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[What's Driving the Muni Bond Market Rebound in Late 2025?](#)

Not for the first time, tax-exempt bonds have ridden out some bumps to deliver for investors.

When I last wrote about municipal bonds, they were experiencing a bit of a rough patch. In the first half of 2025, the Morningstar US Municipal Bond Index logged a slightly negative total return. It underperformed the Morningstar US Core Bond Index, which represents the market for investment-grade taxable debt, by roughly 4 percentage points. That's a meaningful margin in the land of fixed income.

Tax-exempt bonds have staged a comeback in the year's second half. Since July 1, the Morningstar US Municipal Bond Index has outpaced its taxable equivalent. For muni-bond investors, the year is shaping up to be disappointing but far from disastrous.

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morningstar.com

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