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Muni Monthly: February 2026

This month's Muni Monthly covers performance, supply and demand technicals, fundamentals and valuations for the month ending February 2026.

Performance Overview: Strong Municipal Performance in February Counters Recent Weakness

In February, market sentiment was shaped by escalating US-Iran geopolitical tensions and sector-specific selloffs driven by concerns about AI's potential disruption to existing business models. Economic data presented a mixed picture, with January nonfarm payrolls increasing by 130,000 jobs, rebounding from December's revised 48,000 gain, while the unemployment rate edged down to 4.3%. Inflation data for January eased from the prior month, with headline Consumer Price Index (CPI) falling to 2.4% year-over-year (YoY) from 2.7% and core CPI easing to 2.5% YoY from 2.6%. All told, Treasuries rallied across the curve, and the municipal yields followed suit but generally underperformed the risk-off sentiment. The Bloomberg Municipal Bond Index gained 1.25% leading year-to-date (YTD) returns higher to 2.20%. February's strong performance counters recent weakness, with the index averaging negative returns in February, largely driven by softening demand ahead of tax season and limited new issuance.

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