The ETF effect moves muni e-trading forward

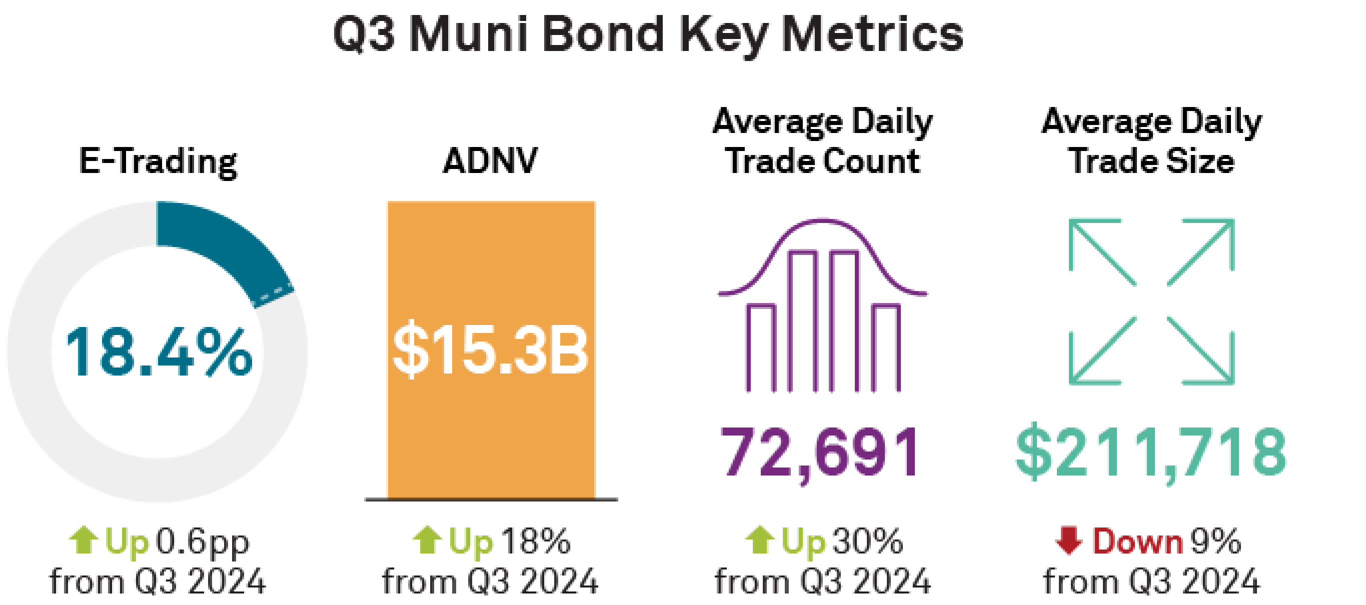
Q3 2025 Spotlight: Municipal Bond Trading

November 10, 2025

Executive Summary:

Municipal bond trading volume was up 18% year over year in Q3 2025, driven largely by investors looking to lock in yields ahead of what is expected to be a Fed rate-cutting cycle and continued strong issuance (up 6% year over year). Electronic trading benefited from the market activity and continued its slow but steady grind upward. E-trading via the four major trading venues accounted for 18.4% of market activity in Q3, up 0.6 percentage points from Q3 2024.

Q4 2025



Source: Greenwich MarketView, MarketAxess

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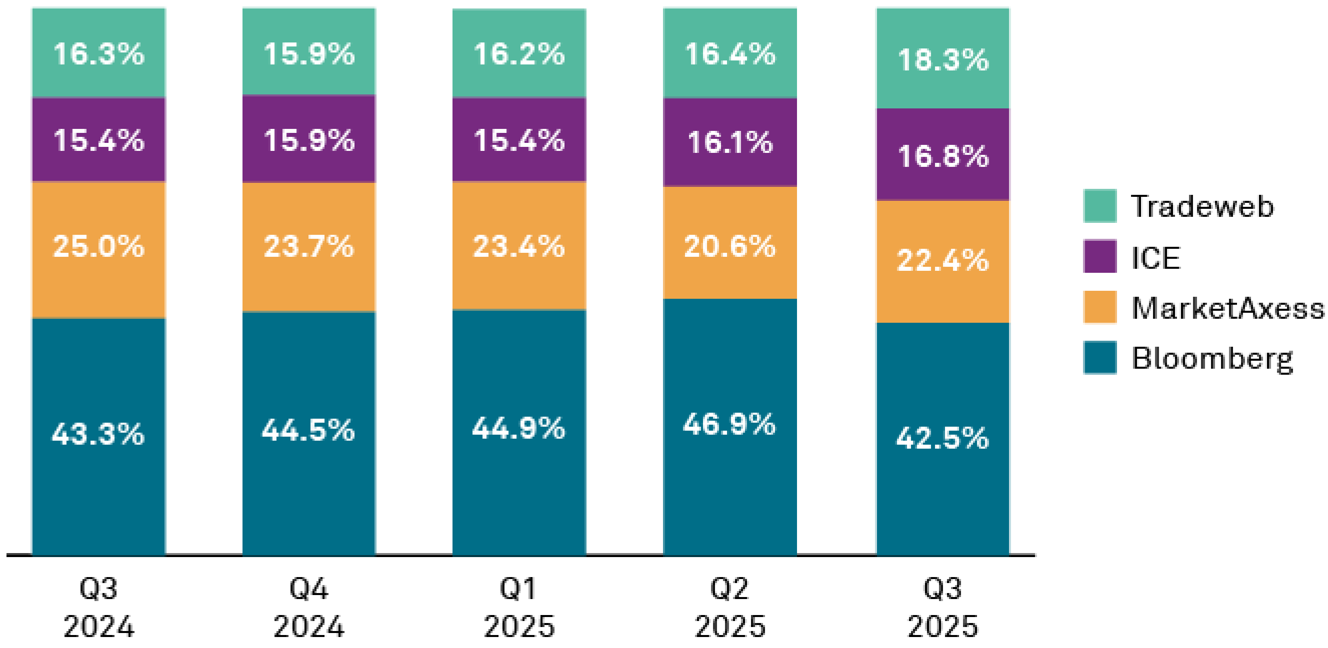
Electronic trading benefited from the market activity and continued its slow but steady grind upward. E-trading via the four major trading venues accounted for 18.4% of market activity in Q3, up 0.6 percentage points from Q3 2024. A 30% jump in the average daily trade count brought the average trade size down to $211,718, with the data continuing to show a strong reverse correlation between e-trading and average trade size.

Municipal bond e-trading market share



Note: Volumes and market share include both tax-exempt and taxable municipal securities.
Source: Greenwich MarketView

The increase in smaller trades helped the retail-focused trading venues grow faster in relative terms than the more institutional-focused ones. ICE Bonds and Tradeweb average daily notional volumes (ADNV) were up 33% and 36%, respectively, in Q3 year over year, while Bloomberg and MarketAxess grew 19% and 9%. This equates to an increase of 1.4 and 2 percentage points in market share gains for ICE and Tradeweb, respectively, and 0.9 and 2.6 point declines for Bloomberg and MarketAxess.

Dealer performance

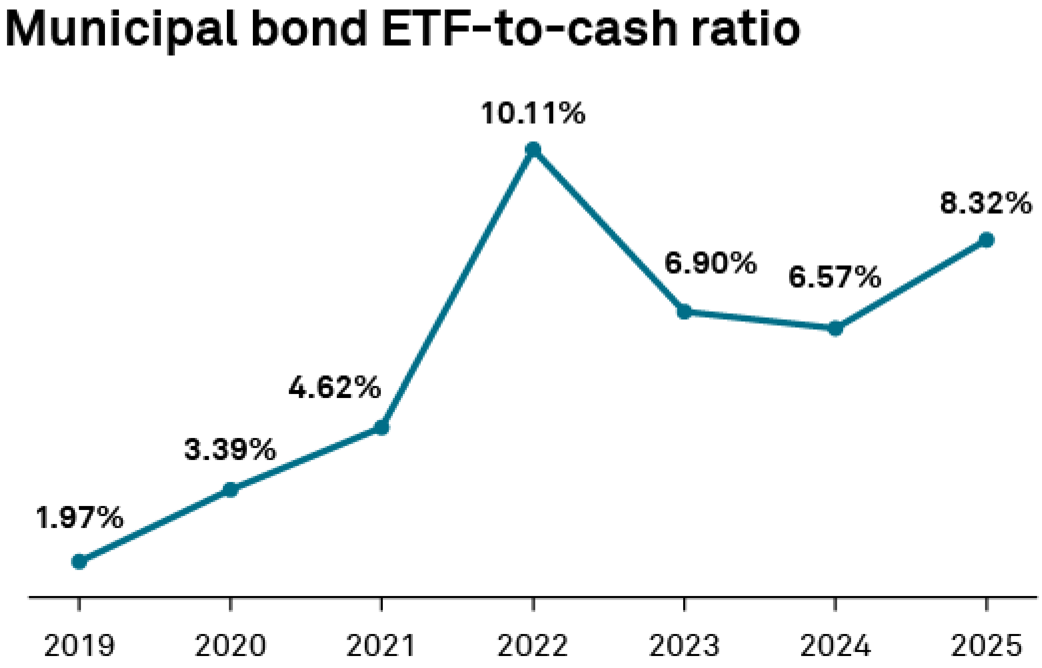
The uptick in activity helped the top muni dealers grow their revenues year over year. Primary market revenue continued to grow in Q3, due to these more constructive market conditions, albeit at a slower pace than in the first half of the year. Trading revenue also improved, as the market stabilized from the elevated volatility of the first half of the year and spreads tightened. The muni dealer market remains top-heavy from a revenue perspective.

A technology advantage can also help. Direct e-trading between dealers and clients, without the use of a trading venue, is an increasingly important part of the muni e-trading story. While this is not the way most firms trade, those that utilize direct connections are larger and trade in consequential size. While data on this activity is thin, our conversations with market participants suggest roughly 2% of secondary market notional volume trades via these channels.

Both the buy and sell side have become particularly focused on trading venue fees, and those that can connect directly have. However, history shows that setting up and maintaining direct connections is more costly than trading fees, and the majority will look to third parties to connect them to their trading counterparties. In other words, they'll utilize trading venues.

ETFs

Exchange-traded funds continue to increase their importance and influence in the market, with ETFs seeing nearly $10 billion in inflows in Q3.[1] Inflows mean ETF managers need to put cash to work, which leads to more trading in the underlying bond market and trading in the ETFs themselves, as market makers need to trade out of positions spawned via the create-redeem process.



Note: 2025 data is YTD through Q3.
Source: Greenwich MarketView

Through the end of Q3 2025, muni bond ETF trading in notional terms equated to 8.3% of turnover in the municipal bond market—up from 6.5% in 2024 and only 2% in 2019. Many market participants credit ETFs (no pun intended) with putting afterburners on e-trading growth in the corporate bond market, and the formula is starting to play out in munis. That said, the "CUSIP problem" and buy-and-hold nature of thousands of muni issues will likely ensure e-trading in munis doesn't catch up with investment-grade corporate bonds. Nevertheless, an increasingly robust ETF ecosystem is and will increase liquidity, market participation and e-trading in the months and years ahead.

Portfolio trading

Where there are ETFs, portfolio trading eventually follows. PT for bonds was born out of the ETF create-redeem process. The ability to trade a full basket at a single price added both operational efficiency and (by most measures) price improvement. PT in the municipal bond market remains in its very early stages, with volumes inconsequentially small, but its growth over the long term is inevitable. Tax-exempt buy-side traders utilizing the same trading venues as their colleagues in credit have watched as corporate bond volumes have moved from single-name RFQ over to PT, saving both time and money.

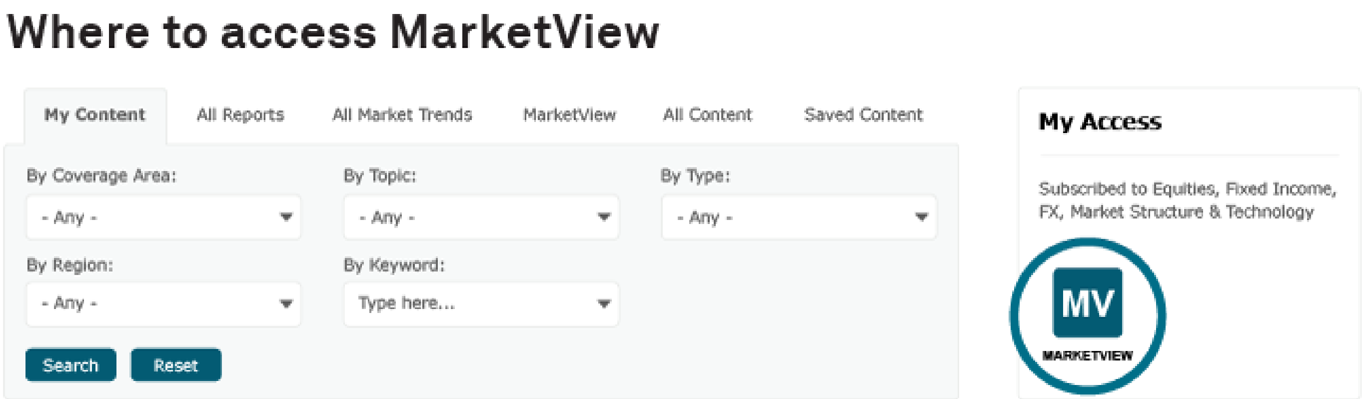
PT is not just for the create-redeem process, but also for portfolio rebalances, managing fund flows, tax-loss harvesting, and reacting quickly to client requests to transition from one exposure to another. For muni PT to grow, however, roadblocks remain. The muni market is retail-heavy, and separately managed accounts are numerous and sizeable. Portfolio trades execute at a single price for the portfolio, which can mean a better than market price for one bond and slightly less than market price for another. If those bonds go to separate accounts, compliance must wrestle with the idea that one account was given better treatment than the other. This problem exists in corporate bonds but is much more acute in munis. And while executing a portfolio trade for a single separately managed account is theoretically possible, the trades are generally too small to be effective.

But don't worry—where there is complexity, there is a solution. PT is coming to munis, and liquidity providers and investors need to be ready.

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

[1]MSRB

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.



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.

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