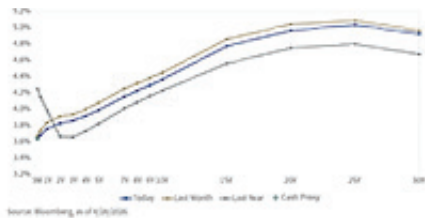


Info at a glance

Treasury curve



[Click to enlarge](#)

Corporate spreads



[Click to enlarge](#)

Muni-Treasury ratio

2-year AAA Muni vs. Tsy	61.60	65.23
5-year AAA Muni vs. Tsy	62.02	64.63
10-year AAA Muni vs. Tsy	66.84	69.61
30-year AAA Muni vs. Tsy	87.85	90.35

Source: Bloomberg, as of 4/29/2026

[Click to enlarge](#)

Key takeaways

- Markets remain unsettled: US Treasury yields have remained steady over the past two weeks but are higher than pre-war levels, with interest rate volatility continuing to react sharply to new headlines.
- Stagflation risks building: Inflation pressures are firming even as forward-looking growth indicators soften, creating a more fragile and uneven macroeconomic backdrop.
- Income, not duration (i.e., carry), continues to anchor returns: With yields still elevated, income remains a key contributor to total return and a partial offset to ongoing rate and spread volatility. This dynamic has been a central feature in fixed income over the last few years and reflects a fundamental change in the investor experience compared with the 15-plus years prior to the reset in interest rates.

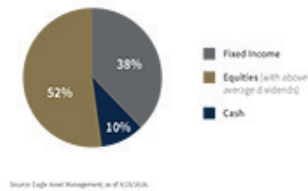
Macro/policy review and outlook

- The US Federal Reserve (Fed) is likely to hold rates steady: Market expectations for rate cuts have been pushed further into the future. We expect no change later today. With the US Department of Justice dropping the investigation into Fed Chair Jerome Powell, the path appears clear for Kevin Warsh's confirmation as Powell's successor. Warsh's testimony to rethink the Fed's current inflation framework, communication strategy, and balance sheet suggests greater uncertainty around the policy path.
- Economic data shows resilience despite weaker consumer sentiment and rising inflation measures: So far consumers have begrudgingly footed the bill for gas while largely maintaining other spending. This setup, however, has a limited shelf life as energy costs are set to remain well above pre-war levels for months ahead. Some high-frequency credit card data is already showing deceleration in discretionary spending. Notably, both the S&P Global PMITM (Purchasing Managers' Index) and the Institute for Supply Management ISM[®] Manufacturing and Services PMI[®] Reports cited increasing input costs for manufacturing and services, as well as lengthening delivery times, all at accelerating levels not seen since 2022.

Sector performance

- Corporates returned 0.60% MTD for investment-grade and 1.35% MTD for high yield (HY). Spreads remained near historically tight levels, reflecting strong investor demand and stable corporate fundamentals. Once again, HY

Income asset allocation



[Click to enlarge](#)

outperformed, benefiting from its income advantage and lower duration profile despite a slight spread widening of 6 bps from two weeks ago. Structured products were modestly positive and rate driven, led by MBS at 0.77%, with CMBS at 0.58% and ABS at 0.40% close behind.

- Securitized sectors posted modest gains, particularly in the higher-quality areas we participate in, with returns of 0.39%, 0.31%, and 0.35% for asset-backed, mortgage-backed, and commercial mortgage-backed securities (ABS, MBS, and CMBS), respectively.
- Municipals outperformed Treasuries at 1.08% MTD following prior weakness due to technicals. While the recent outperformance has brought municipal-to-Treasury ratios down slightly, municipals remain attractive compared with earlier in the year and are entering a period of historically strong seasonal demand.
- Equities have climbed back toward all-time highs despite persistent geopolitical and macroeconomic risks. While earnings and corporate fundamentals remain supportive, the healthier broadening seen earlier this year has given way to renewed concentration. Since the lows in late March, the cap-weighted S&P 500 Index up 8.63% MTD, which skews more toward mega-cap stocks, has outpaced both the S&P 500® Equal Weight Index, up 4.29% MTD, and more dividend-oriented areas of the market such as the S&P 500 Dividend Aristocrats® Index, which was up only 2.00% MTD. This suggests headline index strength is once again being driven by a narrower group of stocks rather than by a more durable, broad-based advance.

Index	YTW	Spread	MTD	YTD	T12
FIXED INCOME					
Corporate Bond Index	5.09	0.79	0.63%	0.22%	5.57%
High Yield Index	6.96	2.75	1.35%	1.23%	8.68%
Agency CMBS Index	4.27	0.27	0.35%	0.56%	4.70%
MBS Index	4.83	0.21	0.31%	0.74%	6.12%
ABS Index	4.42	0.50	0.39%	0.68%	4.73%
US Treasury Index	4.16	--	0.24%	0.15%	3.09%
US Aggregate Bond Index	4.57	0.27	0.37%	0.34%	4.55%
Municipal Bond Index	3.64	--	1.08%	1.13%	7.08%
EQUITIES					
S&P 500	1.12	--	8.63%	4.65%	30.69%
Dividend Aristocrats	2.55	--	2.00%	4.50%	14.11%

YTW: For Fixed Income, yield reflects the Yield To Worst of the given Index. For Equities, yield reflects the T 12 Dividend Yield of the given Index.

S&P 500 Dividend Aristocrats measure the performance of S&P 500 companies that have increased dividends every year for the last 25 consecutive years.

Source: Eagle Research; Bloomberg. Data as of 4/28/26.

Featured insights

Starting yields matter more than corporate spreads for long-term returns.

Recent market volatility tied to the war in Iran offers a timely reminder of how credit markets tend to behave and what ultimately matters for investors. As geopolitical tensions escalated, corporate bond spreads moved modestly wider alongside broader market volatility, reflecting a short-term repricing of risk. This pattern is consistent with historical episodes, when uncertainty – particularly tied to energy shocks and inflation – can temporarily push spreads higher.

However, the more important takeaway is how quickly those moves retracted. As tensions stabilized and markets looked through near-term risks, corporate spreads retraced much of their widening and returned closer to pre-war levels. This resilience highlights that, despite episodic volatility, underlying credit fundamentals remain broadly intact and demand for income is strong.

For long-term investors, this reinforces a key principle: Spreads can be volatile in the short run, but they are not the primary driver of long-term returns. Instead, starting yield plays the dominant role. Today’s environment offers elevated all-in yields, even with spreads near tighter levels. That income provides a steady source of compounding return that helps cushion periods of market stress.

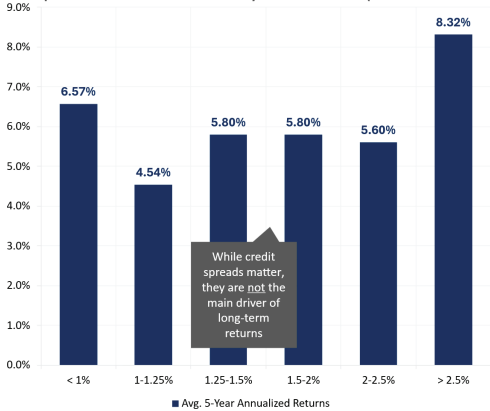
The recent spread-widening and -tightening, though short-lived, underscores the challenge of trying to time credit markets tactically. Short-term dislocations may create opportunities, but they are often brief and difficult to capture consistently. Meanwhile, the bulk of returns is generated through income earned over time.

In this context, tight spreads are less a warning sign and more a reflection of stable credit conditions. With yields still attractive on an absolute basis, we believe maintaining disciplined exposure to income-producing assets remains the more reliable path to achieving long-term fixed income outcomes.

Yield (Income) Is The Main Driver Of Long-Term Returns...Not Spreads

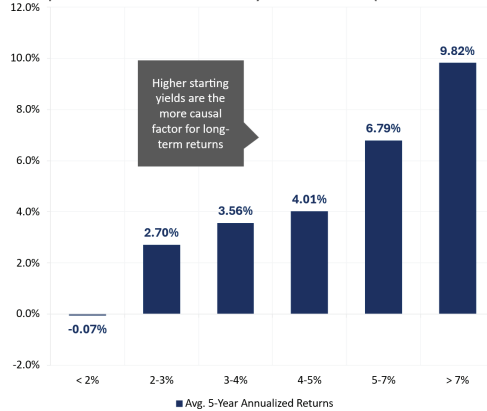
Corp. Bond Returns and Starting Option-Adjusted Spread

Subsequent 5-Year Annualized Returns by OAS Distribution (June 1990 – Present)



Corp. Bond Returns and Starting Yield-To-Worst

Subsequent 5-Year Annualized Returns by YTW Distribution (Jan. 1974 – Present)



Source: Bloomberg, monthly data as of March 2026.

Additional insights



Lucas Iacovino, CFA

Hear why technical factors, not fundamentals, may drive future spread widening.



Strategic Income Playbook

How we balance income and risk as market conditions evolve.

Let us help chart your course for income

Financial professional: 1.800.237.3101 | Investing public: contact your financial professional

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