

Municipal Bond Market Performance

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Joel A. Buursma, CIPM
Vice President, Senior Software Architect



Mark Pinson
Index Production and Analysis

In April 2026, the municipal bond market, as measured by the Standard & Poor's Municipal Bond Investment Grade Index, had a Total Return of 1.045%. This total return consists of the components displayed in Table 1.

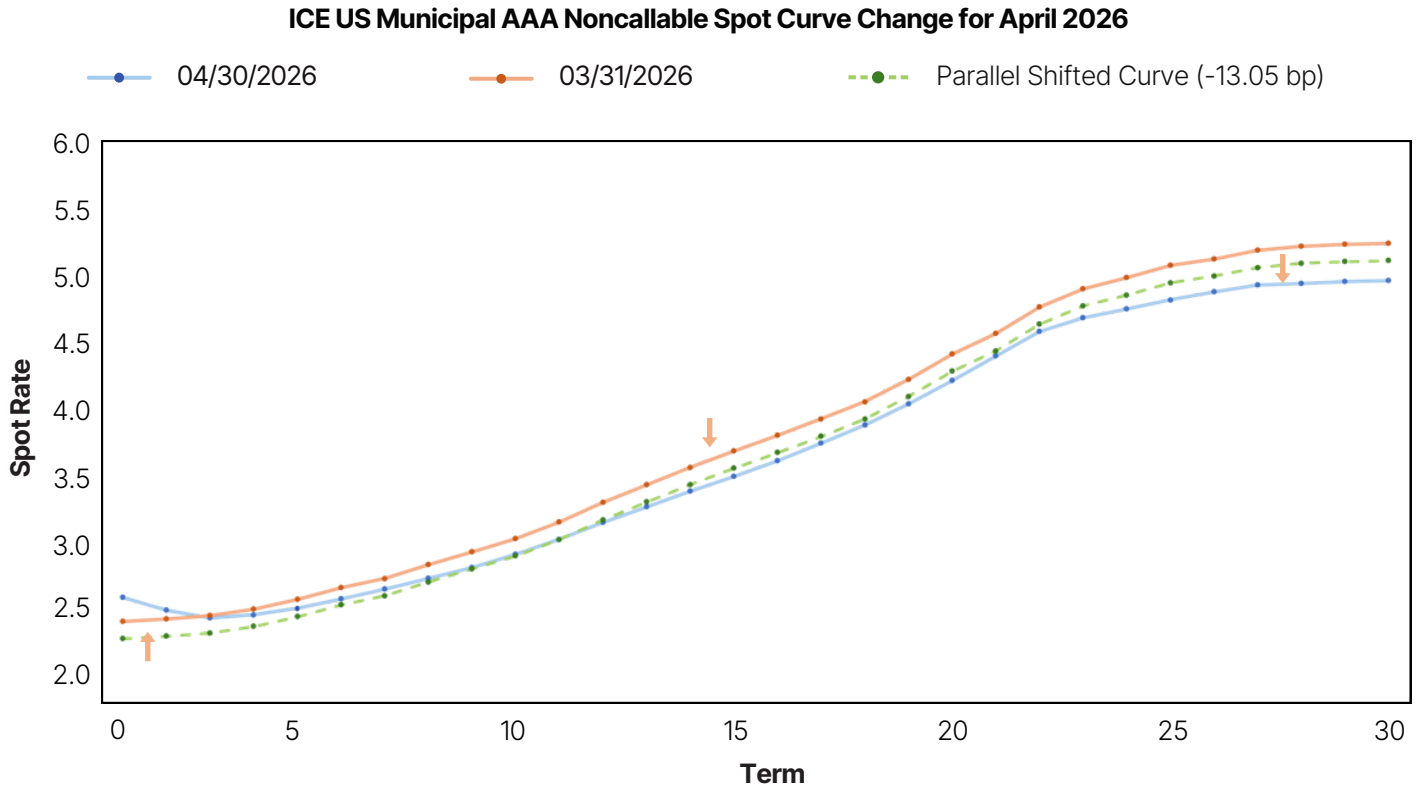
Despite a continued increase in treasury yields in April, municipal yields decreased at all but the shortest terms of the curve. This partially offset the large curve increases from March, lifting the year-to-date return back into the black. Long-term yields decreased the most, continuing the flattening trend from March.

Table 1	April	YTD
Total Return	1.045%	0.826%
Coupon Return	0.355%	1.444%
Market Amortization Return	-0.055%	-0.317%
Parallel Shift Return	0.816%	-1.535%
Non-Parallel Shift Return	-0.041%	0.689%
Sector/Quality Return	-0.090%	0.476%
Residual Price Return	0.059%	0.069%

Parallel and Non-Parallel Shift Return

Figure 1 shows the overall change in the ICE US Municipal AAA Noncallable spot curve for April. This curve demonstrated a 13.05 bp decrease in its overall level as measured at the ten-year point.

Figure 1



The green dotted line depicts the parallel shift implied by the ten-year point's spot curve change.

The Parallel Shift Return of 0.816% is calculated from this curve decrease, as shown in Table 2.

Table 2

Change for 10-Year Spot Rate ^(a)	-13.05
Total Key Rate Duration ^(b)	6.2540
Parallel Shift Return ^(-b*a)	0.816%

The Non-Parallel Shift Return was -0.041%. The positive effects of falling long-term yields mostly offset the negative effects of the rising short-term yields. See Table 3 for the full calculations for this term.

Table 3

	6 Mos	1 Yr	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	20 Yrs	30 Yrs
Non-Parallel Change	26.86	19.76	11.16	8.67	4.64	2.83	0.00	-3.76	-14.83
Key Rate Duration	0.039	0.102	0.198	0.398	0.686	1.071	1.858	1.571	0.331
Non-Parallel Shift Return	-0.011	-0.020	-0.022	-0.035	-0.032	-0.030	0.000	0.059	0.049

Note: Each value in the Non-Parallel Shift Return row is calculated by multiplying the two cells above it, dividing by 100 and reversing the sign.

Sector/Quality Return

Sector/Quality Return captures return from changes in average option-adjusted spread (adjusted by duration) for sector/quality groupings. The index's overall Sector/Quality Return was -0.090%.

The sectors exhibiting the largest overall widening in average option-adjusted spread (weighted by both market value and duration) were Resource Recovery, Transportation, Housing, and Prerefunded/ETM. The Tobacco Settlement sector exhibited overall tightening in average option-adjusted spread. Spreads on lower-rated groupings widened slightly compared to higher-rated groupings.

The sector/quality categories with the biggest positive contributions to Sector/Quality Return, considering both weightings and the groupings' own sector/quality returns, are listed in Table 4. The biggest negative contributors are listed in Table 5.

Table 4

	A-rated State GO	BBB-rated Education	BBB-rated Health Care	A-rated Insured
Change in Dur-Adj Average OA Spread ^(a)	-7.516	-2.092	-1.310	-7.753
OA Spread Duration ^(b)	5.105	7.405	6.709	5.248
Sector/Quality Return ^(-b*a)	0.384	0.155	0.088	0.407
Market Value Weight% ^(c)	0.635	0.660	0.980	0.208
Contribution to Duration ^(b*c)	0.03241	0.04887	0.06572	0.01093
Contribution to Sector/Quality Return ^(-b*c*a)	0.00244	0.00102	0.00086	0.00085

Table 5

	AA-rated Transportation	A-rated Transportation	AA-rated Insured	AA-rated Housing
Change in Dur-Adj Average OA Spread ^(a)	2.458	3.381	1.500	2.537
OA Spread Duration ^(b)	6.284	6.775	7.331	7.255
Sector/Quality Return ^(-b*a)	-0.154	-0.229	-0.110	-0.184
Market Value Weight% ^(c)	6.852	3.396	6.619	3.565
Contribution to Duration ^(b*c)	0.43062	0.23006	0.48524	0.25861
Contribution to Sector/Quality Return ^(-b*c*a)	-0.01058	-0.00778	-0.00728	-0.00656

Coupon Return and Other Effects

Coupon Return was 0.355%, based on the index's average coupon of 4.511%. The average beginning-of-month market yield was 3.648%, resulting in a Market Amortization Return of -0.055%. These two terms sum to a total income effect of 0.300%.

Note: Coupon Return reflects both interest payments and changes in accrued interest throughout the month. Market Amortization Return is negative because of the large number of premium bonds in the index due to yields being lower than most coupon rates. Over time, premium bond prices, absent any change in yield, naturally decline to their redemption price. This decline is called market amortization.

Appendix: Highlighted States and Territories

Table 6 shows the 20 states with the largest contributions to the index's total return sorted by their total return. States with longer average durations (such as Texas and New York) generally outperformed states with shorter average durations due to benefiting more from April's curve change.

Virginia's strong return was helped by tightening spreads in its Transportation and IDR / PCR sectors. This was particularly notable given that those sectors' spreads widened nationally. On the other hand, Wisconsin's Transportation sector's spread widened more than the national average. This dragged down Wisconsin's performance despite its above-average yield.

Table 6

State/Territory	Total Return Weight	Total Return	Total Return Contribution (bps)	Return from Yield	Return from Curve Change/Convexity	Return from Sector/Quality Composition	State-Specific Spread Return
Texas	12.08%	1.175%	14.19	0.308%	0.955%	-0.069%	-0.019%
New York	12.94%	1.166%	15.09	0.308%	0.972%	-0.108%	-0.006%
Virginia	1.89%	1.130%	2.14	0.290%	0.769%	-0.093%	0.165%
Pennsylvania	3.85%	1.083%	4.17	0.309%	0.827%	-0.120%	0.067%
Colorado	2.24%	1.083%	2.43	0.303%	0.839%	-0.093%	0.034%
Ohio	2.37%	1.081%	2.56	0.301%	0.804%	-0.061%	0.036%
Florida	4.01%	1.070%	4.29	0.309%	0.862%	-0.111%	0.011%
Illinois	3.50%	1.054%	3.69	0.315%	0.804%	-0.042%	-0.023%
North Carolina	1.51%	1.039%	1.57	0.283%	0.742%	-0.082%	0.097%
Massachusetts	3.09%	1.027%	3.17	0.296%	0.897%	-0.098%	-0.069%
Michigan	1.73%	1.021%	1.77	0.303%	0.844%	-0.070%	-0.059%
Tennessee	1.43%	1.010%	1.44	0.303%	0.757%	-0.092%	0.041%
Georgia	2.41%	0.990%	2.39	0.297%	0.687%	-0.102%	0.108%
New Jersey	2.78%	0.967%	2.69	0.290%	0.746%	-0.110%	0.040%
Washington	2.87%	0.957%	2.75	0.282%	0.670%	-0.065%	0.069%
Maryland	1.83%	0.957%	1.75	0.284%	0.729%	-0.064%	0.008%
California	15.82%	0.945%	14.95	0.287%	0.827%	-0.078%	-0.090%
Arizona	1.56%	0.940%	1.47	0.288%	0.725%	-0.094%	0.022%
Wisconsin	1.55%	0.927%	1.44	0.312%	0.854%	-0.155%	-0.084%
Alabama	2.24%	0.835%	1.87	0.323%	0.661%	-0.117%	-0.031%

Special definitions for this section:

- Return from Yield is the sum of Coupon Return and Market Amortization Return.
- Return from Curve Change/Convexity is the sum of Parallel Shift Return, Non-Parallel Shift Return, and Residual Price Return.
- Return from Sector/Quality Composition is the portion of return from change in spread that is due to the sector/quality composition of bonds in that state, reflecting the average nationwide spread changes experienced by those sector/quality groups.
- State-Specific Spread Return is the portion of return from changes in spread after adjusting for the sector/quality composition of the state's bonds. This captures the extent to which the spread changes for the state's bonds differed from the national averages.

CONTACT US

All table data and figures in this report were produced using Investortools, Inc.'s Custom Index Manager™ product.

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