

The Week in Muniland

November 24, 2025

Grateful for Market Opportunities

Key Takeaways

1. **Munis took a breather this week.**
2. **Performance has been flattish in November, although a tailwind is building for December.**
3. **The September employment report was stronger than anticipated.**

Munis took a breather this week as the curve steepened. Two-year AAA yields were flat, while 20- and 30-year yields were up 2 basis points, respectively. The Bloomberg Municipal Bond Index (the Index) returned -0.09% last week, bringing month-to-date and year-to-date returns to 0.08% and 4.00% , respectively.

- **Why it matters:** Performance never moves in a straight line. Since August 29, the Index has returned 3.67% . Even more impressive is the fact that the 20-year index returned 6.23% over that time, so a breather was not unexpected. Contributing to this “breather” was a huge new issue calendar totaling \$16 billion, which is likely the final gasp of any meaningful issuance through year-end. This week’s new issue calendar will total only \$2 billion. Although a short trading week, due to the Thanksgiving holiday, munis should show some stability as a result of positive supply technicals.

November has been a flattish month from a performance perspective although December appears to have a positive tailwind given investor friendly supply/demand technicals.

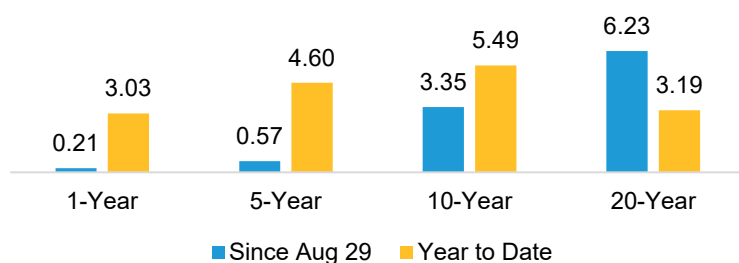
- **Why it matters:** The anticipation is that net supply for December will be negative \$3 billion, which means there will be \$3 billion more in organic demand than new issue supply. J.P. Morgan reports that tax-exempt new issue supply is likely to total \$30 billion in December with \$33 billion in demand coming from bond coupon payments, maturities and calls. This lack of supply should be a positive tailwind from a performance perspective. Over the past 25 years, December has generally been a favorable month for investors with the Index returning an average of 0.54% . Over this time period, returns have been as high as 2.48% and as low as -1.94% with only six instances of December returns being negative. We believe this technical backdrop continues to provide 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*). And with the likelihood bonds rally in December due to strong technical, long-maturity bonds are likely to continue to outperform short-maturity bonds.

The September employment report, which was originally scheduled to be released more than a month ago, showed a gain of 119K jobs in September, easily beating the consensus forecast.

- **Why it matters:** The US Bureau of Labor Statistics announced that there will not be a full October payrolls report and that the November report will be delayed until December 16. That means that the Federal Open Market Committee (FOMC) will not have any payrolls data past the September report when it convenes in mid-December. Thus, this report—delayed though it may be—is the last top-tier employment data available to help guide that decision. Chair Powell’s comments after the Fed’s October meeting, Fed speak since that time and the minutes of that meeting have all made clear that the onus is on the data to convince the Fed to cut in December; more members of the committee anticipate staying on hold in December than cutting. Markets are already pricing a very low probability of a December rate cut at this point, and we doubt that September’s data will change that opinion. From a macro perspective, it doesn’t really matter. Almost all members of the FOMC anticipate cutting rates over time, and a rate cut in January instead of December isn’t really economically significant. If they go on a protracted hold that would be more meaningful, but we think that is quite unlikely.

Displays of the Week: November 24, 2025

Display 1: Returns by Maturity (Percent)



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

As of November 21, 2025. Source: Municipal Market Data and AllianceBernstein (AB)

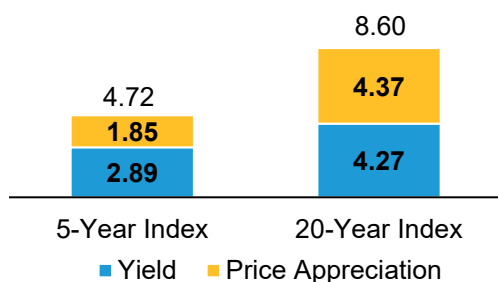
Display 2: Municipal/Treasury After-Tax Spreads (Basis Points)

	Nov 21, 2025	Aug 29, 2025	Five-Year Average
Two-Year	39	6	16
Five-Year	26	19	22
10-Year	36	72	43
15-Year	64	120	67
20-Year	110	151	75
30-Year	137	170	95

A barbell maturity structure allows investors to capitalize on attractive valuations.

As of November 21, 2025. Source: Municipal Market Data and AB

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

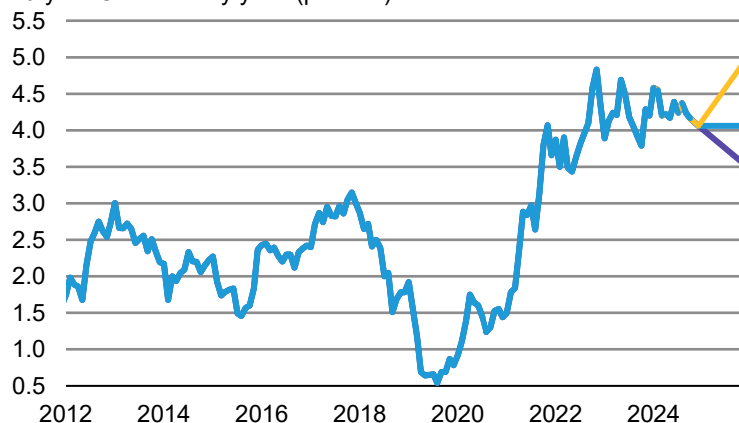


Long-maturity bonds offer more potential for a higher return as yields fall.

Based on respective Bloomberg indices
As of November 21, 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, 4.06% → 4.25%

10-Year Treasury, 3.50% → 6.30%

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 21, 2025. Source: Bloomberg and AB

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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 | Not a bank deposit | Not insured by any federal government agency | No bank guarantee | May lose value

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