

APRIL 2025

# First Quarter 2025 Municipal Securities Market Summary

Figure 1. Monthly Municipal Market Activity



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## Introduction

In the first quarter of 2025, the number of trades is up substantially from the first quarter of 2024, indicating continued strong demand from individual investors, directly and through separately managed accounts (SMA). We could see a fourth consecutive year of record trade count. Tax-exempt benchmark yields were volatile during the quarter, with short-term yields lower but long-term rates significantly higher than at the end of 2024. The new issue calendar remained robust and was substantially higher than for the same period in 2024. Finally, tax-exempt mutual funds and exchange traded funds (ETFs) saw small positive net inflows.<sup>1</sup>

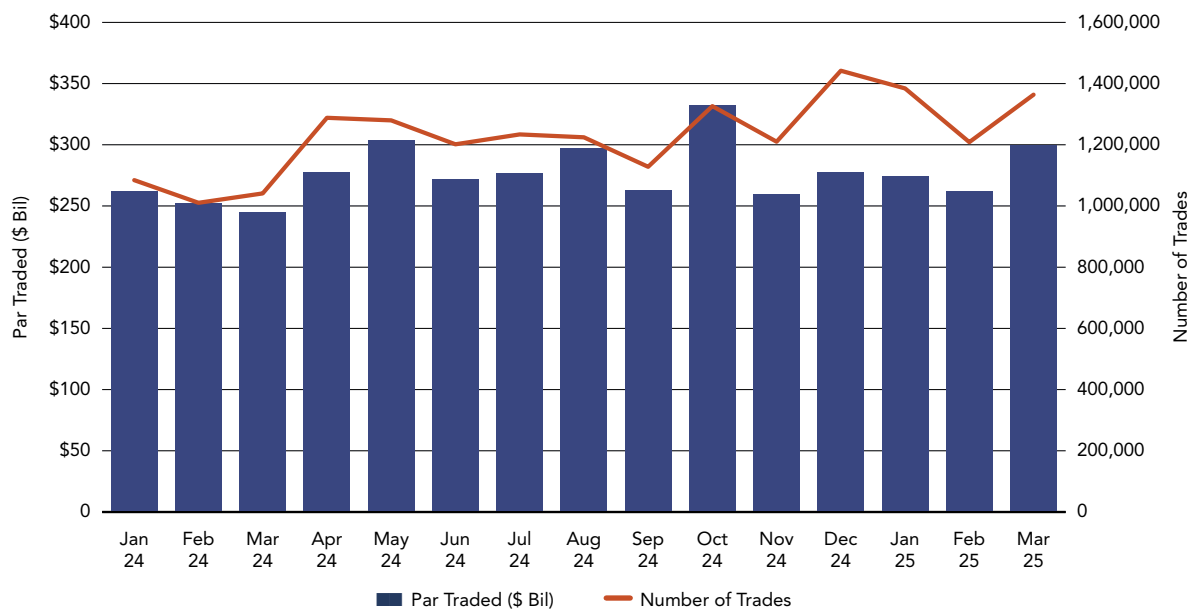
<sup>1</sup> The views expressed in the research papers are those of the author(s) and do not necessarily reflect the views and positions of the MSRB Board and other MSRB staff.

## Trade Volume

Although we have seen three consecutive years of record high trade count, average daily trade count is up 26% in the first quarter of 2025 compared to the first quarter of 2024 and up 13% from the full year average daily trade count in 2024. As has become the norm, all three months in the first quarter had more than 1 million trades. There have been more than 1 million trades reported to MSRB for 20 consecutive months and 22 of the last 23 months. Prior to May 2023, there had only been eight months since 2005 with at least 1 million trades. Two recent MSRB research publications explored various reasons for this dramatic shift in the market.<sup>2</sup>

The par amount traded in the first quarter was up 10% compared to the first quarter of 2024, and the average trade size declined 13% from \$242,000 in 2024 to \$211,000 in 2025.

**Figure 1. Monthly Municipal Market Activity, January 2024–March 2025**



<sup>2</sup> See Bagley, John and Marcelo Vieira, "[Convergence of Individual and Institutional Trading Dynamics in Small Size Trades](#)," Research Paper, Municipal Securities Rulemaking Board, February 2025, and Wu, Simon and John Bagley, "[A Comparison of Transaction Costs for Municipal Securities and Other Fixed-Income Securities](#)," Research Paper, Municipal Securities Rulemaking Board, February 2025.

## Yields

As seen in Figure 2, 10-year tax-exempt yields rose slightly in the first two weeks of January and then declined almost 45 basis points through early March. However, benchmark yields rose for most of March. Benchmark 10-year tax-exempt yields ended up closing the first quarter very close to where they started the new year, up only 8 basis points from the end of 2024.

**Figure 2.** Bloomberg BVAL 10-Year Callable Yields, January 2024–March 2025



Source: Bloomberg Financial L.P.

As Figure 3 shows, the short end of the municipal securities market saw yields decline 40 basis points in 1-year securities and 16 basis points in 2-year securities. However, the long end of the market saw yields rise in the quarter, with benchmark tax-exempt yields up 33 and 39 basis points in 20- and 30-year bonds, respectively. Muni to Treasury (Muni/TSY) ratios were mostly higher, especially on the long end.

**Figure 3.** Bloomberg BVAL® AAA Callable and U.S. Treasury Yields

Year	BVAL Callable 03/31/2025	TSY 03/31/2025	BVAL YTD Change in BPS	TSY YTD Change in BPS	Muni/TSY Ratio 03/31/2025	Muni/TSY Ratio 12/31/2024
1	2.543	4.030	-40	-13	63%	71%
2	2.640	3.890	-16	-36	68%	66%
3	2.726	3.890	-9	-38	70%	66%
5	2.846	3.960	-3	-42	72%	66%
10	3.185	4.230	8	-35	75%	68%
20	3.915	4.620	33	-24	85%	74%
30	4.210	4.590	39	-19	92%	80%

Sources: Bloomberg Finance L.P., U.S. Department of the Treasury

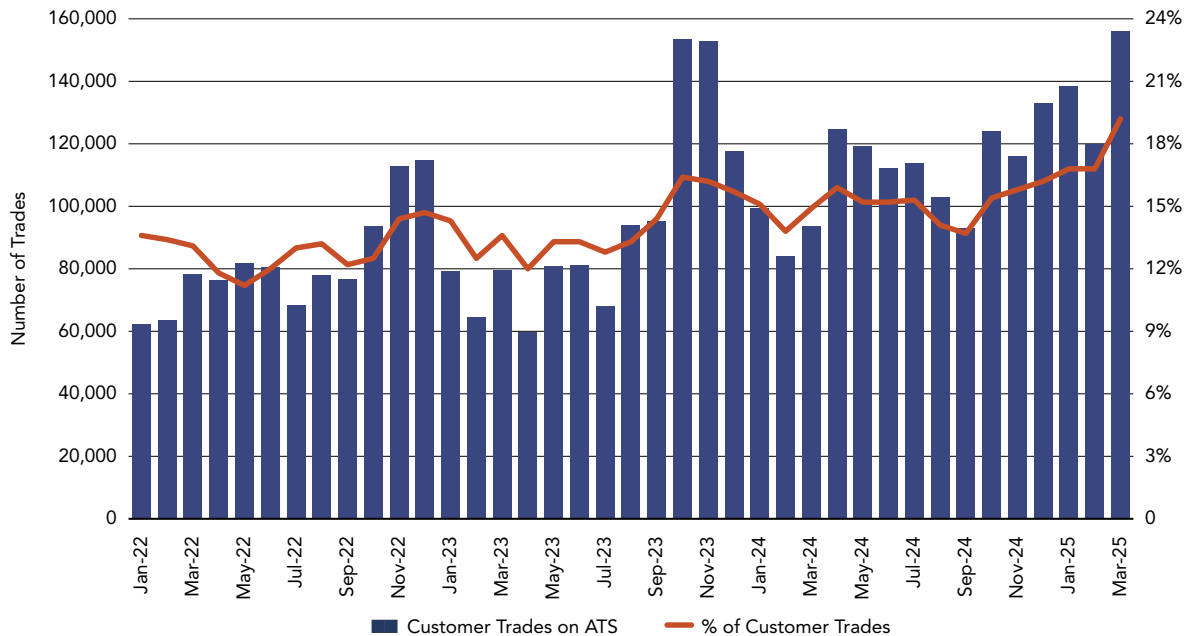
## Trading on Alternative Trading Systems

Alternative Trading Systems (ATSs) continue to be a primary source of liquidity for individual investors and an increasing source of liquidity for institutional investors. For the first quarter of 2025, trading on ATSs accounted for 56% of all inter-dealer transactions, nearly unchanged from 2024.

Figure 4 shows the number of customer trades as well as the percentage of customer trades executed with a dealer associated with an ATS. Of all customer trades executed in the first quarter, almost 18% were executed with dealers associated with an ATS, up from less than 15% in the first

quarter of 2024. The first quarter of 2025 had the highest percentage of customer trades with dealers associated with an ATS than any other quarter going back to 2022.

**Figure 4.** Institutional Customer Trades Executed on ATS, January 2022–March 2025



## Mutual Fund and Exchange Traded Fund Flows

In 2025, tax-exempt mutual funds and exchange traded funds (ETFs) have seen small positive net inflows. According to the Investment Company Institute, year-to-date net inflows for mutual funds are almost \$7 billion through March 26.<sup>3</sup> Net inflows are a positive for the municipal market, especially for the long end of the market because mutual funds are normally the biggest buyers in the long end.

<sup>3</sup> Investment Company Institute: [Long-Term Mutual Fund Net Cash Flow](#)

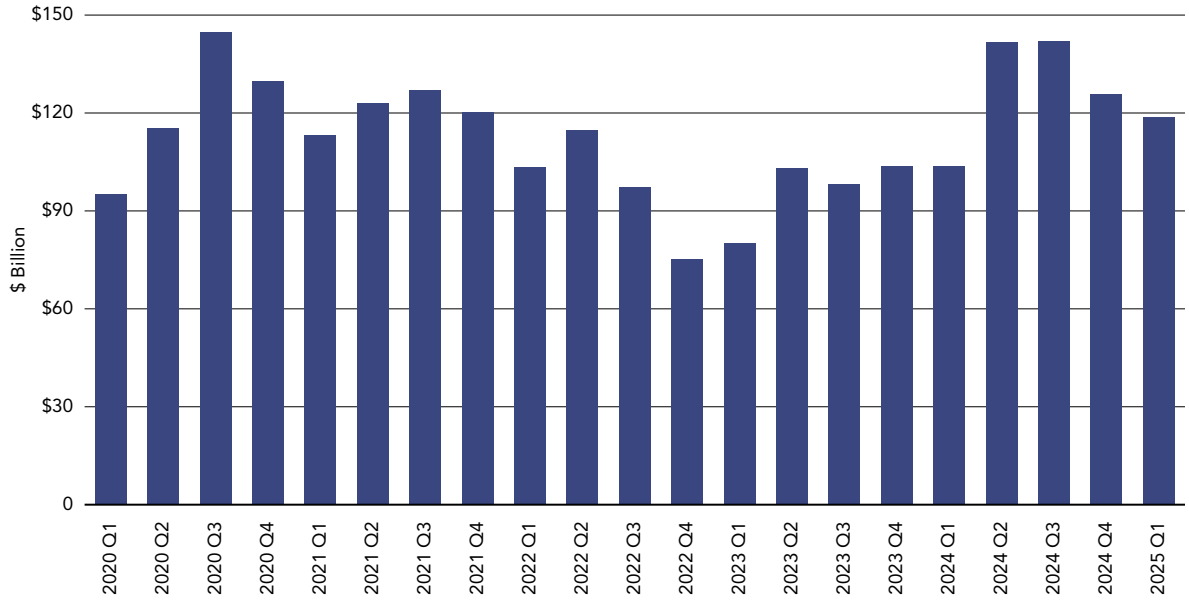
Tax-exempt ETFs have seen net inflows of about \$5 billion through March 26. Although tax-exempt ETFs continue to see net inflows, they are smaller than the inflows we saw in 2022.

## New Issue Volume

The municipal securities market followed up a record new issue volume year in 2024 with a very strong first quarter. For the quarter, total new issue volume was \$119 billion, up 15% from the first quarter of 2024. Tax-exempt issuance was up 8% and taxable issuance was up 17%, however much of the increased new issue volume was because of a dramatic increase in issuance subject to the Alternative Minimum Tax (AMT), from under \$1 billion in the first quarter of 2024 to \$6.9 billion in the first quarter of 2025. Year-to-date, new money issuance was up 31% from the first quarter of 2024, but refunding volume was down 38%. Competitive new issue volume rose from 15% of total issuance in the first quarter of 2024 to 21% in the first quarter of 2025. Private placements dropped dramatically from \$4.5 billion in the first quarter of 2024 to less than \$500 million in 2025.

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**Figure 5.** Municipal Market Issuance, January 2020–March 2025



Source: LSEG

## Conclusions

The municipal bond market saw a number of key developments in the first quarter of 2025:

- Tax-exempt yields were volatile, with short-term yields declining but long-term benchmark yields rising.
- The number of trades increased 26% compared to the first quarter of 2024, while the par amount traded increased 10%. Average trade size continued to decline, down 13% compared to the first quarter of 2024.
- Tax-exempt mutual funds and ETFs saw small net inflows.
- New issue volume increased 15% compared to the first quarter of 2024, with a higher percentage of volume coming competitively but virtually no volume in private placements. Issuance subject to AMT rose significantly, as well.

Expectations are that the new issue calendar will remain robust in the second quarter, and with muted net inflows into tax-exempt mutual funds, the market will continue to be reliant on demand from individual investors, directly or through SMAs. Fortunately, with 10-year tax-exempt benchmark yields above 3%, we expect demand from individual investors to continue to be robust.



## ABOUT MSRB

The Municipal Securities Rulemaking Board (MSRB) was established by Congress in 1975 with the mission to protect investors, issuers and the public interest and to promote efficiency, competition and capital formation. MSRB is a private, self-regulatory organization governed by an independent board of directors with market knowledge and expertise. MSRB does not receive federal appropriations and is funded primarily through fees paid by regulated entities. MSRB is overseen by Congress and the Securities and Exchange Commission.



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