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S&P Mid-Year 2026 Municipal Bond Market Review: Examining Performance at the Halfway Mark

The municipal bond market was one of the brightest spots in fixed income during the first half of 2026. Record issuance was met with steady retail inflows and strong demand from ETFs and active managers, while credit fundamentals remained healthy. The municipal bond market experienced high issuance volumes over the past 18 months, with USD 587 billion issued in 2025 and USD 299 billion issued YTD through June 30, 2026, a 5% increase compared to the same period last year.

A notable trend has been the growth of prepaid gas bond issuance, which has climbed sharply since 2016, reaching USD 31 billion in 2025. Momentum continued in 2026, with over USD 24 billion issued YTD through June 30, 2026, an increase of 132%. Alphabet, Google's parent company, was involved in a first-of-its-kind prepaid energy deal estimated at USD 1.2 billion.² Alphabet's entry into this market reflects the growing use of prepaid energy agreements by hyperscalers to secure power for the AI data center boom.

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