



# The Week in Muniland

April 20, 2026

Calmer Waters

## Key Takeaways

1. **The market took a well-deserved breather last week but still generated positive returns.**
2. **Lower-rated municipals have outperformed this year.**
3. **Municipals continue to offer multiple avenues to generate income across various risk profiles.**

Following a challenging March and a subsequent rebound to start April, the muni market was relatively range-bound for most of the week before rallying to close out Friday. Two-year AAA yields rose 2 basis points (bps) while 10- and 30-year AAA yields fell 4 bps. The Bloomberg Municipal Bond Index (the Index) returned 0.32% last week, bringing month-to-date returns to 1.46%. Year-to-date returns now sit at 1.28%.

- **Why it matters:** Relative performance versus US Treasuries was mixed. Short maturity after-tax spreads widened up to 8 bps as front-end valuations had become somewhat expensive. Intermediate maturity after-tax spreads were relatively unchanged, while longer maturities tightened modestly over the week. The market did see outflows totaling \$408 million last week, according to Lipper. However, those outflows were clearly tax-related, with short-term funds seeing \$533 million in outflows, while longer-term funds saw slight inflows. Outside of a single week in March, municipal fund flows were positive nearly every week out of the last 20, and we believe inflows will resume in the following weeks given the strong performance and resiliency of the market this month. This week's calendar should be relatively manageable—roughly \$11 billion is expected to price, but within that, there is only approximately \$8 billion of negotiated deals.

Municipal credit continues to perform well, with the Bloomberg Municipal High Yield Index returning 2.27% this year, outperforming the investment-grade Index by nearly 100 bps.

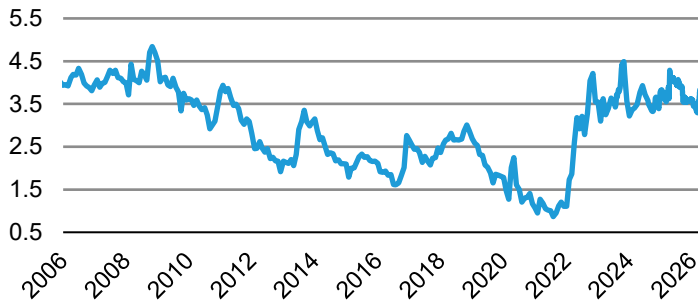
- **Why it matters:** Outperformance can broadly be attributed to a few factors. First, a portion of this outperformance is a reflection of the income advantage embedded in lower-rated bonds. That carry provides a meaningful head start and reduces the need for spreads to tighten materially in order to generate excess returns versus higher-quality bonds. For comparison, the Bloomberg Muni High Yield Index currently yields 5.53% and offers nearly 200 bps of yield pickup compared to the investment-grade Index. We have also seen high-yield spreads tighten modestly this year, which has added price appreciation on top of the income pickup versus investment-grade bonds. The high-yield portion of the market has benefitted from a strong technical backdrop, with high-yield funds continuing to see inflows this year, which historically has been an important factor for spread-tightening. Despite the outperformance this year, lower-rated municipals continue to look attractive relative to their corporate counterparts. For example, the Bloomberg Municipal High Yield Index currently sports a 9.34% taxable-equivalent yield versus the 6.75% yield of the Bloomberg US Corporate High Yield Index. Furthermore, the Bloomberg BBB Municipal Index offers a 7.48% taxable-equivalent yield compared to the 5.17% of the Bloomberg BBB US Corporate Index.

The muni market offers multiple options for investors to capitalize, regardless of their risk profile.

- **Why it matters:** For more risk-averse investors, while after-tax spreads on the front end of the curve are certainly not cheap, short-maturity munis still offer a compelling yield pickup versus cash, with the 2.71% yield to worst of the Bloomberg 3-year Municipal Bond Index offering over 53 basis points of yield pickup after tax versus 3-month Treasury bills. Investors with longer time horizons can look further out the curve, where higher absolute yields (*Display 1*) may provide an attractive tax-exempt income stream. Within that, a barbell maturity structure, assuming a roughly six-year duration profile, will likely provide a higher yield (3.53%) compared to a concentrated (3.37%) or laddered (3.43%) maturity structure. This barbell structure may also provide a higher total return profile over time as it takes advantage of the 15- to 20-year spot on the curve, which currently maximizes yield plus roll (*Display 3*).

## Displays of the Week: April 20, 2026

### Display 1: Bloomberg Municipal Bond Index Yield to Worst Percent



As of April 17, 2026. Source: Bloomberg and AllianceBernstein (AB)

The municipal market continues to offer significant income.

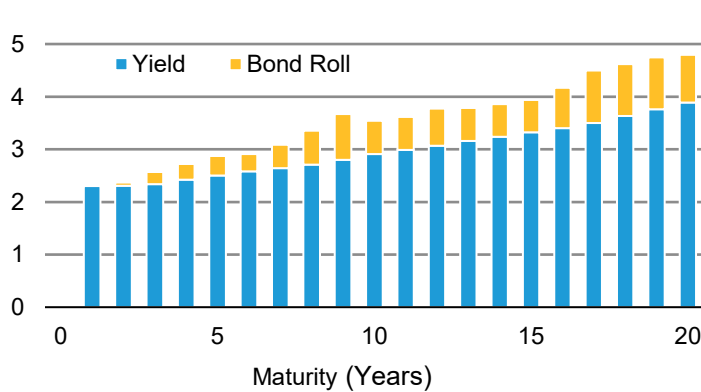
### Display 2: Municipal/Treasury After-Tax Spreads

	Apr 17, 2026	Feb 27, 2026	Five-Year Average
Two-Year	12	3	16
Five-Year	22	2	20
10-Year	39	17	41
15-Year	62	57	65
20-Year	102	113	77
30-Year	138	143	99

As of April 17, 2026. Source: Municipal Market Data and AB

Intermediate maturities are closer to fair value. The long end remains cheap.

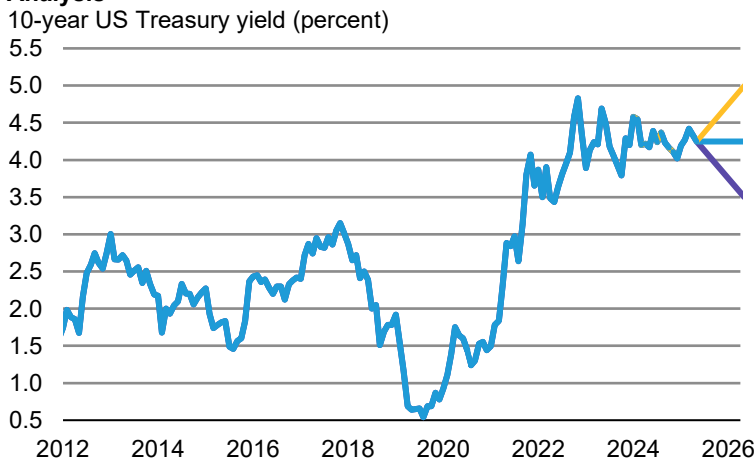
### Display 3: Yield Plus Roll



As of April 17, 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%	→	1.03%
10-Year Treasury, 4.24%	→	4.08%
10-Year Treasury, 3.50%	→	7.35%

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 April 17, 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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