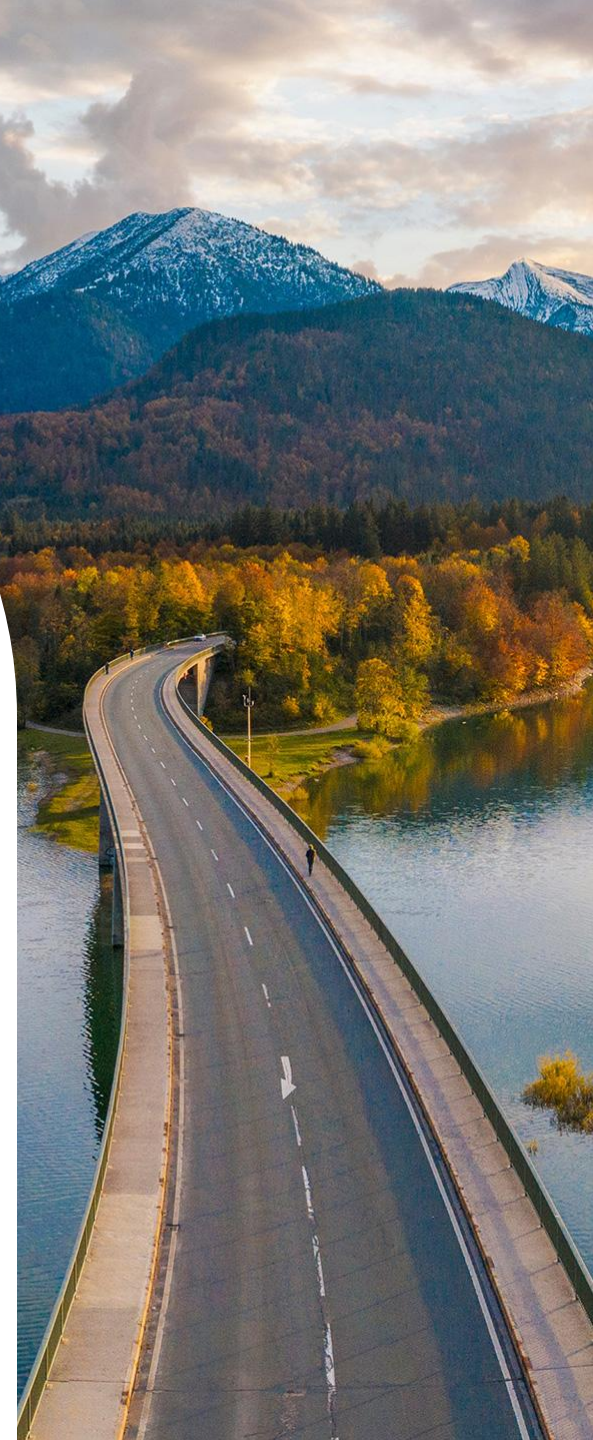




FRANKLIN
TEMPLETON

Muni Market Watch

March 31, 2026



Technicals



Municipal market **supply conditions remain favorable** as demand came under pressure as volatility increased during the month and supply remained strong.

Fundamentals



Muni fundamentals remain resilient as default expectations remain low. However, slower economic growth will constrain revenue expansion across many sectors, in particular tax revenues.

Valuations

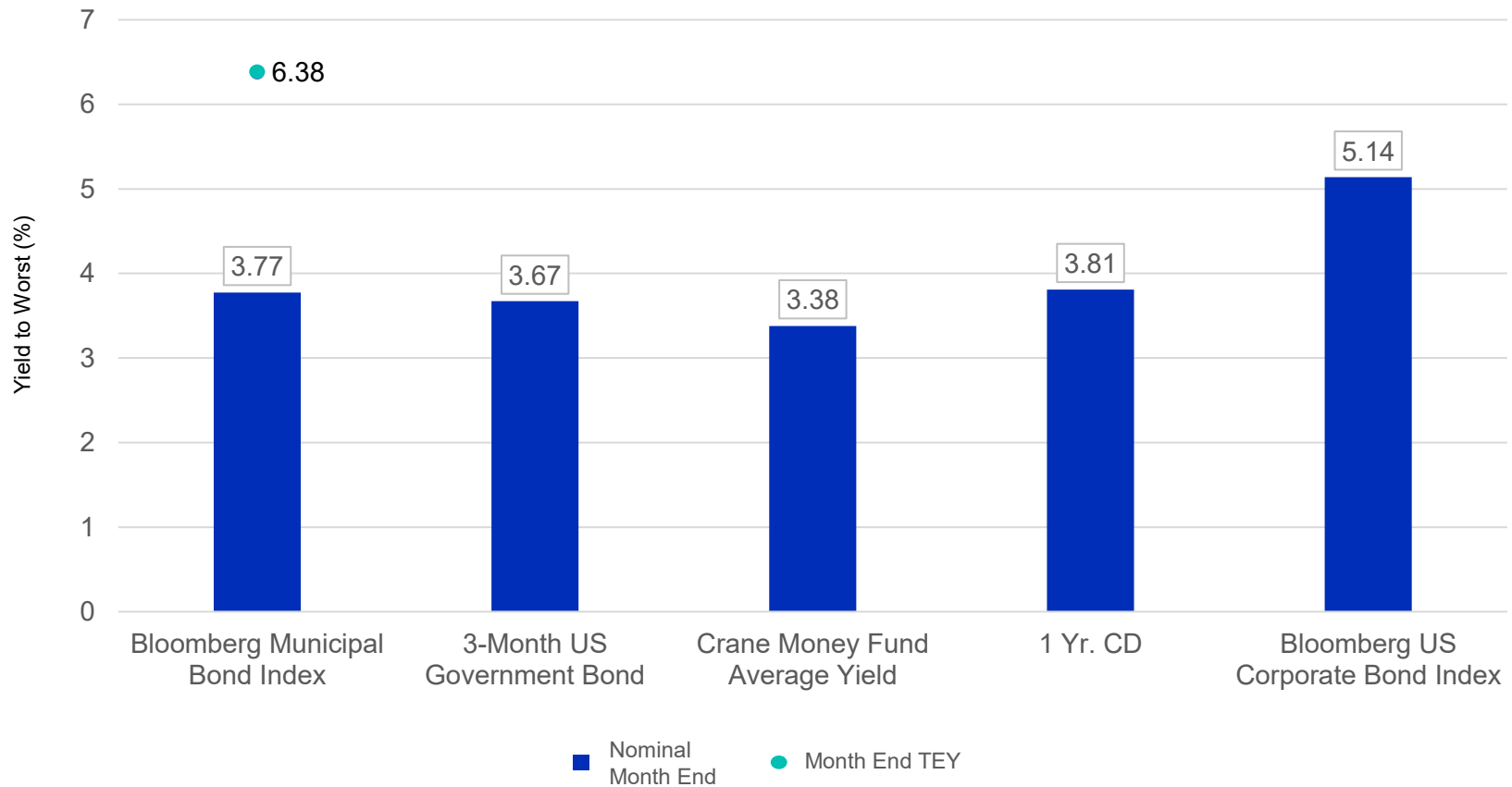


Valuations are still attractive relative to most other fixed income sectors.

Taxable equivalent yield spread over taxable bond offerings

Municipal Taxable Equivalent Yield (TEY) vs. Taxable Alternatives

3/31/2026

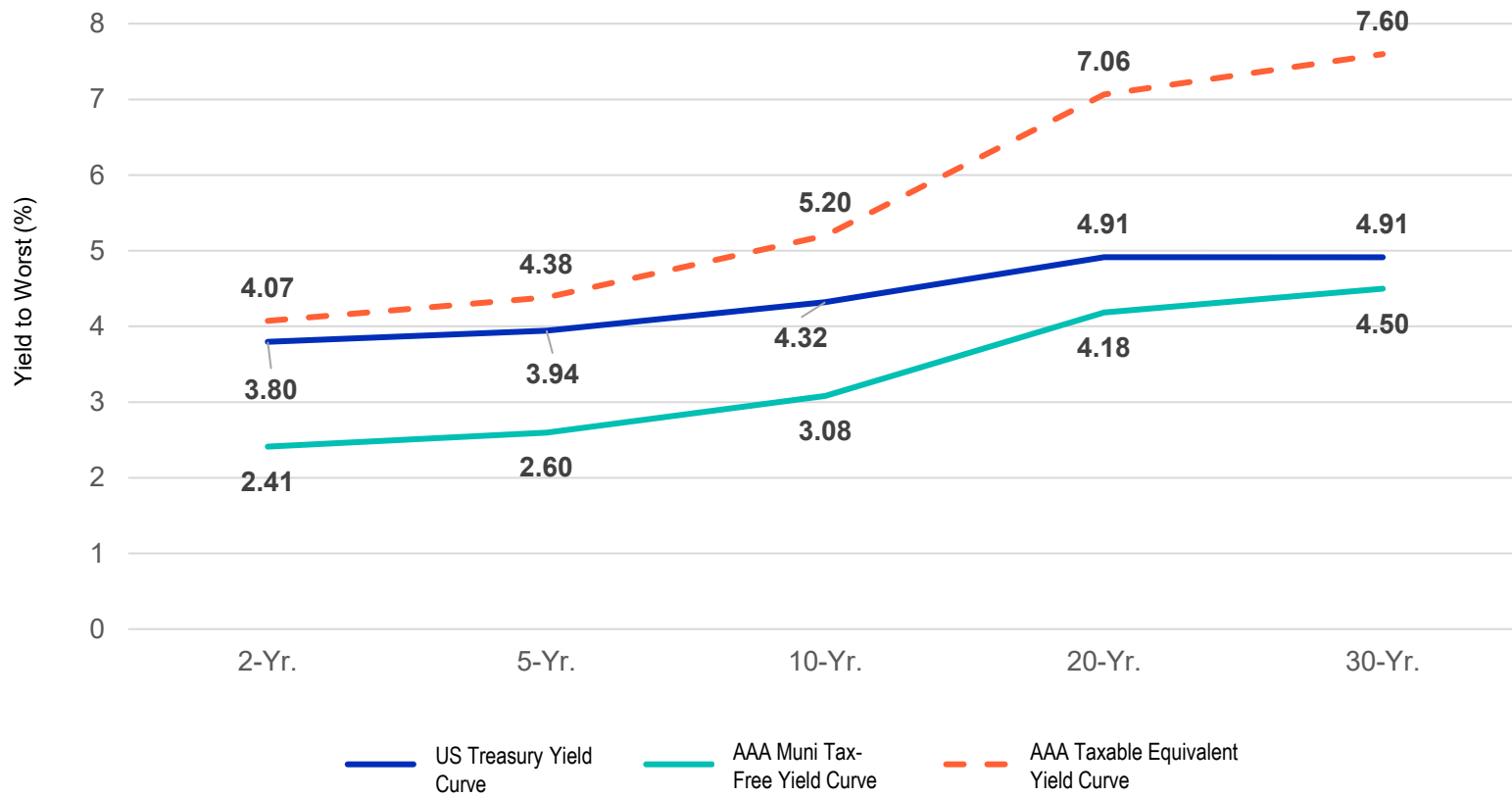


Source: Bloomberg as of 3/31/2026.

Taking a long-term view

AAA Muni Curve vs. US Treasury Curve vs. AAA Muni Taxable Equivalent Yields

3/31/2026

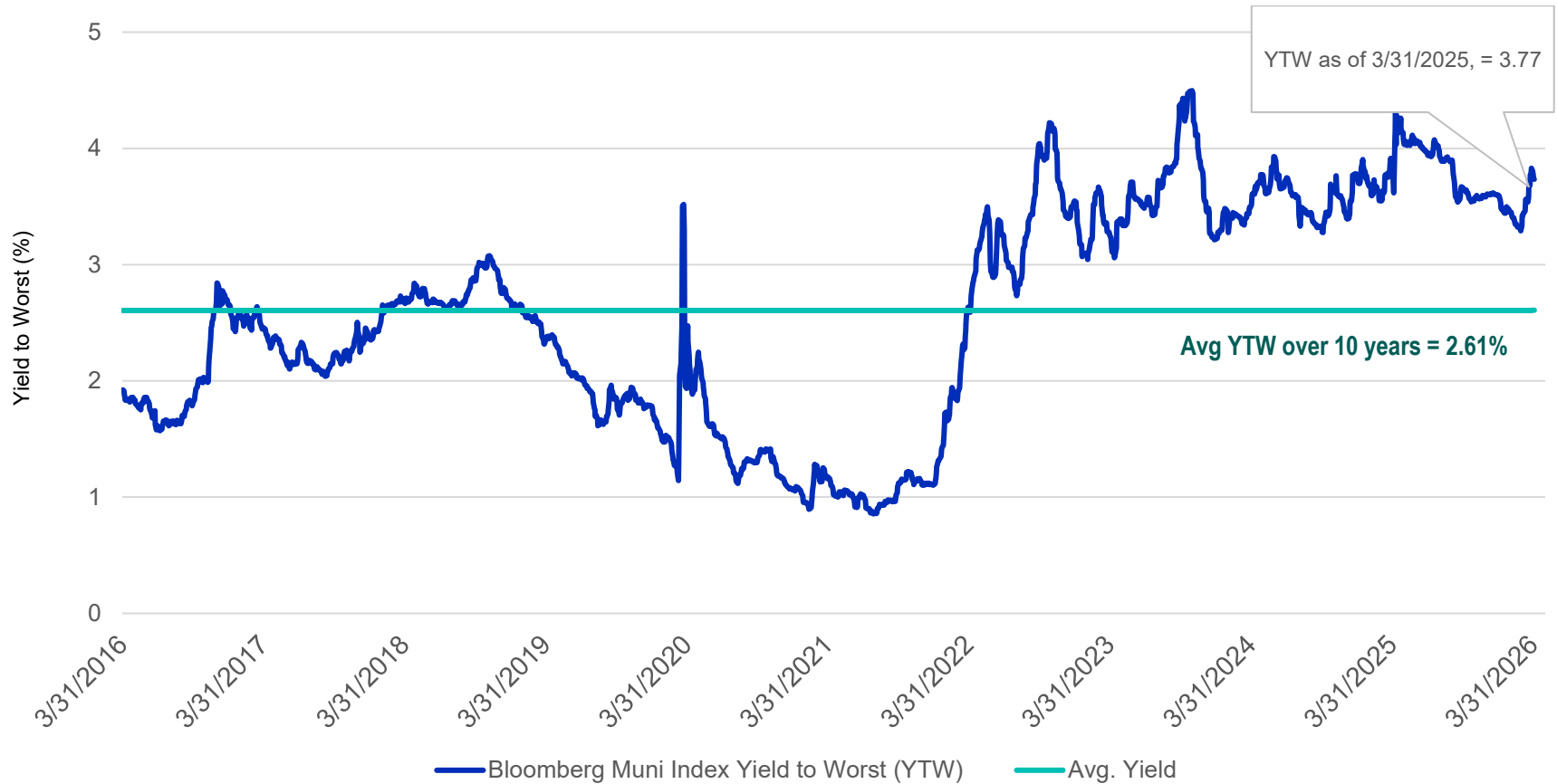


Source: Bloomberg as of 3/31/2026.

Yields are attractive relative to historical averages

Bloomberg Municipal Index Historical Yield

3/31/2026

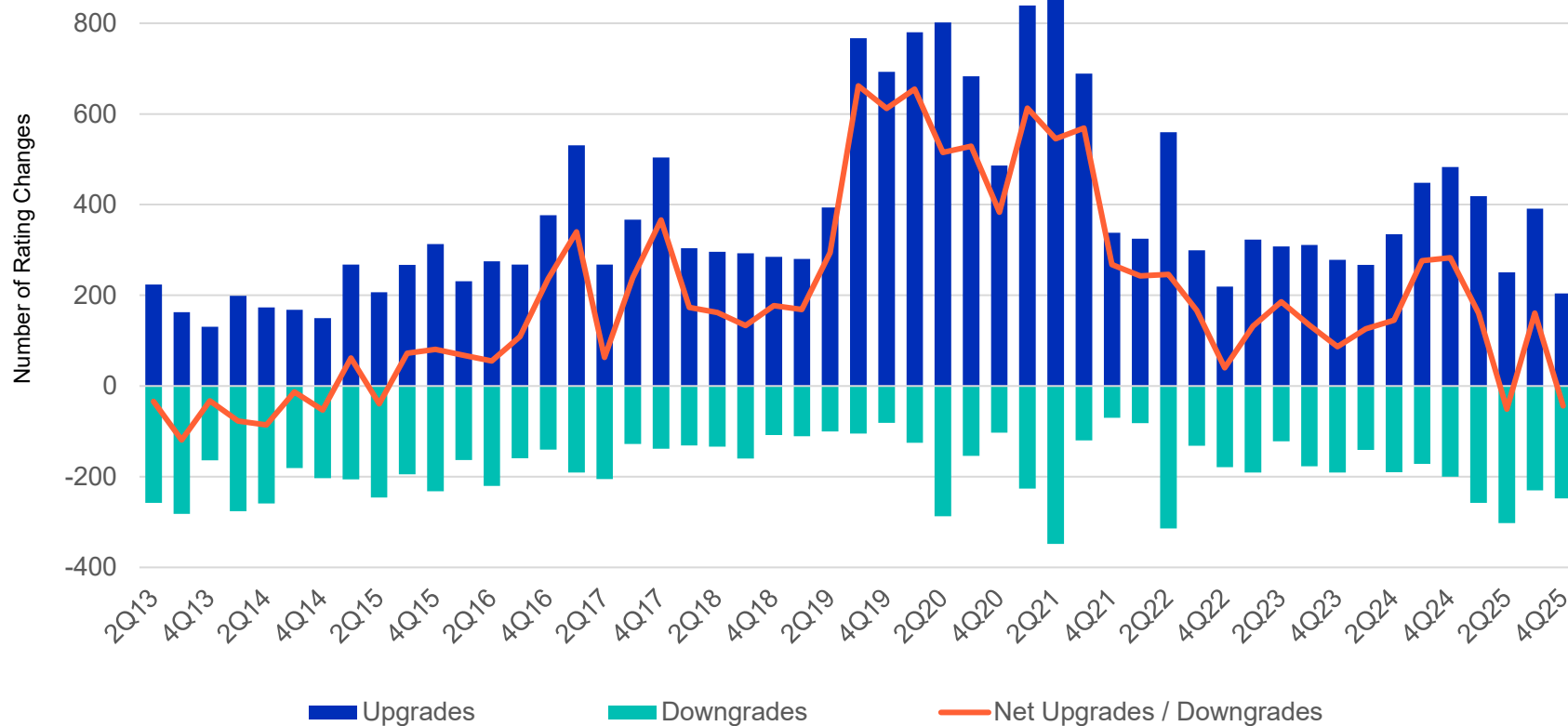


Source: Bloomberg as of 3/31/2026.

Seeing past the headline risk: Fundamentals remain strong

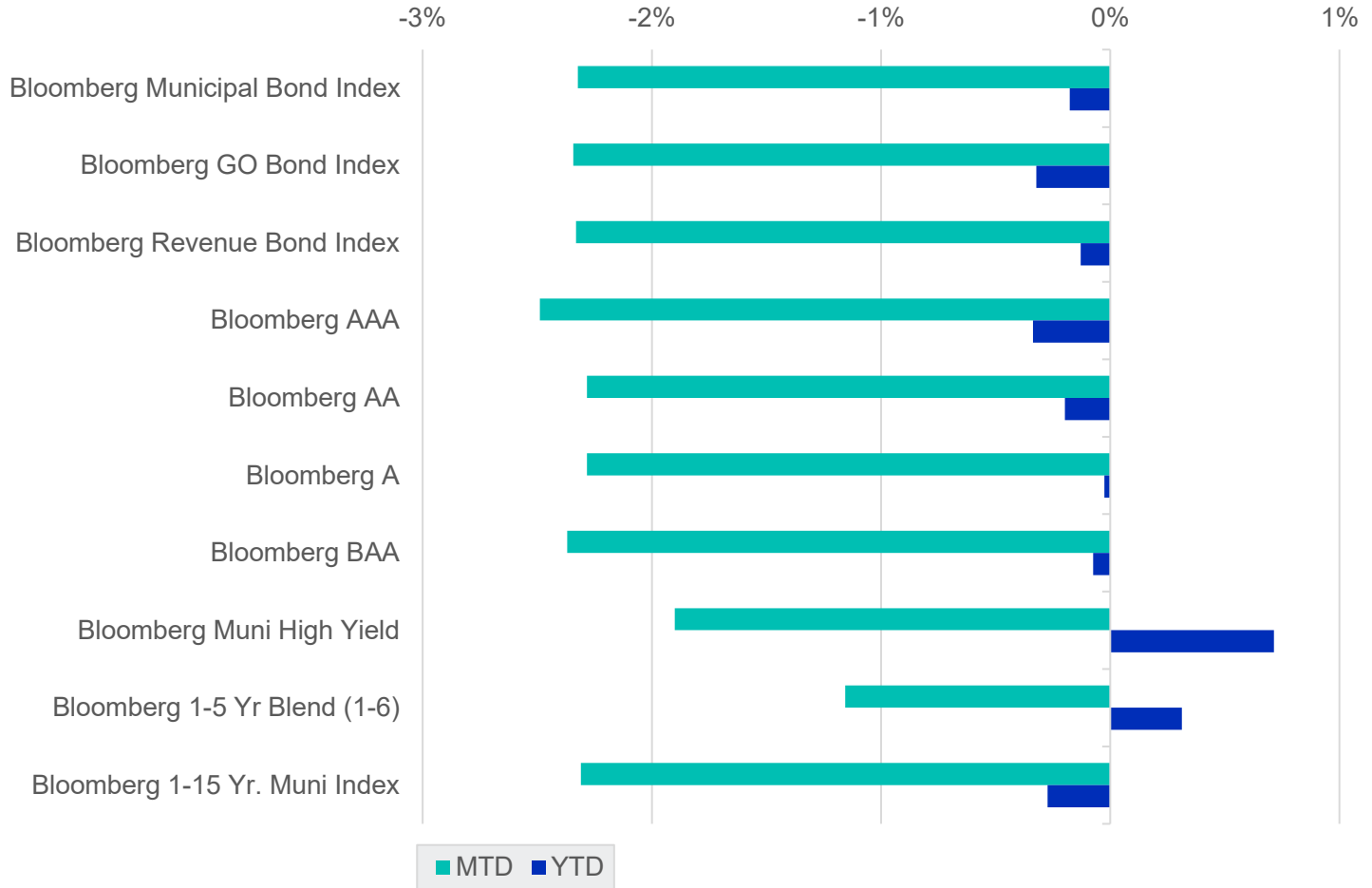
Moody's and S&P Ratings Upgrades vs. Downgrades

12/31/2025



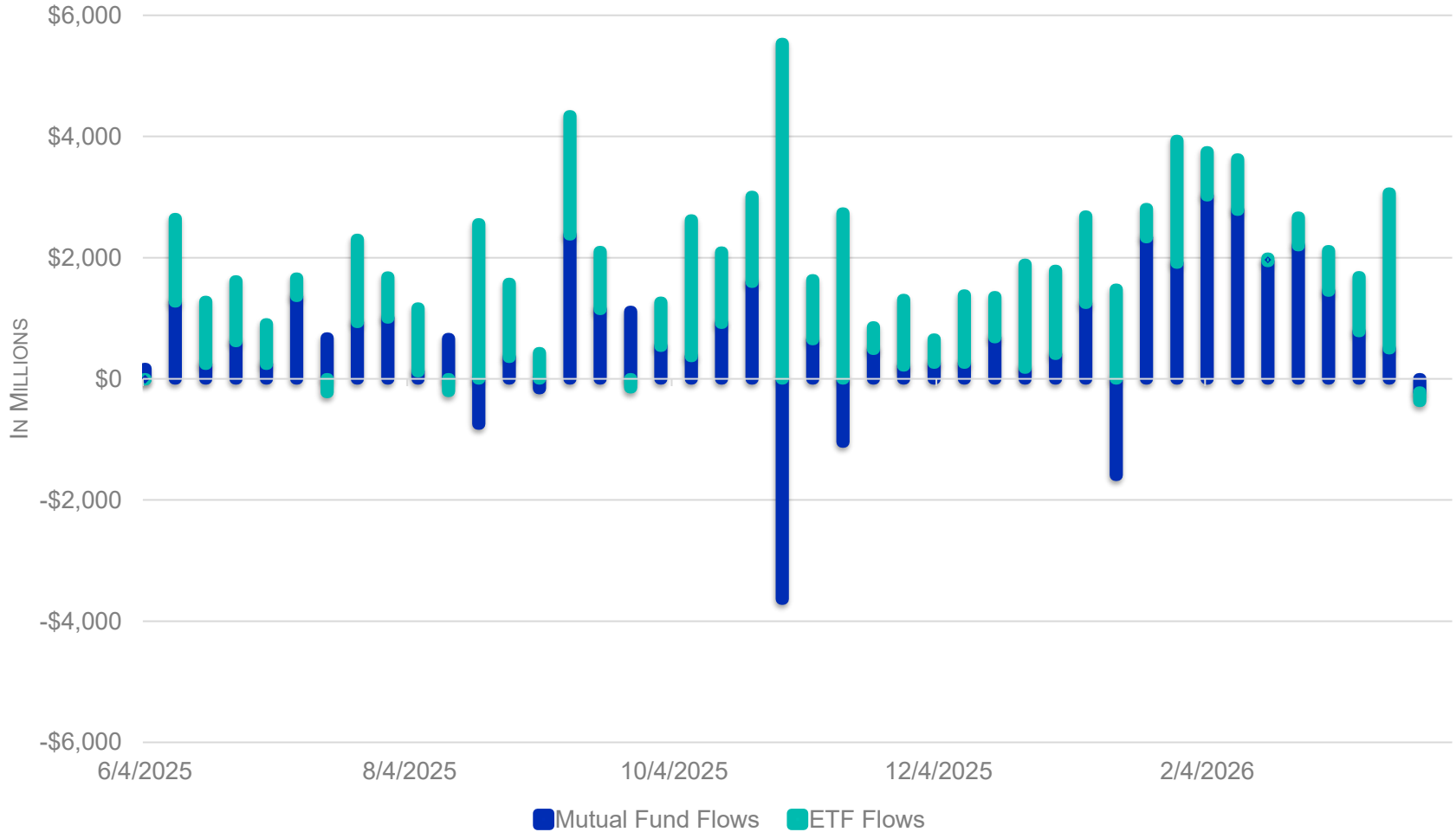
Sources: S&P and Moody's as of 12/31/2025.

Index returns



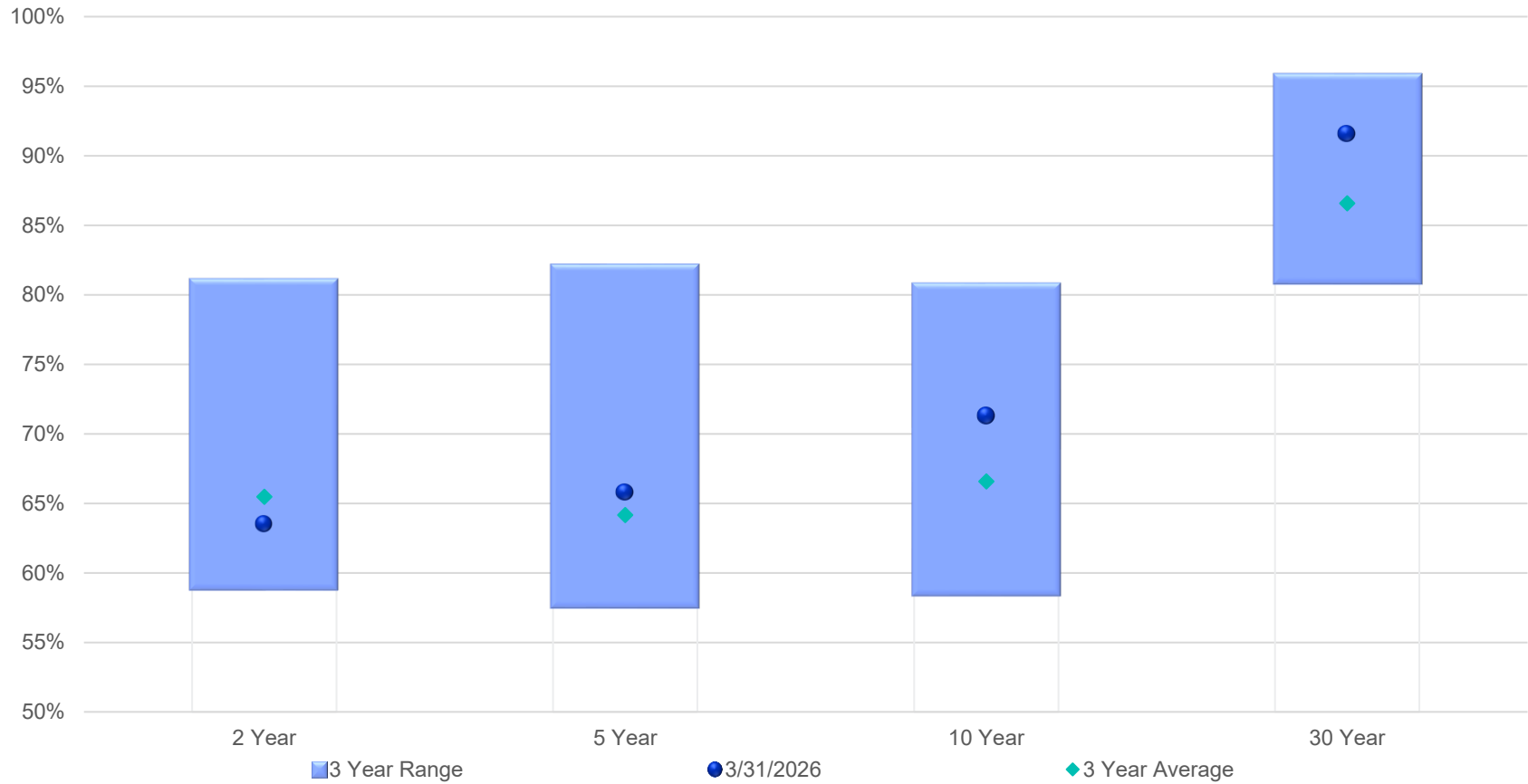
Source: Bloomberg as of 3/31/2026.

Muni ETF and mutual fund weekly flows (ICI)



Source: Bloomberg as of 3/31/2026.

Municipal to US Treasury ratios



Source: Bloomberg as of 3/31/2026.

Municipal bond ETF launches

Active vs. passive



Active ETF Launches by Category	YTD 2026	2025	2024
US Fund High Yield Muni		5	2
US Fund Muni California Intermediate			2
US Fund Muni California Long			1
US Fund Muni National Intermediate		7	7
US Fund Muni National Short		3	3
US Fund Muni New York Intermediate			1
US Fund Muni New York Long		2	1
US Fund Muni Target Maturity		5	5
US Fund Massachusetts		1	
US Fund Muni National Long	1		
Grand Total	1	23	22

Passive ETF Launches by Category	YTD 2026	2025	2024
US Fund High Yield Muni	1		
US Fund Muni California Intermediate			1
US Fund Muni California Long		3	
US Fund Muni National Intermediate		2	1
US Fund Muni National Short		1	
US Fund Muni New York Intermediate		1	
US Fund Muni New York Long			
US Fund Muni Target Maturity	2	2	2
US Fund Massachusetts			
Grand Total	3	8	4

Source: Morningstar. Data as of 3/31/2026.

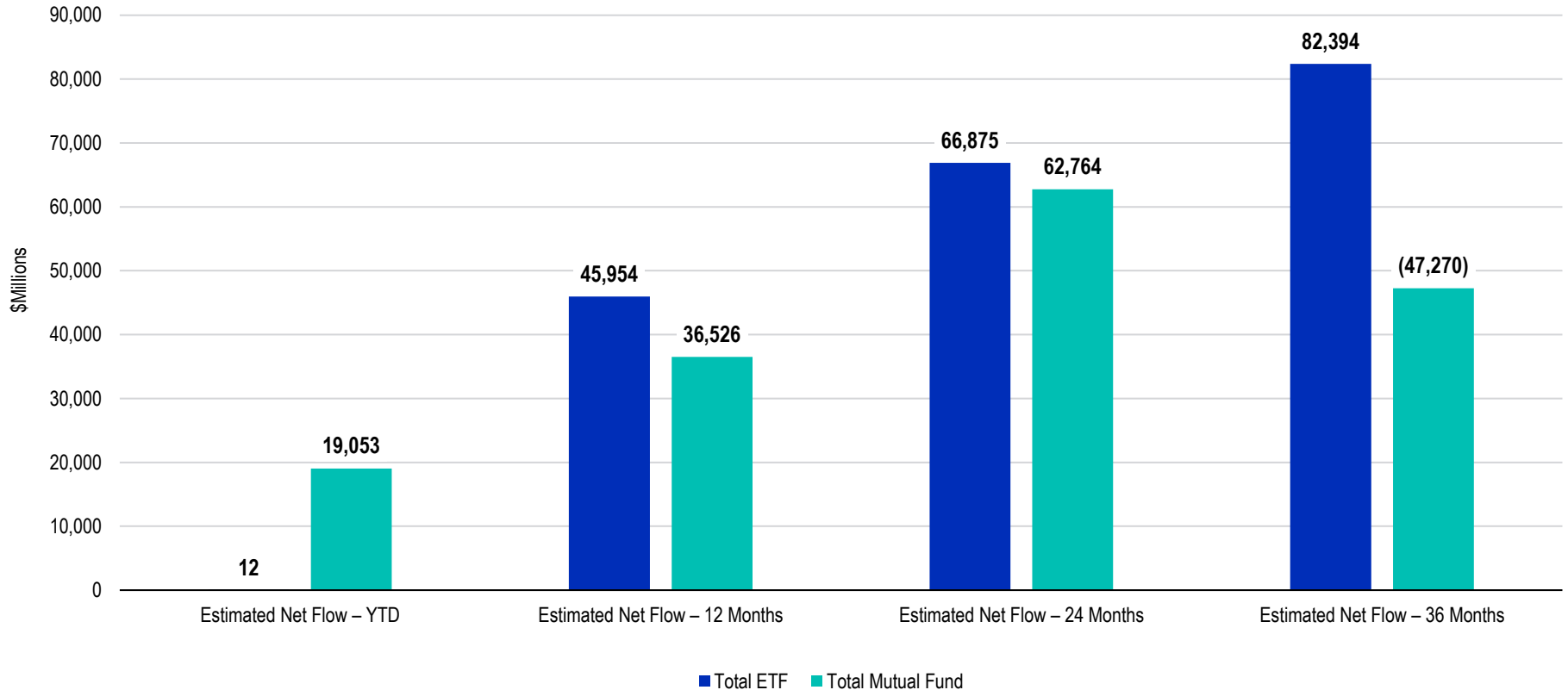
Municipal bond open-ended fund flows

ETFs vs. mutual funds



Net Flows

3/31/2026



Source: Morningstar.

WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal. Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Liquidity risk** exists when securities or other investments become more difficult to sell, or are unable to be sold, at the price at which they have been valued. **Active management** does not ensure gains or protect against market declines. Portfolios focused on a **single state** are subject to greater risk of adverse economic and regulatory changes than a geographically diversified portfolio.

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below their net asset value. Brokerage commissions and ETF expenses will reduce returns. ETF shares may be bought or sold throughout the day at their market price, not their Net Asset Value (NAV), on the exchange on which they are listed. Shares of ETFs are tradable on secondary markets and may trade either at a premium or a discount to their NAV on the secondary market. Retail investors buy and sell shares of ETFs at market price (not NAV) in the secondary market throughout the trading day. These shares are not individually available for purchase or redemption directly from the ETF.

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