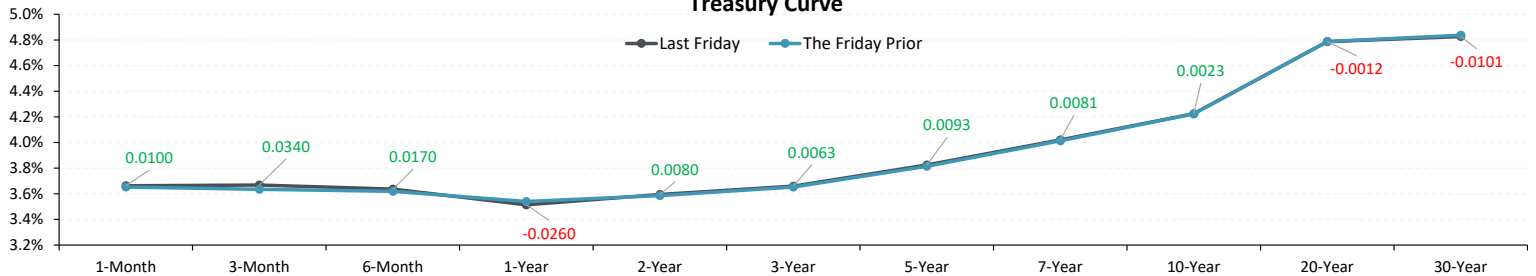


## The Headline

Much of last week's volatility in fixed income markets was a reaction to wild swings in Japan's sovereign debt, where bonds in the 30- to 40-year range jumped more than 25 basis points. Interestingly, only a small fraction of Japan's more than \$7 trillion in debt was traded, emphasizing the role illiquidity of that market played in the sharp movement. As Japan leads the developed world in debt-to-GDP, this harsh swing should serve as a warning to other nations to get their fiscal houses in order. In other news, the United States again seems to be barreling toward another partial government shutdown after Senate Democrats announced their refusal to pass any bill that includes funding for the DHS. The move comes after a protester was killed by CBP/ICE agents in Minnesota over the weekend. If the Senate minority holds firm, the shutdown will begin this Saturday for affected agencies. Despite global volatility, Treasuries ended the week relatively unchanged: the 1-year yield fell by 2.6 bps to close at 3.514%; the 10-year yield rose 0.23 bps to close at 4.2252%; and the 30-year yield decreased by 1.01 bps to close at 4.8264%.

### Treasury Curve



## Municipal Performance

Figure 1: AAA Yield Curve - Current v 1 Week ago v 1 Month ago <sup>a</sup>

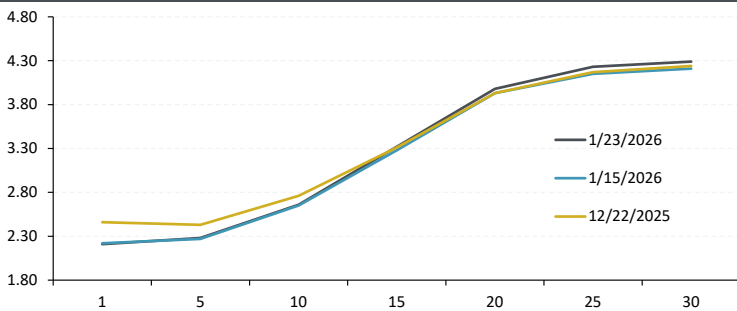
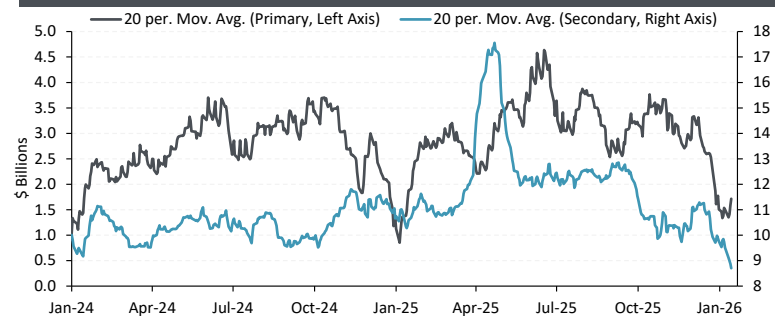


Figure 2: Primary vs. Secondary Market Trading Activity <sup>o</sup>



- Munis were fairly steady along most of the curve but saw some weakness further out. Data from the AAA benchmark curve indicated that the yield on the 1-year fell 1 basis point (bp) to 2.21%, the 10-year rose 1 bp to 2.66%, and the 30-year rose 8 bps to 4.29%. The curve continued to steepen, with most of the movement coming from the back end. Specifically, the 1/30 spread rose 9 bps to 208 bps, and the 7/20 spread was up 5 bps to 156 bps, while the 1/7 spread rose just 1 bp to 21 bps (Figure 1).
- Secondary market volume fell significantly last week, which was not entirely surprising considering the holiday on Monday. The preliminary volume report stands at approximately \$28 billion, a notable drop from the prior week's \$42 billion. The 20-trading-day average for primary activity popped back up and is likely to continue climbing out of its winter stupor. The secondary market average continued to print lower, again setting another multi-year low (Figure 2).

Figure 3: AAA Muni as % of Treasuries - Two Year History <sup>a</sup>

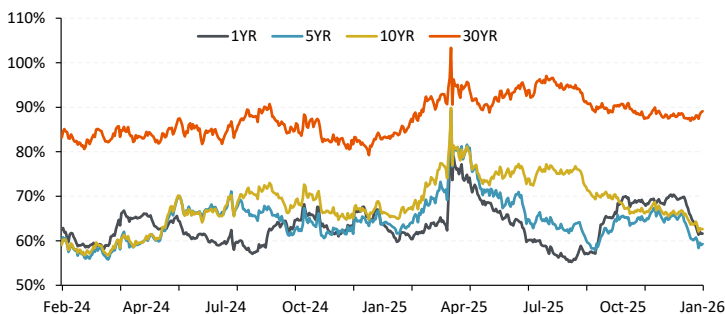
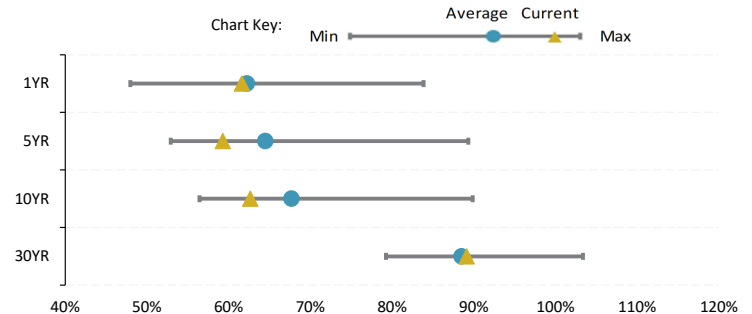


Figure 4: AAA Muni as % of Treasuries - Three Year History <sup>a</sup>



- Munis continued to outperform Treasuries across most of the curve, though the 30-year range witnessed the opposite. Specifically, the 1-year Municipal-to-Treasury (M/T) ratio (assuming a 5% municipal coupon) decreased by 1.58 percentage points to 61.63%, the 5-year ratio fell 1.46 points to 59.28%, the 10-year decreased 1.66 points to 62.63%, and the 30-year rose 0.98 points to 89.12%. After another week of relatively strong performance, munis on most of the curve appear rich relative to their 3-year average ratios. The 30-year, however, remains just above its average, offering a sign of value further out (Figure 4).

Source: ICE (a), MSRB (o)

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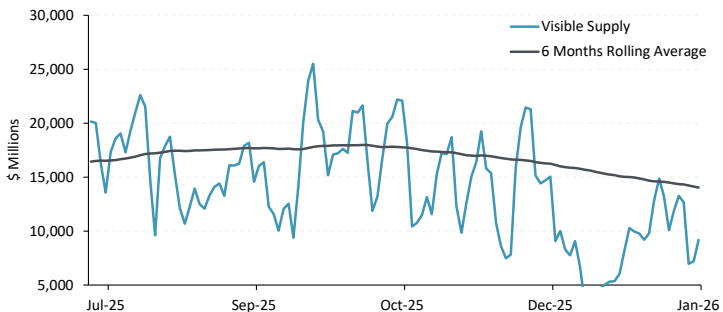
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## Municipal Market Flows & Supply

Figure 5: 30-Day Visible Supply <sup>e</sup>



- The 30-day visible supply retreated, now standing at approximately \$9.1 billion. Visible supply often starts the year slowly and typically accelerates as the year progresses. The 6-month average continued to fall, still drifting downward from the cycle high set in the fall of 2025 (Figure 5).
- After several weeks of climbing, bids wanted volume fell sharply last week. The one-week change reflected a decrease of \$484 million on Friday. The 7-trading-day average also declined by \$58 million, and the 30-day average was down about \$29 million (Figure 6). It is likely that the holiday-shortened trading week distorted the general trend.

Figure 6: Bids Wanted Par Amount - One Year History <sup>e</sup>

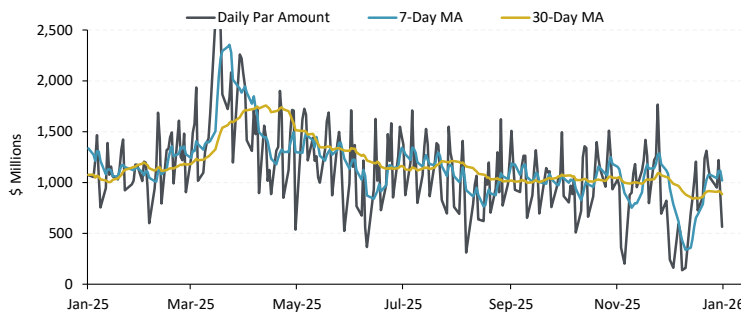


Figure 7: Weekly Municipal Mutual Fund Net Investment Flows <sup>i</sup>

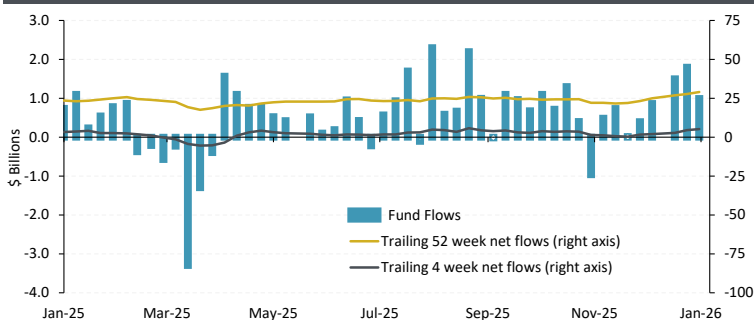
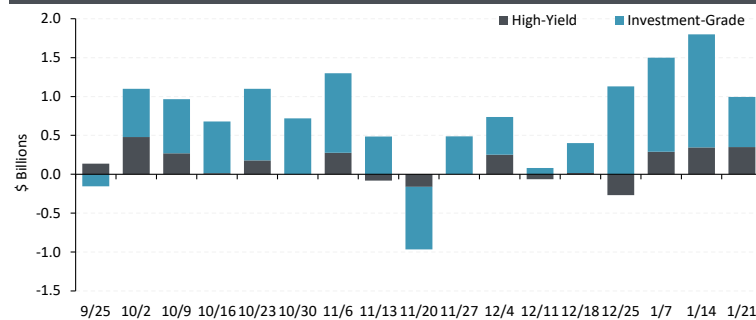


Figure 8: Weekly Municipal Fund Flows - HY vs IG <sup>i</sup>



- According to LSEG Lipper, municipal bond mutual funds continued to see hearty flows, this time adding about \$994 million for the week ending January 21 (Figure 7).
- Flows were more evenly split this week, although investment-grade funds still took in about two-thirds of incoming capital. By the numbers, investment-grade funds gained roughly \$643 million, while high-yield funds saw inflows of approximately \$351 million (Figure 8).
- Fund flows were largely concentrated in long-duration bonds, despite recent weakness at the long end of the curve. This trend may be driven by growing relative value in that sector following a week of underperformance against Treasuries. Long-term funds led with a \$1 billion gain, followed by \$271 million into intermediate-term funds, while short-term funds saw outflows of about \$277 million (Figure 9).

Figure 9: Weekly Municipal Fund Flows - Long vs Intermediate vs Short <sup>i</sup>

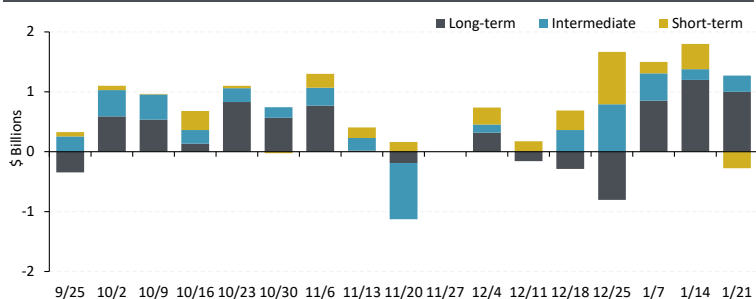
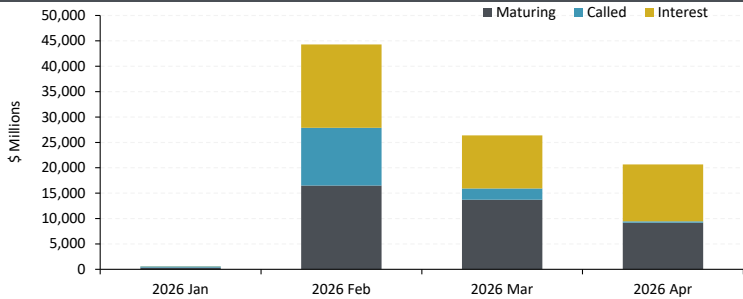
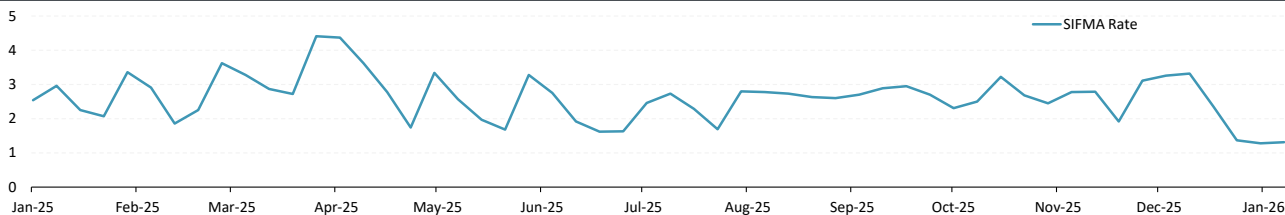


Figure 10: Monthly Bond Maturities and Redemptions <sup>e</sup>



- Capital returns will decelerate in the final week of January, with investors anticipating only \$607 million from maturities, calls, and interest—less than 6% of the month's total. However, February is set to bring a substantial influx of approximately \$44.3 billion in reinvestment capital, before activity moderates below \$30 billion throughout the spring (Figure 10).
- The municipal money market rose last week; the SIFMA seven day index quoted up 3 bps to 1.31% at the January 21st quote (Figure 11).

Figure 11: SIFMA Municipal Swap Index Yield <sup>e</sup>



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

# Municipal Market Monitor

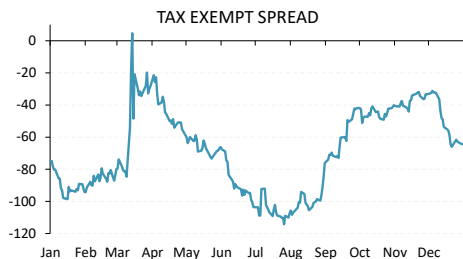
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A weekly look at trends in the municipal bond market  
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## Relative Value Analysis

### 1-Year Spreads (bp)

BVAL AAA Muni Indices	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	15.9	-64.5
1 yr average	13.8	-68.6
1yr max	29.0	4.7
1yr min	4.7	-114.2
Z score	0.5	0.2



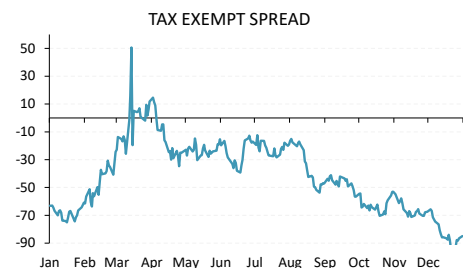
### 5-Year Spreads (bp)

BVAL AAA Muni Indices	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	19.5	-95.1
1 yr average	25.8	-58.9
1yr max	45.6	38.9
1yr min	14.0	-100.9
Z score	-1.0	-1.4



### 10-Year Spreads (bp)

BVAL AAA Muni Indices	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	27.9	-85.0
1 yr average	35.1	-40.8
1yr max	55.2	50.6
1yr min	22.4	-94.8
Z score	-0.9	-1.7



### 30-Year Spreads (bp)

BVAL AAA Muni Indices	TAXABLE	TAX EXEMPT (21% TEY)
Current spread	79.6	55.4
1 yr average	81.5	70.0
1yr max	97.9	141.3
1yr min	63.8	21.2
Z score	-0.3	-0.6



- o MMD data in Figures 3 and 4 on the first page of this report suggest that no maturity is offering a strong relative value opportunity. 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.
- o Data from this curve now offers a conflicting value indication. Whereas the MMD ratio analysis indicated modest value in the 30-year range, this BVAL analysis shows value in the 1-year maturity. Given recent market volatility, the timeliness of data can make a notable difference to an analysis. The MMD data is as of the close on the 23rd, while this BVAL data is fresh as of today, the 26th. 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<sup>o</sup>

#### Notable Deals of the Week

Sale Date	Issuer	Type	State	Amount (MM)
1/29/2026	TRIBOROUGH BRIDGE-A-2	Rev	NY	450
1/29/2026	TRIBOROUGH BRIDGE-A-1	Rev	NY	300
1/26/2026	FL DEV FIN CORP-A	Rev	FL	285
1/26/2026	CT HSG FIN AUTH-A-2-TXBL	Rev	CT	270
1/26/2026	MIAMI-DADE CO INDL-A-1	Rev	FL	237

- o The fixed-rate municipal issuance calendar for this week totals just \$4.8 billion, likely constrained by issuers waiting for the Fed decision later in the week. Of the announced deals, 10 will exceed \$100 million, accounting for roughly 48% of the week's total volume; this indicates the week is not as top-heavy as usual. Taxable issuance is set at about \$134 million, representing approximately 7.7% of the total. Piper Sandler will see a similarly quiet week, serving as sole manager on just under \$67 million of new issuance. Inclusive of co-manager and senior roles, the firm will participate in almost \$83 million of issuance this week.

- o The economic releases for the week are as follows: Durable Goods printed today; Conference Board Consumer Confidence and the S&P Case-Shiller Home Price Index come tomorrow; MBA Mortgage Applications and the FOMC rate decision are on Wednesday; Initial Jobless Claims and Wholesale Inventories follow on Thursday; and finally, PPI Final Demand and the MNI Chicago PMI are due on Friday.

### Piper Sandler Municipal Calendar (Week of January 26th, 2026)<sup>o</sup>

#### Negotiated

Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity
1/26/2026	BQ	USD 352 (Goodland) Sherman Cnty GO 26	GO	KS	4,000	2031-36
1/27/2026		Wildomar CFD No 2023-1 Spl Tax 26	REV	CA	10,665	2026-55
1/27/2026	BQ	Wallenpaupack ASD GO 26	GO	PA	9,320	2027-35

Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity
1/28/2026		Pine View PID No 2 Spec Assess (Firelight Assess Area No 1) 26	REV	UT	42,775	
1/29/2026		Colorado HFA MF Proj 26A-1	REV	CO	8,670	
1/29/2026		Colorado HFA MF Proj 26A-2	REV	CO	7,200	

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

# Municipal Market Monitor

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## Piper Sandler Municipal Calendar (Week of January 26th, 2026)<sup>(u)</sup>

### Competitive

Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity	Sale Date	BQ/TAX	Issuer	Type	State	Amount	Maturity
1/26/2026	BQ	East Grand Forks ISD 595 ULTGO Rfdg 2026A	GO	MN	9,130	2027-34	1/26/2026	BQ	Bloomington PSD 16 ULTGO 2026II	GO	MI	7,235	2032-55
1/26/2026	BQ	Bismarck PSD 1 Revs 2026	REV	ND	2,200	2026-35	1/27/2026		Groton Twn ULTGO 2026	GO	MA	25,580	2027-46
1/26/2026	BQ	Lawrence Twn ULTGO Rfdg 2026	GO	WI	5,890	2027-46	1/28/2026		Edina ISD 273 ULTGO Rfdg 2026A	GO	MN	12,935	2027-31
1/26/2026		Bloomington ISD 271 ULTGO Rfdg 2026A	GO	MN	34,270	2027-37	1/28/2026		Hingham Twn LTGO 2026A	GO	MA	8,943	2027-54
1/26/2026	BQ	Horace Park Dt ULTGO 2026	GO	ND	3,785	2026-45	1/28/2026		Hingham Twn LTGO Rfdg 2026B	GO	MA	15,215	2026-37
1/26/2026		Copperas Cove ISD ULTGO 2026	GO	TX	79,510	2027-54	1/29/2026	BQ	Lawrenceburg ULTGO 2026	GO	TN	7,000	2028-53
1/26/2026		Milwaukee Met Swg Dt ULTGO 2026A	GO	WI	112,000	2027-46	1/29/2026		Rochester CSD ULTGO Rfdg 2026	GO	MI	49,050	2027-36

### Municipal Credit Actions

Credit actions within the last week

#### Credit Upgrade<sup>o</sup>

AlertDate	CUSIP6	Issuer	EventDesc
2026-01-20	081383	BEMIDJI MINN (MN)	Moody's rating upgrade from A1 to AA3 ISSR RTG
2026-01-20	081383	BEMIDJI MINN (MN)	Moody's rating upgrade from A1 to AA3 RTG
2026-01-20	218873	CORINTHIAN POINT MUN UTIL DIST NO 2 TEX (TX)	Moody's rating upgrade from BAA3 to BAA2 RTG
2026-01-20	346906	FORT BEND CNTY TEX MUN UTIL DIST NO 47 (TX)	Moody's rating upgrade from A3 to A2 RTG
2026-01-20	41420K	HARRIS CNTY TEX MUN UTIL DIST NO 281 (TX)	Moody's rating upgrade from A3 to A1 RTG
2026-01-20	414511	HARRIS CNTY TEX WTR CTL & IMPT DIST NO 116 (TX)	Moody's rating upgrade from A3 to A1 RTG
2026-01-20	435272	HOLLAND N Y CENT SCH DIST (NY)	S&P rating upgrade from A+ to AA- RTG
2026-01-20	662009	NORTH RIVERSIDE ILL (IL)	Moody's rating upgrade from BAA2 to BAA1 RTG
2026-01-20	666412	NORTHGATE CROSSING TEX MUN UTIL DIST NO 1 (TX)	Moody's rating upgrade from BAA3 to A2 RTG
2026-01-20	827513	SILVER CITY N MEX CONS SCH DIST NO 1 (NM)	Moody's rating upgrade from BAA2 to BAA1 RTG
2026-01-21	093674	BLOCK HOUSE MUN UTIL DIST TEX (TX)	Moody's rating upgrade from A1 to AA3 RTG
2026-01-21	414938	HARRIS CNTY TEX MUN UTIL DIST NO 118 (TX)	Moody's rating upgrade from A3 to A1 RTG
2026-01-21	413942	HARRIS CNTY TEX MUN UTIL DIST NO 261 (TX)	Moody's rating upgrade from BAA1 to AA3 RTG
2026-01-21	414520	HARRIS CNTY TEX WTR CTL & IMPT DIST NO 133 (TX)	Moody's rating upgrade from A3 to A1 RTG

#### Credit Downgrade<sup>o</sup>

AlertDate	CUSIP6	Issuer	EventDesc
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#### Default<sup>o</sup>

AlertDate	CUSIP6	Issuer	EventDesc
1/20/2026	72177M	PIMA CNTY ARIZ INDL DEV AUTH ED REV (AZ)	Monetary default / missed interest payment
1/23/2026	04781G	ATLANTA GA DEV AUTH SR HEALTH CARE FACS REV (GA)	Default status / in bankruptcy proceedings
1/23/2026	04781G	ATLANTA GA DEV AUTH SR HEALTH CARE FACS REV (GA)	Technical default / bankrupt lessor/operator
1/23/2026	04777R	ATLANTA GA DEV AUTH SUB HEALTH CARE FACS REV (GA)	Default status / in bankruptcy proceedings
1/23/2026	04777R	ATLANTA GA DEV AUTH SUB HEALTH CARE FACS REV (GA)	Technical default / bankrupt lessor/operator

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

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