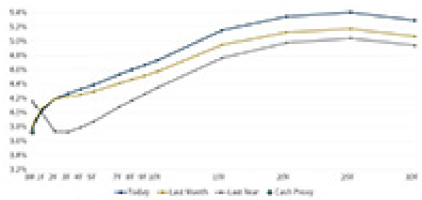
INCOME INSIGHTS

August 19, 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	60.43	63.56
5-year AAA Muni vs. Tsy	65.43	62.38
10-year AAA Muni vs. Tsy	70.29	67.22
30-year AAA Muni vs. Tsy	86.09	88.10

Source: Bloomberg, as of 8/14/2026.

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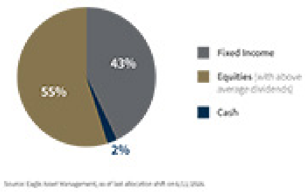
Key takeaways

- Risk assets have remained resilient, with broadly positive month-to-date returns across equity and fixed income markets. US equities are trading near record highs, supported by a strong earnings season and solid corporate fundamentals. In our view, this strength supports the case that the recent moderation in economic activity is more normalization than deterioration.
- Growth is tapering, but the backdrop remains constructive. Consumer activity has cooled from its strong first-half pace, which could help relieve some pressure on inflation and monetary policy without materially undermining credit fundamentals.
- Rates are still the key tension point. Yields remained elevated even as expectations for additional US Federal Reserve (Fed) tightening have eased, reflecting the growing impact of persistent above-target inflation, fiscal deficits and Treasury supply, significant capital needs associated with artificial intelligence (AI) infrastructure, and a less unified Fed policy outlook.
- Income continues to play an important role. The 30-year US Treasury is trading at yields not seen since before the 2008 Global Financial Crisis, underscoring the income opportunity available across fixed income. Elevated starting yields provide meaningful carry across fixed income and reduce the need to rely on either significant spread compression or a large decline in interest rates.
- Stock and bond correlations remain higher than investors became accustomed to during the low-inflation era, although it is not unusual in a reflationary environment; inflation can influence both asset classes simultaneously. In our view, this dynamic heightens the risk of relying on a single directional view on rates. Instead, active duration management allows us to adjust interest rate exposure as opportunities evolve across our fixed income strategies.

Macro/policy review and outlook

- Recent consumer data suggests economic activity is easing from its robust pace in the first half of the year. We continue to expect that growth will trend sideways to modestly lower over the next several months without meaningfully deteriorating.
- The Fed may have room to remain patient. Moderating growth, relatively benign inflation data (despite remaining well above the Fed's 2% target), and the current

Income asset allocation



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labor market should reduce the urgency for additional tightening. Markets may continue to price some probability for further rate hikes at upcoming meetings, but our base case is that the Fed can narrowly avoid tightening further.

- The labor market continues to be cyclically stable despite slower payroll growth. Structural changes in demographics and population growth suggest that slower payroll gains do not necessarily imply an imminent downturn. Labor-market balance may be maintained by job creation that is slower than in prior cycles.

Sector performance

- Investment-grade and high-yield corporates performed well. While fundamentals remain generally supportive, tight spreads leave less room for further compression and provide a smaller margin for error. Elevated all-in yields continue to make income and security selection important contributors to returns.

- Securitized sectors have benefited from the recent move in rates, with positive returns across the major indices. With long-term Treasury yields influenced by a broader set of factors and corporate spreads remaining tight, we continue to view high-quality structured credit as an additional source of income and diversification.

- After underperforming in July, municipal bonds have rebounded and are outperforming much of fixed income month to date. Flows into the asset class remain supportive; tax-exempt income continues to attract investors in higher tax brackets. Periods of rate volatility or weaker technicals may provide opportunities to add high-quality exposure at more attractive relative values.

- Equity markets have rallied sharply over the past two weeks to reach new highs, led primarily by a rebound in technology and semiconductor stocks. Dividend-oriented equities participated in the advance while lagging their growth-oriented counterparts. In our view, this divergence reinforces the role that income and quality can play in portfolio construction, particularly as valuations remain elevated and market leadership continues to shift.

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.37	0.76	0.76%	-0.93%	-0.08%	2.46%
High Yield Index	7.20	2.66	0.60%	0.35%	2.31%	5.67%
Agency CMBS Index	4.60	0.27	0.42%	-0.08%	0.49%	2.74%
MBS Index	5.16	0.25	0.87%	-0.56%	0.42%	3.93%
ABS Index	4.71	0.43	0.29%	0.18%	1.24%	3.46%
US Treasury Index	4.50	--	0.51%	-0.61%	-0.33%	1.52%
US Aggregate Bond Index	4.89	0.27	0.65%	-0.66%	-0.04%	2.41%
Municipal Bond Index	3.90		0.22%	-1.63%	0.65%	4.93%
EQUITIES						
S&P 500	1.05	--	3.30%	3.24%	13.77%	24.29%
Dividend Aristocrats	2.43	--	1.98%	3.60%	13.25%	16.88%

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 8/18/26.

Featured insights

State fiscal conditions and long-term outlook.

State credit quality is broadly resilient, but the fiscal environment is becoming more complex. Strong reserves remain an important credit strength, particularly as many states increased rainy-day fund balances after the unusually robust revenue years of 2021 and 2022. Looking ahead, state revenue growth is expected to moderate while spending pressures persist.

For municipal investors, fiscal environment complexity underscores the importance of disciplined credit research. In addition to headline fiscal metrics, our team also evaluates revenue volatility, reserve durability, fixed-cost burdens, federal funding exposure, pension obligations, and long-term infrastructure needs. As many counties, cities, and school districts rely on shared state tax revenues and state-administered programs, our forward-looking state analysis provides insight into the credit outlook for downstream local issuers and other related sectors.

- State revenue growth is expected to moderate amid a slowing national economy, the ongoing impact of prior state tax cuts, and shifts in federal tax policy. Some policymakers are considering taxes on high-income earners to generate revenue, highlighting the broader funding challenges states are facing.
- Many states are proposing flat general fund spending, and nearly half have included spending reductions to help balance budgets. Some states are also using workforce-related cost controls, including eliminating vacant positions, hiring freezes, benefit changes, and, in a few cases, layoffs.
- Federal health care policy changes, especially those related to Medicaid, create added operational uncertainty. States may need to absorb costs, reduce services, or identify alternative revenue sources, though the impact varies considerably by state.
- Longer term, deferred maintenance is a significant fiscal concern, and the increased future costs and reduced useful life of public assets are not always fully visible in state budgets.

In our research linked below, we offer a comprehensive analysis of state fiscal conditions and examine the most important fiscal developments across 10 states, including California, Washington, and Florida.

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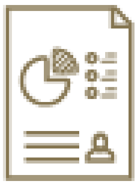
Additional insights



State of the States

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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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