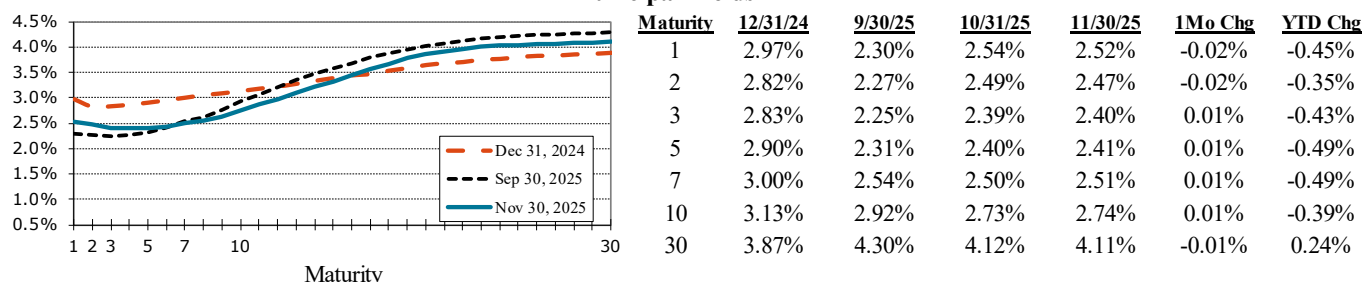


Baird Advisors Municipal Fixed Income Market Commentary November 2025

Curve Stays Steady as Supply Breaks Record

Municipal rates remained stable across the curve in November as reinvestment from principal and interest payments helped offset another month of heavy supply. Municipals also avoided much of the volatility seen in Treasuries following the end of the government shutdown and the release of delayed economic data. Although the curve held steady, the 10–20-year segment continued to present compelling roll-down opportunities due a steep slope of +112 bps between these two maturities. November supply was robust, with tax-exempt issuance totaling \$40B, 73% above November 2024's level. YTD tax-exempt issuance reached \$496B, a 15% increase over 2024, setting a new annual record. Demand remained strong, as funds posted \$9B of net inflows for the month, bringing the YTD total to \$46B, ahead of \$39B at this point last year. Looking ahead, market odds strongly favor a 25 bps rate cut at the December FOMC meeting. With only three full weeks of issuance remaining and another wave of reinvestment demand expected, heavy early-December supply should be easily absorbed, supporting municipal rates into year-end.

AAA Municipal Yields



The State of New York City

In November, Zohran Mamdani was elected as the next Mayor of New York City, with the new administration set to take office on January 1, 2026. The mayor-elect's campaign included several proposals with potential implications for the municipal market, such as expanding affordable housing through increased municipal borrowing, implementing rent freezes and raising tax rates on individuals and corporations. While these initiatives could lead to higher supply from New York City, the city's ability to execute major changes is subject to significant institutional constraints and state oversight. According to S&P, New York City currently has approximately \$41 billion in remaining debt capacity under its constitutional limit, and any issuance above this threshold would require approval from the state legislature. Similarly, changes to personal and corporate income tax rates, as well as proposals for fare-free city buses, would also require state legislative action. As one of the largest and most active issuers in the municipal market, New York City's financing decisions can have a notable impact on overall market supply-demand dynamics. The city's large and diverse revenue base, combined with statutory requirements for balanced budgets and multiyear financial planning, supports its stable credit profile. Despite headline risk from policy proposals and the prospect of reduced federal cost sharing, credit spreads on city debt have remained range-bound since the election, reflecting investor confidence in the city's strong governance framework and prudent financial management.

Modestly Positive Returns in November

Stable yields across the curve resulted in modestly positive returns for all maturities in November, with short and intermediate maturities outperforming long-term maturities for the month. By sector, returns were broadly similar, though Revenue and GO bonds modestly outperformed Prerefunded issues. From a credit quality perspective, BBB-rated issues edged out higher-quality bonds for November, while A-rated issues have delivered the strongest year-to-date performance among all rating categories.

Total Returns of Selected Barclays Municipal Indices and Subsectors

<u>Bloomberg Index/Sector</u>	<u>November</u>	<u>YTD</u>	<u>Duration</u>	<u>Bloomberg Quality</u>	<u>November</u>	<u>YTD</u>	<u>Duration</u>
Municipal Bond Index	0.23%	4.15%	6.64	AAA	0.23%	4.13%	6.84
General Obligation bonds	0.21%	4.14%	6.31	AA	0.21%	4.09%	6.54
Revenue bonds	0.24%	4.15%	6.82	A	0.24%	4.33%	6.58
Prerefunded bonds	0.18%	3.73%	2.49	BBB	0.38%	4.07%	7.41
Long maturities (22+ yrs.)	0.12%	2.28%	10.92	High Yield	0.39%	2.71%	7.49
Intermediate maturities (1 - 17 yrs.)	0.27%	4.89%	4.89	HY, ex-Puerto Rico	0.44%	2.78%	7.43
Short maturities (1 - 5 yrs.)	0.25%	3.76%	2.38				

Disclosures

Fixed income is generally considered to be a more conservative investment than stocks, but bonds and other fixed income investments still carry a variety of risks such as interest rate risk, credit risk, inflation risk, and liquidity risk. In a rising interest rate environment, the value of fixed-income securities generally decline and conversely, in a falling interest rate environment, the value of fixed-income securities generally increase. High yield securities may be subject to heightened market, interest rate or credit risk and should not be purchased solely because of the stated yield.

The Bloomberg Municipal Bond Index is a broad-based, total-return index. The bonds are all investment-grade, tax-exempt, and fixed-rate securities with long-term maturities (greater than 2 years). They are selected from issues larger than \$50 million. The components listed below the Municipal Bond Index (long maturities, intermediate maturities, short maturities, prefunded bonds, general obligation bonds and revenue bonds) are subsectors of the Bloomberg Municipal Bond Index and do not represent separate indices.

The Bloomberg High Yield Municipal Index includes bonds with a par value of at least \$3 million and must be issued as part of a transaction of at least \$20 million. The maximum rating for inclusion is Ba1/BB+/BB+ using the middle rating.

For more information about the Bloomberg Municipal Bond Index or Bloomberg High Yield Municipal Index, please visit https://index.barcap.com/Home/Guides_and_Factsheets.

Municipal securities investments are not appropriate for all investors, especially those taxed at lower rates. The alternative minimum tax (AMT) may be applicable, even for securities identified as tax exempt. Past performance is not a guarantee of future results.

Ratings are measured on a scale that ranges from AAA or Aaa (highest) to D or C (lowest). Investment grade investments are those rated from highest down to BBB- or Baa3.

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