ALLIANCEBERNSTEIN®

Weekly Market Commentary

The Week in Muniland

November 10, 2025

Seasonal Strength

Key Takeaways

1. **It was a sluggish start to November in the municipal market.**
2. **Zohran Mamdani was elected mayor of New York City but there are several guardrails that should provide credit stability.**
3. **Market technicals are expected to strengthen further throughout the rest of the year.**

November kicked off with a more muted tone last week as the market contended with a healthy amount of supply and a short-lived bout of volatility in the Treasury market. Two-year AAA yields were flat, 10-year yields rose two basis points (bps), and 30-year yields fell one basis point. The Bloomberg Municipal Bond Index (the Index) returned 0.09% last week, bringing year-to-date returns to 4.01%.

- **Why it matters:** The market was able to navigate its way through one of the few remaining large weeks of issuance for the year thanks to strong demand. According to Lipper, investors added $1.3 billion to the market last week, with longer-dated funds reaping the lion's share of those inflows. As we have mentioned, the market has benefitted from consistent demand over the last several weeks. Last week's inflows marked the sixth consecutive week of gains, 11th out of the last 12, and 14th out of the last 16. Demand has been a key contributor to the 3.66% return of the Index since August 29. But performance has not been uniform across the curve, with short-maturity bonds woefully underperforming longer-maturity bonds as shown in *Display 1*. As a result, short-maturity bonds have cheapened significantly (*Display 2*). We believe this backdrop provides a compelling opportunity for a barbell maturity structure—investors can not only take advantage of attractive relative valuations on both the front- and long-end of the yield curve but also benefit from strong absolute performance from long-dated bonds if yields fall (*Display 3*). Next week's calendar looks manageable, with ~$9.3 billion expected to price.

Zohran Mamdani was elected mayor of New York City, defeating Andrew Cuomo and Curtis Sliwa. His platform includes ambitious plans of tripling the city's affordable housing capital commitment from $30 billion to $100 billion over ten years, with up to $70 billion potentially raised via municipal bonds.

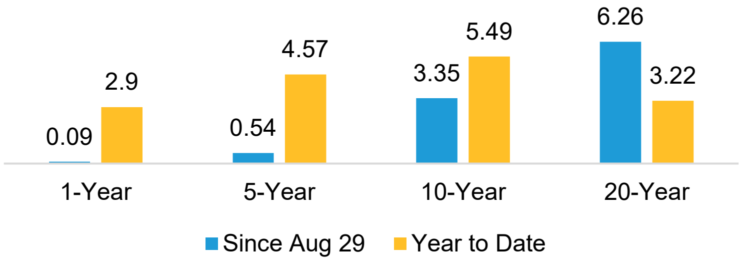
- **Why it matters:** While Mamdani's proposals have understandably generated headlines and concerns from investors, the fiscal implications for NYC municipal credit quality are expected to be limited. The city's constitutional debt cap, balanced budget requirements and state oversight mechanisms will help constrain any outsized fiscal shifts. Historical precedent—during Mayor de Blasio's term—invoked similar fear amongst investors but was a relatively stable credit environment due to budget discipline and robust revenue growth. The city's debt management policy requires debt service remains below 15% of tax revenues, that debt funds specific capital projects and that amortization schedules need to be maintained. Furthermore, the State of New York retains the authority to impose financial controls if necessary. Despite the fact that the city's financial architecture is structured to withstand political shifts and the multiple layers of oversight should ensure that credit quality remains intact, the current environment is yet another example of the importance of active credit research.

After a historically strong October, there are several factors that suggest the municipal market is likely to finish the year on a strong note.

- **Why it matters:** The market entered November with positive momentum, supported by the Fed's most recent 25-bp cut and steady inflows. This positive technical helped drive October's 1.24% return—the strongest October return since 1995. Historically, November is a strong month for returns, with the Index generating positive performance in 16 out of the last 20 years. We expect the market will continue to benefit from a constructive technical backdrop. November is the sixth heaviest month of reinvestment demand, with ~$32 billion of cash needing to find a home, which should further support the market. Supply is also expected to taper off as we approach year-end, with negative net supply expected in both November and December.

Displays of the Week: November 10, 2025

Display 1: Returns by Maturity (Percent)



Long-maturity municipals have returned over 6% since August 29!

As of November 7, 2025. Source: Municipal Market Data and AllianceBernstein (AB)

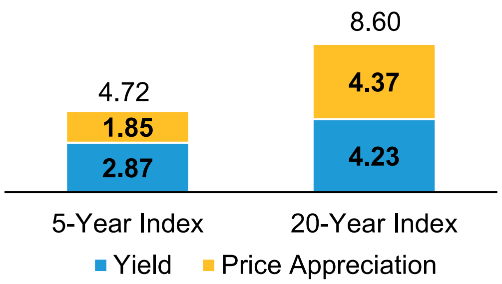
Display 2: Municipal/Treasury After-Tax Spreads (Basis Points)

	Nov 7, 2025	Aug 29, 2025	Five-Year Average
Two-Year	40	6	16
Five-Year	23	19	22
10-Year	32	72	43
15-Year	68	120	67
20-Year	109	151	75
30-Year	136	170	95

As of November 7, 2025. Source: Municipal Market Data and AB

A barbell maturity structure allows investors to capitalize on attractive valuations

Display 3: 12-Month Hypothetical Return If Yields Fall Just 50 Basis Points



Long-maturity bonds offer more potential for a higher return as yields fall.

Based on respective Bloomberg indices
As of November 7, 2025. Source: Bloomberg and AB

Display 4: Expected 12-Month Municipal Returns Scenario Analysis

10-year US Treasury yield (percent)

10-Year Treasury, 5.00% → 0.85%

10-Year Treasury, 4.10% → 4.35%

10-Year Treasury, 3.50% → 6.58%

Past performance and historical analysis do not guarantee future results.
Display reflects expected returns of the Index under three scenarios:
10-year US Treasury yields rise to 5.00%, remain the same or decline to 3.50% over the next 12 months.
As of November 7, 2025. Source: Bloomberg and AB

The views expressed herein do not constitute research, investment advice or trade recommendations, and do not necessarily represent the views of all AB portfolio-management teams. Views are subject to change over time.

A Word About Risk

Market Risk: The market values of the Portfolio's holdings rise and fall from day to day, so investments may lose value. **Interest-Rate Risk:** Fixed-income securities may lose value if interest rates rise or fall—long-term securities tend to rise and fall more than short-term securities. The values of mortgage-related and asset-backed securities are particularly sensitive to changes in interest rates due to prepayment risk. **Credit Risk:** A bond's credit rating reflects the issuer's ability to make timely payments of interest or principal—the lower the rating, the higher the risk of default. If the issuer's financial strength deteriorates, the issuer's rating may be lowered, and the bond's value may decline. **Inflation Risk:** Prices for goods and services tend to rise over time, which may erode the purchasing power of investments. **Foreign (Non-US) Risk:** Investing in non-US securities may be more volatile because of the political, regulatory, market and economic uncertainties associated with such securities. These risks are magnified in securities of emerging or developing markets. **Currency Risk:** If a non-US security's trading currency weakens versus the US dollar, its value may be negatively affected when translated back into US-dollar terms. **Diversification Risk:** Portfolios that hold a smaller number of securities may be more volatile than more diversified portfolios, since the gains or losses from each security will have a greater impact on the Portfolio's overall value. **Derivatives Risk:** Investments in derivative instruments such as options, futures, forwards or swaps can be riskier than traditional investments and may be more volatile, especially in a down market. **Leverage Risk:** Trying to enhance investment returns by borrowing money or using other leverage tools magnifies both gains and losses, resulting in greater volatility. **Municipal Market Risk:** Debt securities issued by state or local governments may be subject to special political, legal, economic and market factors that can have a significant effect on the Portfolio's yield or value. An investor cannot invest directly in an index. **Investment and Insurance Products:** Not FDIC insured I Not a bank deposit I Not insured by any federal government agency I No bank guarantee I May lose value

SMA-836717-2025-11-07