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The Week in Muniland: AllianceBernstein

Key Takeaways

- The muni market rebounded and turned what could have been a negative month into a positive.
- The month of May was a gut-wrenching roller-coaster ride.
- Positioning is key. Don't sit like an elephant.

What a difference a week makes. The muni market rebounded this week with positive returns across the curve. Two-, 10- and 30-year yields fell 15, 16 and 16 basis points (bps), respectively. The Bloomberg Municipal Bond Index (Index) returned 1.03% last week, bringing month-to-date returns to 0.37%. Year-to-date returns now sit at 1.34%.

> **Why it matters:** A better tone in the US Treasury market, a lighter new issue supply calendar and anticipated June 1 coupon payments resulted in a significant performance rebound week. Credit and longer-duration bonds outperformed. The Bloomberg BBB index returned 1.25% versus 1.02% for the AAA index, while the 20-year index returned 1.51% and the 5-year index 0.57%. This outcome is a microcosm of 2026. As seen in Display 1, the longer end of the muni curve has significantly outperformed shorter maturities. On the credit side, for the year to date the Bloomberg BBB index and Muni High Yield index are up 2.10% and 2.72%, respectively, compared to the AAA index up just 1.12%. Demand for muni bonds remains insatiable, which has also supported our market. According to J.P. Morgan, LSEG Lipper reported inflows of $2.3 billion into weekly reporting municipal funds, which is the second-highest weekly inflow dating back to 1992. Flows continue to favor investment grade at $2 billion and long bonds at $1.6 billion. An interesting note is that tax-exempt money-market funds realized outflows of $1.4 billion. Perhaps investors are beginning to realize the value in extending duration and investing in longer bonds.

Performance for the month of May was certainly a roller-coaster ride. Just last week it seemed as though May's performance would be a repeat of March.

Continue reading.

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