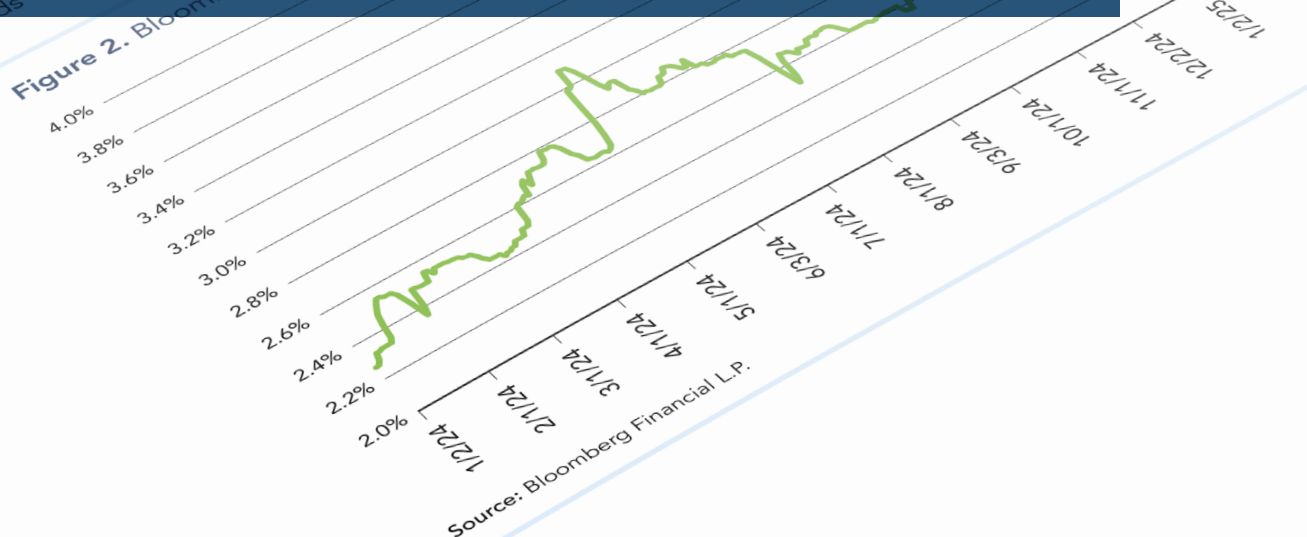


JULY 2025

Second Quarter 2025 Municipal Securities Market Summary

An extraordinary time in the market



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Introduction

Activity in both the primary and secondary markets was extraordinary in the second quarter of 2025, with both par amount issued and number of trades reaching record levels. Overall par amount traded was the highest since the fourth quarter of 2008 and par amount traded in fixed-rate securities was the highest in any quarter. Additionally, new issue volume hit a new record high for any quarter. In April, we saw the most volatility in tax-exempt interest rates since March 2020, although the volatility was short lived. Volatility dropped dramatically in the second half of April and remained stable in May and June. Finally, tax-exempt mutual funds saw net outflows for the quarter driven by outflows in April, while tax-exempt exchange traded funds (ETFs) saw net inflows for the quarter.¹

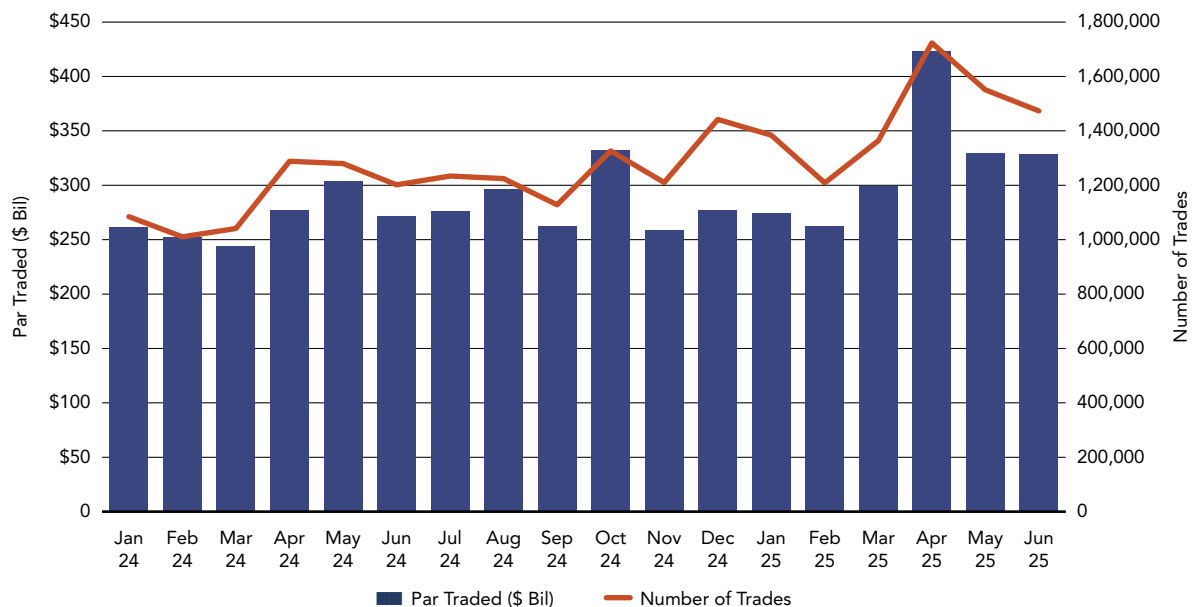
¹ The views expressed in the research papers are those of the author(s) and do not necessarily reflect the views and positions of the MSRB Board and other MSRB staff.

Trade Volume

Trading volume in the second quarter of 2025 was staggering. At 4.7 million, trade count reached a record for any quarter and was up 26% from the second quarter of 2024. Trade count is also up 12% from 4.2 million trades in the fourth quarter of 2023, the previous record high. Astonishingly, nine of the 10 largest trade count days ever recorded occurred in the second quarter of 2025. Year-to-date, trade count is 8.7 million, which is up 26% compared to the first half of 2024 and is greater than the full-year trade count for 2020 and 2021. Record trade count likely indicates continued strong demand from individual investors, directly and through separately managed accounts (SMA). There have been more than 1 million trades in the last 23 consecutive months and 25 of the last 26 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.²

The par amount traded was also up dramatically in the second quarter, reaching \$1.1 trillion, up 27% compared to the second quarter of 2024. It was the first quarter with more than \$1 trillion traded since 2008, when the variable rate market was a much larger portion of the market. It was also the largest quarter ever for fixed-rate securities. The average trade size was \$228,000, virtually unchanged from the average trade size for the second quarter of 2024.

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



² 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 Figure 2 below shows, tax-exempt 10-year bonds saw volatility and yields soar at the beginning of April, with huge swings in yields. In fact, the week of April 7 was the most volatile period for benchmark interest rates since March 2020 at the onset of the pandemic. From Monday, April 7 through Wednesday, April 9, benchmark tax-exempt yields rose almost 90 basis points, then declined by almost 50 basis points on Thursday, only to rise 25 basis points or more on Friday. For the week, benchmark tax-exempt yields closed up more than 60 basis points.

Remarkably, starting the week of April 14, volatility dropped dramatically for the duration of the quarter, with benchmark interest rates declining slowly and steadily over the last two and a half months of the quarter. As Figure 3 shows, despite the rapid rise in tax-exempt yields in early April, yields finished the month mixed. Yields were up slightly on the short end, down 9 to 15 basis points for 3 to 5-year maturities and up 20 to 26 basis points higher on the long end. Treasury yields were lower through 5-year maturities but higher on the long end.

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



Source: Bloomberg Financial L.P.

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

Year	BVAL Callable 06/30/2025	TSY 06/30/25	BVAL 2025 Change BPS	TSY 2025 Change BPS	Muni/TSY Ratio 03/31/2025	Muni/TSY Ratio 12/31/2024
1	2.574	3.96	3	-7	65%	71%
2	2.595	3.72	4	-17	70%	66%
3	2.636	3.68	-9	-21	72%	66%
5	2.696	3.79	-15	-17	71%	66%
10	3.192	4.24	1	1	75%	68%
20	4.115	4.79	20	17	86%	74%
30	4.466	4.78	26	19	93%	80%

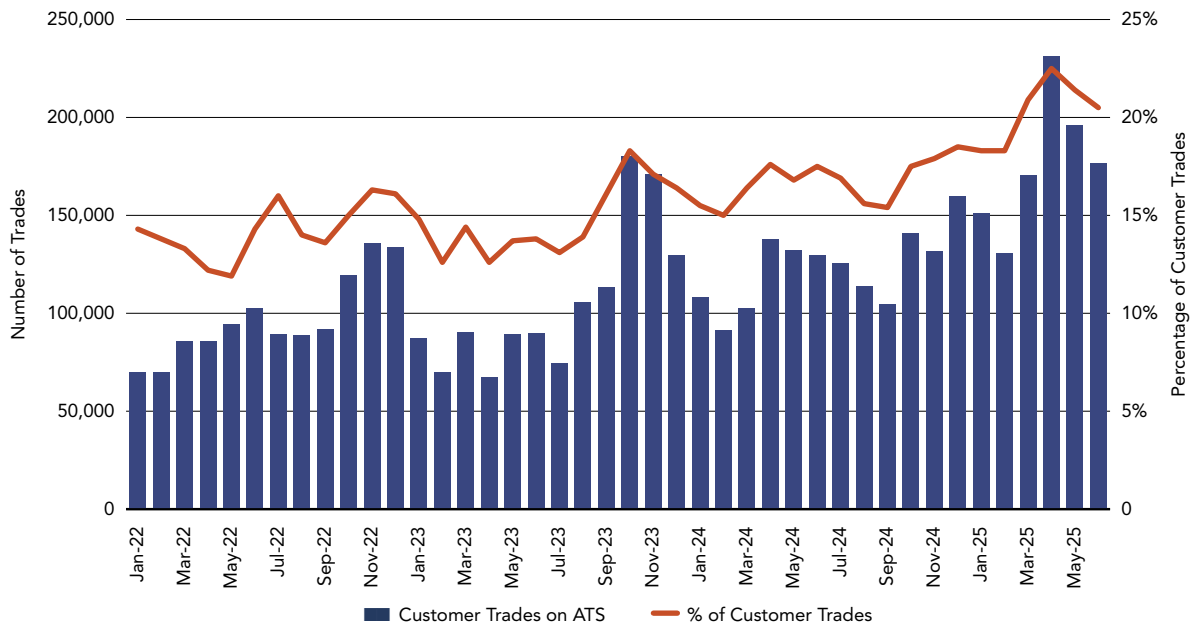
Sources: Bloomberg Finance L.P, U.S. Department of Treasury.

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 second quarter of 2025, trading on ATSs as a percentage of all interdealer trades held steady at 56%.

Figure 4 shows the number and percentage of customer trades executed with a dealer associated with an ATS. The percentage of customer trades executed with an ATS continues to rise. In the second quarter of 2025, the percentage rose to 21.5% from 17.3% in the second quarter of 2024. April saw the highest monthly percentage at 22.5%.

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



Mutual Fund and Exchange Traded Fund Flows

The surge in volatility in early April had a significant impact on net flows for tax-exempt mutual funds and exchange-traded funds (ETFs). According to the Investment Company Institute (ICI), tax-exempt mutual funds had net outflows of more than \$8 billion over four weeks in April, including \$3.7 billion in net outflows the week of April 7, the largest net weekly outflows since October 2022. However, as volatility waned, net inflows returned the week of May 7 through the end quarter. For the quarter, tax-exempt mutual funds saw net outflows of only \$1.2 billion through the week of 06/25/25.

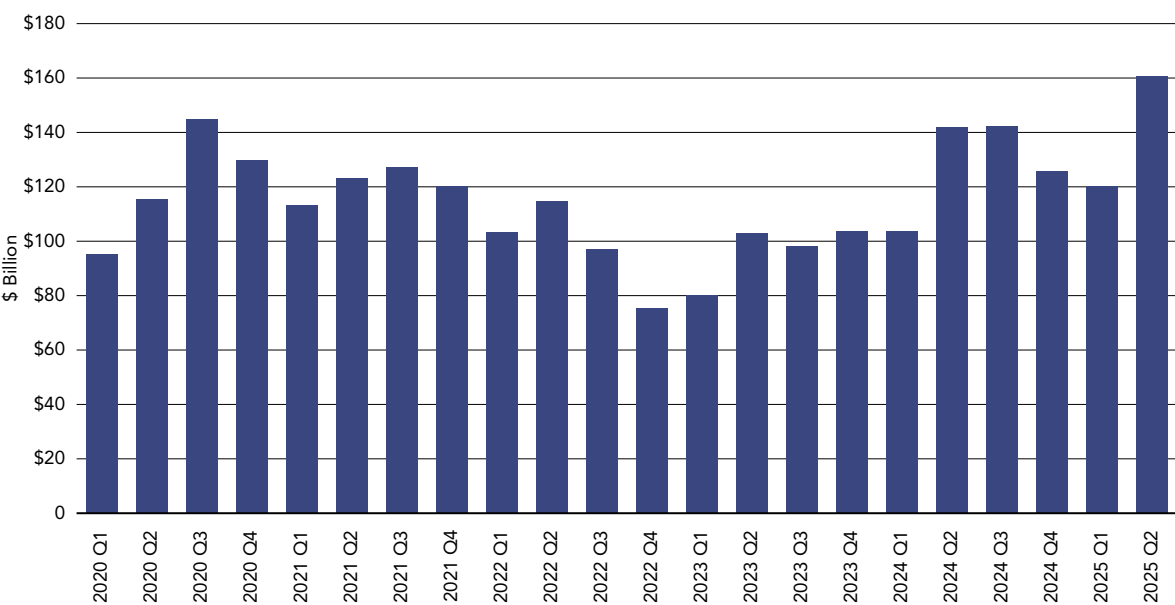
Tax-exempt ETFs saw \$1.4 billion in net outflows the week of April 7, which is a record since ICI started tracking ETF flows in 2007. However, tax-exempt ETFs recovered much faster than mutual funds, as ETFs saw net inflows of more than \$1 billion the week of April 14 and \$2.4 billion the week of April 30. In fact, despite the record new outflows in early April, for the quarter tax-exempt ETFs saw net inflows of almost \$8 billion through the week of 06/25/25.

New Issue Volume

The second quarter saw record new issue volume. At \$161 billion, new issue volume was up 13% from the second quarter of 2024 and up 3.4% from the fourth quarter of 2017, the previous record quarter, when issuers rushed to advance refund tax-exempt debt before this ability was lost when the Tax Cuts and Jobs Act went into effect at the start of 2018. The second quarter was also the first quarter where every month had \$50 billion or more in issuance. New issue volume for the first half of 2025 was \$281 billion, up 14% from 2024.

New issue volume during the quarter was spurred by tax-exempt issuance, which was up 21% compared to the second quarter of 2024, while taxable issuance was down 9%. Similarly, new money issuance was up 18%, although refunding volume dropped substantially, down 21%.

Figure 5. Municipal Market Issuance, January 2020–June 2025



Source: LSEG

Conclusions

The second quarter of 2025 was simply extraordinary. Consider the following developments during the quarter:

- In April, tax-exempt yields were the most volatile since March 2020 at the onset of the pandemic.
- At 4.7 million, the number of trades reached a record for any quarter and was up 12% compared to 4.2 million trades in the fourth quarter of 2023, the previous record.
- The par amount traded was \$1.1 trillion, up 27% compared to the second quarter of 2024. The second quarter of 2025 was the first to see \$1 trillion in par amount traded since the fourth quarter of 2008.
- New issue volume reached a new high for any quarter at \$161 billion, up 3.4% compared to the fourth quarter of 2017, when the previous record was reached.
- Tax-exempt mutual funds and ETFs saw very large outflows in early April, with ETFs experiencing the largest single week of outflows ever recorded. However, both saw a return to inflows, though ETFs did so more quickly than mutual funds. Mutual funds ended the quarter with net outflows of \$1.2 billion, while ETFs ended the quarter with net inflows of almost \$8 billion.

Expectations are that the new issue calendar will remain robust in the third quarter. With 10-year tax-exempt benchmark yields above 3%, we expect demand from individual investors to continue to be significant. Continued positive net inflows into tax-exempt mutual funds and ETFs would benefit the market as well.

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.



CORPORATE OFFICE

Municipal Securities
Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
202-838-1500

MSRB SUPPORT

202-838-1330
MSRBSupport@msrb.org

ONLINE

MSRB.org
EMMA.MSRB.org

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