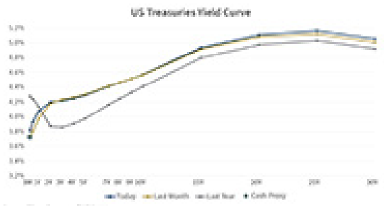
INCOME INSIGHTS

July 8, 2026

EAGLE Asset Management

Info at a glance

Treasury curve



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Corporate spreads

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Muni-Treasury ratio

2-year AAA Muni vs. Tsy	55.76	62.99
5-year AAA Muni vs. Tsy	60.16	62.50
10-year AAA Muni vs. Tsy	64.40	67.88
30-year AAA Muni vs. Tsy	82.53	89.20

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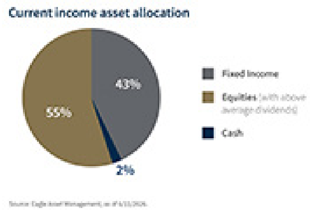
Key takeaways

- US Treasury yields were volatile over the last two weeks due to multiple catalysts that eased inflation fears followed by a sharp move yesterday driven by increased tensions with Iran:
  - The Strait of Hormuz showed signs of reopening, sending oil prices close to pre-conflict levels though yesterday's headlines (blocked oil sales and US strikes on Iran) have driven prices slightly higher once again;
  - The May Personal Consumption Expenditures (PCE) Price Index showed details of underlying inflation to be a bit more well-behaved than what we saw in April; and
  - The June jobs report did not meet expectations.
- The disappointing June jobs report complicated the case for a near-term US Federal Reserve (Fed) interest rate hike despite sticky core inflation. The weak data suggested this year's "low hire, low fire" environment has not subsided as labor force participation fell to its lowest level since March 2021. That drove the unemployment rate to 4.2% from 4.3%. Data from prior months also was revised down.
- Credit remained broadly resilient despite a tech-driven equity sell-off. While spreads widened slightly (up 1-2 basis points), record June supply of $187 billion was met with strong demand. Fixed income's attractive all-in yields have continued to attract a broad base of buyers.

Macro/policy review and outlook

- Our economic growth proxy still points to a firm second quarter tracking 3.22% year-over-year, an acceleration from a revised 2.44% in the first quarter. However, there are meaningful risks toward a downturn scenario with decelerating inflation and decelerating growth as we move into the back half of the year. We expect the current robust pace of growth to taper off due to more difficult base effects, the dissipation of positive catalysts like tax refunds, and the potential for give-back dynamics.
- Our base view remains that the threshold for near-term hikes remains high given the soft labor market, headline inflation declining from energy prices, and disinflationary pressure from housing and slowing wages. However, underlying inflation remains sticky, and we do not believe a pivot toward easing is necessary, either.

Income asset allocation



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- The market is still pricing in an October rate hike. If the Fed tightens into a decelerating second-half growth backdrop, we expect the long end of the curve to respond more to growth risk than to inflation risk. In that scenario, the 10-year Treasury yield could move lower even as the Fed pushes the front end higher, reinforcing the risk of additional curve flattening.

Sector performance

- Corporates have remained supported by confidence in fundamentals and by strong demand for income at attractive all-in yields despite near historically tight spreads. The broad buyer base across insurance companies, pensions, and retail has allowed the market to digest record levels of issuance with minimal new-issue concessions.
- Securitized sectors performed in line with Treasuries. We continue to favor higher-quality exposure over lower-quality consumer and commercial real estate exposures.
- Although municipals were positive, municipal-to-Treasury ratios were slightly rich due to outperformance through most of the year. Flows have remained extremely strong at $53 billion year to date as of July 3, 2026 – the second-highest pace on record.
- Equities faced headwinds from a hawkish Federal Open Market Committee (FOMC) reaction and a sharp artificial intelligence (AI)/tech-sector pullback due to concerns about infrastructure costs. However, income-oriented stocks showed relative resilience during the volatility, continuing the rotation that began in mid-May (see our featured insight below for more details).

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.28	0.74	-0.58%	-0.58%	0.27%	4.35%
High Yield Index	7.11	2.61	0.19%	0.19%	2.16%	5.98%
Agency CMBS Index	4.55	0.26	-0.22%	-0.22%	0.35%	3.93%
MBS Index	5.06	0.23	-0.38%	-0.38%	0.61%	5.53%
ABS Index	4.68	0.43	-0.08%	-0.08%	0.99%	4.21%
US Treasury Index	4.44	--	-0.46%	-0.46%	-0.18%	3.07%
US Aggregate Bond Index	4.81	0.26	-0.46%	-0.46%	0.16%	4.04%
Municipal Bond Index	3.60	--	-0.10%	-0.10%	2.22%	6.82%
EQUITIES						
S&P 500	1.08	--	0.06%	0.06%	9.62%	20.45%
Dividend Aristocrats	2.45	--	2.36%	2.36%	11.89%	15.65%

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 7/7/26.

Featured insights

A broadening spotlight on equities

The US equity market just completed its strongest quarter in six years, with the S&P 500 Index delivering a total return of approximately 15%. While the information technology sector remained the headline driver of returns, gaining 32%, a more important development for diversified investors was the significant broadening of market leadership as the quarter progressed.

The broadening was evident across several dimensions of the market. From May 15 through June 30, the S&P 500® Equal Weight Index outperformed the market cap-weighted S&P 500 by 4.7%, a sign that the "average stock" was beginning to participate more fully. Small-cap stocks, as represented by the Russell 2000® Index, also outperformed the large-cap Russell 1000® Index by 6.4%. At the sector level, healthcare, industrials, and financials were the strongest performers.

We believe two forces helped drive this change:

- First, the cooling of geopolitical tensions and the normalizing of commodity prices reduced fears of a renewed inflation shock. That allowed investors to look beyond a temporary macroeconomic scare and refocus on robust corporate earnings and a healthy US economy.
- Second, investors have begun to reassess whether the pace of capital spending and valuation expansion within certain areas of the AI ecosystem can be sustained indefinitely. While we continue to view AI as a durable long-term growth driver, this reassessment has encouraged investors to look beyond a narrow group of mega-cap technology leaders.

As market leadership has broadened, industrials and healthcare have stood out. Industrials have benefited from resilient economic fundamentals, signs of manufacturing stabilization, and long-term demand tied to AI infrastructure. Meanwhile, healthcare has offered a robust combination of resilient earnings growth, above-market dividend yields, attractive valuations relative to the broader market, and new product innovation across pharmaceuticals, biotechnology, and medical technology.

While it is too soon to conclude that a sustained rotation is underway, especially as US-Iran relations have wavered this week, greater investor emphasis on earnings durability and valuation discipline should support broader market participation. For investors focused on high-quality companies with durable cash flows and growing dividends, a broader market should provide a favorable backdrop.

Additional insights

Strategic Income Playbook
Where is the team finding opportunity today? Watch the June update.

Let us help chart your course for income

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

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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