

U.S. Municipal Bond Market

The Shutdown Ends and the Signal Hunt Begins

- Federal government operations will resume after a record, six-week shutdown, restoring services and initiating a gradual return of delayed economic data. A new funding deadline looms on January 30, 2026.
- Markets should begin to regain visibility as critical indicators begin to reappear, allowing investors to shift from assumption-based strategies to data-driven decisions.
- Municipal bond opportunities persist, with attractive yields and favorable supply-demand dynamics, but investors should remain alert as fresh data may prompt swift market adjustments before year-end.

Tom Kozlik
Head of Public Policy and
Municipal Strategy
214.859.9439
tom.kozlik@hilltopsecurities.com

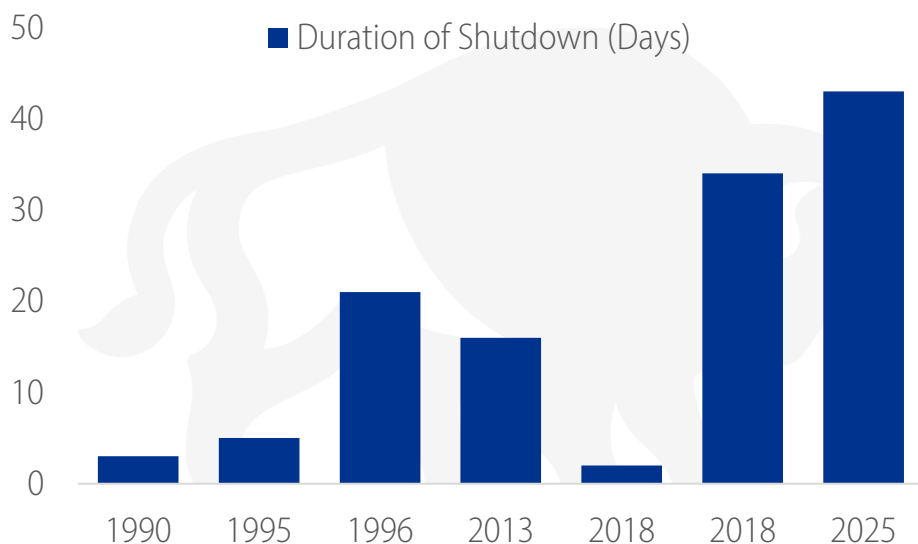
The Federal Government is Back

After six weeks of uncertainty, the federal government is funded and operational again. Congress passed, and the President signed, legislation to reopen the federal government last night. This marks a turning point. National parks, passport offices, and federal programs are resuming, and airport operations should stabilize soon. However, the agreement only extends funding through January 30, 2026, setting up another potential deadline cliff.

For investors, the end of the data blackout carries even greater weight. The absence of key economic indicators, including the September and October jobs reports, left markets without a complete view. Some relied on replacement or private sources like ADP, which reported just 42,000 jobs added in October, but isolated figures offer limited insight into broader economic conditions.

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U.S. Federal Govt. Shutdowns Since 1990



Source: U.S. House and HilltopSecurities.

Now, the catch-up begins. Agencies like the Bureau of Labor Statistics and the Commerce Department will begin clearing the backlog, though data will return gradually. Survey teams must be reassembled, delayed reports completed, and quality assured.

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From Assumptions to Answers

Municipal investors have been operating in “a moment,” we identified at the beginning of last month but this time has been defined by uncertainty. Since early October, yields have remained attractive and range-bound, offering extended opportunity. The municipal bond supply-demand dynamic still favors buyers, but that balance can shift quickly. **The calm we’ve seen could give way to faster changes before year-end. Stay vigilant.**

With official data returning, portfolios can begin to recalibrate using verified numbers. The fog is lifting. While the path ahead isn’t fully clear, visibility is improving. **For municipal investors, this marks a shift from assumption-based planning to data-informed decisions.**

Our core “moment” narrative remains in place, but as new information arrives, we will reassess labor market conditions, growth expectations, and credit trends. Each data release is likely to sharpen our view, allowing investors to move from cautious positioning toward confident, more well-informed decisions for the remainder of 2025.

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