

The Week in Muniland

March 30, 2026

Under Pressure

Key Takeaways

1. Yields continued to rise last week, and the yield curve flattened.
2. While it has certainly been a challenging month from a performance perspective, current valuations may provide an attractive entry point going forward.
3. The muni market is one that is ripe for active management.

Yet another challenging week for the municipal market, as the market continued to grapple with ongoing macroeconomic uncertainty as well as somewhat heavy supply. The curve continued to flatten last week, as two-, 10- and 30-year AAA yields rose 16, 18 and 9 basis points (bps), respectively. The Bloomberg Municipal Bond Index (the Index) returned -0.81% last week, bringing year-to-date returns to -0.58%.

- **Why it matters:** We did see some underperformance versus US Treasuries as the market did its best to digest a heavy week of issuance. In addition, the market saw \$599 million in outflows, according to Lipper. This was the first week of outflows in the last 18 weeks. While it is hard to pinpoint the exact driver of these outflows, it is not unsurprising given the volatility this month, and we are also approaching tax season. While after-tax spreads widened across the curve, the biggest increases were in maturities 15 years and in, where after-tax spreads increased upwards of 18 bps. Importantly, despite the outflows last week, the market still feels relatively orderly. The calendar next week takes a breather with the shortened week, with ~\$8 billion expected to price, which should be more manageable and aided by March reinvestment cash from maturities and coupon payments.

The muni market has taken a drubbing so far this month, with the Index returning -2.72% so far in March.

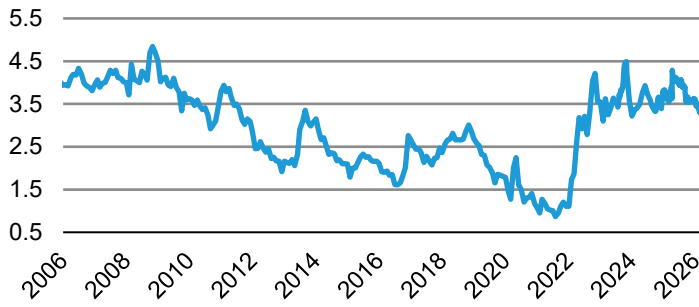
- **Why it matters:** While there are still two days left, the Index is shaping up to post its eighth or ninth worst monthly return in the last 10 years, as geopolitical developments have created broader macro uncertainty that has bled into the municipal market. This macro uncertainty has hit the muni market at an inopportune time, coinciding with an increase in already-significant supply and a market that was expensive to begin with, particularly in short and intermediate maturities, as shown in *Display 2*. All that said, investors should remember we have been here before—last year. In 2025, the Index was up 1.50% through February, only to see those returns more than evaporate in March and April. But as it traditionally does, the market found its footing and delivered a solid calendar-year return of 4.25% in 2025. In our view, this month's sell-off provides an opportune time for investors to invest in a market whose yields have increased upwards of 54 bps this month alone. Not only that, but relative valuations have improved significantly across the curve, and the market looks quite attractive both from an absolute income and relative value perspective.

Not only is the municipal bond market inefficient and fragmented, but it is also one where volatility presents opportunities for active managers.

- **Why it matters:** Performance. As we mention in our recent blog, [Three Reasons Why It Pays to Be Active as a Muni Investor](#), a whopping 98% of active muni strategies have outperformed passive approaches over three-year rolling periods, and 87% have outperformed over two-year periods. Why? Active managers, by nature, have the ability to take advantage of opportunities and adjust positioning as market conditions change. For example, active managers can adjust duration and yield-curve positioning as the shape of the yield curve shifts, such as implementing a barbell maturity structure that targets short- and longer-term maturities while minimizing exposure to the belly of the curve. Another technique active managers can utilize is dynamic sector selection. An example of this could be the usage of treasuries—while munis generally make sense for high-tax bracket investors, there are instances where muni yields become lower than after-tax yields in treasuries. When this occurs, a small opportunistic position in treasuries may be appropriate, and managers can rotate out of those US Treasuries and back into municipals when they become more fairly valued.

Displays of the Week: March 30, 2026

Display 1: Bloomberg Municipal Bond Index Yield to Worst Percent



As of March 27, 2026. Source: Bloomberg and AllianceBernstein (AB)

The municipal market continues to offer significant income.

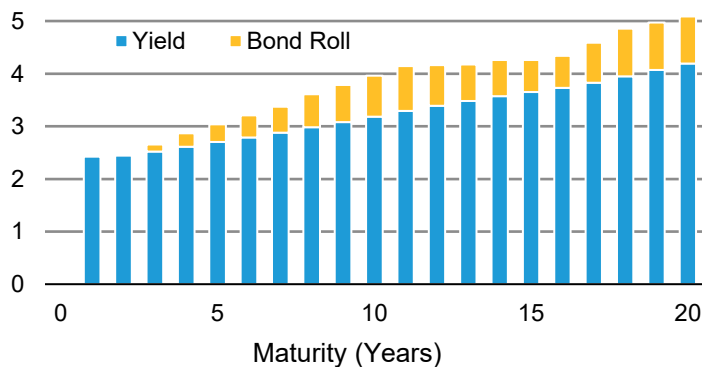
Display 2: Municipal/Treasury After-Tax Spreads Basis points

	Mar 27, 2026	Feb 27, 2026	Five-Year Average
Two-Year	14	3	16
Five-Year	29	2	20
10-Year	55	17	41
15-Year	85	57	65
20-Year	123	113	77
30-Year	159	143	99

As of March 27, 2026. Source: Municipal market data and AB

Intermediate maturities have underperformed this month and are now closer to fair value. The long end remains cheap.

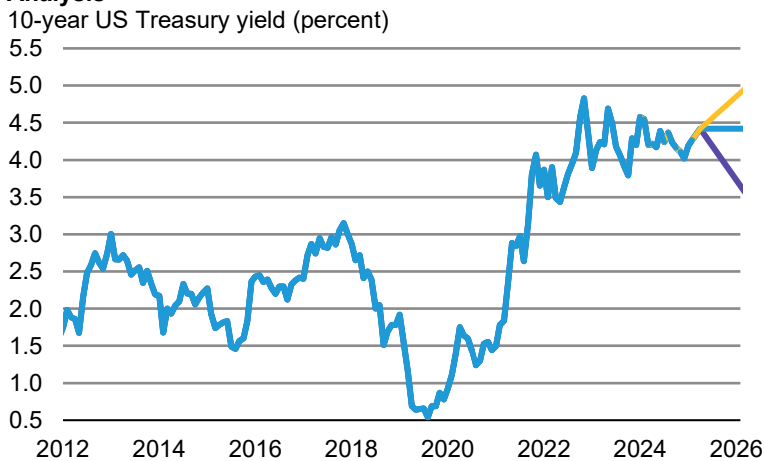
Display 3: Yield Plus Roll Percent



As of March 27, 2026. Source: Bloomberg and AB

Yield plus roll is maximized in the 15- to 20-year part of the curve.

Display 4: Expected 12-Month Municipal Returns Scenario Analysis



10-Year Treasury, 5.00% → 2.06%

10-Year Treasury, 4.43% → 4.48%

10-Year Treasury, 3.50% → 8.04%

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 March 27, 2026. 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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