Fixed Income Perspectives

August 2026

Fixed Income Market Outlook
and Key Investment Themes

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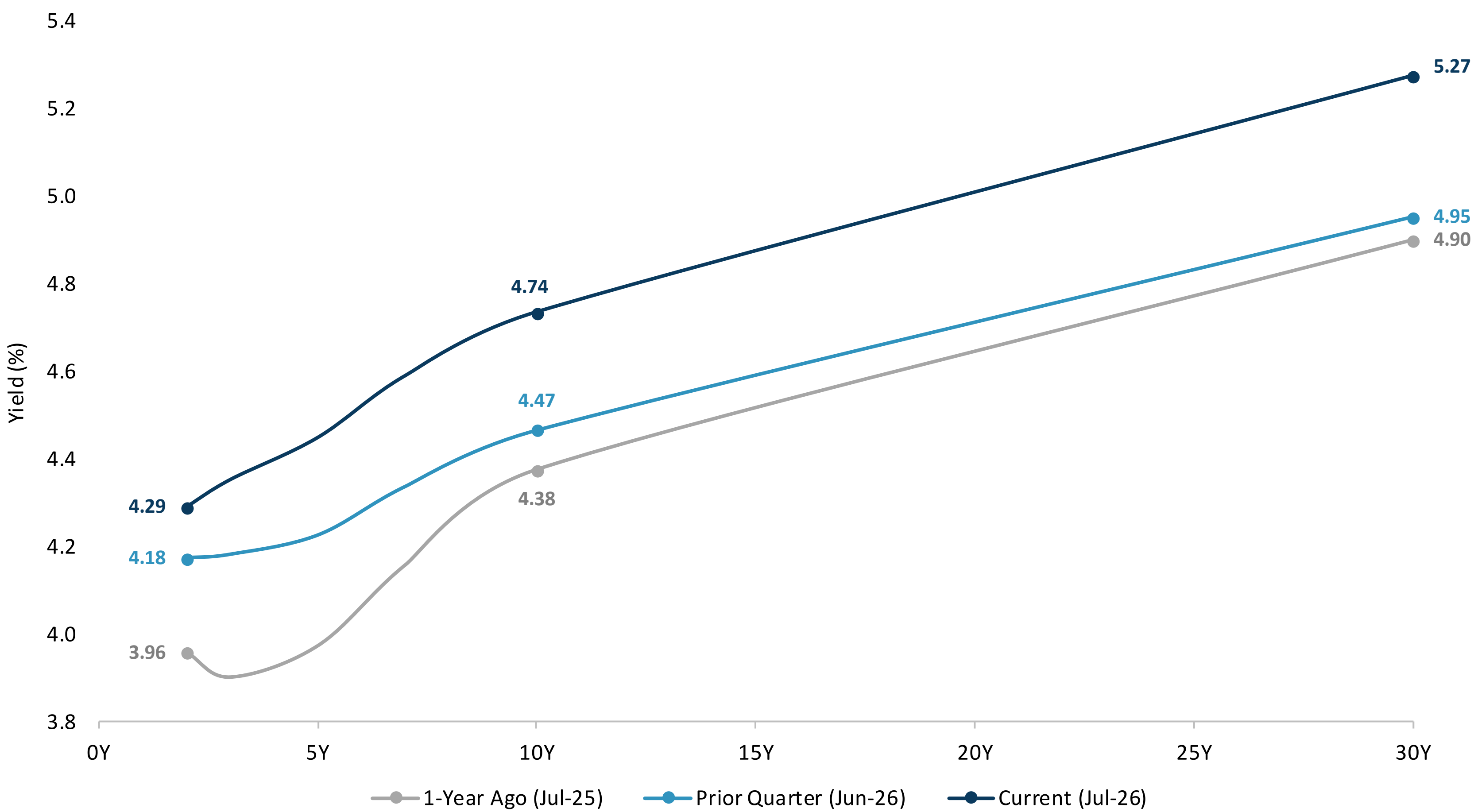
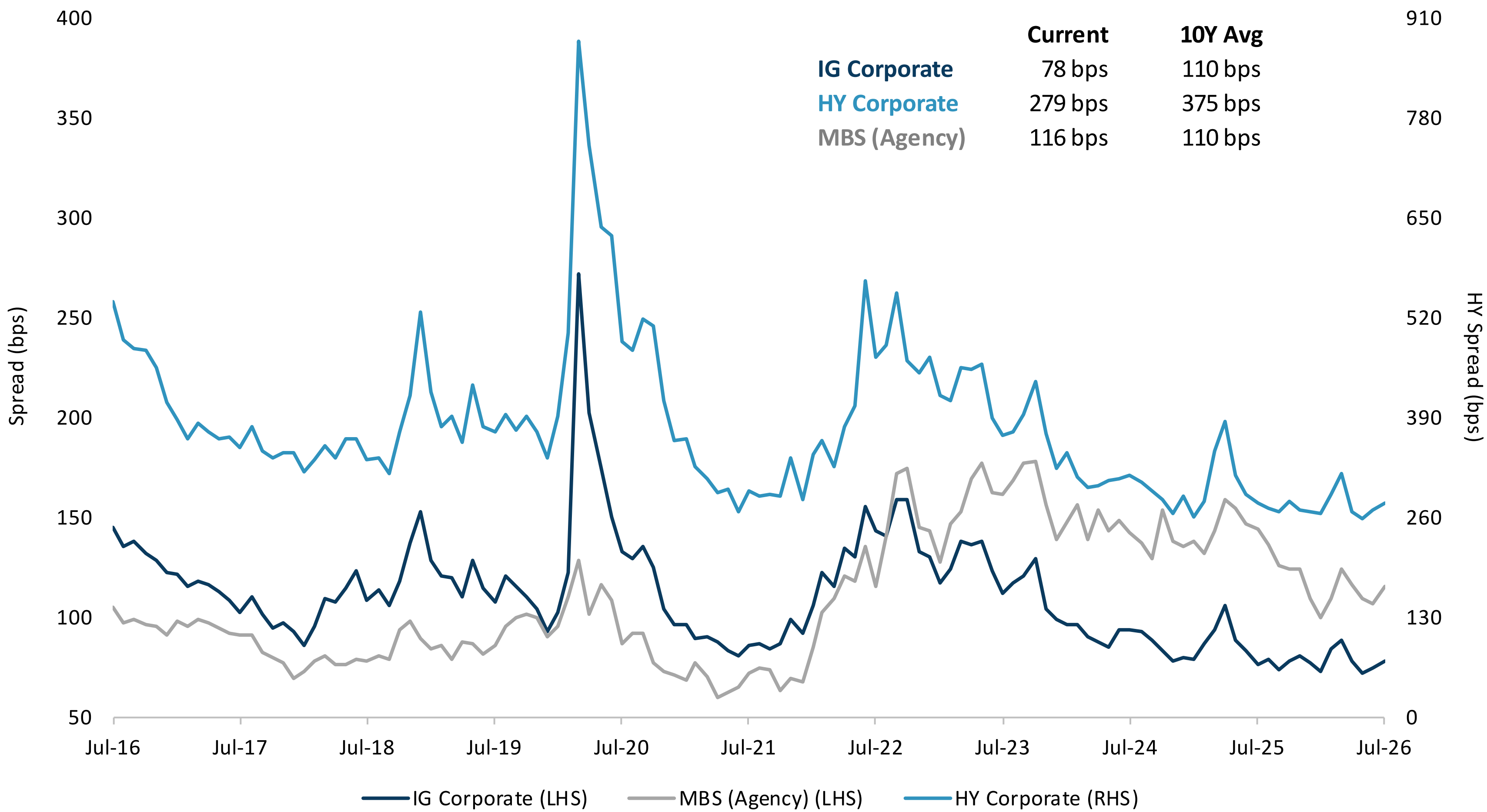
US Treasury Yield Curve



Source: Bloomberg, as of 7/31/2026.

Credit Spreads



Source: Bloomberg | MBS spread reflects current coupon spread to 5/10 US Treasury, as of 7/31/2026.

Yields and Spreads

US TREASURY	1-Year Ago	Prior Quarter	Current
Yield (%)			
2Y	3.96	4.18	4.29
3Y	3.90	4.18	4.35
5Y	3.97	4.23	4.45
7Y	4.16	4.34	4.59
10Y	4.38	4.47	4.74
30Y	4.90	4.95	5.27
Curve Slope (bps)			
2s10s	41	29	44
5s30s	93	72	82
10s30s	52	49	53
Breakeven Inflation Rates (%)			
2Y	2.64	2.00	2.20
5Y	2.48	2.27	2.29
10Y	2.39	2.23	2.28

SPREADS	1-Year Ago	Prior Quarter	Current
Securitized (bps)			
ABS	51	44	42
CMBS	80	64	66
MBS (Agency)	145	107	116
US Investment Grade Credit (bps)			
US Corporate	76	74	78
AAA	8	6	7
AA	44	47	53
A	64	62	66
BBB	97	93	97
US High Yield (bps)			
US High Yield	278	270	279
BB	169	155	165
B	265	277	282
CCC	647	770	826

Source: Bloomberg | MBS spread reflects current coupon spread to 5/10 US Treasury, as of 7/31/2026.

Fixed Income Market Environment

As of 07/31/2026	MTD	3 Month	YTD	1 Year	Duration
U.S. Aggregate	-1.30	-0.76	-0.69	2.71	5.90
U.S. Treasury Bills: 1-3 Months	0.34	0.95	2.15	3.93	0.15
1-3 Yr Gov/Credit	0.14	0.39	0.91	3.31	1.90
Intermediate U.S. Government/Credit	-0.43	-0.21	-0.02	2.84	3.79
Long Government / Credit	-3.97	-2.34	-3.27	0.16	13.29
U.S. Treasury	-1.11	-0.72	-0.84	1.97	5.74
U.S. Treasury: 1-3 Year	0.15	0.32	0.79	3.14	1.89
U.S. Treasury: Intermediate	-0.34	-0.24	-0.11	2.59	3.59
U.S. Treasury: Long	-4.01	-2.52	-3.58	-0.33	13.98
U.S. Corporate Investment Grade	-1.67	-0.75	-0.83	2.53	6.74
US Corporate 1-3 Yr	0.14	0.62	1.31	3.89	1.91
Intermediate Corporate	-0.62	-0.12	0.13	3.35	4.22
Long U.S. Corporate	-3.93	-2.12	-2.89	0.74	12.41
Aaa Corporate	-3.05	-2.19	-3.01	-0.12	10.38
Aa Corporate	-2.41	-1.78	-2.13	0.71	7.72
A Corporate	-1.59	-0.74	-0.88	2.50	6.71
Baa Corporate	-1.57	-0.51	-0.47	2.97	6.49
U.S. Corporate High Yield	-0.25	0.51	1.71	5.17	3.30
U.S. Mortgage Backed Securities	-1.42	-0.92	-0.45	4.13	5.63
Asset-Backed Securities	-0.11	0.35	0.95	3.76	3.01
Investment Grade CMBS	-0.37	-0.08	0.44	3.70	3.65

Summary of Outlook

Labor Market Has Softened Amid Fed's Renewed Focus on Above-2% Inflation

- Recent payroll growth has indicated a weakening labor market, with only 20k jobs added on average over the past 3 months.
- Downside labor prints cast doubt on a September hike despite the FOMCs' renewed focus on meeting a 2% inflation target.

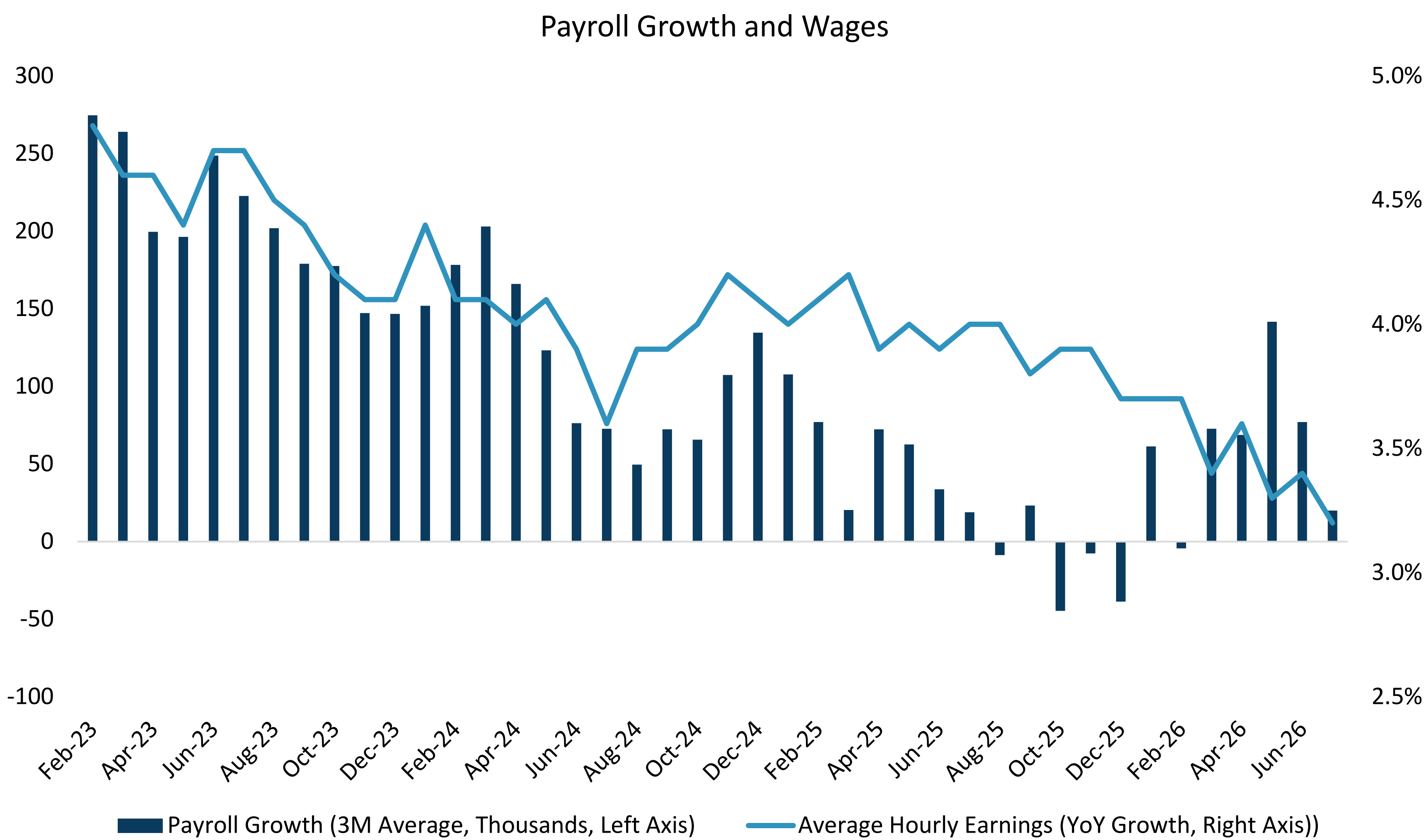
In an Era of "No Forward" Guidance, Rate Volatility and Higher Term Premium Expected

- Rates markets pricing in less than two hikes this year, with around 50% probability of a hike at September FOMC meeting.
- Curve should remain steep as investors demand higher premium for long-term debt given Fed, Iran, and fiscal concerns.

Record Pace of Corporate Bond Supply Amid Resilient Spread Sectors

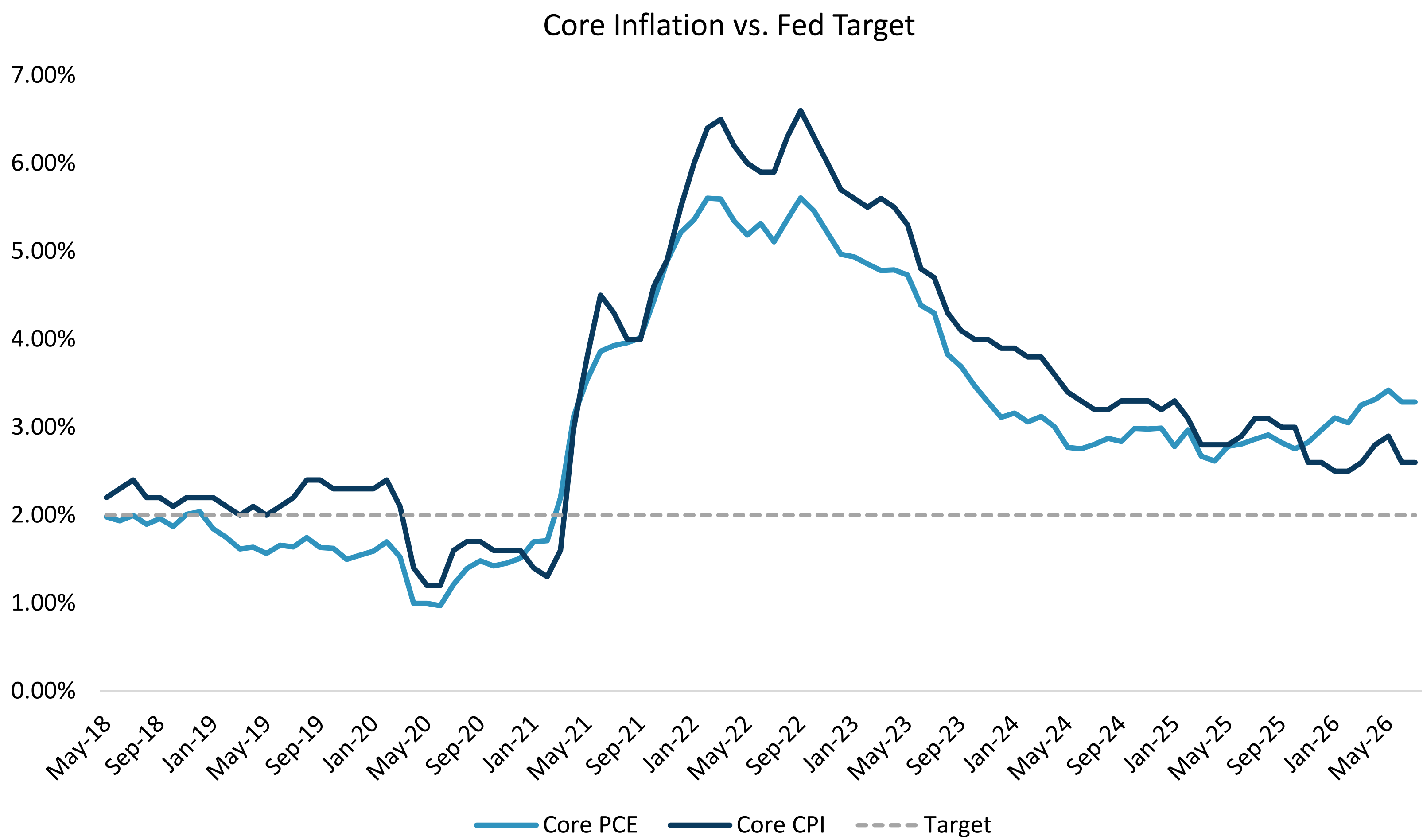
- Record corporate issuance continues to meet strong investor demand due to elevated rates.
- Agency MBS have remained resilient despite higher Treasury yields, supported by relatively attractive spreads.

Recent Soft Labor Readings Cast Doubt on Need for Immediate Rate Hikes



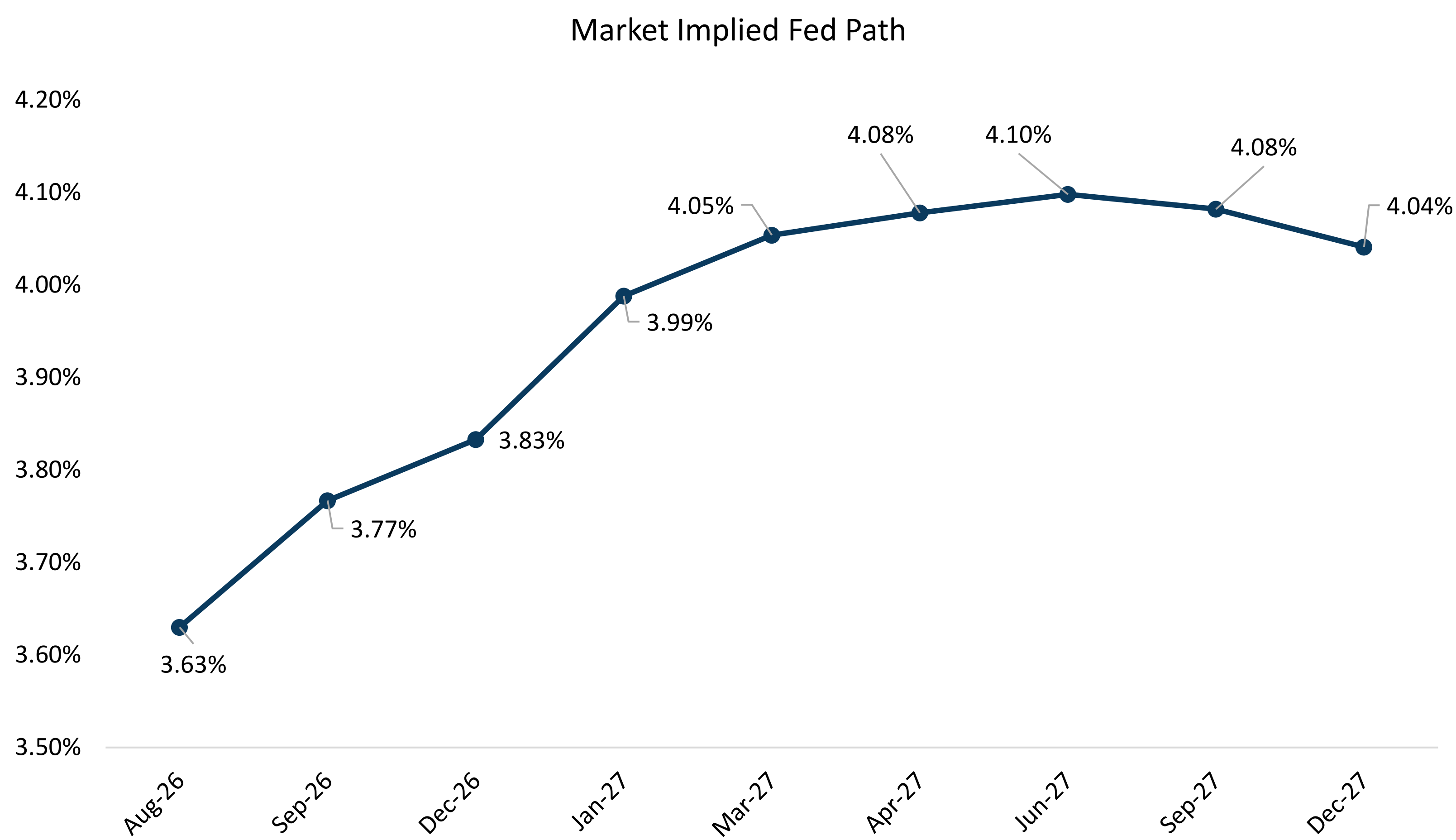
Source: Sage, BLS as of 8/10/2026

Fed Officials Cited Need to Establish Credibility After Years of Above Trend Inflation



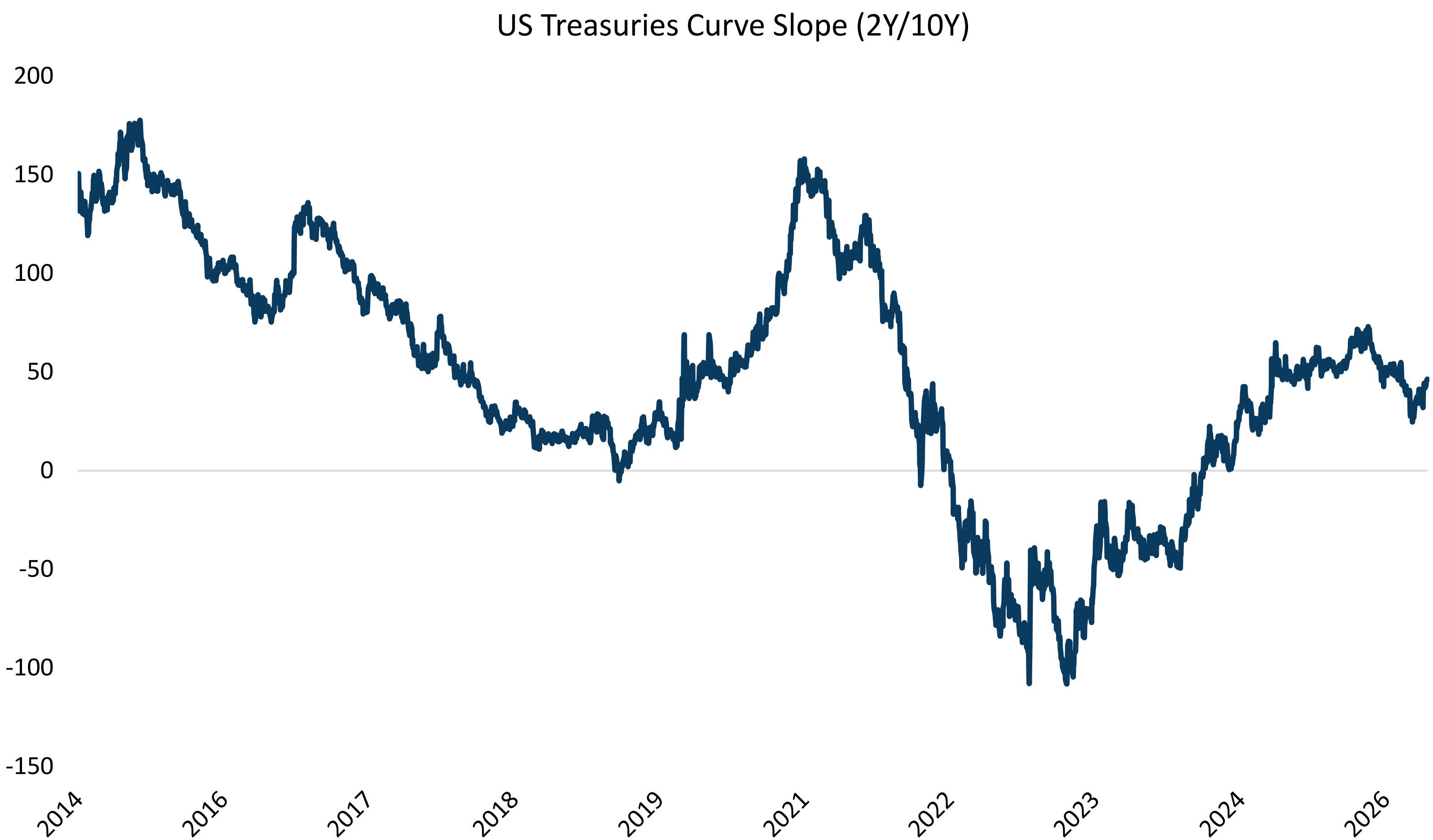
Source: Sage, Federal Reserve, BEA as 8/10/2026

Markets Pricing in Less than Two Hikes Through ‘27, with 50% Odds for Sept FOMC



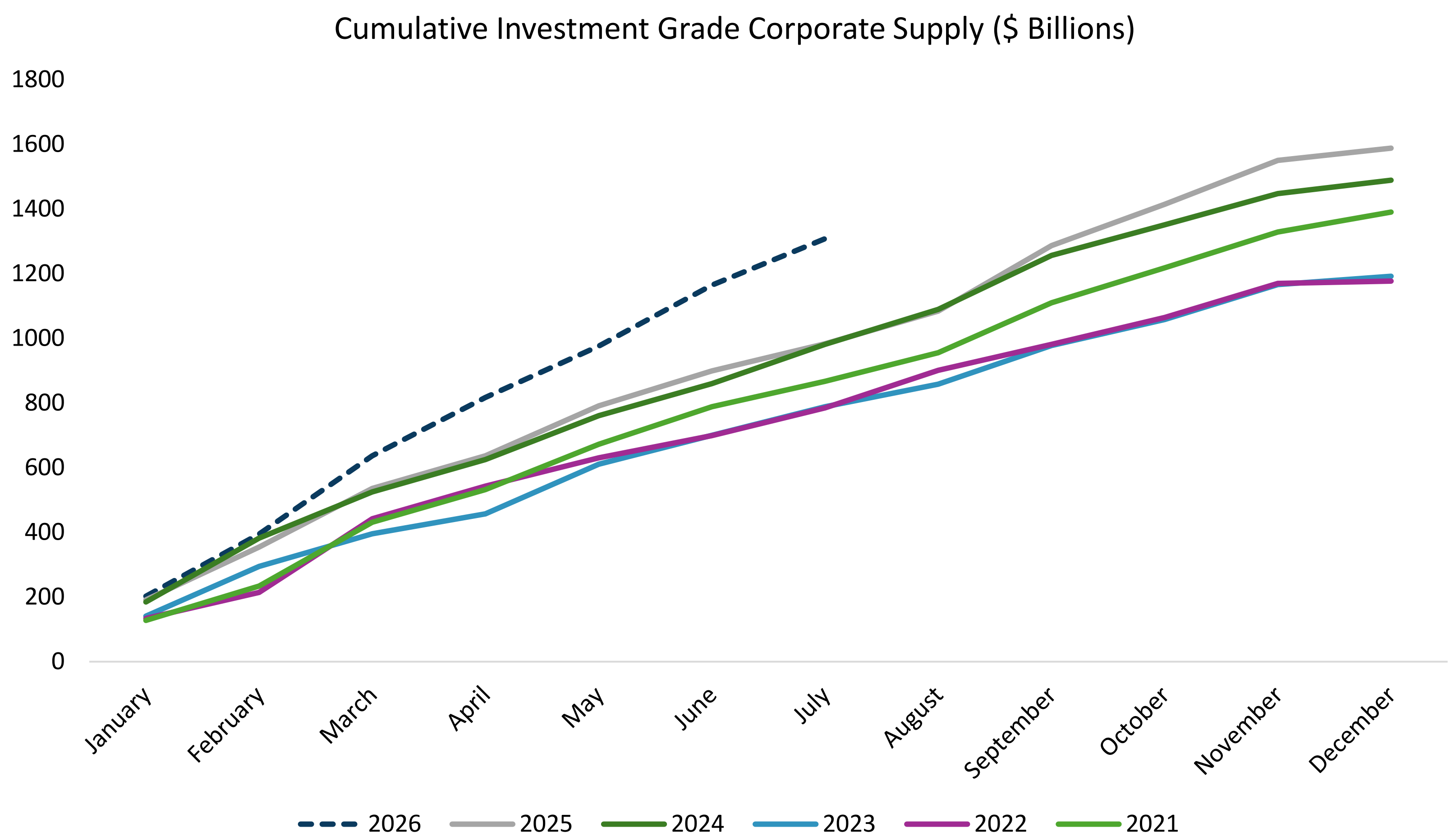
Source: Sage, Federal Reserve, Bloomberg as of 7/6/2026

Curve Should Remain Steep As Investors Demand Premium for Long-Term Debt



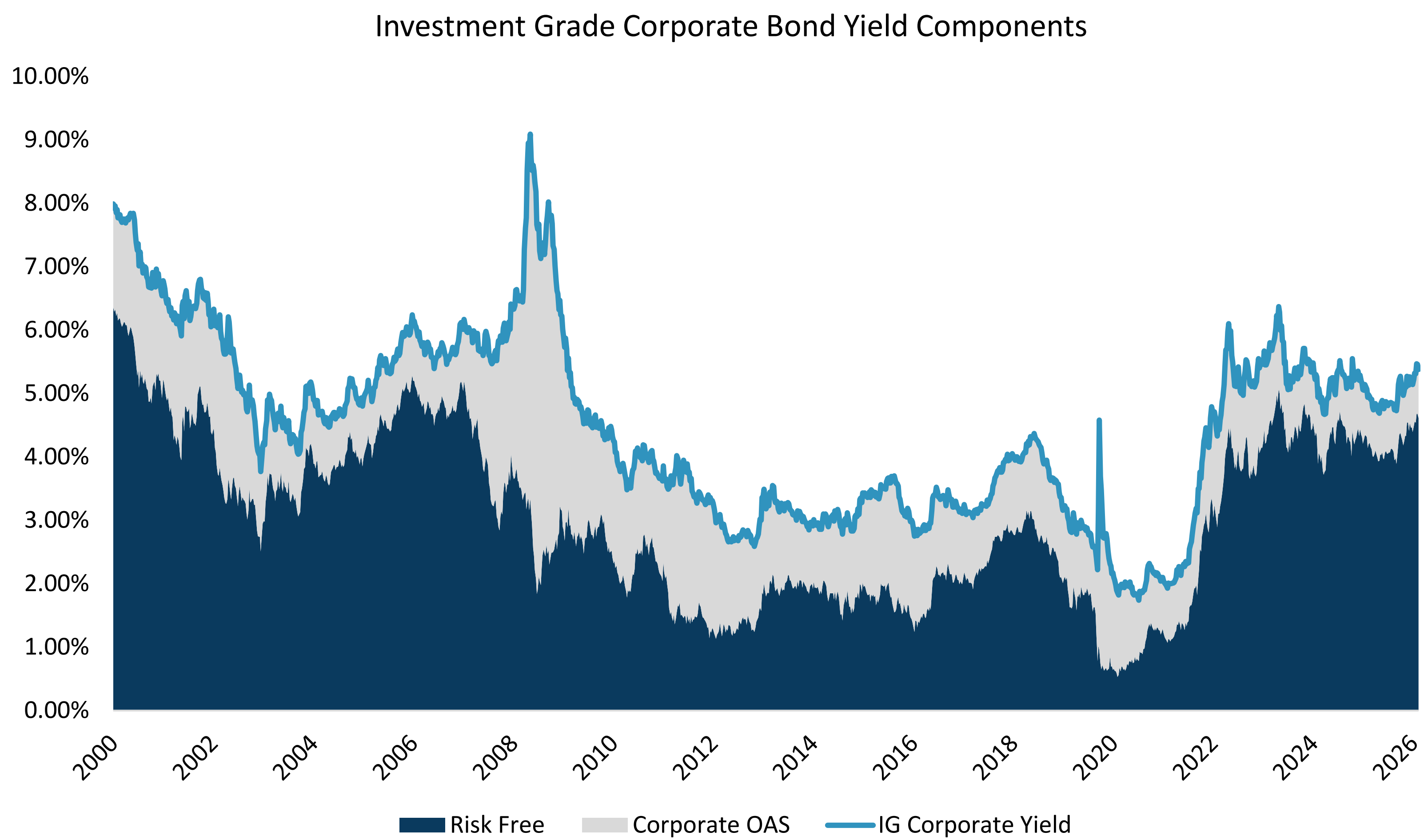
Source: Sage, Federal Reserve, Bloomberg as of 8/10/2026

Corporate Debt Deluge Continues at a Blistering, Record Pace



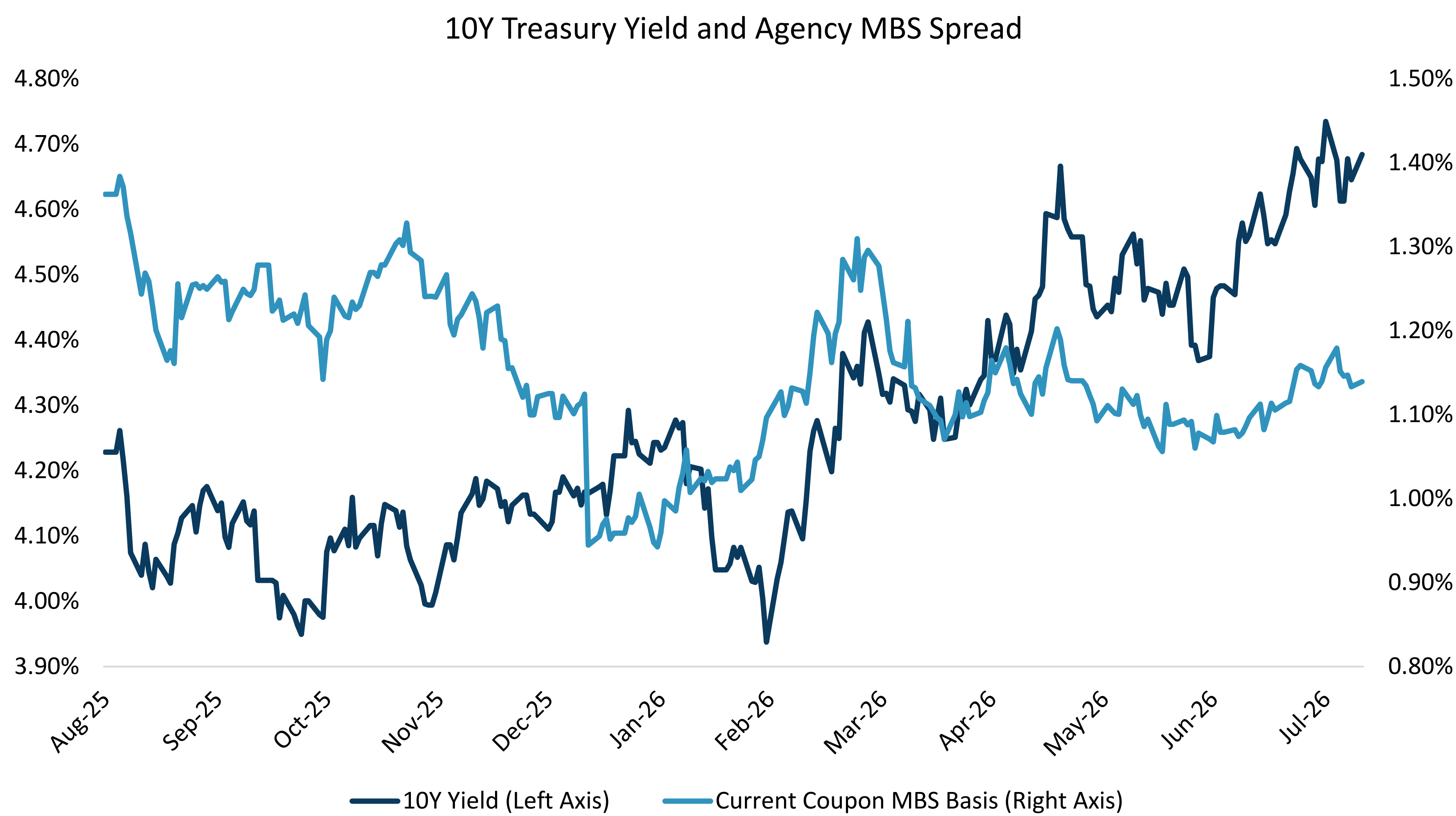
Source: Sage, Citi as of 7/31/2026

Despite Tight Spreads, IG Corporates Yields Elevated Relative to Past Two Decades



Source: Sage, Bloomberg as of 8/10/2026

Agency MBS Stable Throughout Summer Volatility; Spread Remains Attractive



Source: Sage, Bloomberg as of 7/7/2026

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