

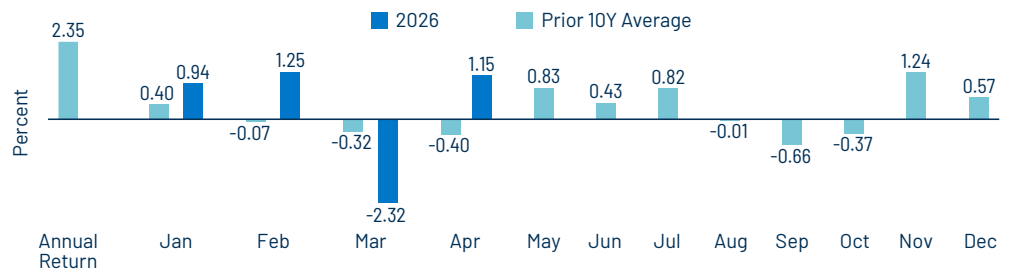
# Muni Monthly

## Performance Overview

### April muni returns bounced back from March weakness.

Fixed-income markets were focused on escalating geopolitical tensions in April, as rising oil prices fueled concerns about inflation. While ceasefire agreements in the Middle East provided some optimism early in the month, Treasury yields ultimately moved higher amid stalled diplomatic progress and uncertainty surrounding the Federal Reserve leadership transition. In total, Treasury yields increased by 5-8 basis points (bps) across the curve. Municipals shrugged off the negative returns seen in taxable fixed-income markets, as well as the traditional technical weakness that typically pressures the asset class in April. High-grade municipal yields rallied 8-16 bps across intermediate and shorter maturities during the month and the Bloomberg Municipal Bond Index returned 1.15%. The rebound from March's steep underperformance led year-to-date (YTD) returns back into positive territory at 0.97%.

**Exhibit 1: Bloomberg Municipal Index Monthly Returns**



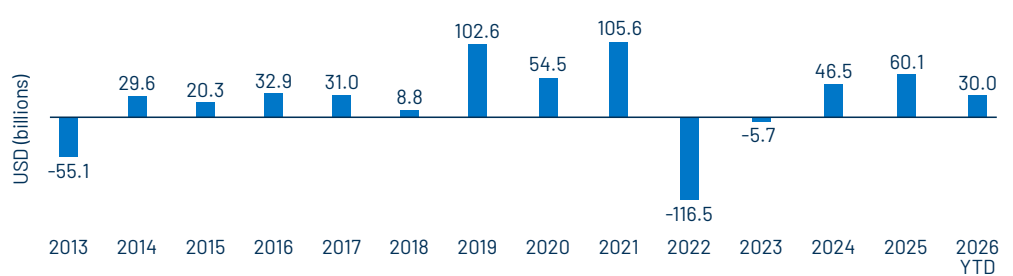
Source: Bloomberg, Western Asset as of 30 Apr 26.

## Technical

### Muni demand tracking at a strong \$30 billion so far this year.

Municipal technicals began the month on weaker footing as tax season concluded, but improved as April progressed. April new issuance was elevated at \$51 billion, slightly below the \$53 billion recorded both in March and April 2025. Demand remained firm, with municipal mutual funds recording approximately \$5 billion of net inflows during the month, largely comprised of long-term fund flows, according to Lipper. YTD inflows are tracking at a robust \$30 billion through April, which if sustained through year-end would outpace the prior year's demand trend.

**Exhibit 2: Municipal Mutual Fund Annual Flows**



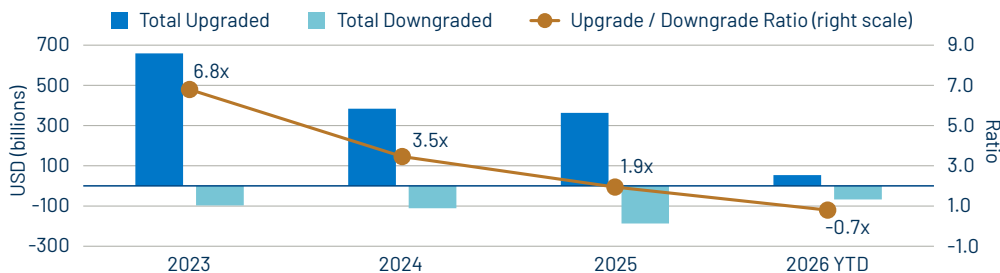
Source: Bloomberg, Western Asset as of 30 Apr 26.

Fundamentals

Munis continue to benefit from strong revenue collections and elevated cash.

Credit fundamentals continue to demonstrate resilience, though late-cycle characteristics are emerging. Several large issuers are contending with delayed budgets and projecting longer-term budgetary shortfalls. YTD in 2026, the three major rating agencies have downgraded more debt than they have upgraded, by a ratio of 1.3x. In the high-yield segment, some larger issuers have drawn on debt service reserve funds and may pursue restructurings. That said, the broader municipal market continues to benefit from strong revenue collections and elevated cash balances. However, given relatively tight spread levels, Western Asset believes active credit selection remains critical.

Exhibit 3: Moody's, S&P and Fitch Rating Changes by Par Value



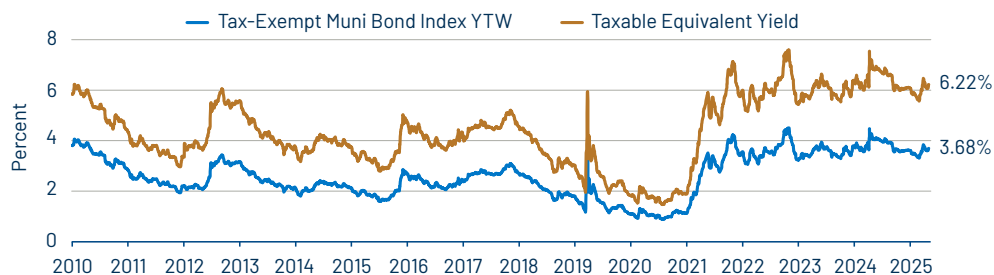
Source: Bloomberg, Western Asset as of 31 Mar 26.

Valuations

Taxable equivalent yields remained elevated in April.

Despite recent outperformance, Western Asset believes the municipal market continues to offer attractive after-tax income opportunities. The Bloomberg Municipal Bond Index yield-to-worst stands at 3.68%, or 6.22% on a taxable-equivalent basis for top federal taxpayers, above historical averages and competitive with lower-rated taxable fixed income sectors. Income opportunities have improved across much of the curve, with 10-year high-grade yields rising more than 20 bps YTD to approximately 3.0%, and longer maturities increasing by 17 bps to around 4.3%. As seasonal technical headwinds fade, these levels could present an attractive opportunity for investors to reposition income and risk exposures in line with overall objectives.

Exhibit 4: Muni and Taxable Equivalent Muni Yield-to-Worst



Source: Bloomberg, Western Asset. As of 01 May 26. Yield-to-worst (YTW) is the lowest potential yield that can be received on a bond without the issuer actually defaulting. Taxable-equivalent yield considers the top effective marginal tax rate of 40.8%. Indices are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future results.

Munis and the Macro<sup>1</sup>

	Prior Month (Revised From)	Consensus	Actual
GDP Annualized QoQ (4Q25)	0.70%	0.70%	0.50%
CPI YoY	2.40%	3.40%	3.30%
PCE	2.80%	3.50%	3.50%
Unemployment Rate	4.40%	4.40%	4.30%
Change in Nonfarm Payrolls	-133k(-92k)	65k	178k

Yield and Curve Changes - AAA Munis vs. Treasuries<sup>3</sup>

	2-Yr	5-Yr	10-Yr	30-Yr
<b>4/30/2026</b>				
AAA Muni	2.45%	2.59%	2.96%	4.33%
Treasury	3.87%	4.01%	4.37%	4.97%
M/T Ratio	63%	65%	68%	87%
<b>Change</b>				
Muni Δ (bps)	▲ 2	▼ -8	▼ -16	▼ -14
Treasury Δ (bps)	▲ 8	▲ 6	▲ 5	▲ 6
Ratio Δ (%)	▼ -1%	▼ -3%	▼ -5%	▼ -4%
<b>10-Yr Average</b>				
AAA Muni	1.62%	1.74%	2.11%	3%
Treasury	2.41%	2.53%	2.77%	3%
Ratio	67%	69%	76%	92%

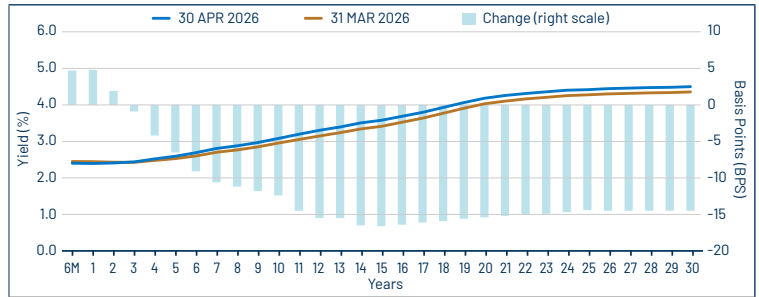
After-Tax Yield Pickup<sup>5</sup>

Quality/Maturity Segment	Muni YTW	Taxable Equivalent YTW	Taxable YTW	Taxable Equivalent Muni Yield Pickup	5-Yr Average
10-Yr AAA Munis vs Treasuries	2.94%	4.96%	4.37%	59	64
30Y AAA Muni vs Treasury	4.30%	7.26%	4.97%	229	187
AA Munis vs Corps	3.56%	6.01%	4.92%	109	87
A Munis vs Corps	3.92%	6.61%	5.00%	161	128
BBB Munis vs Corps	4.51%	7.61%	5.32%	229	175
HY Munis vs Corps	5.56%	9.39%	6.98%	242	119

Municipal Supply<sup>6</sup>

Year	\$B	Month	2025 Issuance	2026 Issuance	YoY	Calls/Maturities	Net
2018	356	January	37.1	35.0	-6%	-23.4	11.6
2019	449	February	39.6	42.2	7%	-35.2	7.0
2020	496	March	43.4	52.6	21%	-38.3	5.1
2021	488	April	52.8	51.1	-3%	-24.0	27.1
2022	375	May	53.7				
2023	366	June	58.4				
2024	500	July	56.6				
2025	588	August	49.7				
2026	543	September	48.6				
		October	62.5				
		November	45.4				
		December	39.8				
		<b>Total</b>	<b>587.8</b>	<b>180.9</b>	<b>61%</b>	<b>-148.2</b>	<b>32.8</b>

AAA Municipal Yield Curve<sup>2</sup>



Index Returns<sup>4</sup>

	1-Mo Total Return	YTD Total Return
Bloomberg Municipal Bond Index	1.15%	0.97%
<b>Returns by Maturity</b>		
Bloomberg Municipal Bond 1-Year Index	0.08%	0.72%
Bloomberg Municipal Bond 5-Year Index	0.41%	0.42%
Bloomberg Municipal Bond 10-Year Index	1.00%	0.21%
Bloomberg Municipal Bond 20-Year Total Return Index	1.82%	2.20%
Bloomberg Municipal Bond Long Bond Index	1.83%	1.60%
<b>Returns by Credit Quality</b>		
Bloomberg Municipal AAA Index	1.18%	0.84%
Bloomberg Municipal AA Index	1.10%	0.90%
Bloomberg Municipal A Index	1.14%	1.11%
Bloomberg Municipal BBB Index	1.52%	1.44%
Bloomberg Muni High Yield Index	1.36%	2.09%
<b>Returns by Sector</b>		
GO Bond Index	1.09%	0.76%
Revenue Bond Index	1.18%	1.05%
<b>Taxable Muni Returns</b>		
Bloomberg Taxable Municipal Bond Index	-0.24%	0.19%
Bloomberg Global Aggregate Index	1.25%	0.16%
Bloomberg U.S. Treasury Index	-0.07%	-0.12%
Bloomberg U.S. Corporate Index	0.45%	-0.09%

Demand Technicals - Municipal Mutual Fund and ETF Flows<sup>7</sup>

Year	Flows (\$M)	2026	Flows (\$M)
2018	8,843	January	9,311
2019	102,554	February	12,023
2020	54,468	March	6,490
2021	105,480	April	4,690
2022	-116,469	May	
2023	-5,695	June	
2024	45,091	July	
2025	61,549	August	
2026 YTD	32,514	September	
		October	
		November	
		December	

<sup>1</sup>Source: Bloomberg; GDP, CPI, PCE: BEA; Unemployment, NFP: BLS. As of 30 Apr 26.

<sup>2</sup>Source: Bloomberg, Western Asset. As of 30 Apr 26. Bloomberg Valuation Service (BVAL) AAA Muni Curve and US On-/Off-the-Run Sovereign Curve.

<sup>3</sup>Source: Muni Yields: Thomson Reuters MMD 2-Year, 5-Year, 10-Year and 30-Year AAA Scales; Treasury Yields: 2-Year, 5-Year, 10-Year, and 30-Year Tenors of the US On/Off The Run Sovereign Curve.

<sup>4</sup>Source: Bloomberg Municipal Bond Index, Bloomberg Taxable Municipal Bond Index. As of 30 Apr 26. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future results.

<sup>5</sup>Source: Bloomberg, Western Asset. As of 30 Apr 26. 10- and 30-Year comparison reflects Bloomberg Valuation Service (BVAL) AAA Muni Curve and US On-/Off-the-Run Sovereign Curve. AA Muni reflects the Bloomberg AA Muni Bond Index. A Muni reflects the Bloomberg A Muni Bond Index. BBB Muni reflects the Bloomberg BBB Muni Bond Index. HY Muni reflects the Bloomberg High Yield Muni Bond Index. AA Corp reflects the Bloomberg AA Corporate Bond Index. A Corp reflects the Bloomberg A Corporate Bond Index. BBB Corp reflects the Bloomberg BBB Corporate Bond Index. Taxable equivalent yield considers top marginal tax rate of 40.8%. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Past performance is not an indicator or a guarantee of future results.

<sup>6</sup>Source: Bloomberg. As of 30 Apr 26.

<sup>7</sup>Source: Bloomberg, ICI. As of 30 Apr 26.



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