The Week in Muniland

August 31, 2026

Summer of Supply

Key Takeaways

1. **The market remained sluggish and posted negative returns.**
2. **August was marked by significant supply and a steepening of the yield curve.**
3. **Chair Warsh delivered his much-anticipated Jackson Hole speech.**

It was another soft week as supply continued to weigh on the market. Short maturities remain stubbornly resistant, with two-year AAA yields unchanged last week, while 10- and 30-year AAA yields rose 2 and 3 basis points (bps), respectively. The Bloomberg Municipal Bond Index (Index) returned –0.16% last week, bringing year-to-date returns to 0.49%.

- **Why it matters:** Despite the modestly negative performance, inflows continued to flood the market, with $1.4 billion of inflows last week according to Lipper. Last week's flows were an uptick relative to weeks prior at 1.4 times the trailing 25-week average, and also extended the inflow streak to 19 weeks. However, the heavy primary calendar once again reared its head. Tax-exempts generally underperformed Treasuries and after-tax spreads widened in maturities outside of five years, with the 15–20-year spot seeing the biggest increase of upward of 12 bps. As mentioned, short-maturity tax-exempts continued to buck the trend, with two-year after-tax spreads tightening 7 bps versus the widening seen further out the curve. With $14 billion expected to price, this week's calendar looks heavy once again, but should be somewhat offset by September 1st reinvestment cash.

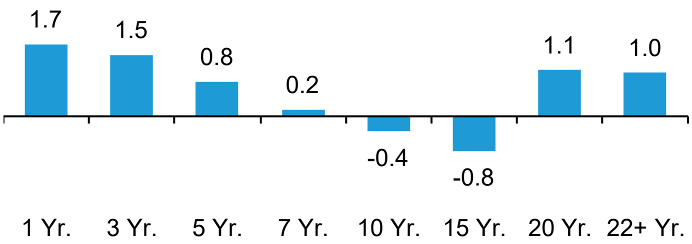
The Index's unassuming month-to-date return of 0.06% does not fully capture the movement under the hood.

- **Why it matters:** There was no summer slowdown in August from a supply perspective. Issuance in August is tracking to be approximately $56 billion—essentially tied with the all-time high of $56.7 billion that was set in October 2024. This would also make August 2026 one of the six months ever on record to surpass $50 billion of issuance in a single month. As has been the case for most of the year, performance across the curve was not uniform in August as the yield curve continued to shift. After months of flattening, the curve steepened in August. Two- and 10-year AAA yields have fallen 12 and 4 bps respectively, while 20-year yields have risen 8 bps. Furthermore, relative performance versus Treasuries has been bifurcated across the curve. Two- and 10-year after-tax spreads have tightened 17 and 5 bps, respectively, while 20-year after-tax spreads have risen 12 bps as shown in *Display 2*. As we turn the page to September, investors may be wondering what to expect as we begin the fall. From a technical perspective, things do look modestly more challenging, with net supply in September and October estimated at +$17 billion and +$25 billion, respectively. That said, the market is entering this period with after-tax spreads already looking fairly attractive, which may provide some degree of an offset. However, we would view any short-term volatility this fall as an even more attractive entry point for investors looking to add to their exposure, as technicals typically firm up toward the end of the year.

Fed Chair Kevin Warsh gave his first major speech at the Jackson Hole conference since his appointment.

- **Why it matters:** Historically, Jackson Hole is used as an opportunity to adjust market pricing of the path of interest rates or describe significant changes to the way the Fed is likely to act in the short-term. Unsurprisingly, Chair Warsh did not follow precedent given his strong aversion to forward guidance. He did, however, use it as an opportunity to reinforce that PCE is the target measure for inflation, and that interest rates are the Fed's primary tool. Those comments make his speech more hawkish compared to his prior remarks, and should also offer some relief to the long end of the curve. All that said, our view remains consistent that the next CPI print will likely be the determinant in the Fed's September rate decision. While it is just one CPI print, it does carry increased significance given the Federal Open Market Committee is evenly split between those who are ready to raise rates and those who are not. If the inflation print is soft, the case for holding will likely prevail. If the print is firm, a hike seems much more likely.

Display 1: Year-to-Date Returns by Municipal Maturity Index
(Percent)



As of August 28, 2026. Source: Bloomberg and AllianceBernstein (AB)

The short and long ends of the yield curve have outperformed, creating opportunities in the belly of the curve.

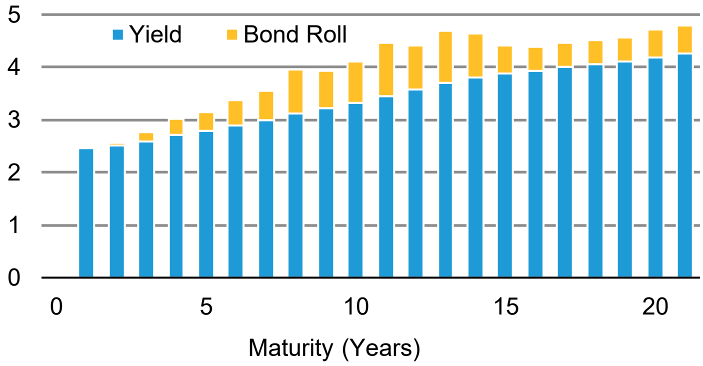
Display 2: Municipal/Treasury After-Tax Spreads
Basis points

	Aug 28, 2026	Jul 31, 2026	Five-Year Average
Two-Year	-7	10	16
Five-Year	14	29	20
10-Year	53	58	41
15-Year	94	80	65
20-Year	111	99	77
30-Year	147	140	99

As of August 28, 2026. Source: Municipal Market Data and AB

While short municipals continue to be expensive, intermediate and longer maturities look more attractive.

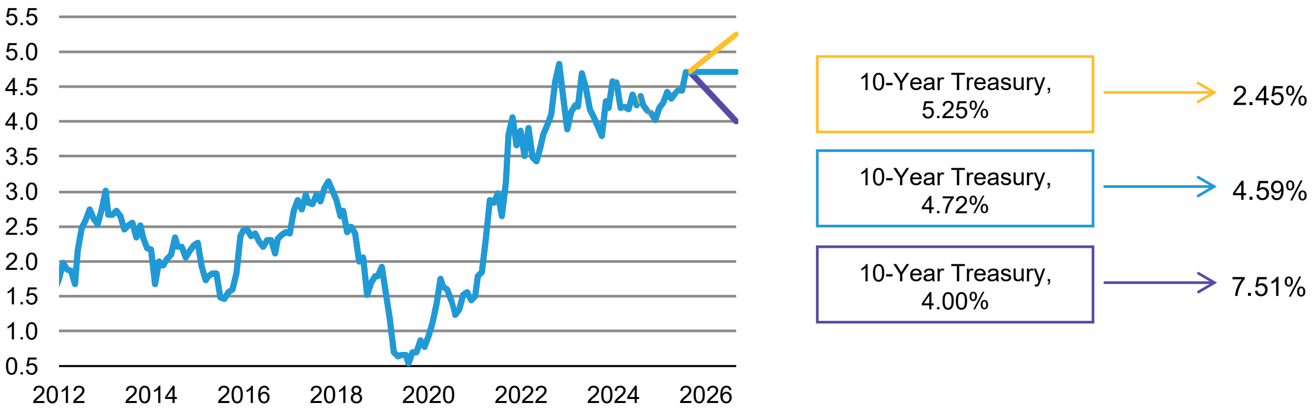
Display 3: Yield Plus Roll
Percent



As of August 28, 2026. Source: Bloomberg and AB

Yield plus roll is maximized in intermediate and longer dated maturities.

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 Bloomberg Municipal Bond Index under three scenarios: 10-year US Treasury yields rise to 5.25%, remain the same or decline to 4.00% over the next 12 months.
As of August 28, 2026. 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

SMA-993753-2026-08-28