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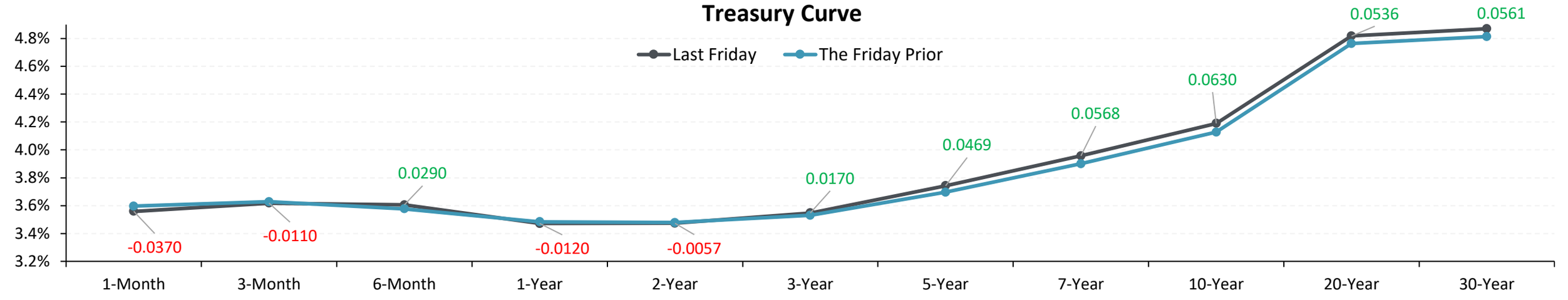
Municipal Market Monitor

Fixed Income | Municipal Fixed Income Research

A weekly look at trends in the municipal bond market
Data through market close 01/02/2026

The Headline

Consistent with historical trends, 2025 concluded with two quiet holiday weeks. However, 'quiet' hardly describes the year as a whole, which witnessed roughly $570 billion in municipal issuance—a 15% increase year-over-year. This heavy supply was met with eager demand, resulting in respectable performance for municipal bonds. New Hampshire's debt led the sector with a one-year return of nearly 6.3% while Arkansas trailed the pack with just 2.95%. Looking ahead, the outlook for 2026 remains uncertain due to another possible government shutdown, the growing impact of the OBBBA, a new Fed Chair, midterm elections, and expectations for another year of elevated issuance. The Treasury curve steepened to enter the new year: the 1-year yield declined by 1.2 bps to close at 3.472%; the 10-year yield rose by 6.3 bps to close at 4.1907%; and the 30-year yield increased by 5.6 bps to close at 4.8702%.



Municipal Performance

Figure 1: AAA Yield Curve - Current v 1 Week ago v 1 Month ago [a]

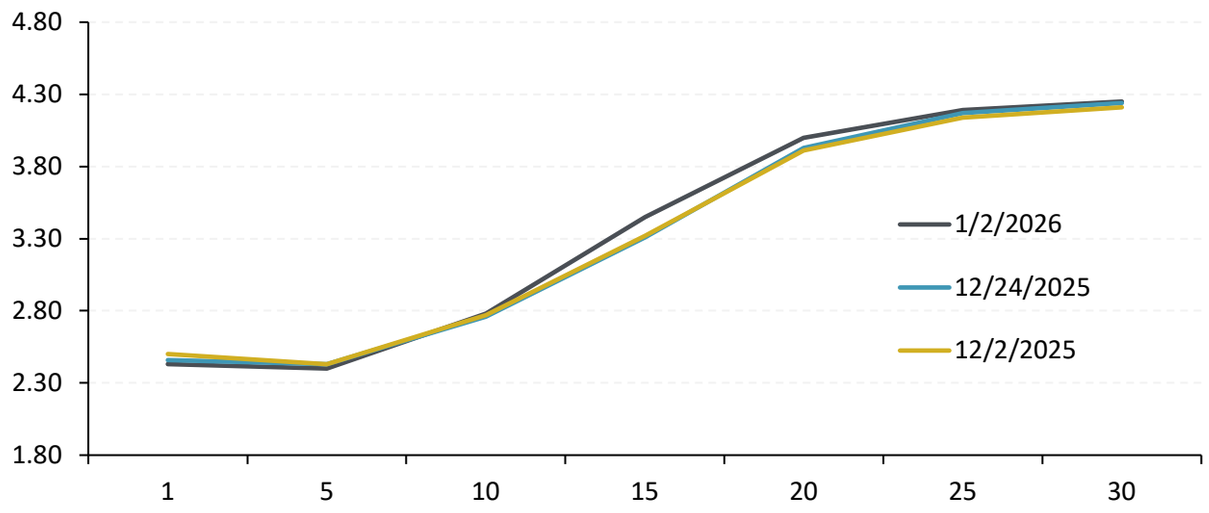
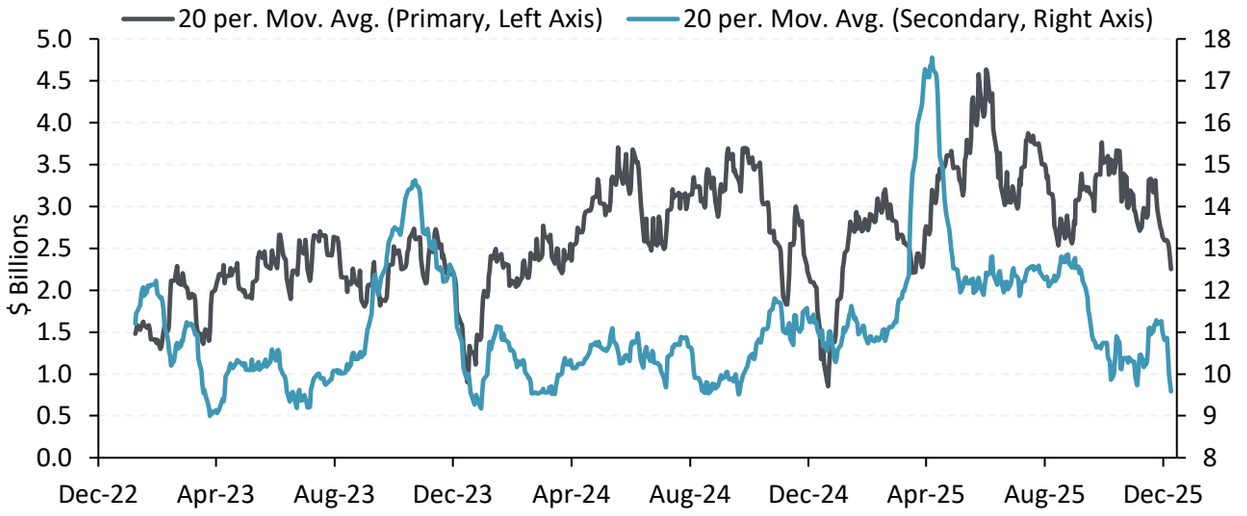


Figure 2: Primary vs. Secondary Market Trading Activity [o]



- Munis likewise steepened entering the new year. Data from the AAA benchmark curve indicated that the yield on the 1-year fell 3 bps to 2.43%, the 10-year rose 2 bps to 2.78%, and the 30-year was up 1 bp to 4.25%. Steepening movements were witnessed on both the short and long ends of the curve. Specifically, the 1/30 spread rose 4 bps to 182 bps, the 7/20 spread was up 5 bps to 142 bps, and the 1/7 spread rose 5 bps to 15 bps (Figure 1).
- Secondary market activity remained expectedly low last week, with the sleepy New Year's week suppressing volume. The preliminary volume report stands at approximately $4.5 billion, but this figure will certainly climb to normal levels in the weeks to come. The 20-trading-day averages for primary and secondary markets were down, again pulled lower by the back-to-back holiday weeks (Figure 2).

Figure 3: AAA Muni as % of Treasuries - Two Year History [a]

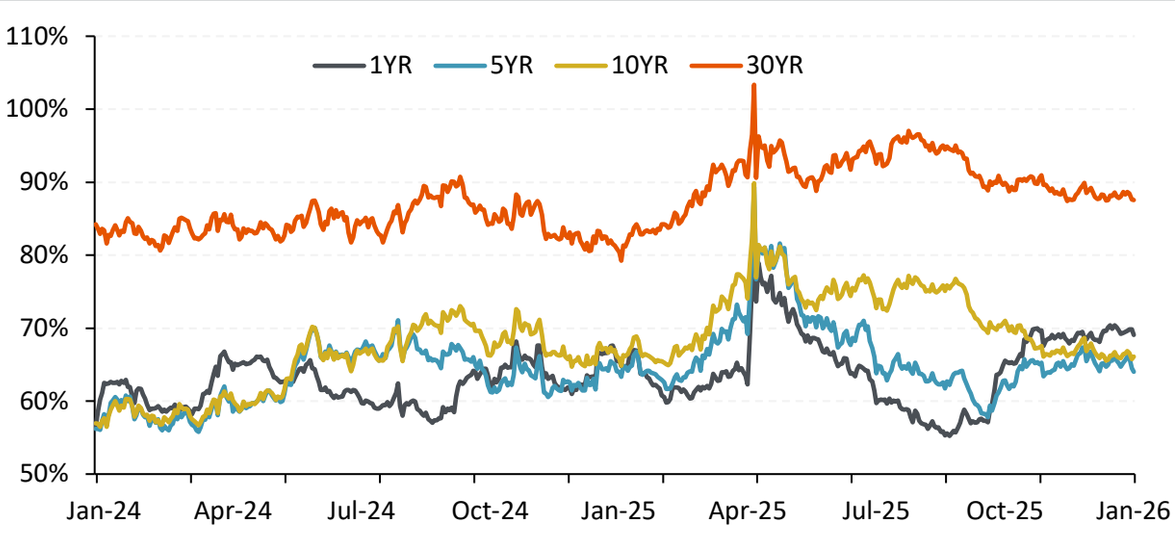
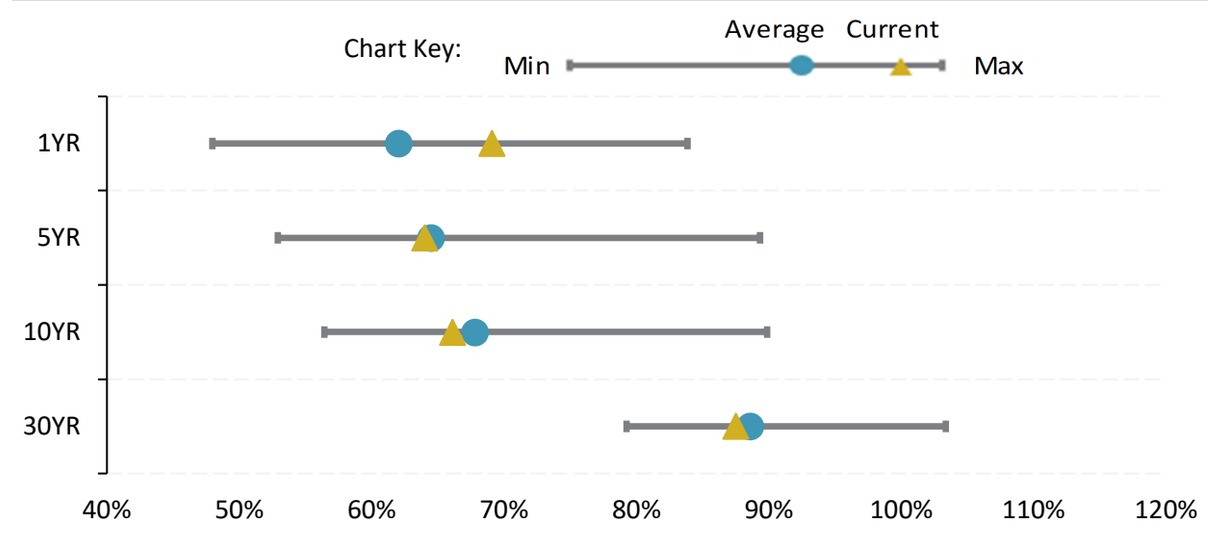


Figure 4: AAA Muni as % of Treasuries - Three Year History [a]



- Municipal bonds led Treasuries across the curve last week. Specifically, the 1-year Municipal-to-Treasury (M/T) ratio (assuming a 5% municipal coupon) decreased by 0.24 percentage points to 69.07%, the 5-year ratio fell 1.29 points to 64.00%, the 10-year decreased 0.36 points to 66.10%, and the 30-year fell 1.15 points to 87.50%. When compared to three-year historical averages, value signals continue to be concentrated in shorter-term maturities, with the 1-year ratio offering the most value (Figure 4).

Source: ICE (a), MSRB (o)

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Municipal Market Flows & Supply

Figure 5: 30-Day Visible Supply [c]

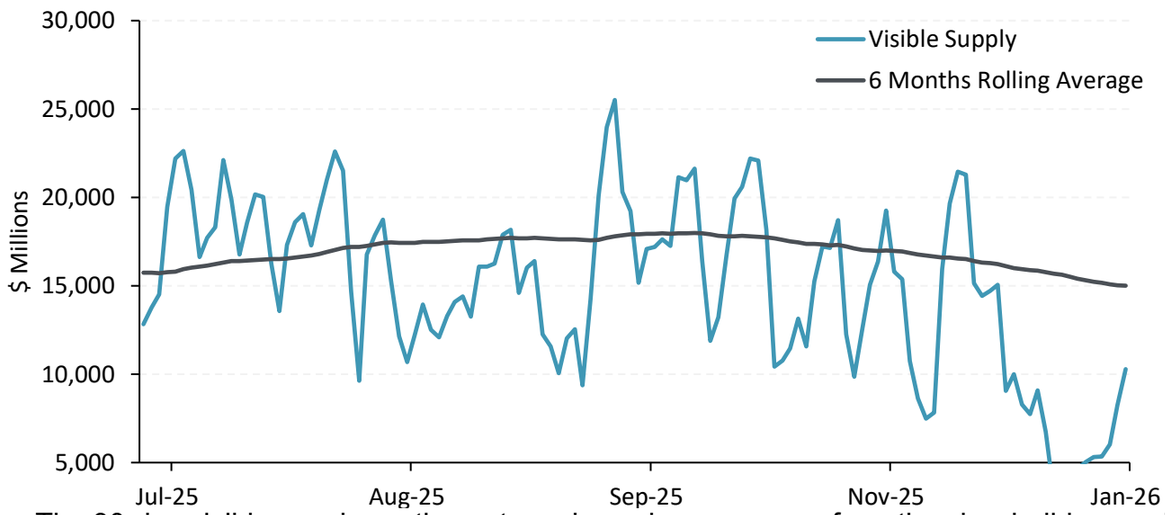
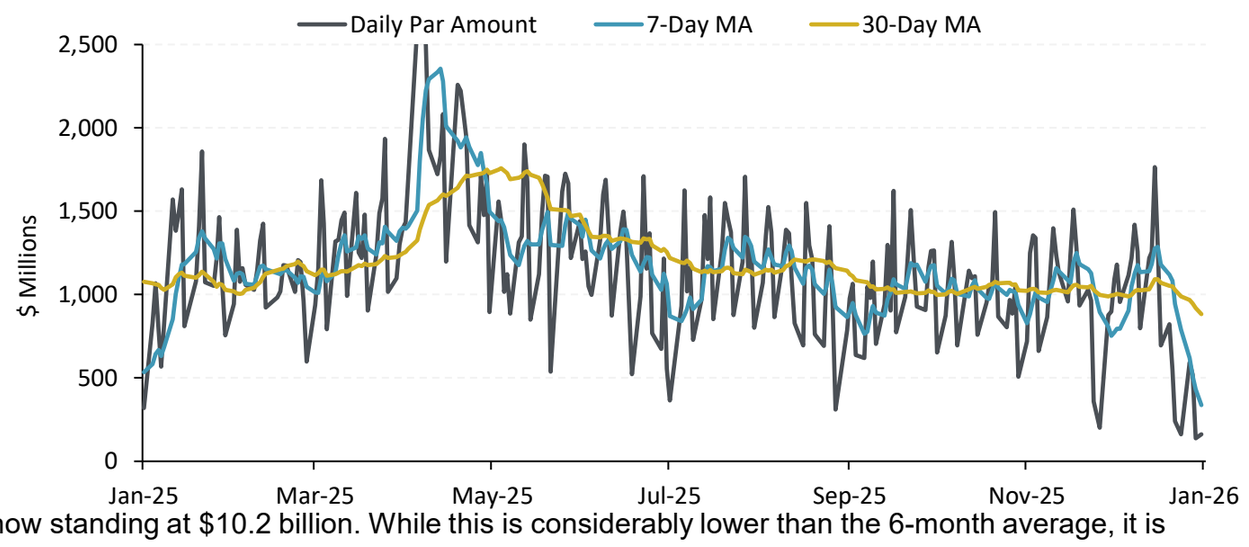


Figure 6: Bids Wanted Par Amount - One Year History [e]



- The 30-day visible supply continues to make a sharp recovery from the slow holiday weeks, now standing at $10.2 billion. While this is considerably lower than the 6-month average, it is expected to rise as new-year activity takes hold (Figure 5).
- Offering exact numbers for bids wanted would be rather useless, as you can imagine by this point that the figures have been skewed by the holidays. Instead, I will turn your attention to Figure 6 just above. As one can see, bids plummeted to end the year, consequently pulling down the rolling averages as well. Again, expect a bounce in activity as we move into uninterrupted weeks of trading (Figure 6).

Figure 7: Weekly Municipal Mutual Fund Net Investment Flows [i]

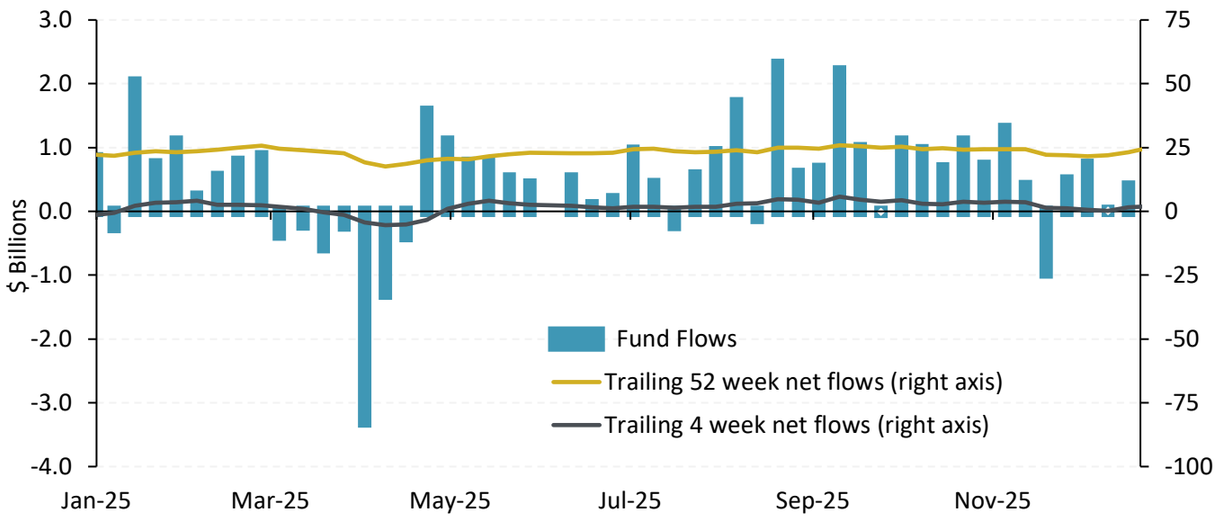
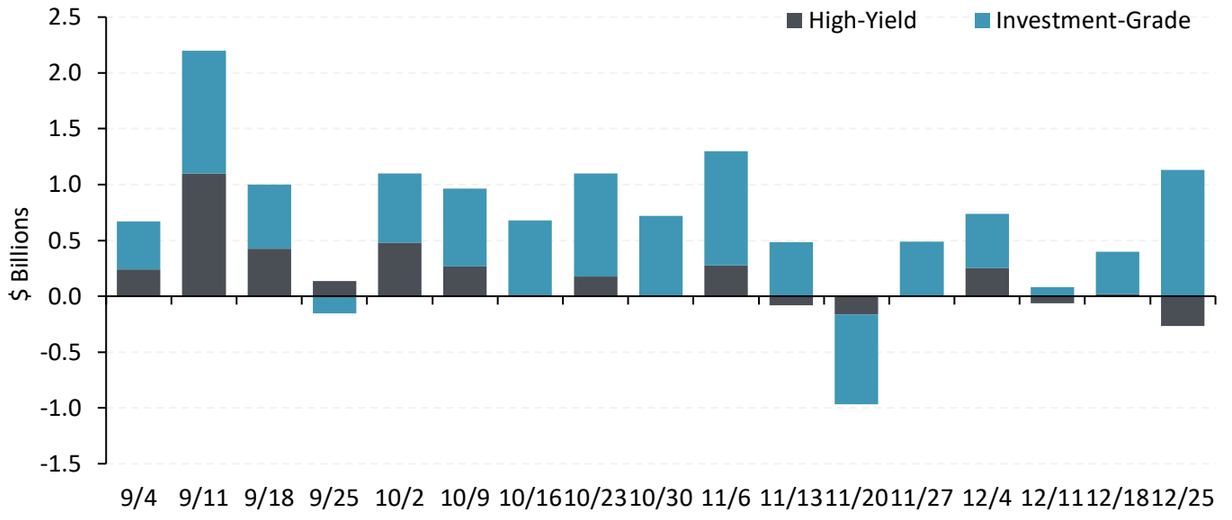


Figure 8: Weekly Municipal Fund Flows - HY vs IG [i]



- According to LSEG Lipper, municipal bond mutual funds saw inflows of about $864 million for the week ending December 24, which is the most current data at this time (Figure 7).
- Investment-grade funds captured all the inflows, while high-yield funds saw outflows in the week leading up to Christmas. Specifically, investment-grade funds attracted approximately $1.13 billion, while high-yield funds lost about $267 million (Figure 8).
- Fund investors continued to shorten duration, with long-term funds seeing losses and medium-to-short-term funds marking gains. Specifically, long-term funds lost about $803 million, while intermediate-term and short-term funds attracted $793 million and $874 million, respectively (Figure 9).

Figure 9: Weekly Municipal Fund Flows - Long vs Intermediate vs Short [i]

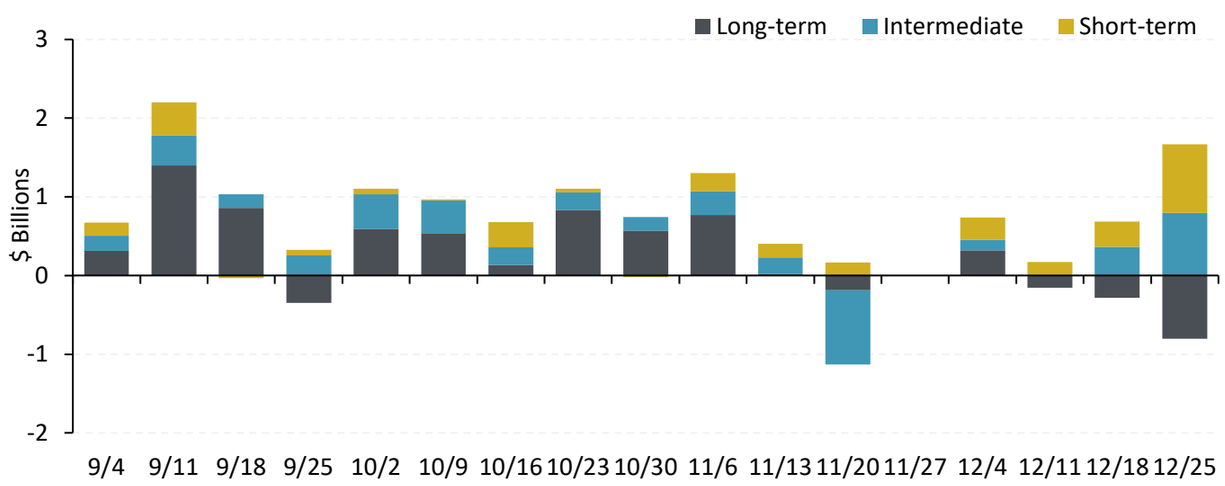
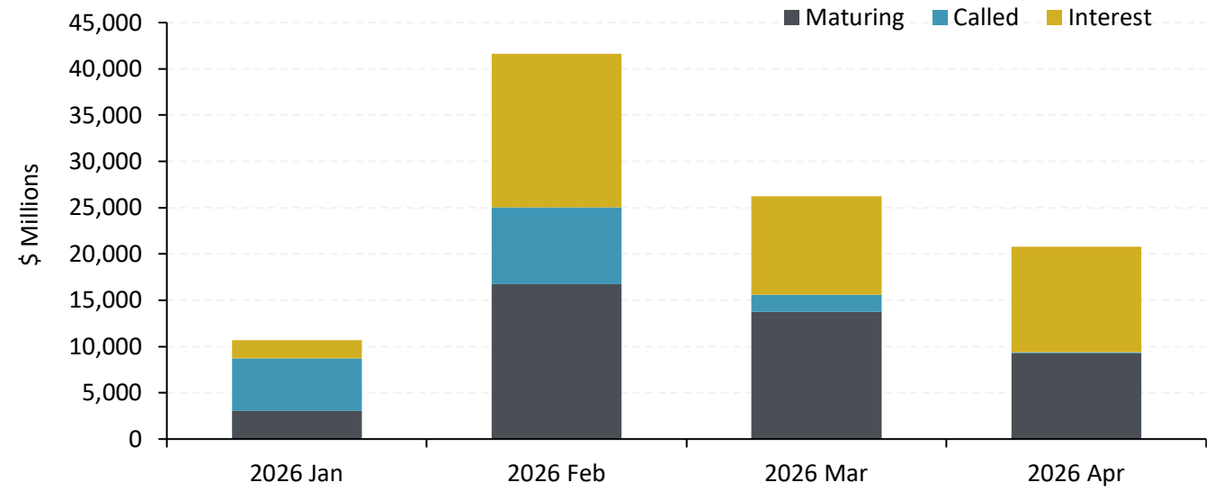
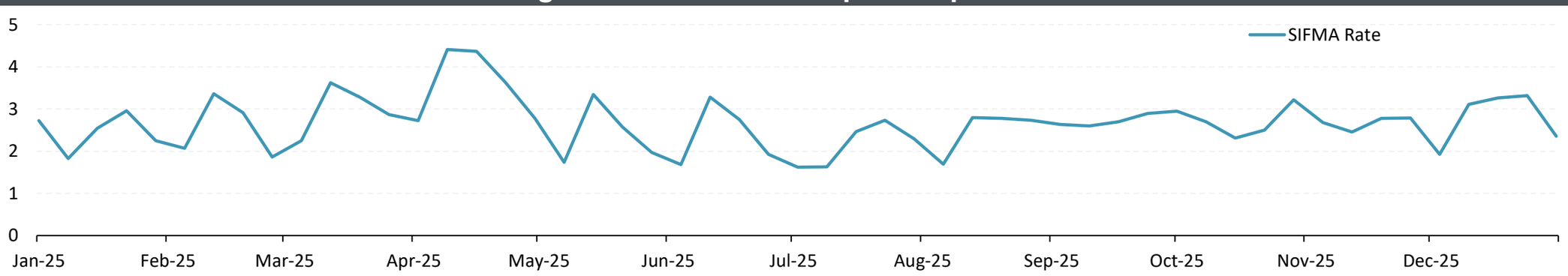


Figure 10: Monthly Bond Maturities and Redemptions [e]



- We will start the year with a relatively light January, returning about $10.7 billion in capital to investors through maturities, calls, and interest payments. However, February will bring a considerable wave of reinvestment capital, with estimated returns of roughly $41.6 billion. Levels for the following spring months will be lower, likely in the $20–30 billion range (Figure 10).
- The municipal money market tumbled last week; the SIFMA seven day index quoted down 96 bps to 2.36% at the December 31st quote (Figure 11).

Figure 11: SIFMA Municipal Swap Index Yield [e]



Source: Lipper (i), MSRB (o), Piper Sandler (u), Bloomberg (e), The Bond Buyer (c)

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Municipal Market Monitor

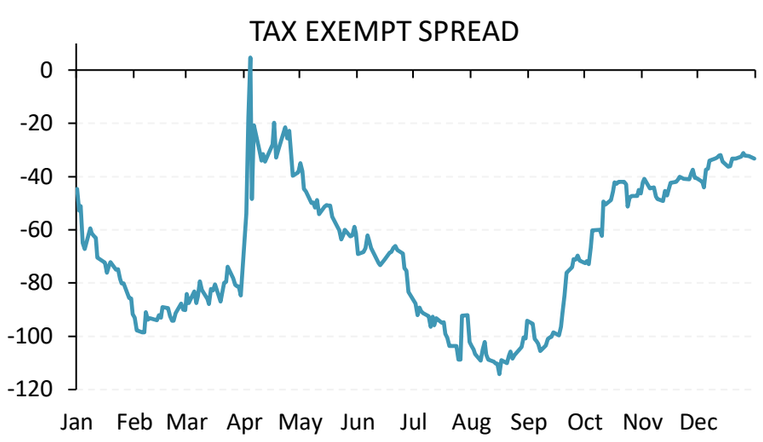
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Relative Value Analysis

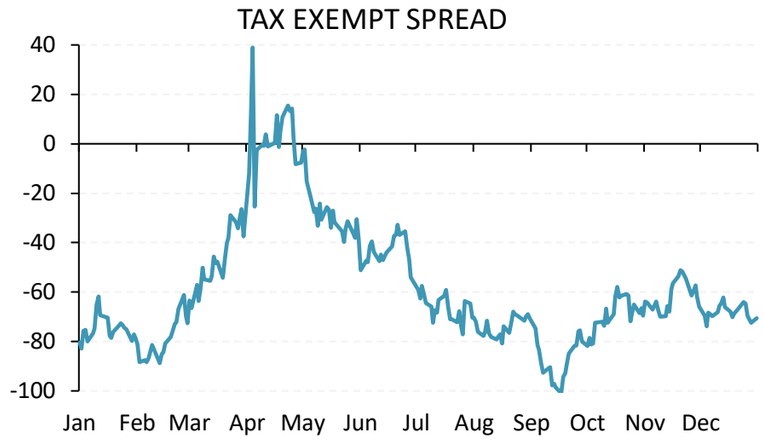
1-Year Spreads (bp)

BVAL AAA Muni Indicies[s]	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	15.4	-33.2
1 yr average	13.7	-68.8
1yr max	26.2	4.7
1yr min	4.7	-114.2
Z score	**0.4**	**1.4**



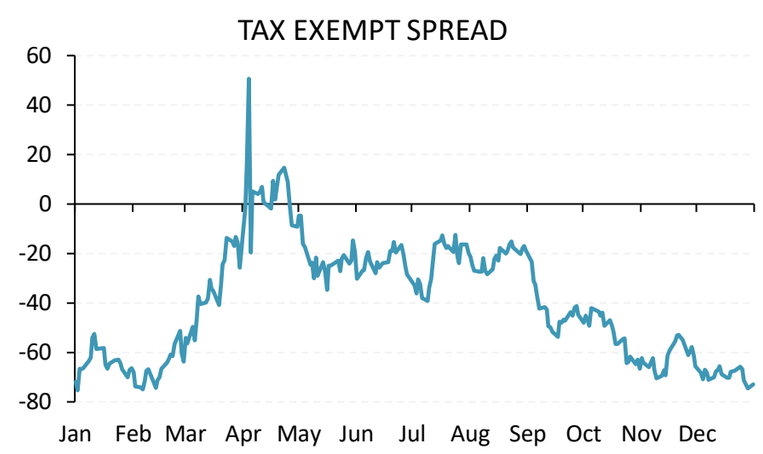
5-Year Spreads (bp)

BVAL AAA Muni Indicies[s]	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	20.5	-70.6
1 yr average	26.1	-58.0
1yr max	45.6	38.9
1yr min	14.0	-100.9
Z score	**-0.9**	**-0.5**



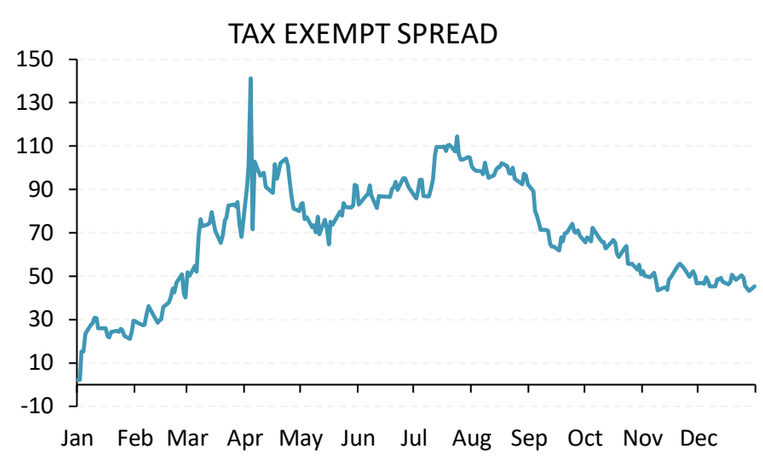
10-Year Spreads (bp)

BVAL AAA Muni Indicies[s]	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	26.9	-72.9
1 yr average	35.2	-39.5
1yr max	55.2	50.6
1yr min	22.4	-75.3
Z score	**-1.1**	**-1.4**



30-Year Spreads (bp)

BVAL AAA Muni Indicies[s]	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	82.6	45.2
1 yr average	80.8	68.6
1yr max	97.9	141.3
1yr min	63.8	2.2
Z score	**0.2**	**-0.9**



- MMD data in Figures 3 and 4 on the first page of this report suggest that relative value is primarily concentrated in the front of the curve. For the relative value analysis in this section, we use Bloomberg's benchmark muni index to verify this fact using a different dataset. The z-score analysis above indicates where there may be value in the market by comparing the current spread of a benchmark bond to its trailing year of historical performance. A more positive z-score indicates that a bond is trading cheap, while a more negative score indicates it is trading rich.
- The data from this curve aligns with the MMD analysis, indicating that the greatest relative value resides in the 1-year maturity. Indeed, the BVAL curve shows that 1-year exempt munis are more than a standard deviation above their one year historical spreads. For a more comprehensive relative value analysis, keep an eye out for our weekly cross-sector analysis report sent out every Monday.

Municipal Fixed Rate Issuance Calendar [e]

Notable Deals of the Week

Sale Date	Issuer	Type	State	Amount (MM)
1/5/2026	NY ST THRUWAY AUTH-A	Rev	NY	848
1/5/2026	BLACK BELT ENERGY GAS-F	Rev	AL	800
1/5/2026	CONROE ISD	GO	TX	443
1/5/2026	TEXAS DEPT HSG & CMNTY-A	Rev	TX	250
1/5/2026	FLORIDA ST-DOT-A	Rev	FL	233

- The fixed-rate municipal issuance calendar for this week totals approximately $5.6 billion. Twelve of the announced deals exceed $100 million, accounting for roughly 65% of the week's total volume. Taxable issuance is set at $293 million, representing 5.2% of the overall total. Piper Sandler is serving as sole manager on just over $105 million of new issuance; inclusive of co-manager roles, the firm will participate in over $1 billion of issuance during the first full week of 2026.

- The new year's economic news continues to see backlogged data released from time to time, although most agencies and reporting companies are back on track. This week's news will consist of: the ISM Manufacturing Index today; S&P Global's US Services PMI tomorrow; the ISM Services Index, ADP Employment Change, and JOLTS Job Openings on Wednesday; Initial Jobless Claims and Challenger Job Cuts on Thursday; and finally, the University of Michigan Sentiment Index, Nonfarm Payroll figures, and the Unemployment Rate for December on Friday.

Piper Sandler Municipal Calendar (Week of January 5th, 2026)[u]

Negotiated

Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity
1/5/2026		Illinois HDA Rev 26A Social	REV	IL	155,000	
1/5/2026		Illinois HDA Rev 26B Txbl Social	REV	IL	45,000	
1/6/2026		Tahoma SD 409 UTGO Ref 26	GO	WA	26,300	2026-30
1/7/2026		Rancho Cordova Arista Del Sol CFD No 2022-1 Imp Area 2 Spec Tax 26	REV	CA	10,000	2030-55
1/7/2026		City Cnty Broomfield Swr Activity Ent Swr Rev Ref 26	REV	CO	112,410	2026-45

Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity
1/7/2026		City Cnty Broomfield Wtr Activity Ent Rev Bonds 26	REV	CO	63,875	2026-45
1/7/2026		Conroe ISD Ultd Tax Sch Bldg 26	GO	TX	442,915	2027-51
1/8/2026		Omaha Pub Pwr Dist Elec Syst Rev 26A	REV	NE	168,005	2027-49
1/8/2026		Wisconsin HEFA Rev (Wisconsin Hsg Preservation Corp) 26A	REV	WI	63,505	2033-35
1/8/2026	TAX	Wisconsin HEFA Rev (Wisconsin Hsg Preservation Corp) Txbl 26B	REV	WI	5,205	2026-33

Source: Lipper (i), MSRB (o), Piper Sandler (u), Bloomberg (e), The Bond Buyer (c)

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Piper Sandler Municipal Calendar (Week of January 5th, 2026)[u]

Competitive

Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity
1/5/2026		Westonka ISD 277 ULTGO Rfdg 2026A	GO	MN	71,395	2027-49
1/6/2026		Moorhead ISD 152 LTGO Rfdg 2026	GO	MN	34,930	2027-33
1/6/2026		DuPage Cnty CUSD 200 ULTGO 2026	GO	IL	70,945	2027-42
1/6/2026	BQ	Hopkins ULTGO Rfdg 2026A	GO	MN	6,250	2027-39
1/7/2026		Monticello ISD 882 ULTGO Rfdg 2026A	GO	MN	12,710	2027-34

Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity
1/7/2026		Grand Chute Twn ULTGO 2026A	GO	WI	35,850	2027-46
1/7/2026		Mahtomedi ISD 832 ULTGO 2026A	GO	MN	14,000	2027-46
1/8/2026		Waseca ISD 829 ULTGO Rfdg 2026A	GO	MN	13,170	2027-34
1/8/2026	BQ	Redford Chtr Twp LTGO 2026	GO	MI	4,040	2026-36

Municipal Credit Actions

Credit actions within the last week

Credit Upgrade[a]

AlertDate	CUSIP6	Issuer	EventDesc

Credit Downgrade[a]

AlertDate	CUSIP6	Issuer	EventDesc
2025-12-30	093851	BLOOMFIELD CONN (CT)	S&P rating downgrade from AA+ to AA RTG IDR RTG

Default[a]

AlertDate	CUSIP6	Issuer	EventDesc
12/30/2025	74526Q	PUERTO RICO ELEC PWR AUTH PWR REV (PR)	Technical default / unsched draw cred enh/resv fnd
12/30/2025	74526Y	PUERTO RICO ELEC PWR AUTH PWR REV (PR)	Technical default / unsched draw cred enh/resv fnd
12/31/2025	516708	LARAMIE CNTY WYO INDL DEV REV (WY)	Monetary default / missed principal or redemption payment
12/31/2025	74442P	PUBLIC FIN AUTH WIS REV (WI)	Monetary default / missed interest payment
12/31/2025	74442P	PUBLIC FIN AUTH WIS REV (WI)	Monetary default / missed principal or redemption payment
1/2/2026	377450	GLEN COVE N Y LOC ECONOMIC ASSISTANCE CORP REV (NY)	Technical default / unsched draw cred enh/resv fnd
1/2/2026	46247S	IOWA FIN AUTH REV (IA)	Monetary default / missed principal or redemption payment
1/2/2026	88275Y	TEXAS ST STUDENT HSG CORP STUDENT HSG REV (TX)	Monetary default / missed interest payment

Source: ICE (a), Piper Sandler (u)

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