

U.S. Municipal Bond Market

Municipal Market Holds Steady as Economic Crosscurrents Intensify

- Macro-economic uncertainty persists, yet municipals remained stable. Economic turbulence continued with labor market stress, weak consumer sentiment, and a government shutdown that could end this week. The Fed has signaled a December rate cut is uncertain, though softening data may revive expectations.
- The municipal bond “moment” we highlighted in October is still intact. **Attractive municipal yields remain available, and investor demand is strong.** More than \$12.5 billion has flowed into municipal mutual funds since late summer, including \$1.3 billion last week. With supply expected to tighten after mid-November, individual investors may find it increasingly challenging to secure bonds.
- Trade policy uncertainty continues to weigh on the broader economy. The ISM manufacturing index fell again in October, and the **Trade Policy Uncertainty Index remains elevated**, reflecting persistent concerns that could influence investor behavior heading into year-end.
- New York City voters **elected Zohran Mamdani as mayor**, signaling a potential ideological shift toward progressive policies focused on affordability and equity. His administration will face immediate challenges balancing fiscal stability with rapid technological change.

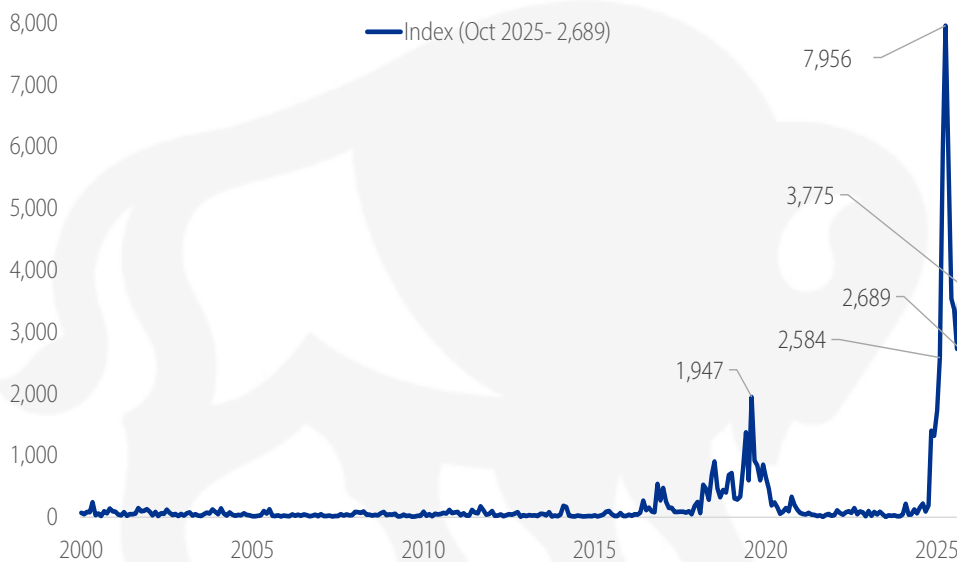
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Rising, Falling or Neutral

Some months pass quietly. Others bring waves of volatility that shake investor confidence. And then there are moments like now—when headlines and some of the alternative data releases scream uncertainty, yet municipal yields barely budge.

Trade Policy Uncertainty Remains Elevated in November



Source: Scott Baker, Nick Bloom, Stephen Davis and HilltopSecurities.

Last week delivered an avalanche of news: major technology stocks stumbled, consumer confidence collapsed, and layoffs hit their highest October level in 22 years. Yet municipal yields held firm. The Bloomberg Municipal Bond Index has hovered between 3.54% and 3.57% since mid-October. That's remarkable stability.

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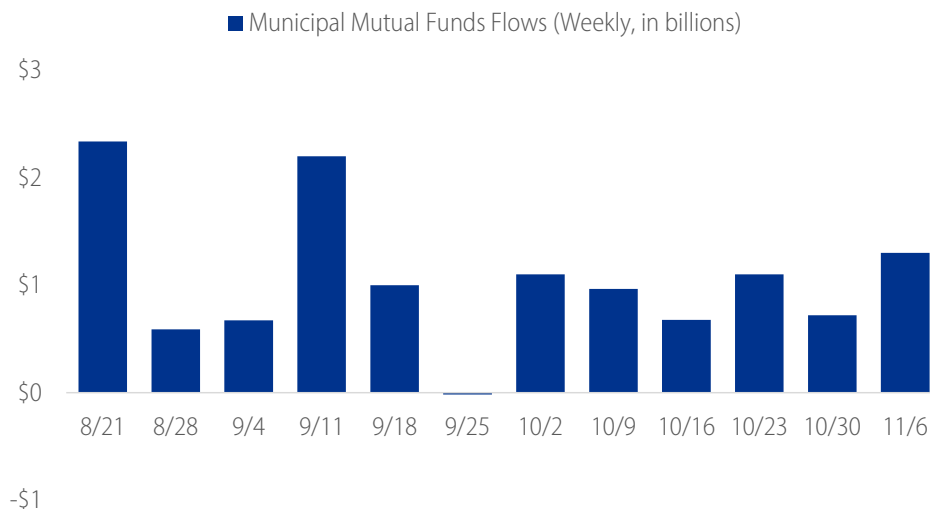
Why the disconnect? Partly because the Bureau of Labor Statistics remains dark during the record-long government shutdown. Without official jobs data, markets lean on private reports. ADP showed +42,000 jobs in October, but Challenger reported 153,000 cuts—the biggest October reduction in two decades, led by tech and retail as companies accelerate AI-driven restructuring. Consumer sentiment plunged to its second-lowest reading ever. **These are not small signals.**

Meanwhile, let's not forget Federal Reserve Chair Jerome Powell reminded investors that another rate cut in December is "not a foregone conclusion." Odds slipped to about a coin flip. Still, with some macro-economic data deteriorating and sentiment collapsing, we expect the market could revive its rate-cut expectations before year-end.

For municipal investors, the takeaway is clear: the municipal market remains stable and **attractive yields are still available**. We have been sharing this message consistently since late summer (longer actually), and investors seem to have responded. More than \$12.5 billion has flowed into municipal mutual funds during that period, including \$1.3 billion last week, according to Lipper data. After a surge in primary market issuance in early November following heavy October supply, we expect issuance to ease after mid-month. That could make bonds harder to find for individual investors as strong demand continues.

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Municipal Bond Demand Remains Very Strong



Source: Lipper and HilltopSecurities.

And then there's **trade policy uncertainty**—a shadow that continues to loom large. The Institute for Supply Management's manufacturing index fell to 48.7 in October from 49.1 in September, signaling contraction when economists expected improvement.

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Feedback from a chemical products participant summed up the status, per Morningstar: “Business continues to remain difficult, as customers are canceling and reducing orders due to uncertainty in the global economic environment and regarding the ever-changing tariff landscape.” The Trade Policy Uncertainty Index, which skyrocketed in the spring, remains highly elevated. It’s a stark reminder that even as municipalities offer stability, the broader economy is wrestling with unpredictable forces that could shape sentiment in the weeks ahead.

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Bottom line for municipal bond investors: Don’t wait for perfect clarity. While other markets wrestle with volatility and uncertainty, municipalities continue to offer a rare kind of stability. We emphasized this same point in our October 20th commentary, [Preserve Wealth, Capture Yield with Municipal Bonds as Concern Mounts](#). That message hasn’t changed—and it’s even more relevant today. This is a moment to lean in, not sit out.

NYC Mayor-Elect Says, “I Will Not Change”

Zohran Mamdani’s election as New York City’s mayor potentially marks a generational and ideological shift in the city’s leadership. It has yet to be seen if this shift reverberates across the country, or even the Democratic party. The Mayor-Elect’s platform focused on affordability, equity, and expanded public services, including fare-free transit, universal childcare, and rent freezes. With a background in community organizing and briefly in state politics, Mamdani built a coalition around working-class priorities and progressive reform. His win may reflect growing support for leaders who challenge traditional fiscal models and offer new approaches to urban governance, but again, this also could be one point in time that included extenuating circumstances in New York City.

For municipal investors and public finance professionals, Mamdani’s tenure will be a key test of how progressive policy and financial stability can coexist in a rapidly changing environment with technological change occurring at a fierce pace.

Artificial intelligence advances add another layer to Mamdani’s challenge. In our article [Mayor-Elect Mamdani at the AI Crossroads Navigating Between Disruption & Opportunity](#), we wrote that he “faces immediate challenges, including the disruptive rise of generative AI, which could reshape the city’s workforce and economy faster than any transition since the decline of manufacturing jobs.” His administration will need to balance innovation with fiscal responsibility as AI transforms labor markets, infrastructure, and public services. For municipal investors and public finance professionals, Mamdani’s tenure will be **a key test of how progressive policy and financial stability can coexist** in a rapidly changing environment with technological change occurring at a fierce pace.

Federal Shutdown Nears an End

After 40 days, the longest government shutdown in U.S. history may finally be nearing its conclusion. [Senate leaders](#) announced Sunday they have enough bipartisan support to advance a short-term funding deal that would reopen the government through January 30 and provide back pay for federal workers. [The White House](#) signaled optimism, but the [House remains a question](#) mark. Some members are pushing for additional provisions, which could delay final passage. If the deal clears both chambers, markets will welcome the return of official economic data and reduced uncertainty heading into year-end.

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Recent HilltopSecurities Municipal Commentary

- [Mayor-Elect Mamdani at the AI Crossroads Navigating Between Disruption & Opportunity](#), November 5, 2025
- [AI is Racing Ahead and Energy Infrastructure Needs to Catch Up](#), November 5, 2025
- [Municipal Issuance Moves Toward Stability with \\$555 Billion Expected in 2026](#), November 3, 2025
- [No Major Scares for Municipal Investors in October as Momentum Holds](#), October 27, 2025
- [Preserve Wealth, Capture Yield with Municipal Bonds as Concern Mounts](#), October 20, 2025
- [October's Municipal "Moment" Continues to Unfold Amid Market Uncertainty](#), October 15, 2025

Readers may view all of the HilltopSecurities Municipal Commentary [here](#).

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