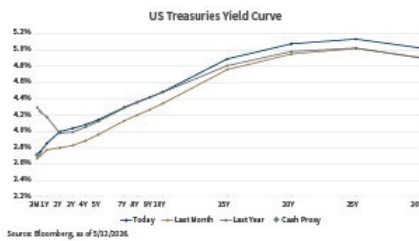


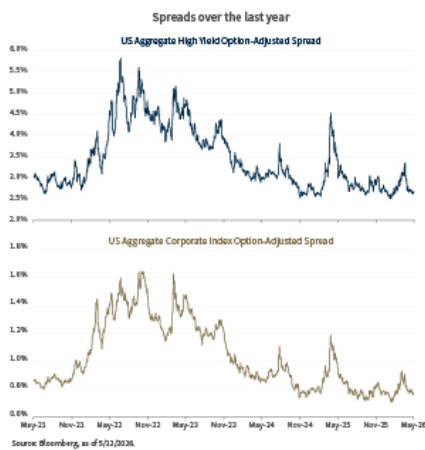
Info at a glance

Treasury curve



[Click to enlarge](#)

Corporate spreads



[Click to enlarge](#)

Muni-Treasury ratio

2-year AAA Muni vs. Tsy	61.40	64.66
5-year AAA Muni vs. Tsy	62.00	64.04
10-year AAA Muni vs. Tsy	66.64	69.19
30-year AAA Muni vs. Tsy	87.07	90.15

Source: Bloomberg, as of 5/12/2026

[Click to enlarge](#)

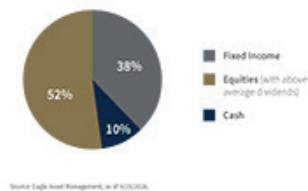
Key takeaways

- US Treasury yields, while seeing somewhat higher volatility, remained relatively stable over the last 2 weeks until yesterday's Consumer Price Index (CPI) release and today's Producer Price Index (PPI) drove rates higher. The yield curve remains positively sloped and provides roll-down advantages in addition to the higher income across the board.
- Credit markets have remained constructive amid strong demand for income. Investment-grade spreads have held near the current tight level of 76 basis points (bps). High-yield spreads have tightened 8 bps to a 267-bps option-adjusted spread.
- Despite ongoing macroeconomic and geopolitical volatility, year-to-date returns remain positive across most sectors cushioned by income. We expect this to continue as rates remain range-bound with volatility. fundamental change in the investor experience compared with the 15-plus years prior to the reset in interest rates.

Macro/policy review and outlook

- Economic data continues to demonstrate strength domestically, supported by fiscal stimulus, artificial intelligence (AI) investment, and resilient consumption with a relatively stable labor market. Yet, a slowdown is expected later this year with geopolitical risks potentially pulling that timeline forward.
- Inflation is reaccelerating with the recent Consumer Price Index (CPI) at ~3.8% year over year and the Personal Consumption Expenditures (PCE) Price Index at ~3.5% year over year. This is largely energy-driven but increasingly sticky, with rising input costs reinforcing upside risks.
- The US Senate is expected to confirm Kevin Warsh as chair of the US Federal Reserve (Fed) this week. He joins as the Fed is constrained by both a high bar for cuts given inflation and a limited appetite to tighten into a potential growth slowdown.
- Yields are biased modestly higher near-term with continued volatility. We continue to expect the 10-year Treasury yield to remain within the ~4.00-4.75% range given the offsetting growth and inflation dynamics that support income-focused positioning.

Income asset allocation



[Click to enlarge](#)

Sector performance

- In corporates, month-to-date returns are muted to slightly negative with income cushioning the move in rates across both investment-grade and high-yield. The potential for further spread-tightening appears limited.
- Securitized sectors remain attractive from a relative value standpoint, with stable fundamentals / resilient collateral performance and incremental yield advantage though are negative month to date.
- Municipals continue to offer attractive tax-equivalent yields and are entering a period of historically strong seasonal demand.
- Equities have continued reaching all-time highs, driven by a narrower group of stocks on AI optimism. However, as we wrap up an extremely strong earnings season, the advance is becoming slightly more broad-based. That said, performance is increasingly sensitive to rate volatility and input cost pressures.

Index	YTW	Spread	MTD	YTD	T12
FIXED INCOME					
Corporate Bond Index	5.18	0.76	0.05%	-0.04%	6.36%
High Yield Index	7.06	2.67	-0.09%	1.10%	7.35%
Agency CMBS Index	4.40	0.26	-0.16%	0.20%	5.31%
MBS Index	4.95	0.21	-0.15%	0.32%	6.81%
ABS Index	4.52	0.47	-0.01%	0.60%	5.02%
US Treasury Index	4.30	--	-0.23%	-0.34%	3.93%
US Aggregate Bond Index	4.69	0.26	-0.14%	-0.07%	5.32%
Municipal Bond Index	3.70	--	0.03%	1.00%	6.19%
EQUITIES					
S&P 500	1.08	--	2.70%	8.54%	28.17%
Dividend Aristocrats	2.62	--	-1.67%	3.13%	8.75%

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 5/12/26.

Featured insights

Muni prepay: A growing source of attractive yield

Municipal prepay bonds are tax-exempt debts issued to finance the upfront purchase of natural gas or electricity by municipal utilities.

In a typical transaction, a conduit issuer sells the bonds and transfers the proceeds to a guarantor, usually a large bank or life insurance company. The guarantor then makes fixed monthly payments under a long-term energy supply agreement. This is designed to secure discounted gas or electricity costs for up to 30 years. Many other counterparties may support the transaction, but the guarantor ultimately supports the underlying cash flow. Both credit quality and spread compression in prepay bonds are closely tied to the strength of the corporate guarantor.

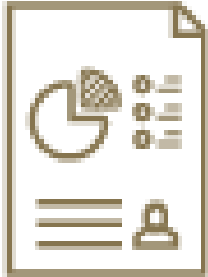
For municipal Separately Managed Account (SMA) investors, structural complexity can translate into meaningful yield pickup. A single-A rated prepay bond may offer as much as 80 bps of additional yield versus a comparable non-prepay municipal bond with a similar maturity. In certain cases, on a tax-equivalent basis, a prepay bond can even yield more than

the guarantor's unsecured taxable debt. Still, investors should recognize that the prepay sector can exhibit higher volatility and weaker liquidity given its exposure to corporate financial institutions.

On the supply side, several factors have supported the growth of this municipal segment. Low muni-to-Treasury ratios and rising energy prices from growing power demand have been driving more municipal utilities to participate in prepay transactions. Prepay deals have been the third-largest contributor to this year's historically high municipal issuance volume. Total sector issuance has reached \$12.8 billion. This is up 71% year over year and 151% above the 5-year average. The sector now represents 5% of the total tax-exempt market and 15% of the Bloomberg 7-year Municipal Index.

Evaluating this market requires more than a surface-level assessment of yield. Key considerations include the guarantor's credit quality, the conduit issuer's ability to manage remarketing risk, and the elasticity of underlying utility demand. Eagle Fixed Income's experience in analyzing these structural and credit dynamics has helped uncover attractive opportunities in this complex segment of the municipal market while maintaining a disciplined focus on credit quality.

Additional insights



Starting yields matter

Today's higher yields could shape returns for years.

Let us help chart your course for income

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

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