

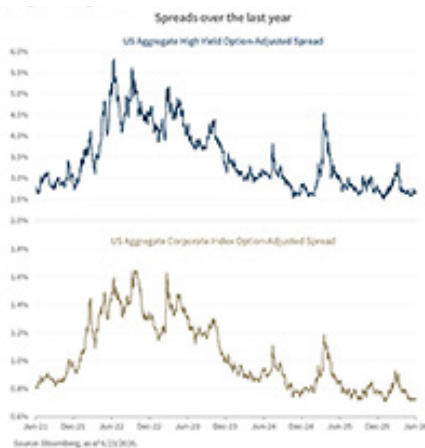
## Info at a glance

### Treasury curve



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### Corporate spreads



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### Muni-Treasury ratio

	Ratio (%) Today	Ratio (%) 12-month average
2-year AAA Muni vs. Tsy	56.41	63.45
5-year AAA Muni vs. Tsy	60.53	62.85
10-year AAA Muni vs. Tsy	65.43	68.24
30-year AAA Muni vs. Tsy	85.58	89.57

Source: Bloomberg, as of 6/23/2026

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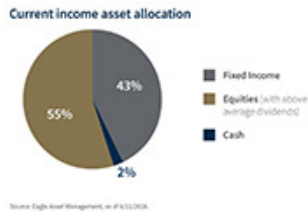
## Key takeaways

- The dominant theme has shifted from geopolitical/energy risk to US Federal Reserve (Fed) policy risk. The Federal Open Market Committee (FOMC) unanimously held the federal funds rate in the 3.50% to 3.75% range – as we expected – but nine of 18 policymakers are projecting at least one rate hike in 2026. That is a dramatic change from zero projections in March. Front-end rates may stay more volatile as markets adjust to a Fed that provides less forward guidance.
- Credit has remained resilient. Investment-grade and high-yield spreads have held near historically tight levels through the rate volatility, reflecting a persistent demand for income and continued confidence in corporate fundamentals and strong earnings momentum.
- Equities sold off on the day of the FOMC’s announcements. The S&P 500 Index suffered its worst reaction under a new Fed chair since 1994, though it recovered in the following session. Stocks have remained supported by resilient corporate earnings and capital investment related to artificial intelligence, but we are closely watching the potential for dmoderating growth in the second half of 2026.

## Macro/policy review and outlook

- Thus far, macroeconomic data in the second quarter has continued to exceed estimates, underpinned by solid growth. Eagle Income’s economic growth proxy has tracked second-quarter real GDP growth running close to 2.5% year over year (or at a 3.5% quarter-over-quarter annualized rate), which would be well ahead of current consensus estimates and in line with first-quarter growth of 2.57% year over year.
- Our outlook remains cautiously constructive, but stronger data releases may increase the risk of a more abrupt slowdown later if inflation puts pressure on household demand while Fed policy remains restrictive.
- The June FOMC meeting under new Fed Chair Kevin Warsh suggested the potential for sweeping changes. Markets interpreted his emphasis on price stability, data dependence, and flexibility as more hawkish, particularly when coupled with a dot plot that projected possible rate hikes this year. Markets are pricing in a hike by October, but we continue to believe the threshold for hikes remains high; energy prices have come back down and inflation driven by shelter, wages, and tariffs remains tempered.

## Income asset allocation



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## Sector performance

- Corporate bond returns have continued to be driven more by Treasury volatility and coupon carry than meaningful spread movement. As spreads remain tight, we continue to focus on issue selection, quality, and income capture rather than relying on additional spread compression.
- Securitized sectors continue to offer carry and diversification, and we lean toward higher-quality ABS, agency MBS, and select CMBS structures backed by strong collateral. Caution remains warranted on lower-quality consumer and commercial real estate exposures.
- Municipals have continued to outperform taxable sectors and have attractive all-in yields. However, the yield curve's belly and front end have become expensive relative to Treasuries.
- Equities sold off after the Fed's announcement but have since recovered. Equal-weighted indices have been outperforming cap-weighted benchmarks since mid-May, which suggests that excess returns are being generated by more than just the largest companies. Broader participation typically supports our income-oriented strategies.

Index	YTW	Spread	MTD	QTD	YTD	T12
<b>FIXED INCOME</b>						
Corporate Bond Index	5.22	0.72	-0.01%	1.20%	0.65%	5.12%
High Yield Index	7.21	2.65	0.02%	2.21%	1.71%	6.59%
Agency CMBS Index	4.54	0.25	-0.11%	-0.06%	0.27%	3.80%
MBS Index	5.01	0.24	-0.06%	0.30%	0.71%	5.86%
ABS Index	4.69	0.44	0.01%	0.56%	0.87%	4.17%
US Treasury Index	4.41	--	0.01%	0.05%	0.01%	3.15%
US Aggregate Bond Index	4.77	0.26	-0.02%	0.41%	0.36%	4.36%
Municipal Bond Index	3.63	--	0.54%	2.07%	1.89%	6.77%
<b>EQUITIES</b>						
S&P 500	1.10	--	-2.83%	12.82%	7.60%	22.24%
Dividend Aristocrats	2.57	--	2.75%	4.11%	6.64%	12.92%

**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 6/23/26.

## Featured insights

### A new era at the Fed – Key takeaways from Warsh’s first FOMC meeting?

Kevin Warsh succeeded Jerome Powell as Fed chair in May, and last week he chaired his first FOMC meeting. The policy rate did not change, but the Fed issued clear signals about the direction of monetary policy under new leadership and introduced structural changes to its communications with markets.

The FOMC unanimously held the federal funds rate in the 3.50% to 3.75% range, which was in line with our expectations. However, the accompanying projections via the dot plot indicated a material shift toward hikes in 2026. The pivot to a more hawkish stance and the Fed’s emphasis on price stability created a swift market reaction: Stocks sold off, a bear-flattener saw shorter maturities rise more than longer maturities, and the CME FedWatch tool moved to price the probability of a rate hike by October at approximately 60%.

The market’s initial reaction was somewhat mitigated in following sessions, but there is a larger takeaway that is more important than one day of price action: Under Warsh, investors will need to get used to a Fed that is less focused on managing market expectations. The Warsh Fed seems less focused on

detailed guidance and more focused on preserving optionality, as evidenced by a shorter press conference and a policy statement that was less than half its typical length.

Warsh also is forming five task forces to examine Fed communications, balance sheet policy, data sources, productivity and jobs, and inflation frameworks. This sets up the potential for sweeping changes. Some of these shifts will take time and require committee support or coordination with other regulatory changes, particularly regarding balance sheets, bank regulation, and the plumbing of the financial system.

Though the new Fed regime may create more uncertainty, we view it as a welcome change that plays well with our disciplined investment process. Now that the Fed is trying to get away from managing financial markets so it can refocus on incoming economic data, it is even more important to have a partner like Eagle Income. Not only have we predicted inflation’s cyclical turns, our structural view also was correct in predicting that inflation would not go back to 2%.

Our playbook has always incorporated real-time data to help pursue attractive relative value for risks taken along with positioning that provides portfolios with optionality and built-in resilience.

## Additional insights



**Ellen Li, CFA**  
Volatility that pays,  
if you know where to  
look.



**Alexandria White, CFA**  
A new Fed voice —  
what changed?

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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.

**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.

### Disclosures

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