Municipal Securities Market Summary



John Bagley and Marcelo Vieira
Municipal Securities Rulemaking Board

CONTENTS

2	Introduction	7	Trading on Alternative Trading Systems
3	New Issue Volume	7	Investor Overview
4	Yields	8	Conclusions
6	Trade Volume		

Introduction¹

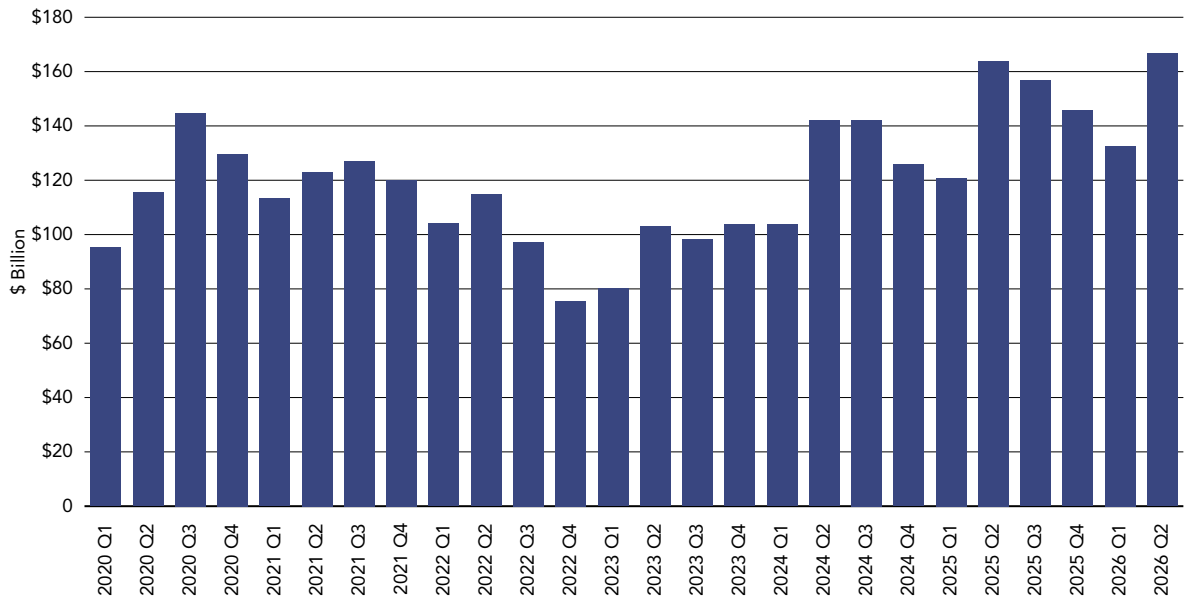
Robust demand from individual investors, including Separately Managed Accounts (SMAs), tax-exempt mutual funds and municipal bond exchange traded funds (ETFs) enabled the municipal securities market to function efficiently despite record-setting new issue volume in the first half of 2026. Issuance was up compared to the first half of 2025 in part because of continued large issuance of pre-paid gas deals. Trading volumes were down slightly, average trade size continued a multi-year decline, and yields saw much less volatility in the first half compared to the same period in 2025. Tax-exempt mutual funds and ETFs had strong net inflows this year, with net inflows into mutual funds significantly higher than they were for the full year 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.

New Issue Volume

The municipal securities market saw consecutive years of record new issue volume in 2024 and 2025, with \$587 billion issued in 2025. Through June, new issue volume was \$299 billion, up 5% compared to the same period in 2025, with second quarter volume being the largest ever based on available data. Barring some drastic movement to higher rates, it seems the market is poised for a third consecutive year of record new issue volume. Tax-exempt issuance was up 7%, but taxable issuance was down 2% and AMT issuance was down 29% from the first half of 2025. New-money volume was slightly lower than in 2025, but refunding volume rose 48%. Competitive and negotiated volumes were in line with 2025 and private placement volume rebounded slightly to \$6 billion, up 7% compared to the same time last year. For context, private placement volume in 2023 was almost \$22 billion. Figure 1 shows new issue volume by quarter going back to 2020.

Figure 1. Municipal Market Issuance, January 2020–June 2026

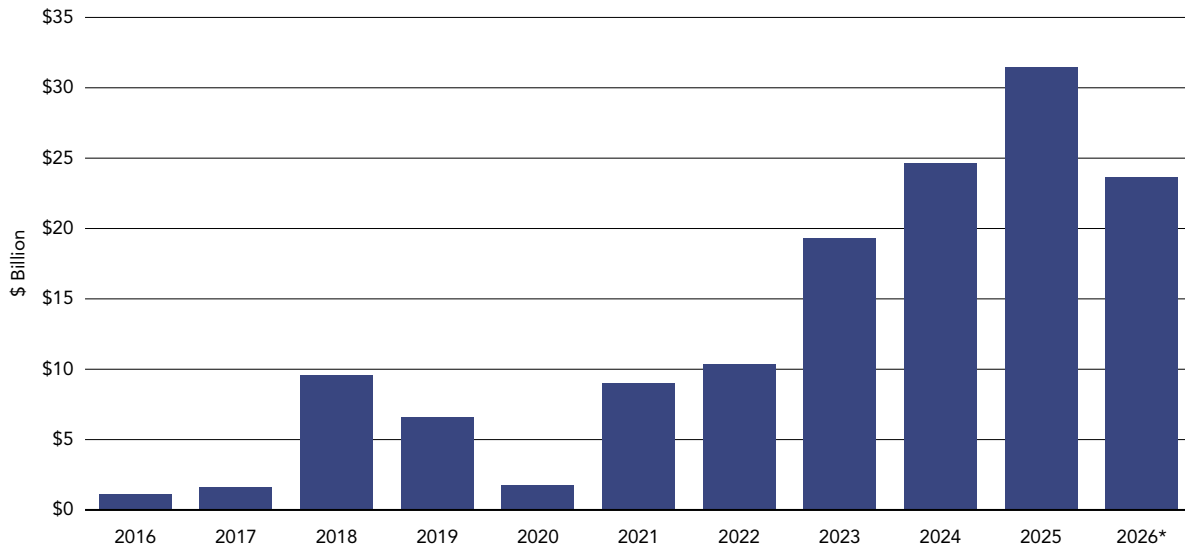


Source: LSEG

One significant development in new issue volumes has been the continued increase in issuance of pre-paid gas bonds.² Figure 2 shows the annual amount of pre-paid gas deals issued since 2016. The growth in this issuance has been explosive, totaling more than \$31 billion in 2025, 5% of overall issuance. Through June 2026, \$24 billion in pre-paid gas bonds have been issued, up 132% from the same time last year. The growth in this sector has been a major factor in the growth of the overall new issue market.

² Municipal prepayment transactions, or pre-paid gas deals involve tax-exempt bonds issued to fund the upfront purchase of long-term natural gas (and, in some structures, electricity) supplies for municipal utilities.

Figure 2. Municipal Prepaid Gas Bonds, 2016–June 2026



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

Yields

As Figure 3 shows, benchmark tax-exempt yields declined more than 20 basis points from the start of the year through late February. However, increasing concerns about inflation caused benchmark tax-exempt yields to rise more than 60 basis points in March. In the second quarter, tax-exempt benchmark yields stayed in the range of 2.80%–3.10%. This is in stark contrast to the second quarter of 2025, when yields were wildly volatile at the beginning of the quarter, which led to record-setting trade volume.

Although 10-year benchmark yields are lower than they were during various times from 2022–2025, they remain significantly higher than levels from 2013 to the first quarter of 2022. Previous MSRB research has shown that trade volume and yields are highly correlated, and benchmark 10-year yields around 3.00% were high enough to boost demand for tax-exempt securities.³

³ See Simon Wu, John A. Bagley, [“What Drives Trading Volume in the Municipal Securities Market? A Study of Likely Factors,”](#) Research Paper, Municipal Securities Rulemaking Board, February 2025.

Figure 3. Bloomberg BVAL 10-Year Callable Yields, January 2025–June 2026



Source: Bloomberg Finance L.P.

Figure 4 shows that tax-exempt benchmark yields in 2026 declined on the short and long ends of the market but rose slightly in the intermediate range. For example, 20-year benchmark yields declined more than 20 basis points in the first half, yet 5- and 10-year benchmark yields rose 15 to 16 basis points. As the figure below shows, the tax-exempt market substantially outperformed the Treasury market, which saw yields rise 7 basis points on the long end and as much as 67 basis points on the short end. The outperformance of tax-exempts related to Treasury bonds, especially on the short-end, has caused Muni/TSY ratios to drop to levels that suggest that tax-exempt securities on the short-end are expensive relative to Treasuries. The Muni/TSY ratio declined across the yield curve in the first half, finishing the period below 60% for 1, 2, 3 and 5 years and at only 65% for 10 years.

Figure 4. Bloomberg BVAL[®] AAA Callable and U.S. Treasury Yields

Year	BVAL Callable 06/30/2026	Treasury 06/30/2026	BVAL 1H 2026 Change BPS	TSY 1H 2026 Change BPS	Muni/TSY Ratio	Muni/TSY Ratio 12/31/2025
1	2.278	3.98	-19	50	57%	71%
2	2.309	4.14	-11	67	56%	70%
3	2.375	4.15	1	60	57%	67%
5	2.522	4.19	15	46	60%	63%
10	2.873	4.44	16	26	65%	65%
20	3.678	4.93	-21	14	75%	81%
30	4.073	4.91	-6	7	83%	85%

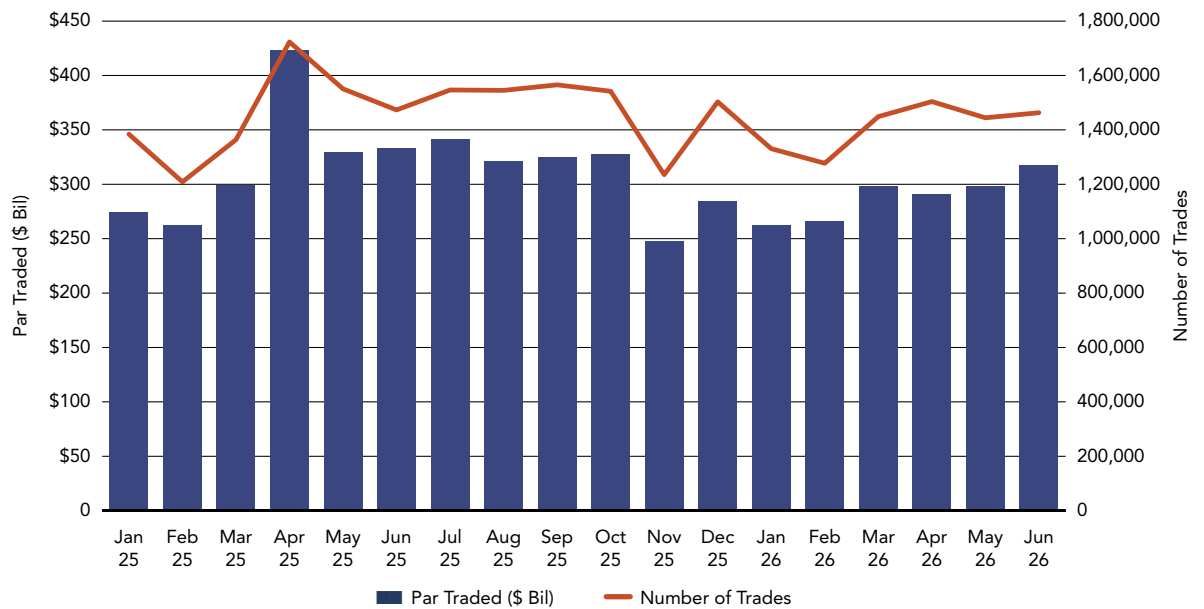
Sources: Bloomberg Finance L.P., U.S. Department of Treasury

Trade Volume

Although trading volume has remained strong throughout the year, it has not been able to keep pace with the frenetic volume we saw in 2025. Trade count through June 2026 stands at 8.5 million trades, down 3% compared to the same period in 2025. The par amount traded was \$1.7 trillion, down 10% from 2025. Average trade size in the first half continued to decline from approximately \$221,000 in 2025 to \$205,000 in 2026. 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.

Trade volume in the first quarter of 2026 was almost equal to that of the first quarter of 2025, with trade count slightly higher and par amount slightly lower. However, that comparison could not be made in the second quarter. In April of 2025, yields rose dramatically in the early part of the month, with 10-year benchmark tax-exempt yields reaching 3.80% compared to 2.87% at the end of June 2026. As a result, April 2025 was the largest month for trade count ever, surpassing 1.7 million trades, likely because of the higher yields. The number of trades was 8% higher in the second quarter of 2025 than in second quarter of 2026 and the par amount traded was 20% higher.

Figure 5. Monthly Municipal Market Activity, January 2025–June 2026



Trading on Alternative Trading Systems

For the first half of 2026, the percentage of interdealer trades executed on an alternative trading system (ATS) dropped from 56% in 2025 to 53% in 2026. Similarly, the par amount traded on an ATS dropped from 36% to 32%. The percentage of inter-dealer trades executed with a broker's broker rose from 2% in 2025 to 2.5% in the first half of 2026. The par amount traded by broker's brokers rose to 11% in the first half of 2026 from 8% for the same time in 2025.

The percentage of interdealer trades executed on an ATS held fairly steady in the second quarter of 2026 at 52% of all interdealer trades. However, the percentage of interdealer trades, and especially the par amount traded, on ATSs dropped beginning in April. At the same time, the number of trades and par amount traded with broker's brokers rose. Analysis shows that due to a registration change, one firm shifted from reporting most of its inter-dealer trades as ATS trades to non-ATS trades. This firm is registered with MSRB as a broker's broker, so the trades are now listed as trades with a broker's broker. This change in registration had a material impact on trading volumes for ATSs and broker's brokers in the second quarter. There was a larger impact on the par amount traded on ATSs than on the par amount traded for all inter-dealer trades. In the first quarter of 2026, ATSs accounted for 36% of the inter-dealer par amount traded. This dropped to 28% in the second quarter of 2026. The change in registration did not have a significant impact on ATS trades with customers. In the first half of 2025, the percentage of customer trades executed on an ATS was 20%. It was 21% for the same period in 2026.

The daily average number of live quotes and bid-wanteds on ATSs continued to increase. The daily average number of live quotes was up 7% from 2025 and 90% from 2023. Meanwhile, the daily average number of bid-wanteds on ATSs was up 15% from 2025 and more than tripled from 2023.

Investor Overview

In the last two years, we have seen large net inflows into municipal bond ETFs, while tax-exempt mutual funds have only seen small net inflows. Through the first half of 2026, both products have seen significant net inflows according to the Investment Company Institute (ICI).

Municipal bond ETFs saw net inflows of \$33 billion compared to less than \$15 billion in the first half of 2025. For the full year 2025, municipal bond ETFs had net inflows of more than \$75 billion, evidence that momentum picked up in the second half of the year. Indicating a significant shift in investor preferences, tax-exempt mutual funds also saw net inflows of \$33 billion compared to less than \$5 billion in the first half of 2025 and only \$15 billion for all of 2025. The strong net inflows into mutual funds are especially important because mutual funds tend to buy longer-dated securities than ETFs and SMAs.

Having both municipal bond ETFs and tax-exempt mutual funds bring in strong net inflows in 2026 has been a big positive for the market. Demand from these two investor types coupled with continued strong demand from individual investors, including SMAs, has enabled the market to operate efficiently and effectively despite record new issue volumes and a continued reduction in banks' and insurance companies' holdings of municipal securities.

Conclusions

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

- Continued increase in new issue volumes, on pace for a third consecutive year of record issuance bolstered by the persistent dramatic growth in pre-paid gas deals.
- Strong investor demand from mutual funds, ETFs, SMAs and individual investors directly.
- Trading volumes somewhat lower than those seen in the record-setting first half of 2025, with trade count off 3% and par amount traded down 10%.
- A continued decline in average trade size to \$205,000, down 7% compared to the first half of 2025.
- Lower volatility than in the first half of 2025, despite a spike in March fueled by rising oil prices and inflation concerns.
- A decline in tax-exempt yields on the long and short ends of the market but a slight rise in the intermediate range, with tax-exempts outperforming the Treasury market across all maturities.

Expectations are that the new issue calendar will remain robust in the third quarter of 2026, so continued strong demand from mutual funds, ETFs and individual investors is vital. However, with benchmark 10-year tax-exempt yields closing the first half below 3.0%, we could see some softening of demand.

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.



CORPORATE OFFICE

Municipal Securities
Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
202-838-1500

MSRB SUPPORT

202-838-1330
MSRBsupport@msrb.org

ONLINE

MSRB.org
EMMA.MSRB.org

The information and data in this document are provided without representations or warranties and on an "as is" basis. MSRB hereby disclaims all representations and warranties (express or implied), including, but not limited to, warranties of merchantability, non-infringement and fitness for a particular purpose. Neither MSRB, nor any data supplier, shall in any way be liable to any recipient or user of the information and/or data, regardless of the cause or duration, including, but not limited to, any inaccuracies, errors, omissions or other defects in the information and/or data or for any damages resulting therefrom. MSRB has no obligation to update, modify or amend information or data herein or to notify the reader if any is inaccurate or incomplete. This document was prepared for general informational purposes only, and it is not intended to provide, and does not constitute, investment, tax, business, legal or other advice.