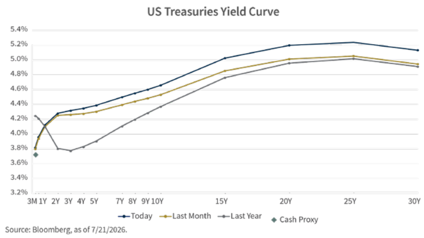
INCOME INSIGHTS

July 22, 2026

EAGLE | Asset Management

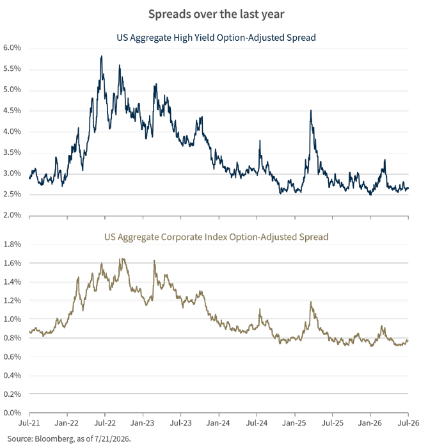
Info at a glance

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	57.71	62.71
5-year AAA Muni vs. Tsy	62.81	62.33
10-year AAA Muni vs. Tsy	68.03	67.61
30-year AAA Muni vs. Tsy	85.00	88.83

Source: Bloomberg, as of 7/21/2026.

Click to enlarge

Key takeaways

- The economic outlook is becoming more cautious, but not necessarily bearish. First-half growth benefited from data-center investment, defense production, tax refunds, and some spending pulled forward ahead of potential war-related price increases. As those tailwinds fade, we expect the pace of growth to moderate, even as artificial intelligence (AI)-related capital investment remains an important source of strength.

- A meaningful broadening beyond concentrated technology leadership has expanded the equity opportunity set. Since mid-May, strength in the S&P 500® Equal Weight Index and the income-oriented stocks represented by the S&P 500 Dividend Aristocrats® Index suggests investors are placing greater emphasis on valuation, earnings durability, and cash flow. While it is too early to declare a lasting change in market leadership, broader participation is supportive for diversified portfolios and companies with the consistent dividend growth that Eagle Income favors.

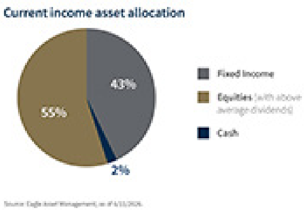
- Markets appear more confident about the path of inflation than the durability of growth, but renewed tensions with Iran complicate that view. Oil prices have risen, but they remain below the previous conflict highs. The duration of the latest disruption and its transmission into prices for diesel, jet fuel, and other refined products will determine whether it becomes a broader inflation and demand shock. This could potentially limit US Federal Reserve (Fed) flexibility as growth moderates.

Macro/policy review and outlook

- Our anticipated moderation in growth is coming into view, although the evidence is not yet broad-based. Our updated estimate places second-quarter real gross domestic product (GDP) growth at 2.15% year over year. Much of this decline reflects volatile net exports and inventories rather than a comparable deterioration in underlying demand. Early July indicators that include restaurant activity, credit-card spending, rail traffic, and housing have softened, but we would caution against drawing any firm conclusions from a limited amount of high-frequency data.

- Our macro zone framework continues to point to slower rates of change rather than an outright contraction. We currently see the most likely path as a narrow downturn regime (with inflation and growth decelerating) in the third quarter, followed by stagflation (growth decelerating, inflation accelerating) in the fourth quarter as growth moderates and inflation remains uneven. These classifications describe the direction and pace of change, not a forecast for recession, and

Income asset allocation



Click to enlarge

suggest the second half may feel bumpier even if absolute economic activity remains positive.

- We believe this backdrop calls for patience from the Fed in either direction. Sticky underlying inflation and renewed energy-price pressure make near-term easing difficult to justify, while moderating growth raises the threshold for additional tightening. The Fed would typically look through a temporary energy shock, but a sustained increase that lifts inflation expectations or broadens into other prices will keep tightening on the table, even as growth slows.

Sector performance

- Investment-grade and high-yield credit remained broadly resilient. Spreads changed little despite renewed geopolitical and equity-market volatility. Heavy issuance, particularly among large cloud and data-center borrowers financing AI infrastructure, contributed to greater differentiation across issuers. Hyperscaler spreads are 10 to 35 basis points (bps) wider year to date. High yield continues to offer meaningful income, and its shorter duration can cushion interest-rate volatility. However, tight spreads provide less protection if growth slows. With valuations leaving little room for error, we continue to believe all-in yield and security selection, not additional credit risk, should be the primary drivers of return.

- Securitized sectors continue to provide diversification beyond traditional government and corporate bonds. Agency mortgage-backed securities remain attractive as elevated mortgage rates limit refinancing activity and reduce prepayment uncertainty for now. We are monitoring for any possibility of a pickup due to AI's potential to make refinancing easier and/or less expensive. This is while high-quality asset-backed securities offer structural protections and relatively short cash flows. We remain more cautious in commercial mortgage-backed securities, where outcomes vary significantly by property type, geography, and individual asset quality.

- In municipals, strong demand and favorable credit fundamentals continue to support the market. That said, municipal-to-Treasury ratios remain relatively rich following year-to-date outperformance. Municipals have therefore lagged taxable fixed income month to date. Tax-equivalent income remains attractive for many investors in higher tax brackets, but current valuations favor a measured approach rather than chasing the market. We continue to emphasize high-quality issuers, sector selection, and disciplined entry points.

- In equities, the broadening of market leadership has provided a more favorable backdrop for income-oriented equities after an extended period of mega-cap technology dominance. Stocks represented in the S&P 500 Dividend Aristocrats® Index offer exposure to companies with durable cash flows, disciplined capital allocation, and a history of growing shareholder income. While they may not participate fully when speculative or momentum-driven areas lead, greater investor emphasis on quality and valuation should support a more balanced opportunity set and may provide greater resilience during periods of slower growth or market volatility.

Amended returns table

Index	YTW	Spread	MTD	QTD	YTD	T12
FIXED INCOME						
Corporate Bond Index	5.40	0.77	-1.19%	-1.19%	-0.27%	3.44%
High Yield Index	7.26	2.67	0.13%	0.13%	2.02%	5.64%
Agency CMBS Index	4.65	0.26	-0.44%	-0.44%	0.18%	3.34%
MBS Index	5.18	0.27	-0.93%	-0.93%	0.10%	4.84%
ABS Index	4.77	0.42	-0.12%	-0.12%	0.87%	3.84%
US Treasury Index	4.52	--	-0.84%	-0.84%	-0.54%	2.54%
US Aggregate Bond Index	4.91	0.27	-0.87%	-0.87%	-0.27%	3.44%
Municipal Bond Index	3.77		-1.02%	-1.02%	1.27%	6.84%
EQUITIES						
S&P 500	1.07	--	0.22%	0.22%	10.38%	20.48%
Dividend Aristocrats	2.47	--	0.34%	0.34%	9.63%	13.17%

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 7/21/26.

EAGLE Asset Management

Featured insights

Municipal bonds defy the odds. Strong performance amid market headwinds

The municipal bond market delivered an impressive first half of 2026, overcoming a series of macroeconomic and geopolitical challenges that typically would pressure fixed income returns. Higher US Treasury yields, persistent inflation, shifting US Federal Reserve (Fed) expectations, record municipal issuance, and heightened geopolitical tensions all created a difficult backdrop. Yet despite these headwinds, municipal bonds emerged as the best-performing fixed income sector, generating returns of more than 2% through the first half of the year. Attractive tax-adjusted yields, resilient investor demand, and more favorable starting valuations allowed the asset class to outperform in this challenging environment.

We remain constructive on the municipal market, though we expect the second half of the year to be more volatile than the first. Elevated absolute yields have provided attractive after-tax income opportunities, drawing unusually keen investor demand. Municipal bond funds attracted $53.3 billion of net inflows during the first half of 2026 – the second-highest first-half total on record. We expect these inflows to continue to provide an important technical tailwind as the market absorbs another year of historically elevated issuance.

While broad credit fundamentals have remained healthy, sector dispersion has grown as fiscal pressures and US federal policy changes have created winners and losers. The ratio of upgrades to downgrades, which has been contracting significantly over the last two years, is evidence of this trend. We continue to favor essential-service sectors such as water and electric utilities, and we advocate for greater selectivity in health care, higher education, transportation, and certain general obligation issuers facing demographic and funding challenges. In this environment, we believe disciplined security selection, rigorous credit analysis, and a focus on intermediate- and longer-duration bonds should be the key drivers of attractive tax-efficient income and competitive total returns through the remainder of 2026.

Additional insights

Explore the full Municipal Market 2026 Mid-Year Review and Outlook.

Hear Eagle Asset Management's latest perspective on growth with friction.

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 U.S. 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.

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

U.S. Aggregate Bond Index - A broad benchmark representing the U.S. 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 U.S. 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

880 Carillon Parkway, St. Petersburg, FL 33716 | 1.800.237.3101 | eagleasset.com