MSRB

Municipal Securities Rulemaking Board

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# October 2026 Market Recap




John Bagley and Marcelo Vieira
Municipal Securities Rulemaking Board

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# Introduction[1]

Trading volumes in September and October were extraordinary. October broke numerous volume records including: most trades in a day, week and month; most par amount traded in fixed rate securities; the highest par amount sold by customers; and highest par amount and number of bid-wanteds on various electronic platforms. Tax-exempt benchmark yields also declined significantly from the end of September. Exchange-traded funds (ETFs) continued to have significant net new issuance while tax-exempt mutual funds saw six to seven straight weeks of large net outflows.

Typically, MSRB quarterly reports cover most of the different aspects of the municipal securities market. In this October market update, the focus will be only on major developments in the market since September.

# Trade Volume

The past month and a half has been an unprecedent period in the municipal securities market. For perspective, prior to September 15, 2026, there was one day with at least 100,000 trades. That was April 9, 2025, when there were 113,000 trades. Figure 1 shows the daily trade count from the middle of September through October. As shown below, there were only two days during this time with less than 100,000 trades. In fact, the market has had 28 consecutive days with 100,000 trades or more, including every trading day in October.

[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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Daily trade count in October peaked on October 13 at approximately 163,000 trades, 230% higher than the daily average for the first half of 2026 and 45% higher than April 9, 2025. October had nine of the top 10 trading days with the other one being in September. October also had the highest weekly total—693,000 trades during the week of October 5. In addition, the week of October 12 was the third highest week ever despite there only being four trading days that week. Finally, the average daily trade count in October was 135,000, far above any previous month.

**Figure 1.** Daily Trade Count, September 15, 2026–October 30, 2026

| Date | Trade Count | Date | Trade Count | Date | Trade Count |
|---|---|---|---|---|---|
| 9/15/26 | 102,523 | 10/1/26 | 147,851 | 10/20/26 | 132,754 |
| 9/16/26 | 105,613 | 10/2/26 | 126,781 | 10/21/26 | 144,923 |
| 9/17/26 | 105,269 | 10/5/26 | 136,893 | 10/22/26 | 139,126 |
| 9/18/26 | 90,360 | 10/6/26 | 141,694 | 10/23/26 | 119,680 |
| 9/21/26 | 93,650 | 10/7/26 | 146,753 | 10/26/26 | 128,906 |
| 9/22/26 | 106,369 | 10/8/26 | 145,620 | 10/27/26 | 129,348 |
| 9/23/26 | 110,790 | 10/9/26 | 121,815 | 10/28/26 | 122,779 |
| 9/24/26 | 112,424 | 10/13/26 | 163,329 | 10/29/26 | 128,585 |
| 9/25/26 | 110,741 | 10/14/26 | 142,053 | 10/30/26 | 105,361 |
| 9/28/26 | 117,449 | 10/15/26 | 142,562 | | |
| 9/29/26 | 138,647 | 10/16/26 | 129,489 | | |
| 9/30/26 | 136,782 | 10/19/26 | 130,743 | | |

As seen in Figure 2, October had a record number of trades at 2.8 million, up 33% from record set in September 2026 and up 64% from April 2025, the third highest month.

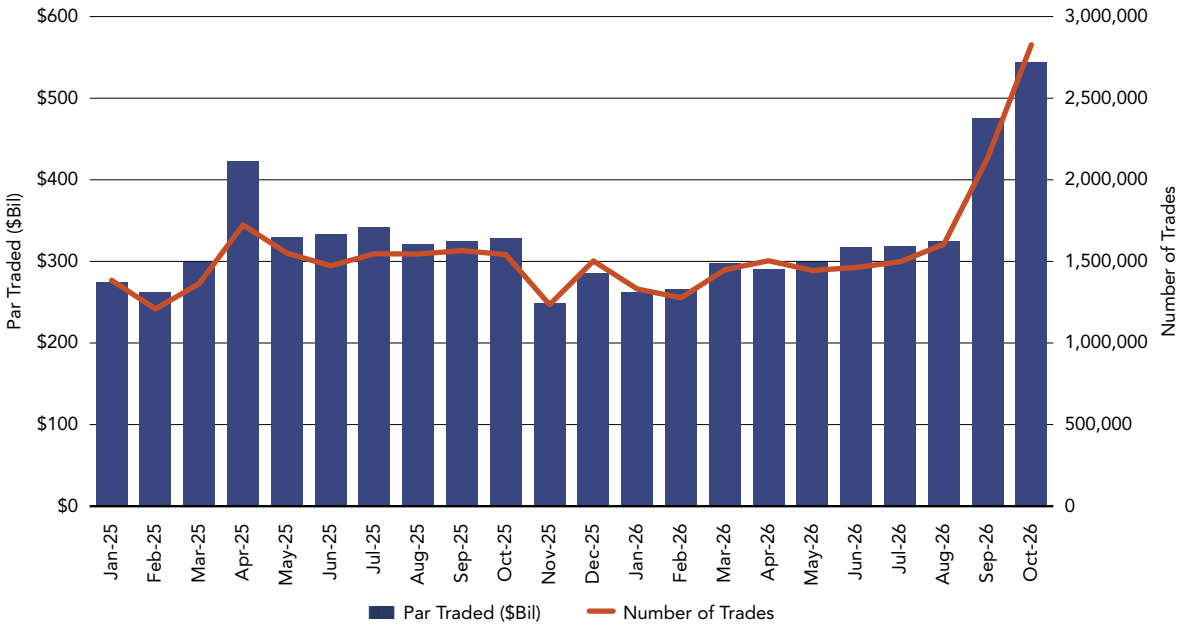
## A Changing Market

The municipal securities market has fundamentally changed in the last few years as the market has become more electronified. The trading volumes mentioned above would have seemed unfathomable just a few years ago. Consider for instance that prior to April 2022, the market had only seen a total of eight months going back 17 years to 2005 with 1 million or more trades. All of these months were associated with some market event. The market has not seen fewer than 1 million trades in a month in more than three years. In fact, the market has not stopped at a million trades. Over the last 19 months, the average trade count for a month is 1.6 million trades. To show how much the market has changed, total trade count in September and October was 5 million trades. Consider that for the full year in 2021, there were only 7.6 million trades.

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In October, par amount traded totaled $545 billion. Excluding the volumes seen during the 2007/2008 financial crisis, this was 6% higher than the most recent monthly record set in March 2020 at the onset of the COVID-19 pandemic.[2] However, the make-up of trading was very different in these two months. In March 2020, more than 40% of the par amount traded was in variable rate securities, a much higher level than any time since 2008. With the uncertainty surrounding the pandemic, many institutional investors significantly reduced their holdings of variable rate demand obligations. In October of 2026, the record par amount was driven by trading in fixed-rate securities. Trading in fixed-rate securities was $440 billion in October, up 20% from the previous record in September and 44% higher than in March 2020. Much of the par amount traded was prompted by unprecedented selling by institutional investors.

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



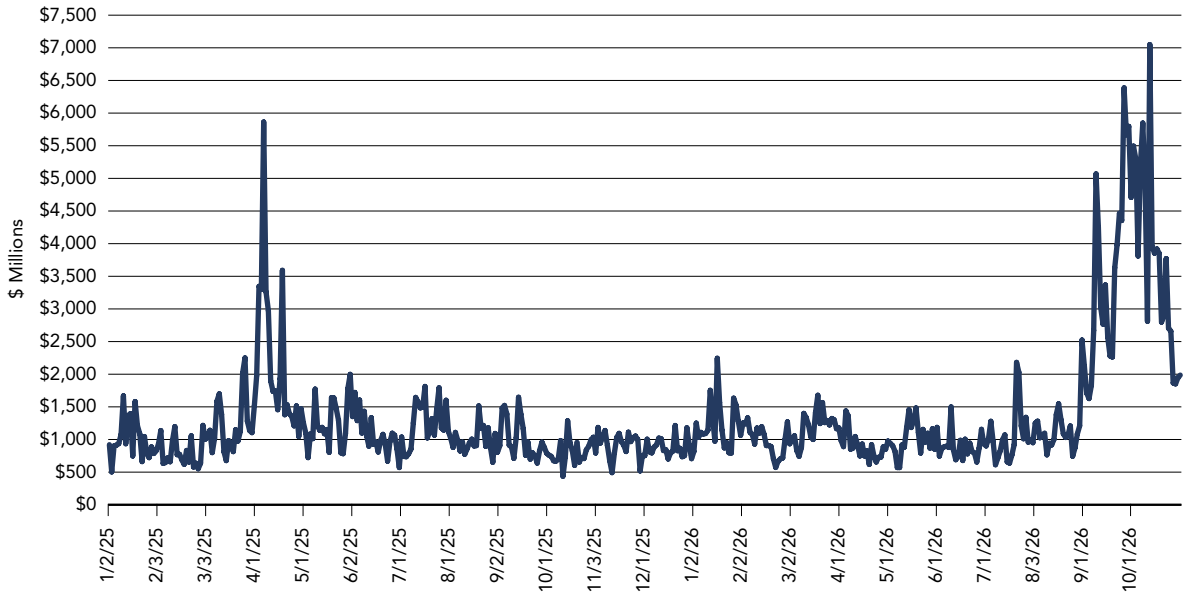

[2] Prior to 2008, the par amount of trading in variable rate securities was significantly higher than for fixed rate securities. Today, variable rate par amount traded is normally less than 20% of overall trading volume. So, the market is unlikely to see a new record for the par amount traded for all municipal securities.

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# Trading in Municipal Bond ETFs

Although the municipal securities market has seen a dramatic increase in trading volumes, it has paled in comparison to trading in municipal bonds ETFs. This has been especially true during periods of market volatility, where the trading volume for ETFs has consistently risen at a much higher scale than it has for the underlying municipal securities. For example, on October 13, 2026, there were 163,000 trades in the municipal securities market, 2.3 times the daily average from January through August 2026. By comparison, as Figure 3 below shows, the trading volume (dollar value of trades) for the 11 most actively traded municipal bond ETFs[3] exploded in September and October, exceeding $7 billion on October 13. This was 6.8 times the daily average from January through August 2026. In addition, there were nine days in September and October when trading volume surpassed $5 billion, whereas previously, only April 9, 2025, topped $5 billion. This explosive trading volume during periods of market volatility is likely due to large market participants on the buy-side and sell-side using the ETF market to quickly alter their exposure to municipal securities.

**Figure 3.** Daily Dollar Volume Traded by 11 Municipal Bond ETFs, January 2, 2025–October 30, 2026




[3] Includes tickers: MUB, MUNI, TFI, JMST, HYD, PZA, BAB, CMF, ITM, HYMB, VTEB. See https://munifinance.uchicago.edu/data_dashboard/municipal_bond_vix/.

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# Yields

As Figure 4 shows, benchmark tax-exempt yields rose dramatically in September, peaking on September 29,[4] then declined significantly throughout October. The rise in benchmark yields in September was the largest monthly increase in years. However, the rally in October erased most of that increase.

**Figure 4.** 10-Year BVAL Callable Yields August 31, 2026–October 31, 2026




**Source:** Bloomberg Finance L.P.

Figure 5 shows the change in benchmark tax-exempt yields in September and October. Yields on the short end of the curve were higher by more than 100 basis points. Ten-year benchmark tax-exempt yields were higher by 75 basis points. And on the long end, yields increased by more than 60 basis points. Tax-exempt yields then declined significantly in October and were lower by 76 basis points on the short end, 71 basis points for 10-year maturities and 61 basis points on the long end. The decline in yields in October greatly offset the large increase in yields in September. From the end of August to the end of October, tax-exempt yields rose by only 5 basis points for 5-year maturities and 4 basis points for 10-year maturities, though they increased by 23 basis points on the long end.

[4] BVAL Callable yields reached all-time highs for 3,5,10,20,30 and various other maturities on September 29, 2026. The BVAL curve started in January 20011.

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in the marketplace. In September and October, ETFs and individual investors, including SMAs, accounted for the dominant demand in the municipal securities market. Mutual funds had large outflows in September and October, which likely led to elevated levels of selling and limited demand. Since ETFs and SMAs tend to buy maturities in the short and intermediate range, their demand has driven ratios down for these portions of the yield curve, while limited demand from mutual funds, which have been the primary source of demand on the long end, has left the muni-to-Treasury ratio on the long end at 90% or higher. So, at the end of October, the muni-to-Treasury ratio shows that tax-exempt municipal securities are rich compared to Treasurys on the short and intermediate portion of the curve but cheap on the long end.

**Figure 5.** Change in Benchmark Yields August 31, 2026–October 31, 2026

| Year | BVAL Callable 08/31/2026 | BVAL Callable 09/30/2026 | BVAL Callable 10/31/2026 | BPS Change 08/31/2026–09/30/2026 | BPS Change 08/31/36–10/31/26 | BPS Change 09/30/2026–10/31/2026 | Treasury 10/31/2026 | Muni/TSY Ratio 10/31/26 |
|---|---|---|---|---|---|---|---|---|
| 1 | 2.440 | 3.485 | 2.726 | 105 | 29 | -76 | 4.36 | 63% |
| 2 | 2.518 | 3.531 | 2.770 | 101 | 25 | -76 | 4.56 | 61% |
| 3 | 2.644 | 3.584 | 2.820 | 94 | 18 | -76 | 4.65 | 61% |
| 5 | 2.878 | 3.710 | 2.931 | 83 | 5 | -78 | 4.71 | 62% |
| 10 | 3.360 | 4.112 | 3.403 | 75 | 4 | -71 | 4.94 | 69% |
| 20 | 4.213 | 4.862 | 4.342 | 65 | 13 | -52 | 5.34 | 81% |
| 30 | 4.579 | 5.192 | 4.805 | 61 | 23 | -39 | 5.31 | 90% |

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

## Investor Overview

The dramatic rise in rates in September and October had dramatically different impacts on tax-exempt mutual funds and municipal bond ETFs. From the week of September 16 to the week of October 28, tax-exempt mutual funds had seven consecutive weeks of net outflows totaling $31 billion[5] after seeing net inflows of $33 billion for the first half of the year. During the same period of time, municipal bond ETFs had a positive net issuance of $41 billion. These inflows brought yearly net issuance to $85 billion, dramatically higher than the previous record year of $46 billion in 2025. The outflows from tax-exempt mutual funds coupled with investors' desire to realize tax losses due to the rising rates was a major factor driving trading volume in the municipal securities market.

As seen in Figure 6, the volume of bid-wanteds on ATSs and on the Bloomberg system spiked in September and October. The par amount of bid-wanteds on Bloomberg was $64 billion in October, up 29% from the previous record of $49 billion in September 2026. October and September were the largest months for the par amount of bid-wanteds ever, higher than other periods of market volatility—$40 billion in April 2025 and $46 billion in March 2020. In

[5] Mutual fund flow data and ETF net issuance data are from the Investment Company Institute (ICI).

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comparison, the monthly average par amount out for the bid on Bloomberg in the first half of 2026 was $20 billion. September 30 and October 13 were the two largest days at $3.8 billion in par amount of bid-wanteds.

ATSs saw similar increases in bid-wanteds in September and October. The average number of bid-wanteds per day on an ATS in the first half of 2025 was less than 30,000. It was almost 45,000 in September and 53,000 in October. Similarly, the par amount of daily bid-wanteds was $2.3 billion for the first six months of 2026, $4.6 billion in September and $6 billion in October.

**Figure 6.** Bid-Wanteds Par Amount on Electronic Platforms

| Month | Par Amount of Bid-Wanteds on Bloomberg | Percentage Change to October 2026 | Number of Bid-Wanteds on ATS | Percentage Increase |
|---|---|---|---|---|
| Oct 2026 | 63,513 | - | 54,482 | - |
| Sep 2026 | 49,308 | 29% | 43,592 | 25% |
| Apr 2025 | 39,997 | 59% | 33,140 | 64% |
| March 2020 | 44,800 | 42% | N/A | - |
| 1H 2026 Monthly Avg | 20,176 | 215% | 28,879 | 89% |

**Sources:** Bloomberg Finance, L.P., Various ATSs

The dramatic increase in bid-wanted activity was likely a major factor in the significant increase in customer sales in September and October. When looking at the par amount of customer sales for fixed-rate securities, again, October was the largest month at $140 billion. September was the second largest month at $110 billion, followed by March 2020 at $104 billion. Interestingly, April 2025 only had $84 billion in par amount sold by customers for the month.

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## Conclusions

The municipal securities market has changed dramatically in the past five years. The recent unprecedented trading volumes have dwarfed levels from a few years ago, climbing to new highs in September and October 2026. October highlights include:

- Record trading volumes for number of trades and par amount traded.
- Significant declines in tax-exempt benchmark yields, reversing most of September's increase.
- New record levels in the number and par amount of bid-wanteds on various electronic platforms, reflecting the continued electronification of the municipal securities market.
- A new high in the par amount of customer sales for fixed-rate securities.
- Continued significant net outflows from tax-exempt mutual funds while net issuance of municipal bond ETFs has significantly surpassed the record from 2025.
- New record trading volumes for municipal bond ETFs, consistent with previous periods of market volatility.

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**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



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