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Why Munis Are Beating Treasuries After Tax.

Supply that won't quit

The defining fact of the 2026 municipal market is that no one's supply model survived contact with the calendar. Issuers sold $299.293 billion of debt in the first half of the year, up 5.2% year-ove--year according to LSEG data reported by Bond Buyer, and June alone produced $61.084 billion across 1,012 deals — the heaviest June on record and 3.4% ahead of last year. Second-quarter volume of $166 billion ran 25% above the first quarter and 2% above the year-earlier period. Full-year forecasts, which ranged as wide as $520 billion to north of $750 billion coming into 2026 per Bond Buyer's supply research, have converged hard: Barclays lifted its call to $580–600 billion from $520–530 billion, while BofA trimmed its own from $640 billion to $600 billion. Both now sit on roughly the same number — comfortably above 2025's record, and, in Barclays' framing, a step closer to pushing the asset class toward the $5 trillion mark.

The growth looks structural rather than cyclical. Travis McGahey of Payden & Rygel told Bond Buyer that "strong reinvestment demand and steady fund inflows have kept pace with record issuance, which is why the market has remained so resilient," while Truist's Cameron Parks pointed to the double effect of higher rates and inflation lifting both up-front and ongoing project costs. The upshot, per Bond Buyer: issuers have largely stopped waiting for lower financing costs, having concluded that delaying infrastructure work is now more expensive than borrowing at today's levels. California remained the largest state issuer year-to-date at $45.029 billion (down 1.5%), followed by Texas at $33.618 billion (up 10.2%), New York at $26.994 billion (down 10.5%), and Illinois at $8.494 billion (up 21.9%) — a reminder that the aggregate growth figure masks meaningful divergence by state.

Where the curve sits today
Yields have backed up meaningfully over the past month, on both sides of the muni/Treasury divide. FMSbonds' national market-yield survey put AAA municipal yields as of July 29 at 3.30% (10-year), 4.15% (20-year) and 4.50% (30-year) — each roughly 15 to 20 basis points higher than a week earlier. AA paper priced at 3.45%/4.30%/4.70% across the same maturities, and single-A paper at 3.65%/4.40%/4.85%. On the Treasury side, the 10-year note closed at 4.70% on July 30, the 5-year at 4.37%, the 2-year at 4.33% as of July 24, the 20-year at 5.21%, and the 30-year at 4.963%, its highest since 2007 — a curve oddity in which the 20-year still trades cheap to the 30-year, a long-running artifact of that sector's issuance pattern rather than a genuine inversion signal.

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by Jason Kirsch

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