

Municipal Bond Market Performance

June 2026



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Index Production and Analysis

In June 2026, the municipal bond market, as measured by the Standard & Poor’s Municipal Bond Investment Grade Index, had a Total Return of 0.704%. This total return consists of the components displayed in Table 1.

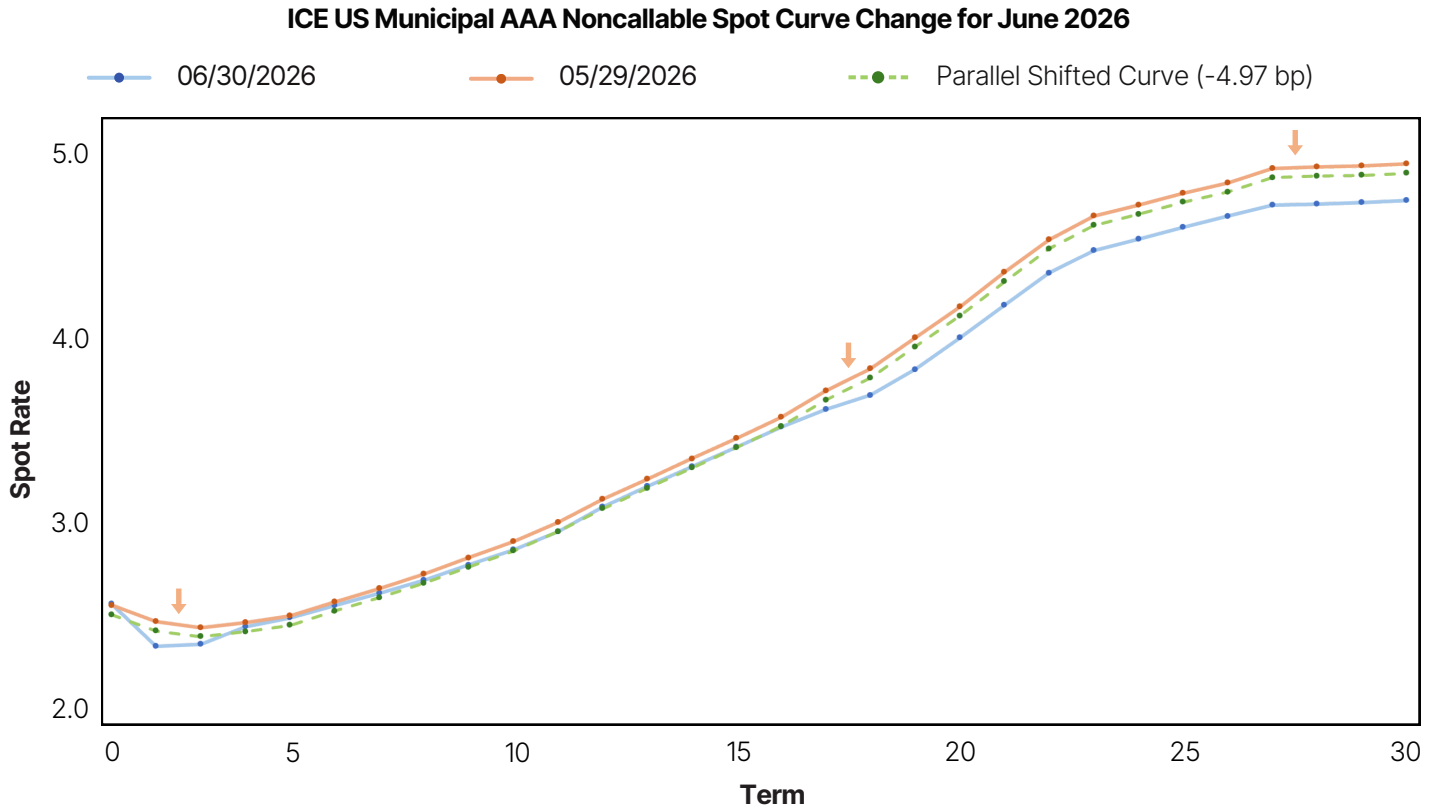
June recorded the third straight month of a sharp increase in the Consumer Price Index (CPI). In fact, April – June 2026 had the largest increase in CPI over a three-month period since the raging inflation of 2022. Despite this, municipal yields fell in June. Yields at longer terms fell the most, with some falling lower than they had been in over a year. The decreasing yields helped June finish off one of the best second quarters of the last decade.

Table 1	June	YTD
Total Return	0.704%	1.942%
Coupon Return	0.352%	2.179%
Market Amortization Return	-0.041%	-0.453%
Parallel Shift Return	0.304%	-1.187%
Non-Parallel Shift Return	0.202%	0.901%
Sector/Quality Return	-0.046%	0.445%
Residual Price Return	-0.068%	0.056%

Parallel and Non-Parallel Shift Return

Figure 1 shows the overall change in the ICE US Municipal AAA Noncallable spot curve for June. This curve demonstrated a 4.97 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 0.304% is calculated from this curve decrease, as shown in Table 2.

Table 2

Change for 10-Year Spot Rate ^(a)	-4.97
Total Key Rate Duration ^(b)	6.1198
Parallel Shift Return ^(-b*a)	0.304%

The municipal curve flattened overall (with some exceptions on the short end) as yields at longer terms fell. The falling long-term yields were the primary source of the strong 0.202% Non-Parallel Shift Return. 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	1.01	-8.46	-3.93	2.68	3.03	1.68	0.00	-12.71	-15.35
Key Rate Duration	0.038	0.103	0.197	0.401	0.682	1.116	1.790	1.480	0.312
Non-Parallel Shift Return	0.000	0.009	0.008	-0.011	-0.021	-0.019	0.000	0.188	0.048

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 -0.046%.

The sectors exhibiting the largest overall widening in average option-adjusted spread (weighted by both market value and duration) were Housing and Tobacco Settlement. The Health Care sector exhibited overall tightening in average option-adjusted spread. Quality-based groupings exhibited no significant trend.

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

	BBB-rated Health Care	A-rated Health Care	BBB-rated Education	BBB-rated IDR/PCR
Change in Dur-Adj Average OA Spread ^(a)	-3.022	-0.640	-1.826	-0.302
OA Spread Duration ^(b)	6.277	6.293	6.907	6.302
Sector/Quality Return ^(-b*a)	0.190	0.040	0.126	0.019
Market Value Weight% ^(c)	0.956	2.976	0.664	0.909
Contribution to Duration ^(b*c)	0.06004	0.18726	0.04584	0.05726
Contribution to Sector/Quality Return ^(-b*c*a)	0.00181	0.00120	0.00084	0.00017

Table 5

	AA-rated Housing	AA-rated Insured	AA-rated Tax-Supported (Excl. GOs)	AA-rated Water/Sewer
Change in Dur-Adj Average OA Spread ^(a)	4.091	1.251	0.811	1.249
OA Spread Duration ^(b)	7.085	7.125	6.035	6.559
Sector/Quality Return ^(-b*a)	-0.290	-0.089	-0.049	-0.082
Market Value Weight ^(c)	3.653	6.637	7.624	4.313
Contribution to Duration ^(b*c)	0.25878	0.47288	0.46011	0.28288
Contribution to Sector/Quality Return ^(-b*c*a)	-0.01059	-0.00591	-0.00373	-0.00353

Coupon Return and Other Effects

Coupon Return was 0.352%, based on the index's average coupon of 4.523%. The average beginning-of-month market yield was 3.552%, resulting in a Market Amortization Return of -0.041%. These two terms sum to a total income effect of 0.311%.

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. Bonds with long durations generally outperformed as they benefited the most from falling yields. Long average durations were the primary reason that states such as New York and Texas had some of the highest returns in June. Alabama, despite its particularly high Return from Yield, underperformed other states due to its shorter average duration.

Georgia, however, had a strong return for its relatively short average duration. This was primarily due to a broad trend of tightening spreads for Georgia bonds.

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
South Carolina	1.14%	0.795%	0.91	0.322%	0.480%	-0.064%	0.058%
New York	12.76%	0.793%	10.12	0.320%	0.526%	-0.049%	-0.004%
Texas	12.18%	0.765%	9.32	0.318%	0.493%	-0.038%	-0.008%
Florida	3.97%	0.756%	3.00	0.320%	0.458%	-0.039%	0.018%
Massachusetts	3.23%	0.729%	2.35	0.307%	0.483%	-0.040%	-0.022%
Colorado	2.23%	0.722%	1.61	0.315%	0.460%	-0.041%	-0.011%
Illinois	3.48%	0.707%	2.46	0.326%	0.434%	-0.053%	-0.001%
Michigan	1.72%	0.706%	1.21	0.316%	0.469%	-0.066%	-0.013%
Wisconsin	1.48%	0.703%	1.04	0.323%	0.478%	-0.058%	-0.042%
Pennsylvania	3.79%	0.693%	2.63	0.319%	0.446%	-0.046%	-0.028%
Ohio	2.39%	0.689%	1.65	0.314%	0.454%	-0.041%	-0.038%
Georgia	2.41%	0.680%	1.64	0.309%	0.351%	-0.055%	0.076%
Tennessee	1.44%	0.649%	0.93	0.313%	0.382%	-0.058%	0.011%
Virginia	1.93%	0.644%	1.24	0.301%	0.397%	-0.052%	-0.002%
Arizona	1.56%	0.634%	0.99	0.297%	0.366%	-0.034%	0.005%
New Jersey	2.78%	0.633%	1.76	0.301%	0.388%	-0.032%	-0.024%
Maryland	1.81%	0.626%	1.13	0.296%	0.389%	-0.033%	-0.025%
North Carolina	1.49%	0.622%	0.93	0.294%	0.387%	-0.048%	-0.010%
Alabama	2.27%	0.555%	1.26	0.337%	0.299%	-0.065%	-0.015%
Washington	2.93%	0.552%	1.62	0.292%	0.334%	-0.027%	-0.047%

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.

Appendix: Highlighted Credit Names

Index constituents associated with credits in Tables 7 and 8 experienced substantial overall change in average OA spread (weighted by the constituents' market value in the index) in June. Credits in Table 7 experienced overall spread tightening, while credits in Table 8 widened. Education and Housing were the two most-represented sectors in these tables.

Table 7

Credit Name	OA Spread Change (bp)	Index Mkt Value (\$mil)	Index Bond Count
New York University	-30	3,505	114
Lifespace Obl Grp	-15	812	56
Glendale Community College District	-13	497	45
Long Beach Unified School District	-9	2,338	162
Bon Secours Mercy Health	-6	2,480	46
Kaiser Foundation Health Plan Inc & Subs & Kaiser Foundation Hospitals & Subs	-6	4,111	43
Placentia-Yorba Linda Unified School District	-6	303	34
Boston	-5	2,287	175

Table 8

Credit Name	OA Spread Change (bp)	Index Mkt Value (\$mil)	Index Bond Count
Los Angeles Department of Water & Power - Power System	9	13,239	437
Seattle Light Department	9	2,666	224
Miami-Dade County Transit System Sales Surtax Revenue Bonds	9	1,445	60
Illinois Water Revolving Fund	10	1,925	123
New Hampshire Housing Finance Authority : Single Family Mortgage Acquisition Revenue Bonds 2022 Bond Resolution	10	702	54
Utah Housing Corporation : Single Family Mortgage Bonds 2023 General Indenture	10	855	37
Socorro Independent School District	11	551	57
San Diego Unified School District	11	6,898	344
Mesa Utility Fund	12	1,846	153
Georgia	12	5,613	174
New School	13	519	50
Suffolk University	13	466	33
North St Paul-Maplewood-Oakdale Independent School District #622	18	348	49
Bonneville Power Administration	20	6,563	133
Sacramento City Unified School District	37	1,151	102

These credit names were selected by the size of the OA spread change, the dollar impact of that change, and number of associated bonds in the index.

CONTACT US

All table data and figures in this report were produced using Investortools, Inc.'s [Custom Index Manager™](#) product. Credit name information is provided by [CreditScope®](#).

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