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Municipal Market Update March 13, 2026

Calm Before The Fury

Economic reports released so far in March include data that precedes recent international geopolitical factors in Iran. Effects of the conflict will be reflected in subsequent economic data reports.

The Consumer Price Index (CPI) for February increased 0.3% from the previous month and 2.4% over the prior 12 months, matching expectations. The annual rate was unchanged from January, indicating that inflation was holding above the Federal Reserve's 2% target but not worsening. Core CPI, which excludes volatile food and energy prices, met expectations of 0.2% month over month and 2.5% year over year.

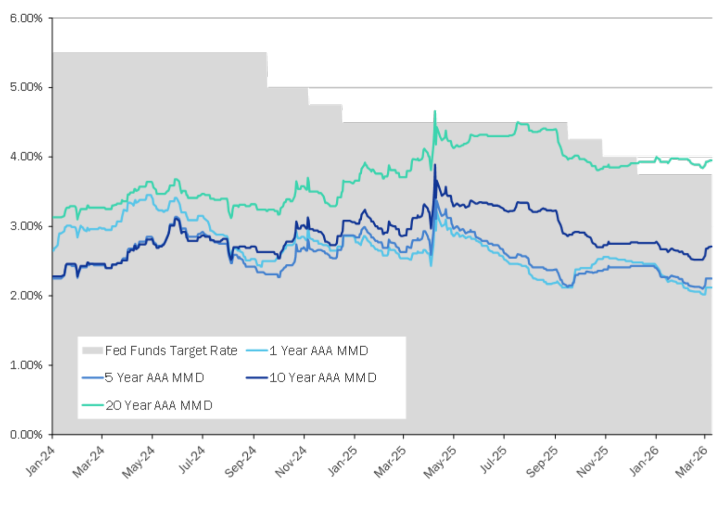
The jobs report released on Friday, March 6 was mixed. Nonfarm February payrolls fell by 92,000 compared with the prior estimate of 50,000. Contributing factors include a health care strike that sidelined workers in Hawaii and California and a federal government workforce reduction as President Donald Trump continues efforts to pare federal payrolls. Wages, however, rose more than expected. Average hourly earnings increased 0.4% for the month and 3.8% from a year ago, both 0.1% above forecast.

Following the CPI report release, U.S. stocks remained steady. While the markets still predict a 99.3% chance of the Federal Reserve holding rates steady at its March meeting, as of March 11, the CME Group's FedWatch Tool displays a 33.4% chance of a 0.25% rate cut at the June meeting.

Treasuries were mostly steady month-over-month, with the 10-Year Treasury closing at 4.15% on March 10, a 1 basis point (bp) reduction from February 10. Over the same period, the 1-Year Treasury closed at 3.56%, a 16 bp increase, and the 30-Year Treasury remained unchanged at 4.78%. Meanwhile, the Municipal Market Index (MMD) flattened somewhat. The 10-Year MMD closed at 2.71% on March 10, 14 bp higher than the February 10 reading. The one-Year MMD increased 4 bp to 2.12% since February 10, while the 30-Year MMD decreased 2 bp to 4.29%.

The graph illustrates MMD rates since January 2024. Municipal markets continue to see increased participation from separately managed accounts (SMAs) and exchange-traded funds (ETFs) as investors seek investment vehicles that offer greater customization, transparency, and cost efficiency. This increased interest from SMAs and ETFs has led to favorable dynamics for issuers, particularly on the short end of the yield curve. Municipal mutual funds and ETFs recorded approximately $5.3 billion in net inflows during the four-week period ending March 4, including roughly $1.44 billion of inflows during the last week.

MMD Jan. 2023 - Current



On Monday, March 2, PMA Securities served as municipal advisor to School District of La Crosse, WI on the successful competitive sale of its $30,000,000 Series 2026 General Obligation Promissory Notes, issued to fund school construction and improvement projects. The District's strong AA rating resulted in better-than-anticipated results, with a total of 12 competitive bids received from prospective underwriting firms. The winning All Inclusive Cost (AIC) was 3.70%, lower than the 3.91% estimated AIC leading up to the sale.

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If you have any questions regarding the bond market or your specific bond issue, please do not hesitate to contact an advisor below.

PMA is dedicated to staying up to date on market trends and will be ready to guide you through a dynamic and evolving market. If you have any questions about the municipal bond market in general or your specific bond issue, please feel free to contact a PMA advisor below.

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