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2025 Highlights January 2026

2025 Municipal Bond Market Themes

Another Year of Record-Breaking Issuance

- Total municipal issuance reached a record high of $579 billion in 2025, an increase of roughly 13% from 2024 which previously held the record.
- Demand for municipal bonds was buoyed by 40 total weeks of inflows into municipal bond funds.

"Liberation Day" Tariffs

- Following President Trump's tariff announcements, the municipal market experienced high volatility and underperformed Treasury bonds.
- April 7-9 trading sessions represented three of the ten largest daily moves in AAA MMD of the last decade, before reversing on April 10 upon announcement of tariff delays.

Impacts of the One Big Beautiful Bill Act ("OBBBA")

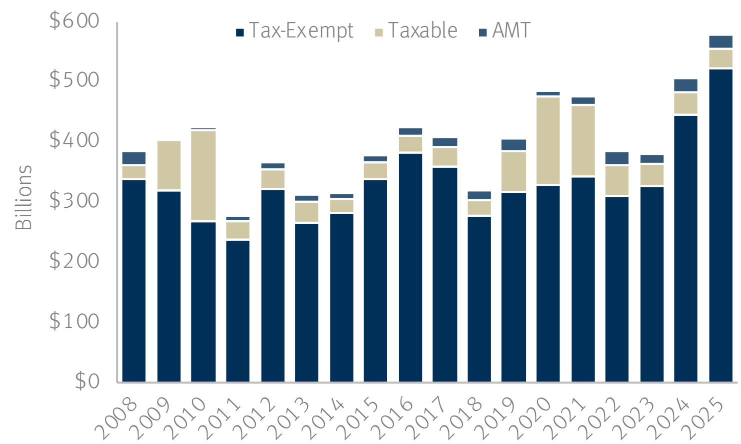
- President Trump signed the bill into law on July 4th. Municipal tax-exemption was preserved in the bill after several months of speculation that it may be removed to help pay for the bill.
- The OBBBA expanded the scope of Private Activity Bonds such as adding a new category for spaceports. Additionally, it lowered the bond threshold to 25% for Low-Income Housing Tax Credits for affordable housing.
- Under the OBBBA, new sunsets and eligibility restrictions were introduced impacting municipal clean energy projects resulting in some issuers needing to accelerate timelines, particularly for solar and wind projects.

Interest Rates Moderated from Early Highs

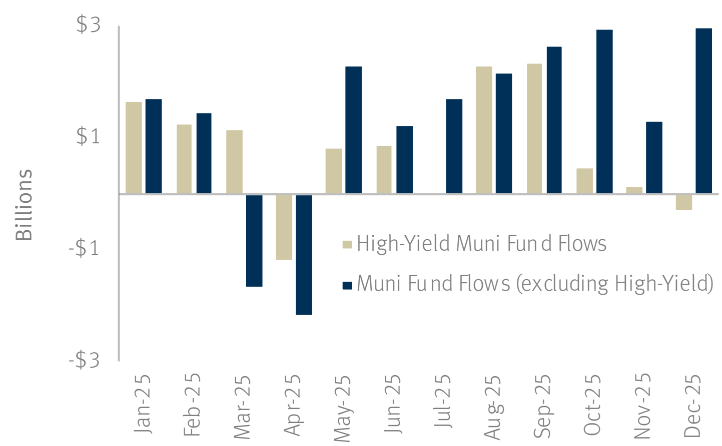
- In December, the Fed cut rates by 25 basis points for the third consecutive meeting, bringing the Fed Funds target range to 3.50% - 3.75% and amounting to 175 basis points in cumulative cuts since September 2024.
- The 43-day U.S. Government shutdown beginning on October 1st delayed significant employment data complicating the Fed's decision making.
- Municipal yields ended the year near 2025 lows with rates remaining relatively stable throughout the 4th quarter. The December Fed cut was largely "baked in" by investors so municipals did not see a material change after the meeting.
- A more normalized yield curve slope has mitigated the ability of issuers to take advantage of positive arbitrage opportunities.

Sources: Federal Reserve, U.S. Department of the Treasury, Bloomberg, Stifel Economic Insight, The Bond Buyer.

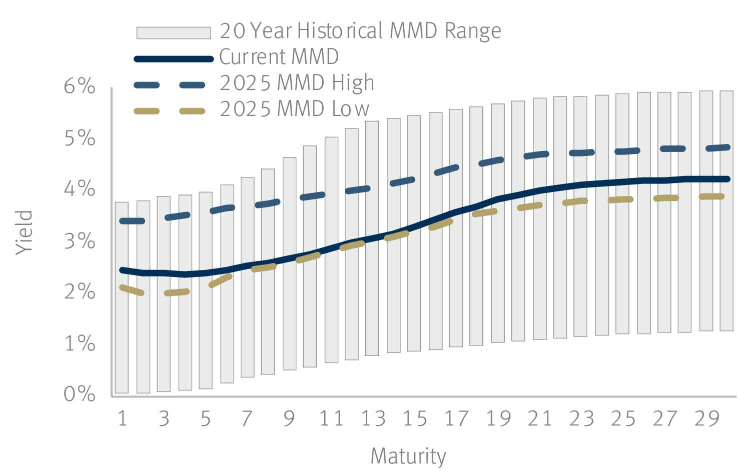
Monthly National Municipal Issuance Volume by Tax Status



Monthly Fund Flows



AAA MMD Yields Are Near 2025 Lows Across the Curve
20-Year Historical AAA MMD Range vs. Current AAA MMD



Sources: Bloomberg, Lipper, SDC (LSEG Refinitiv), The Bond Buyer, TM3. As of December 31, 2025.

Mid-Year 2025 Municipal Market & Interest Rate Outlook

Steepening of the Yield Curve

- 2026 municipal bond supply projections range from $530 billion to $650 billion with most firms anticipating issuance of at least $600 billion, which would surpass 2025's record.
- Many participants expect a resurgence of refunding activity based on an increase in the pool of refundable candidates compared to 2025 coupled with the expectation of municipal rates remaining attractive and the potential for a newly appointed Fed chair pushing for more aggressive rate cutting.

Economic and Fed Funds Outlook

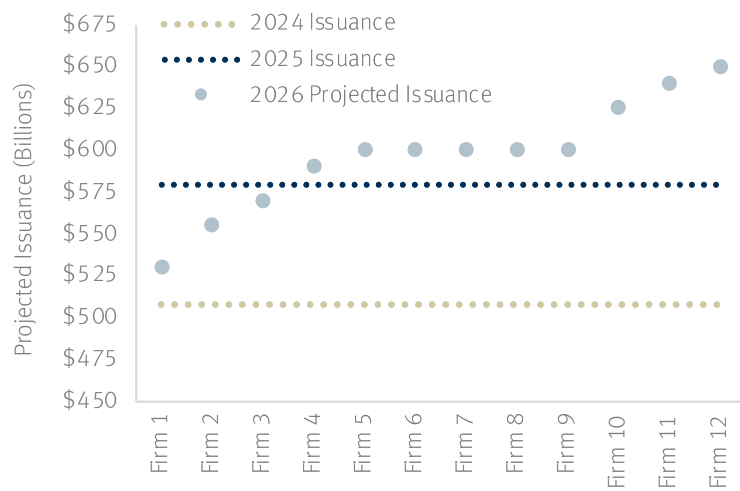
- Without evidence of a cooling jobs market, the challenges of missing or delayed economic and employment data, and inflation remaining above a targeted 2%, the FOMC is likely to cease further cuts through at least Q1 of 2026. Current dot plot suggests only a single 25-basis point cut in 2026.
- Jerome Powell's term as Chair of the FOMC expires in May, with President Trump expected to announce his successor in the coming weeks. Regardless of the selection, market participants will likely view any perceived lack of independence from influence the Trump Administration may exert on rate cutting as problematic, potentially injecting additional market volatility.
- The risk of recession, both domestically and globally, remains over the next 12 months. Stagflation is also a significant risk factor domestically as the Fed is challenged with downside risks to employment seemingly balanced with the upside risks to inflation.
- It appears that there is some evidence that AI is contributing to productivity gains, as well as disinflation, which may help businesses offset the burden of rising costs and spur broader based growth. It's expected that AI will continue to add to annual productivity growth in 2026 and beyond but may result in material disruption to labor markets.

Political Landscape

- Geopolitical tensions abroad including recent military action in Venezuela, the ongoing Russia-Ukraine conflict and turmoil with Iran and Israel may impact both the equity and bond markets in 2026.
- The next fiscal policy deadline is January 30th when once again a risk of a government shutdown over the 2026 budget looms. Another shutdown would create further disruption to the flow and release of economic data including key inflation and employment data making the FOMC's ability to manage monetary policy in the months ahead very challenging.

Sources: Federal Reserve, U.S. Department of the Treasury, Bloomberg, Stifel Economic Insight, The Bond Buyer.

2026 Forecasted Issuance



Source: The Bond Buyer. As of December 10, 2025

Historical Yield Curve Data

Rate	Year Prior (01/06/25)	Month Prior (12/05/25)	Current (01/05/26)
Fed Funds	4.2 – 4.50%	3.75 – 4.00%	3.50-3.75%
2-Yr UST	4.28%	3.56%	3.46%
10-Yr UST	4.62%	4.14%	4.17%
30-Yr UST	4.85%	4.79%	4.85%

Source: Bloomberg. As of January 5, 2026

Market Consensus Yield Curve Projections

Rate	26 Q1	26 Q2	26 Q3	26 Q4
Fed Funds	3.59%	3.40%	3.27%	3.22%
2-Yr UST	3.42%	3.35%	3.31%	3.30%
10-Yr UST	4.09%	4.08%	4.07%	4.10%
30-Yr UST	4.70%	4.67%	4.64%	4.65%

Source: Bloomberg. As of January 2, 2026.

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Stifel Public Finance News

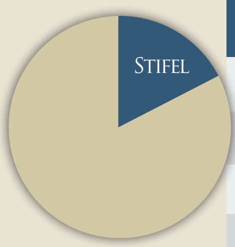
#1 *Underwriter by Number of Negotiated Transactions, Each of The Last 12 Years*

Source: SDC (LSEG Refinitiv). As of January 2, 2026.

National Senior-Managed Rankings 2025 Negotiated Issues (Ranked by Issues)

Rank	Firm	# of Issues	Market Share	Par Amount (U.S. $Million)
1	**STIFEL**	**836**	**13.19%**	**$25,742.3**
2	Raymond James	520	8.7	27,343.7
3	Piper Sandler	485	8.1	18,233.2
4	BofA	434	7.2	67,677.4
5	RBC	431	7.2	45,805.5

Source: SDC (LSEG Refinitiv). As of January 2, 2026.



Stifel Participated in Over 20% of Par Value of Municipal Bond Issuance

11,838	Total National New Issues*
1,583	Stifel-managed New Issues*
$579.9	Total National Issuance Volume (billion)**
$121.4	Stifel Par Volume (billion)*

** Source: SDC (LSEG Refinitiv). As of January 2, 2026. Includes all issues, negotiated, competitive or private placement. Stifel role: sole, senior, co-manager, placement agent or municipal / financial advisor.*

*** Source: The Bond Buyer. As of January 2, 2026.*

2025 National, Senior-Managed Ranking Highlights

New Issues
- 1st Ranked by number of issues
- 9th Ranked by par amount

K12 School Districts
- 1st Ranked by number of issues
- 1st Ranked by par amount

Multifamily Housing
- 1st Ranked by number of issues
- 1st Ranked by par amount

Tax Increment Financings
- 1st Ranked by number of issues
- 1st Ranked by par amount

Development Districts*
- 1st Ranked by par amount
- 3rd Ranked by number of issues

Water and Sewer
- 1st Ranked by number of issues
- 7th Ranked by par amount

Less Than $25mm
- 1st Ranked by number of issues
- 1st Ranked by par amount

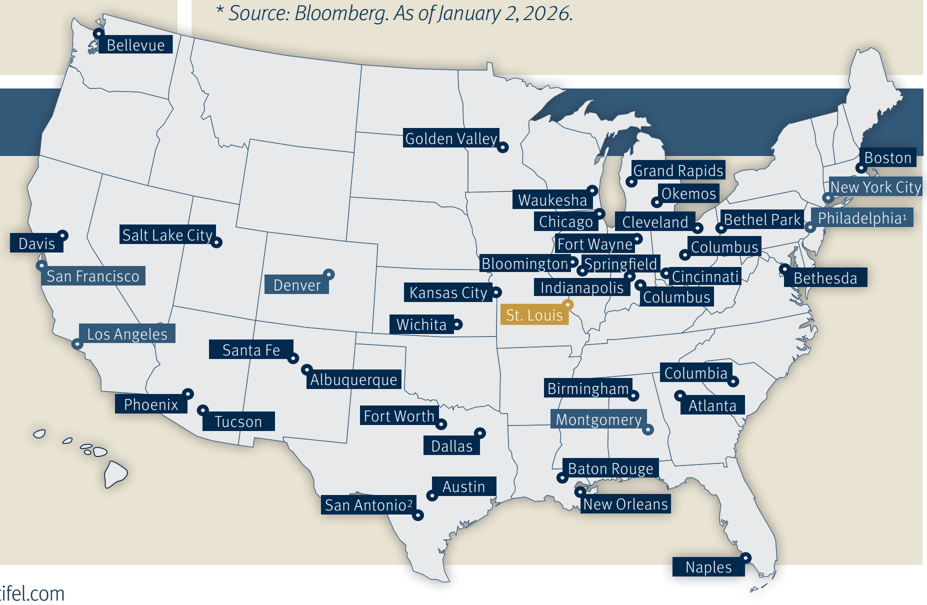
Bank Qualified Bonds
- 1st Ranked by par amount
- 3rd Ranked by number of issues

Land Secured Bonds
- 2nd Ranked by par amount
- 3rd Ranked by number of issues

Source: SDC (LSEG Refinitiv). As of January 2, 2026.

** Source: Bloomberg. As of January 2, 2026.*

Stifel Public Finance Offices



- *Public Finance Offices*
- *Public Finance, Underwriting, Sales & Trading*
- *Headquarters, Public Finance, Underwriting, Sales & Trading*

[1] Two Office Locations (One in Conshohocken & One in Philadelphia)
[2] Two Office Locations (One in New Braunfels & One in San Antonio)

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