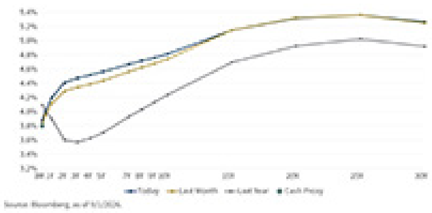
EAGLE | Asset Management

Info at a glance

Treasury curve



Click to enlarge

Corporate spreads

Click to enlarge

Muni-Treasury ratio

	Ratio (%) Today	Ratio (%) 12-month average
2-year AAA Muni vs. Tsy	58.86	63.70
5-year AAA Muni vs. Tsy	64.92	62.44
10-year AAA Muni vs. Tsy	71.79	67.05
30-year AAA Muni vs. Tsy	89.52	87.84

Source: Bloomberg, as of 9/1/2026.

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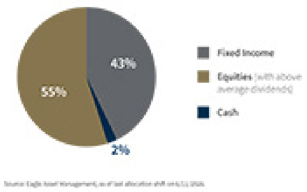
Key takeaways

- Persistent above-target inflation argues for additional Fed tightening, but what policymakers should do and what they may do are not necessarily the same. While Chair Kevin Warsh's Jackson Hole remarks increased the perceived risk of another hike, our base case remains that the Fed narrowly avoids a September move. Either way, we expect the 10-year Treasury to remain biased toward the upper end of its recent trading range with the potential to test 5% by year end.
- Renewed US-Iran hostilities have pushed oil higher after a period of relative calm, adding another source of inflation and rate volatility. The rise in oil continues to weigh on household purchasing power and reinforce the case for caution as growth slows from its first-half pace.
- Income continues to play an important role. With attractive starting yields but tight credit spreads, we continue to favor higher-quality fixed income, shorter-to-intermediate duration and disciplined security selection rather than relying on falling rates or further spread compression.

Macro/policy review and outlook

- Recent economic data remain consistent with our outlook for growth slowing from its robust first-half pace rather than a meaningful deterioration. We expect the pace of growth to trend sideways to modestly lower while the economy remains in expansion until renewed acceleration beginning in November.
- Inflation remains well above the Fed's 2% target and markets are currently pricing a 65%+ chance of a hike at the September meeting (increased from 35% before Warsh's speech at Jackson Hole). In our view, persistent inflation supports another hike, but officials may still elect to remain patient if upcoming labor and inflation data cooperate. If they do hike, we believe the timing would suggest different paths. A September move could signal the beginning of a short tightening sequence with multiple hikes whereas a December move may be singular and a maintenance adjustment rather than the start of a broader cycle.
- Long-term yields are being driven by more than Fed policy. Fiscal deficits, Treasury supply, capital demand associated with the buildout of artificial intelligence (AI) infrastructure and renewed energy volatility should keep the 10-year Treasury toward the upper end of our expected range whether the Fed holds or hikes. We are also monitoring Treasury's refunding strategy, including the maturity mix of issuance and use of buybacks which may affect supply pressure and term premiums across the curve.

Income asset allocation



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- 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 diverged in performance year to date, as IG's longer duration profile weighed on total returns amid rising Treasury yields while HY benefited from shorter duration and tighter spreads. Spreads across both markets remained tight, leaving a limited margin for error and reinforcing the importance of quality and security selection.

- Securitized markets remained well supported year to date. We continue to view high-quality structured credit as an additional source of income and diversification, particularly with corporate spreads at tight levels.

- Municipal bonds have recently underperformed but continue to benefit from steady fund inflows, while September reinvestment should help the market absorb elevated issuance. Periods of rate volatility may provide opportunities to add high-quality tax-exempt exposure at more attractive relative values.

- While equity markets have had a positive showing so far in 3Q and seen strong overall total return YTD, they recently have reflected caution and now enter a period of potential seasonal weakness. Higher oil prices and long-term yields could create a more challenging backdrop for valuation-sensitive areas, while durable cash flow and consistent dividend growth remain valuable sources of portfolio balance.

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.56	0.79	0.43%	-1.25%	-0.40%	1.94%
High Yield Index	7.37	2.65	0.97%	0.72%	2.69%	4.88%
Agency CMBS Index	4.80	0.27	0.14%	-0.35%	0.21%	1.94%
MBS Index	5.35	0.30	0.52%	-0.91%	0.07%	3.02%
ABS Index	4.90	0.44	0.28%	0.17%	1.24%	3.07%
US Treasury Index	4.67	--	0.31%	-0.81%	-0.53%	1.22%
US Aggregate Bond Index	5.07	0.29	0.39%	-0.92%	-0.31%	1.89%
Municipal Bond Index	4.05		-0.23%	-2.08%	0.20%	4.12%
EQUITIES						
S&P 500	1.07	--	2.72%	2.66%	13.14%	20.38%
Dividend Aristocrats	2.43	--	1.45%	3.06%	12.66%	13.38%

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 9/1/26.

Featured insights

AI investing enters a more selective phase

AI remains one of the most important long-term investment themes we see, but we believe the opportunity is becoming more selective.

The first phase of the AI trade was led largely by the Magnificent 7 and a handful of large semiconductor companies. Importantly, much of that appreciation was supported by exceptional earnings growth rather than simply higher valuation multiples. That environment allowed us to participate in AI through companies whose fundamental growth fit our long-term investment approach.

More recently, leadership has shifted toward areas such as memory, storage, optical components, and semiconductor equipment. Demand is strong and supply remains constrained, but these businesses are also more cyclical. Shortages can produce extraordinary pricing and earnings growth for a period, only to be followed by capacity additions, weaker pricing, and lower returns once supply catches up. History offers plenty of examples of that pattern.

That does not make us less constructive on AI. It makes us more discriminating about where we take risk. For a dividend-focused strategy like ours, participating in AI-driven growth must also be consistent with our broader objective of owning high-quality businesses capable of generating durable earnings and free cash flow that can support growing dividends over time. We have reduced exposure to some of the more cyclical beneficiaries after sharp share-price appreciation and have favored companies where we see more durable earnings growth, strong competitive positions, and greater visibility into long-term cash generation.

At the same time, the market has increasingly divided technology companies into perceived AI winners and losers. That has pushed valuations for parts of software and technology services to unusually low levels. While AI presents legitimate disruption risk for some businesses, we also believe others may ultimately become beneficiaries as adoption broadens.

For us, the next phase of AI investing is less about owning the theme broadly and more about separating durable earnings growth from temporary scarcity. That distinction should create opportunities for fundamental investors willing to look beyond recent momentum.

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Additional insights

Christina Ashmore highlights important state-level opportunities and trends shaping the investment landscape.

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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.

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