



The Week in Muniland

April 27, 2026

Lifting a Barbell

Key Takeaways

1. **The muni market continues to recover from a disastrous March.**
2. **A barbell maturity structure has led the way in terms of performance.**
3. **Lower-rated bonds are materially outperforming higher-grade bonds.**

The muni market performance this past week was slightly positive with credit and long-maturity bonds outperforming. Two-year AAA yields rose 6 basis points (bps) while five-year and longer AAA yields were fairly flat. The Bloomberg Municipal Bond Index (the Index) returned 0.04% last week, bringing month-to-date returns to 1.50%. Year-to-date returns now sit at 1.32%.

- **Why it matters:** Demand for muni bonds rebounded this week with net inflows totaling \$1 billion. From a duration perspective, demand was concentrated in long bonds and investment-grade bonds. Year-to-date net flows total \$29 billion with 54% going into long bonds and 13% into high yield. This strong demand has led to long bonds and muni credit being the best performing parts of the muni market. The Bloomberg Muni High Yield Index has returned 2.35% this year compared to 1.26% for the AAA Municipal Index. The 20-year muni index is up 2.58% compared to 0.70% for the five-year index. Where demand is going gives an indication of not only the risk appetite of investors, but also where the value is in the market. The investor is clearly willing to take on risk by pouring into long bonds and muni credit because yields are high in lower-rated bonds and the muni yield curve is steep, creating significant value in long bonds.

The most relevant question is not whether or not the Fed will cut rates, but rather, will the yield curve revert to a more normal shape?

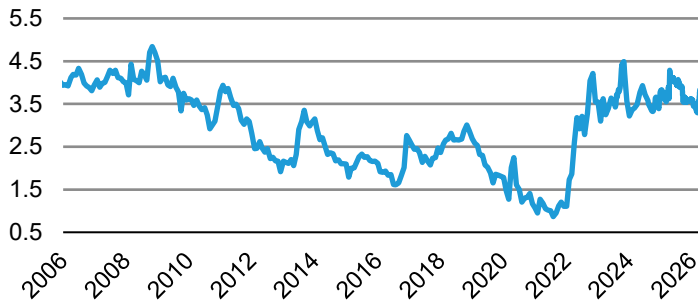
- **Why it matters:** No one can predict the absolute level of yields accurately or effectively over time. The fact of the matter is the Fed has “inside” information and it doesn’t get it right. However, what you can do with a far greater degree of reliability is predict which way the yield curve is going to shift. You may get the timing wrong, but there is an eventual reversion toward the mean. Take this year as an example: The muni curve was steep coming into 2026. In fact, the 10–20-year part of the muni curve had a 140-bps slope, which was as steep as it’s been since 2009. What do you do with that information? In our opinion, buy longer-maturity bonds especially since 20-year bonds were very cheap with yield plus roll of approximately 5% compared to a 5-year bond of 3%. Not that we were suggesting buying all longer-maturity bonds, but rather a barbell approach, which is a combination of shorter and longer maturity bonds. During the sell-off in March, a barbell maturity structure did help provide more protection with seven- to 15-year indices down 2.6%–3.1%, while one- to three-year indices were only down as much as 0.91% and 20+-year bonds down 2.35%. For the April rebound, 20+-year bonds are up as much as 2.3%, while seven- to 15-year bonds are 1.02%–1.85%. And throughout the rollercoaster ride the 10–20 curve has flattened by nearly 50 bps. What’s more predictable?

Market technicals are driving the outperformance of muni credit over high high-grade bonds.

- **Why it matters:** Year to date, the Bloomberg Muni High Yield and BBB indices are up 2.35% and 1.83%, respectively, while the AAA index is up only 1.26%. The demand for high-yield bonds is strong, accounting for 13% of net flows, while high-yield issuance represents only 6% of total new issuance. This is a powerful technical that is propelling the credit markets and will, in our opinion, continue into the foreseeable future. Why is demand for credit strong? Yields are high especially looking at it through a taxable equivalent lens. For example, on a taxable equivalent basis high yield and BBB muni are yielding 9.32% and 7.48%, respectively, versus their taxable counterparts yielding 6.94% and 5.25%, respectively. Couple this yield advantage with the fact that munis have a much lower default probability and you can understand the compelling investment opportunity that exists in muni credit.

Displays of the Week: April 27, 2026

Display 1: Bloomberg Municipal Bond Index Yield to Worst Percent



As of April 24, 2026. Source: Bloomberg and AllianceBernstein (AB)

The municipal market continues to offer significant income.

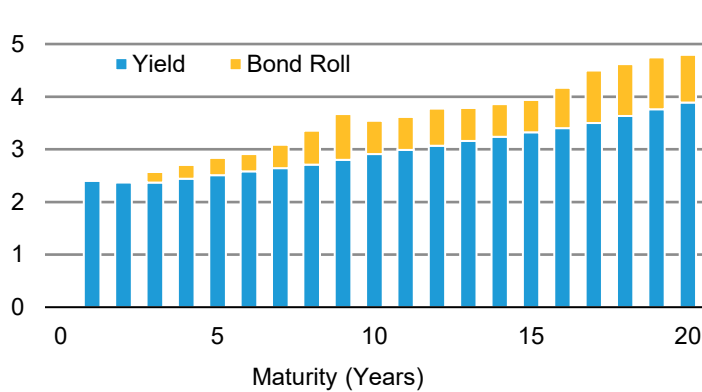
Display 2: Municipal/Treasury After-Tax Spreads Basis points

	Apr 24, 2026	Feb 27, 2026	Five-Year Average
Two-Year	13	3	16
Five-Year	18	2	20
10-Year	38	17	41
15-Year	54	57	65
20-Year	100	113	77
30-Year	136	143	99

As of April 24, 2026. Source: Municipal Market Data and AB

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

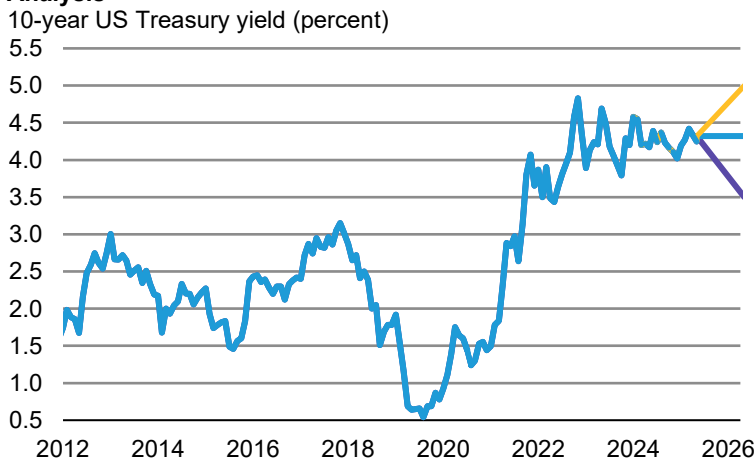
Display 3: Yield Plus Roll Percent



As of April 24, 2026. Source: Bloomberg and AB

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

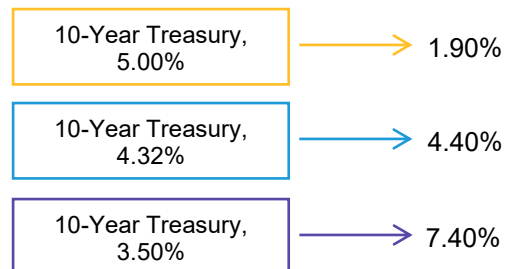
Display 4: Expected 12-Month Municipal Returns Scenario Analysis



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 24, 2026. Source: Bloomberg and AB



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