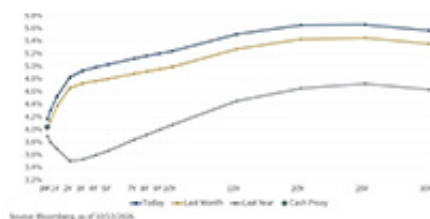


Info at a glance

Treasury curve



[Click to enlarge](#)

Corporate spreads



[Click to enlarge](#)

Muni-Treasury ratio

2-year AAA Muni vs. Tsy	68.28	63.13
5-year AAA Muni vs. Tsy	68.98	63.36
10-year AAA Muni vs. Tsy	74.85	67.52
30-year AAA Muni vs. Tsy	92.48	87.95

Source: Bloomberg, as of 10/13/2024.

[Click to enlarge](#)

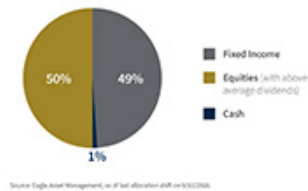
Key takeaways

- Treasury yields remain near multi-decade highs: The 10-year US Treasury yield is now approaching 5.3%. The bond market is experiencing near-term performance challenges as it adjusts to a higher-rate environment, but starting yields are much more attractive for fixed income investors putting capital to work today.
- Growth remains resilient while inflation risks remain elevated, which could keep pressure on longer-term rates and create a “good news is bad news” dynamic for risk assets.
- We are remaining disciplined on duration and sticking with higher quality investments as credit spreads begin to widen. We believe that attractive yields remain available without aggressively reaching for credit risk.

Macro/policy review and outlook

- Our near-term macro view continues to expect resilient growth alongside elevated inflation through the end of the year. That backdrop typically supports risk assets, but strong growth is becoming a double-edged sword. If resilient growth and inflation continue pushing long-term rates higher, bond market concerns could outweigh the benefits of stronger economic activity.
- We also continue to expect one more hike from the US Federal Reserve (Fed) before the end of the year. Fed policy is likely to remain restrictive while we see resilient growth, elevated inflation, and the 10-year US Treasury yield searching for a new, higher trading range.
- Higher yields improve the forward opportunity for investors. Today’s starting income provides a larger cushion against additional rate moves and allows investors to generate meaningful income without relying on falling rates.

Income asset allocation



[Click to enlarge](#)

Sector performance

- Corporate spreads remain relatively contained, reinforcing that recent weakness has been driven more by higher Treasury yields than deteriorating credit fundamentals. However, there is some evidence of slight widening with investment grade **3 bps** wider and high yield **42 bps** wider than one month ago.
- Structured product spreads have also widened modestly across several securitized sectors, which has improved relative value. We remain selective and focused on structures that offer attractive income without excessive duration risk.
- Although municipals have begun to rebound after a sharp September selloff, yields and relative value remain compelling. With tax-equivalent yields above 8% for top tax bracket investors, we continue to see opportunities to put cash to work and selectively extend duration.
- Headline equity index performance continues to mask narrow leadership beneath the surface. Higher long-term rates are increasing dispersion and raising the hurdle rate for risk assets.

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.99	0.82	0.60%	0.60%	-2.54%	-2.11%
High Yield Index	8.30	3.14	0.18%	0.18%	0.29%	2.23%
Agency CMBS Index	5.30	0.32	0.38%	0.38%	-1.27%	-0.55%
MBS Index	5.82	0.38	0.93%	0.93%	-2.40%	-1.37%
ABS Index	5.32	0.45	0.31%	0.31%	0.58%	1.52%
US Treasury Index	5.07	--	0.51%	0.51%	-2.27%	-2.03%
US Aggregate Bond Index	5.50	0.31	0.63%	0.63%	-2.30%	-1.80%
Municipal Bond Index	4.60	--	1.14%	1.14%	-3.08%	-2.09%
EQUITIES						
S&P 500	1.05	--	2.05%	2.05%	15.06%	18.66%
Dividend Aristocrats	2.54	--	2.94%	2.94%	8.97%	12.62%

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 10/13/26.

Featured insights

The unexpected upside of rising interest rates

Our latest white paper asks: [Should bond investors fear further increases in interest rates?](#) For an answer, we modeled several interest-rate paths for a hypothetical intermediate bond portfolio over a 10-year horizon. The results may seem counterintuitive: in the gradually rising interest rate scenario, long-term returns exceeded the scenario in which rates remained unchanged. The immediate rate-increase scenario was even more advantageous for long-term-focused investors.

A rapid rise in rates initially creates more price pressure, but it also creates a situation where the portfolio can benefit from higher yields more quickly. Even in an extreme stress scenario – in which the 10-year US Treasury yield rises to a new all-time high of 16% over five years – the hypothetical portfolio ultimately generated the highest annualized return.

That does not mean rising rates are painless. Sharp increases in yields can create near-term losses, particularly for investors with longer duration or shorter time horizons.

But today's environment is very different from a rising-rate cycle starting after years of ultra-low yields: The great interest-rate reset has materially improved the starting point for

bond investors. Higher starting income can provide a more meaningful cushion against price declines, and portfolio cash flows can be reinvested at even higher yields if rates rise further.

The central message of the analysis is that the initial price effect of higher rates is visible immediately while the potential benefit of higher income compounds over time.

This does not eliminate interest-rate risk or suggest that investors should ignore duration. We believe that long-term rates could remain elevated with a bias higher, which is why we continue to favor a shorter-to-intermediate duration approach. But today's higher starting yields materially change the math. As portfolios turn over and cash flows are reinvested, higher rates can increasingly work for long-term bond investors – not against them.

It's an important lesson for investors: Bonds can generate attractive long-term returns without falling rates.

Additional insights



Eric Kreiger, CFA, on heightened yield opportunities in municipal bonds.

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 US 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.

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

US Aggregate Bond Index - A broad benchmark representing the US 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 US 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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