ALLIANCEBERNSTEIN®

Weekly Market Commentary

The Week in Muniland

November 17, 2025

Muni Market Keeps Chugging Along

Key Takeaways

1. **Municipal performance continues to grind higher.**
2. **A barbelled maturity structure allows investors to take advantage of the cheapness on both ends of the yield curve.**
3. **Mayor-elect Mamdani needs the support of Governor Hochul to make good on his many promises.**

The muni market tone hasn't changed much this week as performance continues to grind higher with duration and credit leading the way. The Bloomberg Municipal Bond Index (the Index) returned 0.09% last week, bringing month-to-date and year-to-date returns to 0.18% and 4.10%, respectively.

- **Why it matters:** Duration has been a bond investor's best friend since the end of August. As shown in *Display 1*, since August 29 long bonds have materially outperformed short bonds. Month to date, the 20-year index is up 20 basis points (bps) while the 3-year index is up just 11 bps. Credit has a similar theme with the BBB index up 4.51% since the end of August compared to 3.89% for the AAA index. Month-to-date the BBB index has outpaced the AAA index by 0.31% versus 0.20%. We anticipate both credit and duration to continue to outperform as supply and demand technicals remain solidly in the favor of investors, especially during December. The anticipation is that net supply for December will be negative $3 billion, which means there will be $3 billion more in organic demand than new issue supply.

We believe a barbelled maturity structure is the best structure for investors given the relative cheapness of the municipal yield curve.

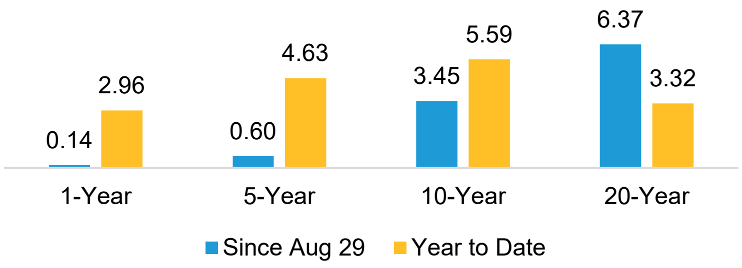
- **Why it matters:** Long-maturity municipals have looked compelling for quite some time. You can now add short bonds as compelling from a relative value perspective (*Display 2*). We believe this backdrop provides a compelling opportunity for a barbell maturity structure—investors can not only take 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*). For those investors sitting on cash, preferred cash rates are beginning to fall and are paying in the low-to-mid 3% range. On an after-tax basis, that yield declines to 1.75%–2.0%. Cash investors should consider adding duration. Even hopping out to a 2.5-year duration strategy could provide a tax-exempt yield of 3%, which is significantly higher than after-tax cash rates, with not much in the way of interest-rate risk. Sometimes a jump to intermediate-duration bonds is too far for investors. So consider advising a baby step to short duration, and as the client gains comfort, perhaps consider intermediate duration, which is better equipped to take advantage of the steep yield curve.

Investors have shown some concern with Zohran Mamdani being elected mayor of New York City. However, he doesn't have the authority to enact many of his signature proposals.

- **Why it matters:** Let's take investors' concerns one at a time: (1) Mamdani will raise the top state corporate tax rate to 11.5%. No: The mayor cannot unilaterally raise taxes. Although Governor Hochul may be showing signs of softening. (2) Mamdani will place a 2% tax on all incomes over $1 million. No: This proposal requires the support of both Governor Hochul and the state legislature. Governor Hochul has already said, "I'm not raising taxes on people at a time when affordability is the big issue...I don't want to lose any more people to go to Palm Beach. We've lost enough." (3) Mamdani will instate free bus rides. No: The Metropolitan Transportation Authority is a state authority, not a city authority. (4) Mamdani will raise $70 billion in the municipal market. No: The city's constitutional debt cap, balanced budget requirements and state oversight mechanisms will help constrain any outsized fiscal shifts. The city's debt management policy requires that debt service remains below 15% of tax revenues, that debt funds specific capital projects and that amortization schedules need to be maintained. There are enough belts and suspenders in place to protect the integrity of New York City's financial position.

Displays of the Week: November 17, 2025

Display 1: Returns by Maturity (Percent)



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

As of November 14, 2025. Source: Municipal Market Data and AllianceBernstein (AB)

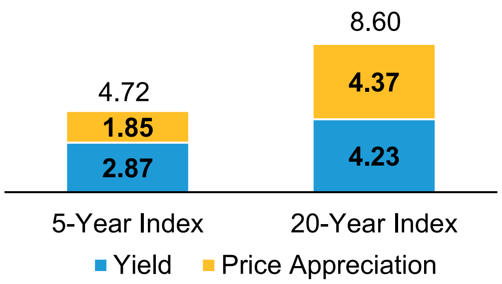
Display 2: Municipal/Treasury After-Tax Spreads (Basis Points)

	Nov 14, 2025	Aug 29, 2025	Five-Year Average
Two-Year	32	6	16
Five-Year	19	19	22
10-Year	31	72	43
15-Year	61	120	67
20-Year	105	151	75
30-Year	133	170	95

As of November 14, 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

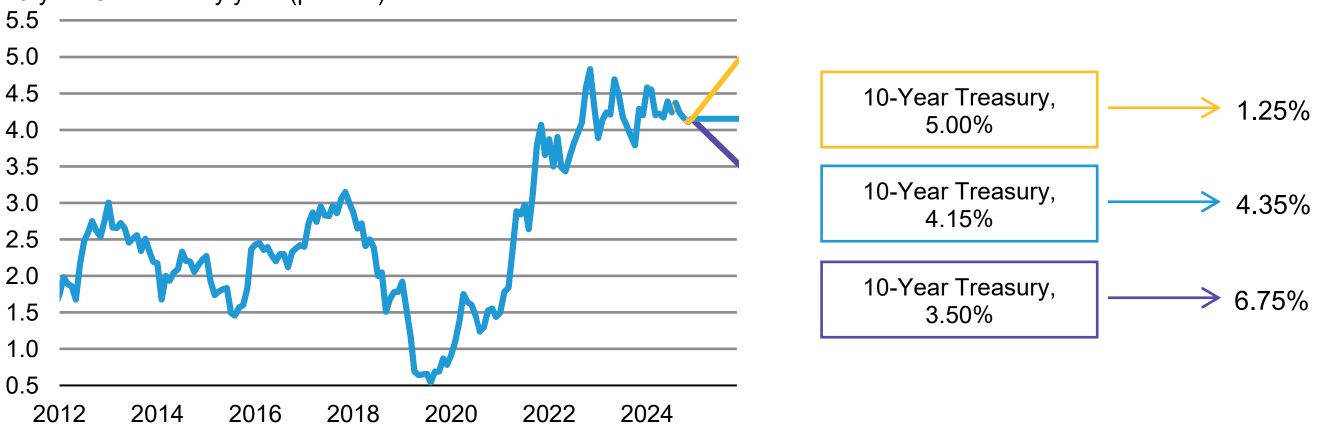


Long-maturity bonds offer more potential for a higher return as yields fall.

Based on respective Bloomberg indices
As of November 14, 2025. Source: Bloomberg and AB

Display 4: Expected 12-Month Municipal Returns Scenario Analysis

10-year US Treasury yield (percent)



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 14, 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

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