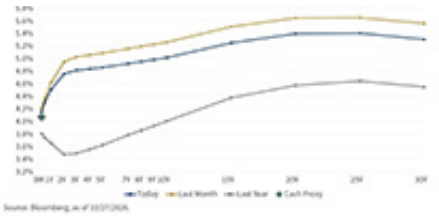
INCOME INSIGHTS

October 28, 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	60.25	62.90
5-year AAA Muni vs. Tsy	62.59	63.40
10-year AAA Muni vs. Tsy	70.04	67.66
30-year AAA Muni vs. Tsy	92.45	88.06

Source: Bloomberg, as of 10/27/2026.

Click to enlarge

Key takeaways

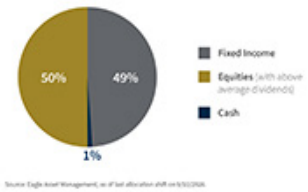
- US Treasury yields have fallen sharply, but we do not believe the higher interest rate environment is over. The 10-year Treasury yield has declined more than 30 basis points from its early October highs to around 5%, providing some relief after a difficult September while preserving an attractive starting point for income investors.
- Municipals have rebounded as investors have recognized their relative value opportunity. Municipal bonds have returned approximately 3.51% month to date versus 2.04% for broader US fixed income. Attractive municipal/Treasury valuations, strong demand, and the Treasury rally have helped reverse September's technical weakness.
- We continue to emphasize quality as credit spreads widen. Attractive all-in yields remain available without taking excessive credit risk, while wider spreads are beginning to create opportunities for selective additions.

Macro/policy review and outlook

- Inflation remains elevated, with energy as the primary driver. With little near-term relief expected in oil and diesel prices, we are monitoring the extent to which higher costs spread through the economy. We expect inflation to remain well above the US Federal Reserve's (Fed's) 2% target through the rest of the year.
- We expect the Fed to hold rates unchanged at this week's meeting. With market volatility rising, there is little urgency to act immediately. Another hike remains possible before year-end if growth stays resilient.
- The Treasury rally demonstrates how quickly the market's focus can shift from inflation toward risks to growth. Yields fell sharply even as oil prices rose, suggesting that flight-to-quality demand, short covering, and questions around the sustainability of AI-related investment temporarily outweighed inflation concerns.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Income asset allocation



Click to enlarge

Sector performance

- Corporate spreads have widened, particularly in high yield, as markets increasingly distinguished issuers with disciplined capital spending and strong cash flows from those lacking these strengths.
- Credit performance is diverging in structured securities; prime consumers have remained resilient while subprime borrowers and securities backed by weaker collateral faced greater pressure. With spreads offering less room for error, deal structure and credit enhancement matter more. Higher absolute yields have allowed us to remain selective without reaching for risk.
- The municipal market's retail-heavy buyer base can amplify sell-offs when rates rise, often pushing valuations beyond fundamentals. Municipal/Treasury relative value reached some of its most attractive levels of the past year before quickly normalizing as buyers returned. Tax-loss harvesting also has accelerated the shift from mutual funds into ETFs and individual bonds.
- Last week's rotation broadened market participation beyond mega-cap technology, with the S&P 500® Equal Weight Index, small caps, and defensive sectors outperforming. We continue to favor durable cash flows, strong balance sheets, and sustainable and growing dividends as changing rate and growth expectations challenge concentrated leadership.

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.99	0.85	2.00%	2.00%	-1.18%	-1.73%
High Yield Index	8.17	3.19	0.51%	0.51%	0.61%	1.44%
Agency CMBS Index	5.17	0.33	1.20%	1.20%	-0.46%	-0.06%
MBS Index	5.60	0.33	2.58%	2.58%	-0.81%	-0.62%
ABS Index	5.27	0.49	0.85%	0.85%	1.11%	1.75%
US Treasury Index	4.92	--	1.88%	1.88%	-0.94%	-1.18%
US Aggregate Bond Index	5.33	0.31	2.04%	2.04%	-0.93%	-1.12%
Municipal Bond Index	4.26		3.51%	3.51%	-0.82%	-0.61%
EQUITIES						
S&P 500	1.06	--	0.99%	0.99%	13.86%	13.63%
Dividend Aristocrats	2.43	--	7.57%	7.57%	13.87%	15.22%

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 10/27/26.

Featured insights

The Return of Income: Bonds Reclaim Their Role

Read our full article in the latest Investment Strategy Quarterly here, as well as our latest white paper on why investors shouldn't fear rising rates here.

After the Global Financial Crisis, investors seeking income faced an uncomfortable choice: accept very little from high-quality bonds or take on more risk. That trade-off has changed. Income is investable again.

Today, Treasuries and high-quality fixed-income sectors offer meaningful yields without requiring an aggressive bet on interest rates or credit. The shift is especially clear relative to equities: the spread between the 10-year Treasury yield and the S&P 500 dividend yield is near its widest since mid-2002. As of Aug. 31, fewer than 4% of S&P 500 companies offered dividend yields above the 10-year Treasury yield, according to Ned Davis Research. In July 2016, more than 60% did.

Bond math has also changed. In 2022, yields rose from an exceptionally low starting point, leaving very little coupon income to offset price declines. Following the interest rate reset, today's higher coupons, carry, and reinvestment income provide a much larger cushion. As of August, the Bloomberg US Aggregate Bond Index had generated positive trailing 12-month returns in 35 of the prior 37 months despite continued rate volatility.

That does not mean everything in fixed income is cheap. Much of today's attractive all-in yield still comes from higher Treasury rates rather than from unusually wide credit spreads. Although recent spread widening has improved entry points, we continue to favor quality, deliberate duration management, and selective additions to credit risk.

For investors, the portfolio implication is straightforward. Cash remains useful for near-term needs, but selectively extending into short- and intermediate-maturity bonds can lock in income for longer and reduce reinvestment risk. High-quality fixed income can once again provide cash flow, liquidity, and a meaningful source of total return.

The low-rate era made income scarce. Today's challenge is different: choosing the right income with quality, discipline, and flexibility.

EAGLE | Asset Management

Additional insights



The latest **Strategic Income Playbook,** featuring October portfolio updates and allocation insights.

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

The opinions are those of the authors. This information is not intended to serve as investment, tax, legal, or accounting advice. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. No investment strategy can guarantee success. Economic and market conditions are subject to change. Investing involves risks including the possible loss of capital. Information should not be considered a recommendation to engage in or refrain from taking a particular course of action and is not an endorsement, recommendation, or sponsorship of any securities, services, or other investment property. It has been prepared for information purposes only.

© 2026 Eagle Asset Management, Inc. All rights reserved. | M-1027145 | Exp. 6/30/2027 | EA-INCINS261028