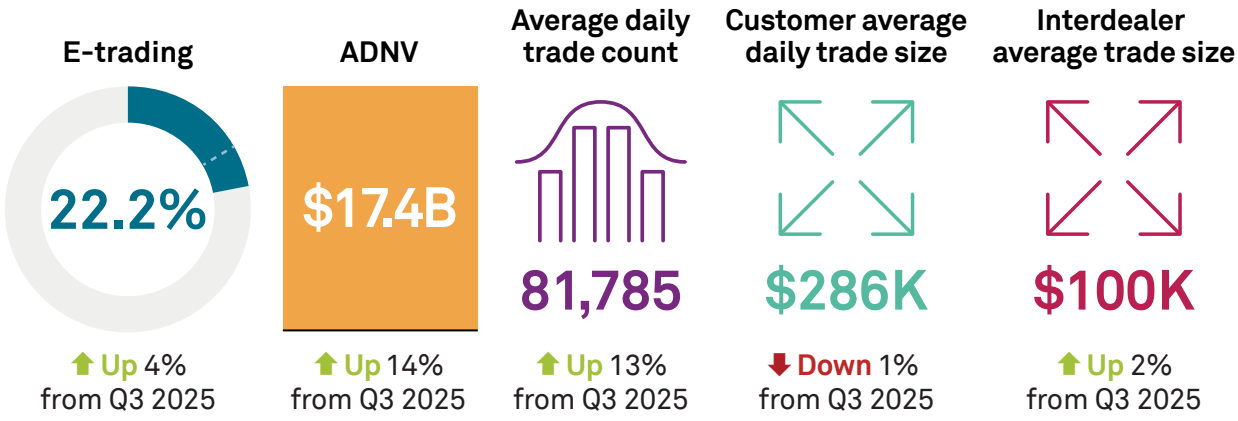
Crisil
Coalition
Greenwich

ETFs and direct-to-dealer links help muni volume surge

Q3 2026 Data Spotlight: Municipal Bond Trading



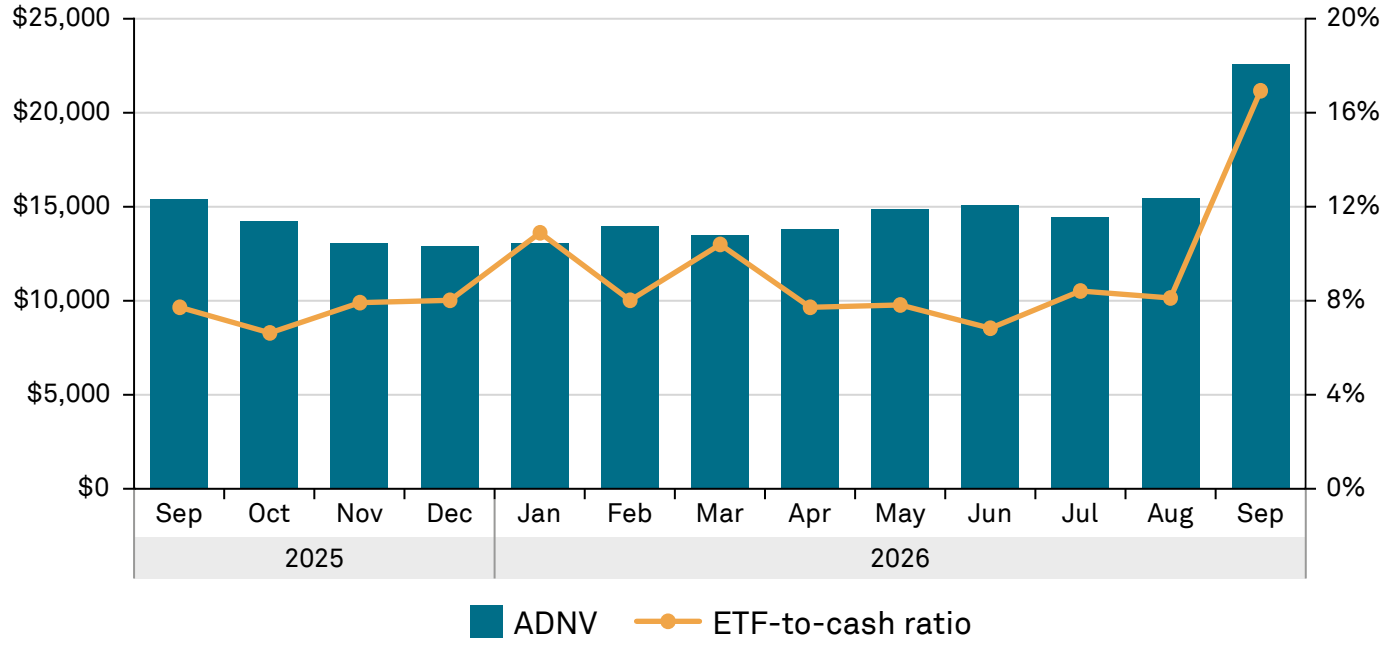
Q3 2026 key metrics



Source: Greenwich MarketView, MarketAxess

Rising interest rates in September drove an explosion in municipal bond trading as investors embraced the tax-loss harvesting opportunity. Munis were sold to lock in the losses for tax purposes with those proceeds then used to buy similar bonds to maintain market exposure. The average daily notional volume (ADNV) in the third quarter was up 14% year over year, and September volumes grew an impressive 46%. The volume jump was so high that we wondered if the data was correct—it was. October's volume was even more impressive, starting off Q4 with a bang.

Municipal bond average daily trading notional volume
$ billions



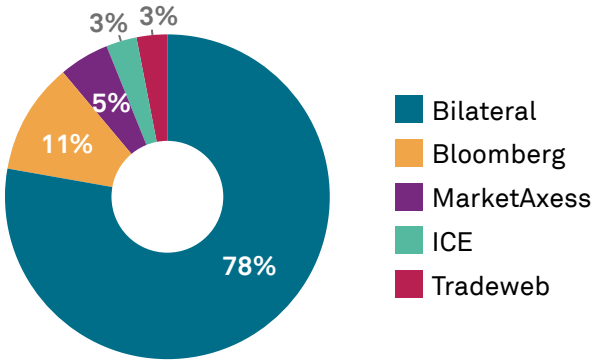
Source: Crisil Coalition Greenwich, Cboe, MSRB

Muni ETFs step up

The role of exchange-traded funds in the market's reaction to higher rates also reached record territory. While the ETF-to-cash ratio, which measures muni ETF notional volume traded relative to volume in the underlying bond market, did not quite hit record territory in Q3, September saw the highest ETF-to-cash ratio ever, at 17%. This eclipsed the previous record of 12.3% set in June of 2022 in the midst of the Fed's now famous rate-hiking cycle. To put this in perspective, the ratio sat just under 2% in 2019. Munis are now closing in on corporate bonds, where the cash-to-futures ratio for investment-grade corporate bonds was 11% in September, while the ratio for high-yield was 38%.

Tax-loss harvesting also played a big role in the ETF activity. Data from Morningstar shows muni mutual fund outflows of $11 billion in September and muni ETF inflows of $14 billion. While the data doesn't definitively prove that the mutual fund outflows went straight into ETFs, it doesn't take much of a leap to understand why investors would want to use the opportunity to sell mutual funds and move into lower-cost ETFs. Add that dynamic to the ETF/bond arbitrage trade, create-redeem process and investor demand for muni ETFs in general, and the strengthening link between ETFs and bonds is clear—a link that did great things for corporate bond liquidity.

Municipal bond trading volume by venue
Q3 2026



Note: Volumes include all electronic channels on each platform. Voice-processed trades are not included. Bilateral includes trades executed via voice, chat and direct-to-client streaming prices.
Source: Crisil Coalition Greenwich

Electronic trading

Electronic-trading solutions supported and made possible the massive risk transfer of September and October. E-trading hit another record in Q3 of 22.2%, up from 18.4% in Q3 2025. E-trading handled 23% of September's volume, an all-time high, with all four major trading venues hitting their own records that month. Bloomberg's focus on institutional clients and its wide range of protocols saw its overall share top 50% of e-trading (and 11% of total volume), with institutional clients generally executing larger trades that quickly impact notional-weighted market share calculations. The big retail presence in the muni market (and the tax-loss harvesting trade) also drove heavy turnover at ICE and Tradeweb, where trade counts are high and trade sizes smaller.

The growth in e-trading coupled with the pending consolidation of ICE and MarketAxess paints the picture of a market ripe for increased competition. While the existing platforms and startups like OpenYield compete fiercely with one another for liquidity, eyeballs and automated market makers, the 78% of the market traded bilaterally is where the biggest growth opportunity resides.

Streaming prices

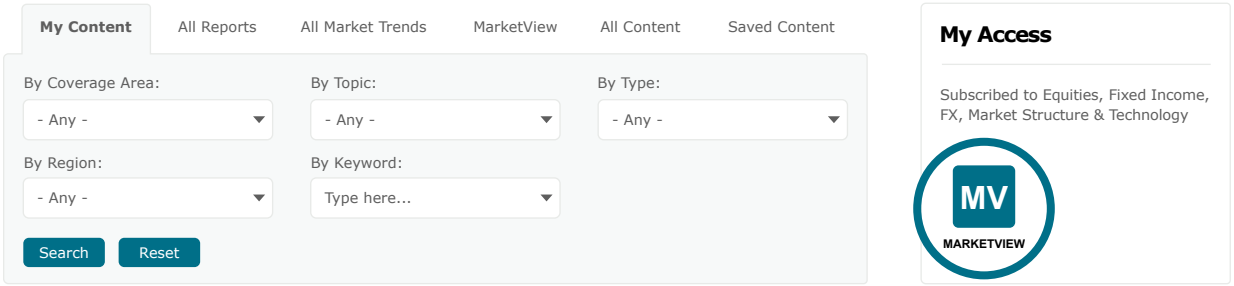
Dealers sending continuous bond prices directly to clients who can then click to trade is an increasingly large segment. While pinning exact volume numbers down is still difficult, it is possible another 5% or more of volume is executed through these channels. Some of this is directly between a dealer's pricing engine and a client's execution management system. More use the plumbing of muni-specific trading solutions such as Investortool's Perform platform.

The rest of the market is traded via phone calls and electronic messaging. It is always important to remember that the municipal bond market is a regional market by definition. That means that regional dealers have relationships with regional issuers, both of whom look to investors in the same region who either understand what they're investing in, need to focus within their own state for tax purposes or both. Electronifying that flow is complex. Even those smaller, local transactions can be done more efficiently through today's order-matching technology. But not everyone wants an easier method if they feel it works fine enough as is (and pays the bills). Nevertheless, it was only 30 years ago that many thought stock couldn't trade without a centralized trading floor—and here we are.

Market Structure & Technology Head of Research Kevin McPartland and Neha Jain are coauthors of this report.

The data underlying this analysis, which includes but is not limited to e-trading levels, platform market share and total market volumes, is available to subscribers of Greenwich MarketView. MarketView provides continuous access to these metrics, updated at least monthly, based on the frequency of the source data. Please e-mail kevin.mcpartland@crisil.com to learn more.

Where to Access MarketView



METHODOLOGY

Crisil Coalition Greenwich continuously gathers data and insights from municipal bond market participants, including market makers, primary dealers and trading platforms. The data, once aggregated, normalized and enhanced, is analyzed by our market structure research team, who identify the key trends of trading in the muni markets, with a focus on muni bond electronic trading and trading platform market share.

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., a company of S&P Global. ©2026 Crisil Ltd. All rights reserved.

26-C4023

Crisil
a company of S&P Global