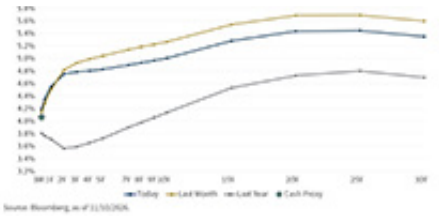
INCOME INSIGHTS

November 11, 2026

EAGLE | Asset Management

Info at a glance

Treasury curve



Click to enlarge

Corporate spreads



Click to enlarge

Muni-Treasury ratio

2-year AAA Muni vs. Tsy	57.06	62.50
5-year AAA Muni vs. Tsy	60.00	63.28
10-year AAA Muni vs. Tsy	65.72	67.70
30-year AAA Muni vs. Tsy	89.69	88.16

Source: Bloomberg, as of 11/10/2026.

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Key takeaways

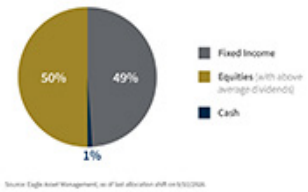
- Market volatility shifted from interest rates to risks related to growth and artificial intelligence (AI). Last week's AI-led equity sell-off coincided with a US Treasury rally, pushing the 10-year yield below 4.9%. This underscored the diversification benefit of high-quality fixed income when growth concerns replace inflation as the dominant risk.
- The midterm elections created a new policy backdrop for 2027. Divided government raises the importance of bipartisan agreement on fiscal policy, tariffs, energy, and AI regulation. For markets, the focus will be on how the evolution of those policies affects growth, inflation, and capital spending.
- We remain focused on quality as credit dispersion increases. Investment-grade and high-yield spreads widened in October, led by technology and communications. Attractive yields remain available, but growing differences in borrowing costs reinforce the importance of issuer selection.

Macro/policy review and outlook

- Economic fundamentals have remained resilient, but macroeconomic signals have weakened. Third-quarter GDP (gross domestic product) grew 2.1% year over year (or 3.4% annualized), and October payrolls added 165,000 jobs. These gains took place as credit spreads widened, Treasury yields declined, and defensive equities gained leadership. Markets are increasingly questioning recent growth's dependence on the AI investment cycle.
- The US Federal Reserve (Fed) held interest rates at 3.75% to 4.00%, with two policymakers favoring another hike. Inflation remains elevated, although falling gasoline prices could provide some relief in November and December. We still expect one more hike in December followed by a pause; market expectations have moved closer to our view over the past two weeks.
- The election adds policy uncertainty but does not change our near-term economic outlook. Fiscal policy, tariffs, energy, and the potential scrutiny of AI and data center development could remain important market catalysts heading into 2027.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Income asset allocation



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Sector performance

- **Corporates:** Volatility shifted from rates to AI-related credit in October. Investment-grade spreads have remained relatively stable month-to-date at 88 bps, while high-yield spreads have tightened slightly, declining 20 bps to 320 bps. However, the technology and communications sectors remain among the weakest. We remain up in quality while selectively adding where spreads offer better compensation for risk.
- **Structured:** Credit performance continues to diverge as prime consumers remain resilient while borrowers with weaker collateral face greater pressure. Deal structure and credit enhancement have become more important now that spreads leave less room for error, which has allowed us to remain selective without reaching for risk.
- **Municipals:** Attractive yields and improved technicals drew buyers back for a strong October rebound that nearly reversed September's sell-off. Extreme municipal/Treasury relative value has largely normalized, but absolute yields remain attractive. Tax-loss harvesting has continued accelerating the shift from open-end funds toward ETFs (exchange-traded funds) and individual bonds.
- **Equities:** AI-related and semiconductor stocks have absorbed the greatest pressure as investors have reassessed capital requirements, financing costs, and expected returns. As concentrated market leadership comes under pressure, we continue to favor durable cash flows, strong balance sheets, and sustainable, growing dividends.

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.87	0.88	-0.13%	2.03%	-1.15%	-0.55%
High Yield Index	8.21	3.20	0.38%	0.68%	0.79%	1.96%
Agency CMBS Index	5.13	0.32	-0.16%	1.52%	-0.14%	0.53%
MBS Index	5.59	0.33	-0.24%	2.82%	-0.58%	0.15%
ABS Index	5.29	0.50	-0.13%	1.00%	1.26%	2.04%
US Treasury Index	4.92	0.00	-0.36%	1.99%	-0.83%	-0.53%
US Aggregate Bond Index	5.33	0.32	-0.27%	2.17%	-0.81%	-0.32%
Municipal Bond Index	4.10	--	0.91%	4.80%	0.42%	0.62%
EQUITIES						
S&P 500	1.09	--	-0.76%	-1.62%	10.92%	11.12%
Dividend Aristocrats	2.36	--	2.60%	12.25%	18.82%	20.66%

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 11/10/26.

Featured insights

AI's impact on US corporate credit

The AI infrastructure buildout is reshaping the US corporate credit market. Investment-grade issuance, which includes nearly $220 billion from hyperscalers, has surpassed $2 trillion this year and exceeded the previous annual record. AI-related capital spending is expected to approach $800 billion in 2026 and to exceed $1 trillion in 2027. Estimates suggest debt could finance roughly one-third of next year's spending.

Investor demand has remained healthy, but investors are becoming more selective. In October, investment-grade corporate bond spreads in technology and communications widened roughly 22 and 26 bps, respectively, compared with approximately 10 bps for the broader investment-grade market. Borrowing costs have risen even more sharply for lower-rated, highly leveraged AI infrastructure providers.

Growing issuance is changing the composition of corporate indices. As AI-related borrowers account for larger shares of fixed income indices, investors may accumulate greater exposure to the AI investment cycle. This can happen without investors increasing traditional technology-sector allocations, because major issuers span multiple sectors. Index-based strategies may thus increase exposure mechanically without fully accounting for issuer-specific execution and technological obsolescence risks.

The scale of financing also carries broader implications. AI-related borrowing is competing for investor capital alongside elevated US Treasury issuance, equity offerings, and mega-IPOs (initial public offerings). Issuers may need to offer higher yields and risk premiums to attract financing, potentially increasing borrowing costs. In turn, higher financing costs could pressure equity valuations, raise investment hurdle rates, and slow the pace of AI-related capital spending.

Financing is also expanding beyond traditional corporate bonds into private credit, project financing, special-purpose vehicles, and loans backed by GPU (graphics processing unit) equipment. These sources offer balance sheet flexibility but introduce complexity surrounding leverage, collateral, and counterparty exposures.

Growing demands for electricity, water and local infrastructure present additional challenges. For a deeper look at those dynamics, see our recent white paper, Sustainability considerations in data center investing.

The message is not to avoid AI-related issuance, but to remain selective. Increased supply and higher risk premiums can create attractive income opportunities. However, growing concentration, divergent financing needs, and competition for capital reinforce the importance of evaluating issuer balance sheet strength, emphasizing security selection, and maintaining the flexibility to pursue relative-value opportunities.

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Additional insights



Alexandria White, CFA, explains why this could be one of the best bond opportunities in decades.



Ellen Li, CFA, explores the credit risks behind the data center surge.

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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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