

Muni Bond Market Structure 2025: The Dealer View

December 5, 2024

Executive Summary:



The U.S. fixed-income market has seen renewed excitement and an increase in interest in the past two years, following aggressive interest rate hikes by the Federal Reserve. Retail and institutional investors alike enjoyed yields of 5% or more with very limited credit risk. Municipal bonds (munis) were an important part of that opportunity, with dealers willing and able to provide the liquidity the market needed while municipalities delivered the bonds investors wanted to buy. Supply of and demand for munis remained strong throughout 2024, with issuance up nearly 40% year over year¹ (YTD October) and average daily trading volumes reaching just over \$13 billion,² 15% above pre-pandemic levels in 2019.

As the muni market grows, changes in market structure are presenting challenges to a dealer community that is simultaneously striving to keep customer service high and improve efficiency in order to maximize the market opportunity. Electronic trading now accounts for 18% of market volume, muni ETFs are growing as both an investing and a trading vehicle, and nonbank liquidity providers are bringing new strategies and technology to the market, encouraging dealers to put even more focus on their digital transformation.

Coalition Greenwich data estimates that muni broker-dealers will generate \$3.5 billion in revenue in 2024, up 4% from 2023. Expectations for continued retail demand and issuance increases in 2025 coupled with the market's natural evolution are driving long-overdue technology adoption in one of America's most important markets.

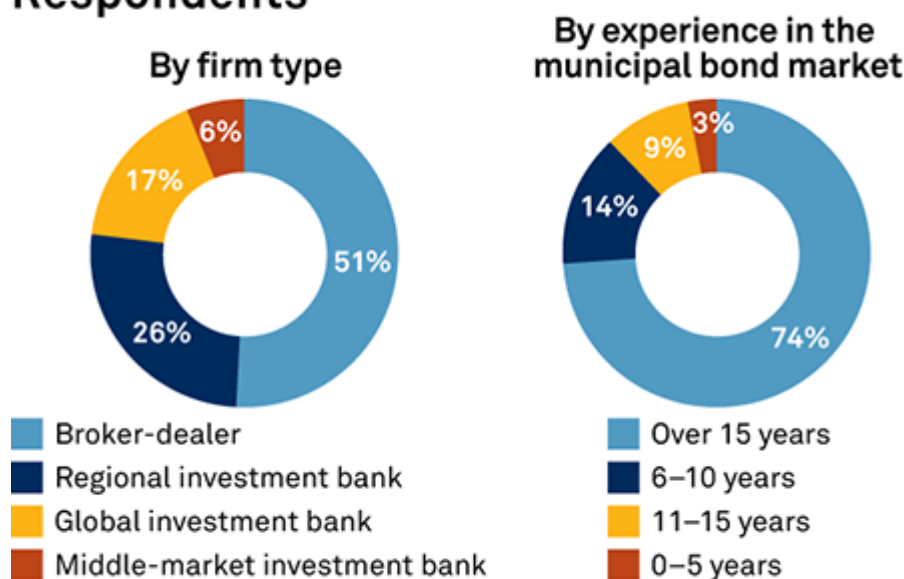
Based on responses gathered from 35 sell-side muni bond traders in October 2024, this research examines the impact of market structure changes, client needs and sell-side priorities to provide insight into where the municipal bond market is headed next.

Methodology:

In October 2024, Coalition Greenwich gathered insights about municipal bond market structure from 35 sell-side muni bond traders based in the U.S. The topics covered included electronic trading, liquidity and the

impact of regulations.

Respondents



Note: Based on 35 respondents. Firm type was self-identified by study participants.
Source: Coalition Greenwich 2024 Municipal Bond Dealer Study



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