

NOVEMBER 2025

APA MARKET COMMENTARY: NOVEMBER 2025

Taxable-equivalent muni yields continue to stand out, exceeding most global bond yields and presenting a compelling opportunity for investors to capture higher income in their portfolios.

APA's modified barbell approach, with a focus on the secondary market, balances short-end liquidity with longer-maturity yield pickup and positions portfolios to capture excess yield and spread while managing risk.

Credit headlines and record issuance projections for 2026 (potentially \$600B+) underscore the importance of ongoing credit surveillance and active management to provide investors with excess yield opportunities and strong position liquidity.

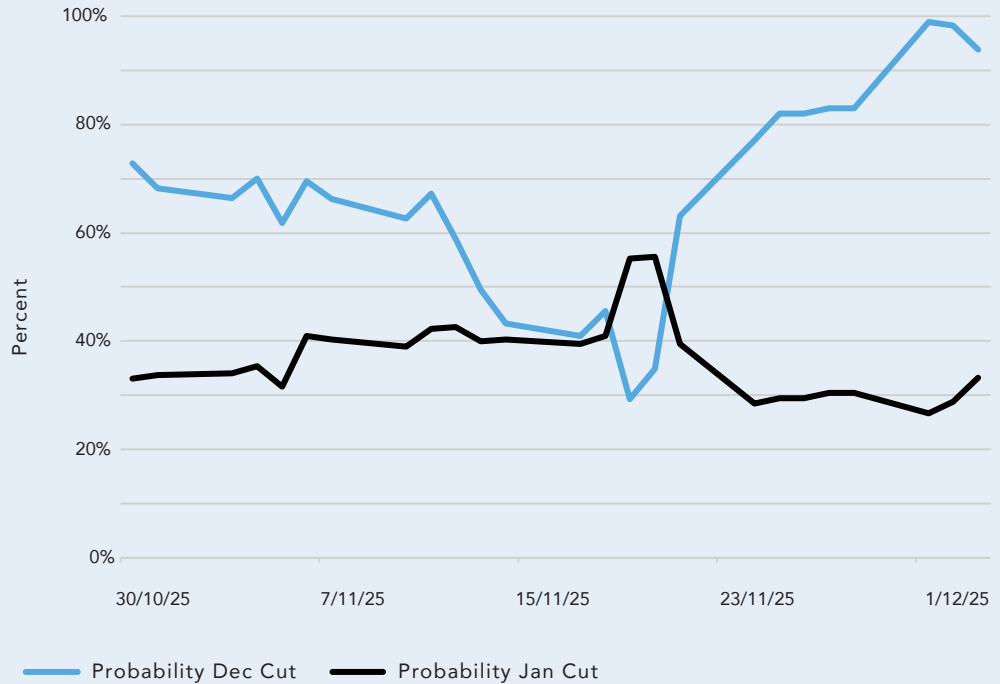
APA takes a proactive approach to tax loss harvesting throughout the year. As 2025 closes, we invite advisors to connect with us if their clients would benefit from reviewing realized gains/losses and identifying remaining opportunities.

A NOVEMBER DATA DROUGHT MEETS SHIFTING FED EXPECTATIONS

- The month was marked by uncertainty as the 43-day government shutdown that began in October stretched well into November, delaying key economic data.
- The September Jobs Report, released mid-month, showed payroll gains but a higher unemployment rate. Meanwhile, the delayed CPI report showed September inflation at a lower-than-expected 3.0% annual rate.

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SWINGING PROBABILITY OF FED 25BP CUT



Source:
Bloomberg
[December 2025]

- Market expectations for the Fed swung significantly throughout November. Markets started the month pricing a December rate cut at nearly 70%, but probabilities fell sharply just below 30% as delayed data trickled in. By the end of the month, the probability of a 25bp rate cut swiftly reversed to near 100% odds.

TAX-EXEMPTS HOLD FIRM

- The muni market recorded its fourth straight month of positive returns in November with the Bloomberg Muni index posting a 0.2% total return, bringing YTD performance to 4.2%.
- With mostly flat performance this month, taxable-equivalent muni yields remain strong, higher than 88% of global bond yields, presenting opportunities for investors to capture higher yields.



Munis notch a fourth straight month of gains, pushing YTD returns to 4.2%.

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MUNIS
TEY
=
6.03%

**TAX
EQUIVALENT
YIELDS OF
MUNIS:
HIGHER
THAN 88%
OF BONDS**



Source:
Apollo & Bloomberg
[November 2025]

SUPPLY SLOWS APPROACHING YEAR-END, STILL PUTS 2025 OVER RECORD

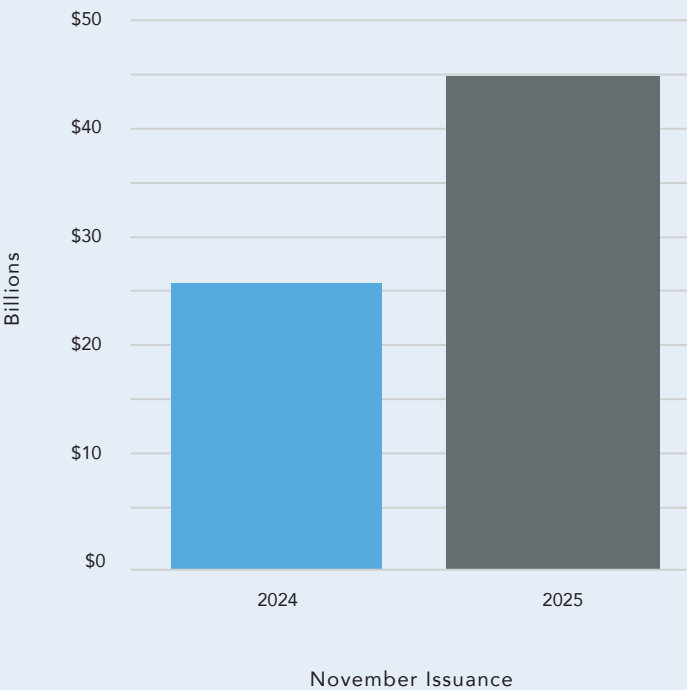
- 2025 is on track for a record \$555–\$565B, driven by new money needs and elevated project costs.
- November issuance settled near \$45 billion, lighter than April–September’s \$49B+ pace but still above historical averages and enough to push total 2025 supply past 2024’s record annual volume.
- Looking ahead, despite a heavy new issue calendar at the start of December, we expect primary market supply to slow in the latter half of the month and potentially come in below roughly \$30B of bonds maturing and being called during this period. Forward-looking supply numbers for December remain net-negative at approximately \$18B, a level historically associated with +0.6% average December returns. We believe that this slowdown in late-month issuance, combined with elevated reinvestment flows, should support munis into year-end.

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Net-negative December supply and reinvestment flows set the stage for muni strength into year-end.

NOVEMBER
ISSUANCE:
2025
OUTPACES
2024 BY
OVER \$18B



Source:
Bloomberg
[December 2025]

CREDIT RISKS RISE: QUALITY BIAS CRITICAL

- While overall cash reserves remain favorable, broader credit softening metrics have emerged as state rainy-day reserves declined from a median of 53.2 to 46.9 days. Additionally, early fiscal 2024 data indicate continued pressure on state finances, with tax collections trending lower for a second year amid waning pandemic-related aid, widespread tax cuts, and rising expenditures.
- Graduate education is showing signs of softening amid affordability challenges and tighter loan caps stemming from changes set to take place under the OBBBA. Beginning in July 2026, the elimination of the \$300B Grad PLUS program will impose lifetime borrowing limits (\$100K for graduate programs and \$200K for professional programs). Currently, 16% of graduate students rely on Grad PLUS loans, with 30% of those in programs costing over \$70K. These changes may compress tuition-driven revenues for higher education institutions.

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- In a recent NBC News survey, 63% said a four-year degree is “not worth the cost,” a sharp rise from the 40% in 2013. Americans’ growing skepticism toward higher education further pressure revenues.
- These weakening trends, especially within the higher education sector which we have highlighted consistently, continue to reinforce the need for credit selectivity.



Education headwinds reinforce the need for selectivity.

APPROACHING YEAR-END: TAX LOSS HARVESTING

- APA continues to focus on providing tax-efficient solutions for our clients. As year-end approaches, tax loss harvesting remains a key consideration. APA has been active throughout the year, and we encourage advisors to reach out should clients wish to review realized gains/losses or additional planning opportunities before the close of the year.

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