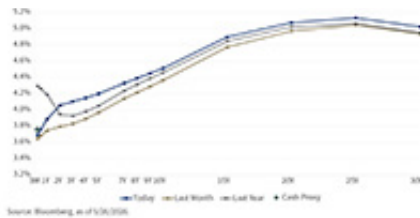


Info at a glance

Treasury curve



Click to enlarge

Corporate spreads



Click to enlarge

Muni-Treasury ratio

2-year AAA Muni vs. Tsy	61.94	64.25
5-year AAA Muni vs. Tsy	62.95	63.60
10-year AAA Muni vs. Tsy	67.72	68.91
30-year AAA Muni vs. Tsy	88.42	90.06

Source: Bloomberg, as of 5/24/2026

Click to enlarge

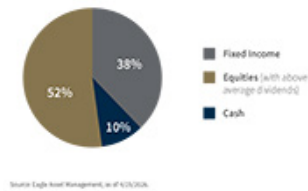
Key takeaways

- Month-to-date performance has been negative across fixed income sectors as US Treasury yields have moved higher over the past two weeks, with the market repricing policy and inflation risk. The 10-year Treasury yield remains near the mid-4% range, while the 30-year yield remains above 5%. These yields reinforce the value of income and roll-down in today's positively sloped curve, though it's not steep by any means.
- Credit has remained resilient despite interest rate volatility, reflecting continued demand for income and confidence in corporate fundamentals following a strong earnings season.
- The key message for fixed income remains unchanged: Even with rate volatility, starting yields are doing more work. Trailing 12-month bond returns have remained positive across all fixed income sectors because coupon income has continued to offset a meaningful portion of price volatility (see more below in the Featured Insight).

Macro/policy review and outlook

- Economic data through March has now been reported for all of the 15-plus indicators in our team's proxy for economic growth. The first quarter finished in "Goldilocks" territory, as we predicted. The second quarter is projected to remain in an upturn, with accelerating growth and inflation, though a potential growth deceleration in the second half of the year could shift the macroeconomic landscape toward a more stagflationary environment.
- The economic data suggest the recent rise in yields has been driven not only by inflation uncertainty and policy-rate repricing, but also by accelerating growth: Real gross domestic product (GDP) advanced 2.66% year over year in the first quarter, up from 2.0% in the fourth quarter of 2025. That combination supports carry-oriented fixed income positioning but also argues for discipline around duration (Eagle portfolios are generally duration-neutral relative to benchmarks) and credit valuations.
- Looking ahead, inflation remains the key constraint for policy, and we expect that newly confirmed Fed Chair Kevin Warsh will find it difficult to make a case for rate cuts in the current environment, even if the Strait of Hormuz is reopened, as discussed over the weekend.

Income asset allocation



Click to enlarge

Sector performance

- Corporate bond returns were driven by Treasury volatility and coupon carry rather than by meaningful changes in spreads, which remain relatively tight. Markets are not pricing in a near-term deterioration in corporate fundamentals, though valuations leave less room for disappointment, particularly if a consumer-side growth slowdown emerges later in the year.
- Securitized sectors moved in line with Treasury yields as spreads remained stable. They have continued to offer attractive income and relative value, and we favor structures with strong collateral, seasoned cash flows, and attractive carry relative to duration risk.
- Municipals, like all fixed income sectors, experienced negative returns in May due to Treasury volatility. However, unlike other fixed income sectors, they remain positive year to date. We believe the sector continues to appear attractive for tax-sensitive investors, supported by elevated absolute yields and still-healthy investor inflows. Additionally, summer historically brings nearly one-third of annual coupon payments and maturities, setting the stage for technical strength driven by reinvestment demand.
- Equities have continued to reach new highs, led by a narrow set of stocks in information technology and communication services in the S&P 500 Index, while the S&P 500® Equal Weight and S&P 500 Dividend Aristocrats® indices have been unable to keep pace with the gains. The risk is that positioning and consensus expectations could become stretched ahead of a potential July macro inflection point.

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.19	0.72	0.15%	0.62%	0.45%	6.02%
High Yield Index	7.05	2.60	0.09%	1.53%	1.41%	7.52%
Agency CMBS Index	4.45	0.26	-0.24%	0.20%	0.32%	4.68%
MBS Index	4.98	0.22	-0.18%	0.01%	0.68%	6.90%
ABS Index	4.58	0.46	0.02%	0.38%	0.72%	4.72%
US Treasury Index	4.34	--	-0.29%	0.38%	-0.15%	3.74%
US Aggregate Bond Index	4.72	0.25	-0.16%	0.38%	0.22%	5.14%
Municipal Bond Index	3.75		-0.15%	0.38%	0.78%	6.17%
EQUITIES						
S&P 500	1.07	--	4.10%	0.38%	10.13%	28.49%
Dividend Aristocrats	2.60	--	-0.07%	0.38%	3.60%	9.78%

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 5/26/26.

Featured insights

Income is the hedge: Why bond returns can stay positive despite rate volatility

The recent move higher in Treasury yields has understandably raised questions about bond performance, given that the 10-year Treasury has broken through the 4.5% threshold. That said, the return math today is very different from the experience of 2022.

In 2022, we saw yields rise from historically low levels. Investors had very little coupon income to absorb price declines, and the rate shock translated quickly into deeply negative total returns. For example, the first time in the post-pandemic period that the 10-year yield reached 4% was on Oct. 14, 2022. At that time, the trailing 12-month returns for the Bloomberg US Aggregate Bond Index and the Bloomberg US Corporate Bond Index were -15.9% and -19.9%, respectively. Today, however, starting yields are much higher and the fixed income market is much healthier. That means income is once again doing what it is designed to do: serving as a hedge and cushion against rate volatility.

That cushion is already visible in trailing 12-month performance. Even with periodic spikes in yields, all major fixed income sectors remained positive over the past year as of last Friday's close, with the Bloomberg US Aggregate Bond Index and the Bloomberg US Corporate Bond Index up 5.14%

and 6.02%, respectively. The important point is that higher yields create two concurrent forces: They can pressure near-term prices, but they also improve the forward return profile of the asset class.

At today's yield levels, the Eagle Income team's analysis suggests forward bond returns have historically been attractive when rates have reached these levels, with typical past returns near 7% on a one-year basis and 6% annualized over five years. That has not required a major rally in rates. It primarily reflects starting yield, carry, reinvestment income, and the ability of higher coupons to reduce the drag from moderate rate volatility.

This also is why we believe today's environment should not be viewed as a replay of 2022. The last time investors faced this kind of rate volatility, many portfolios were anchored in low-yielding bonds with limited income protection. Today, investors can purchase bonds with materially higher yields.

Fixed income is more forgiving today than it was during the 2022 drawdown and the prior regime of highly suppressed rates. Rates may remain volatile, especially with inflation still above target and with the macro backdrop shifting toward a projected upturn, followed by stagflation. Today, however, the starting point for investors is materially better. The income regime is different; it is no longer an afterthought, but rather the central driver of bond returns.

Let us help chart your course for income

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

Disclosures

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Definitions

Corporate Bond Index - Tracks the performance of investment-grade corporate bonds issued by U.S. companies. These bonds typically offer higher yields than government securities but carry credit risk.

High Yield Index - Measures the performance of below-investment-grade corporate bonds. These bonds provide higher yields due to greater credit risk and default probability.

Agency CMBS Index - Represents bonds backed by pools of commercial real estate mortgages, often associated with government-related entities. Reflects commercial real estate market conditions.

MBS Index - Tracks securities backed by residential mortgage pools, typically issued by entities like Fannie Mae and Freddie Mac. Performance is influenced by interest rates and prepayment behavior.

ABS Index - Measures securities backed by pools of debt such as auto loans, credit card receivables, or student loans. Returns depend on borrower credit quality.

can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital. Information should not be considered a recommendation to engage in or refrain from taking a particular course of action and is not an endorsement, recommendation, or sponsorship of any securities, services, or other investment property. It has been prepared for information purposes only.

U.S. Treasury Index - Tracks U.S. government-issued debt securities, including Treasury bills, notes, and bonds. Considered low-risk and influenced by interest rate movements.

U.S. Aggregate Bond Index - A broad benchmark representing the U.S. investment-grade bond market, including Treasuries, corporate bonds, MBS, ABS, and CMBS.

Municipal Bond Index - Measures bonds issued by state and local governments. Interest income is often tax-exempt, making them attractive to certain investors.

S&P 500 - A market-cap-weighted index of 500 leading U.S. companies, widely used as a benchmark for the overall stock market.

Dividend Aristocrats - Includes companies in the S&P 500 that have increased dividends for at least 25 consecutive years, representing financial stability and consistent shareholder returns.