Monthly Fixed Income Market Update

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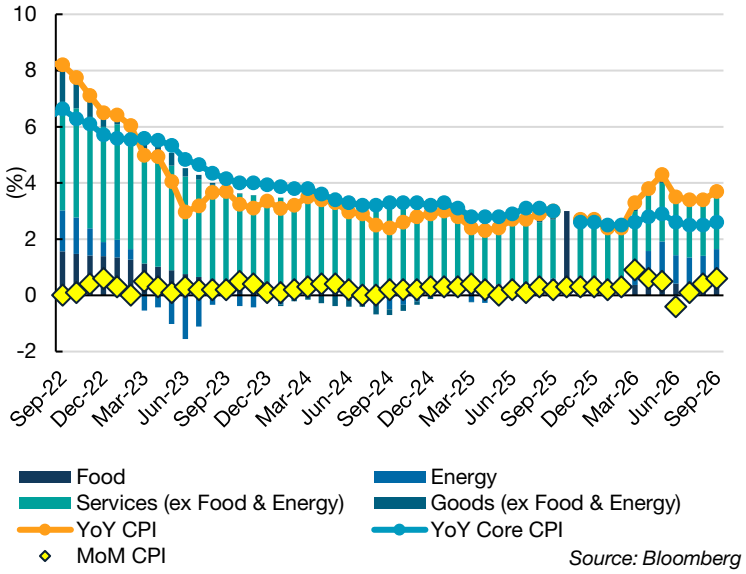
As of October 31, 2026

Key Takeaways

1. Treasury yields declined in October, coming off the multi-decade peaks seen in September. The 10-year yield ended the month at 4.93%, 36 bps lower than September's 5.29%.
2. The Federal Reserve held rates steady in October. This hold aligned with broad market expectations, but elevated inflation continues to be a thorn in the FOMC's side.
3. How has fixed income performed during past hiking cycles? We analyzed the impact of magnitude and pace on performance.

The Month in Charts

September's CPI report, published in October, showed rising prices, at a rate firmly above the Federal Reserve's (the Fed) 2% target. Headline CPI rose to 3.7% year-over-year and Core CPI to 2.7% year-over-year. The Fed met in October and held rates steady, with two voting members dissenting in favor of a hike. The press conference did not provide significant clarity, but outside of Chair Warsh other voting members have begun expressing views that a December hike is on the table and there is no significant rush to raise rates. Markets were pricing in two more hikes through the end of 2027 at the end of October.



Source: Bloomberg

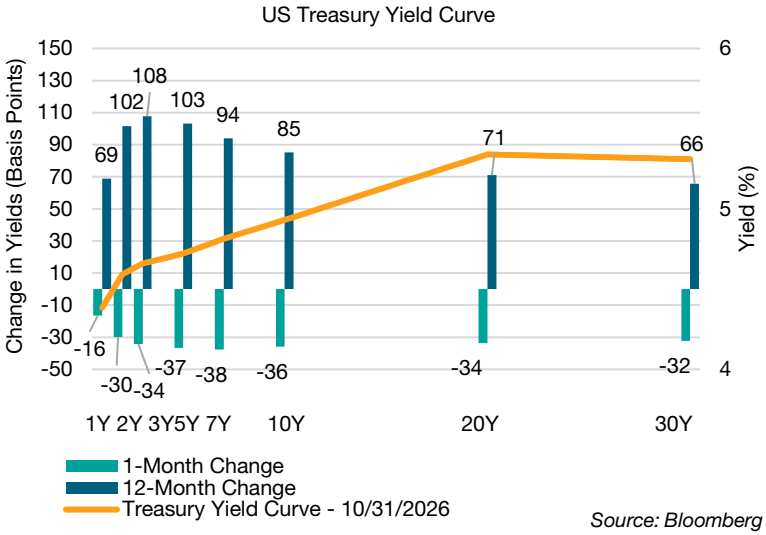
Credit spreads widened month over month, driven mostly by technology weakness in the corporate space. Market sentiment broadly shifted slightly more defensive throughout the month. Investment grade corporate credit widened 10 bps and high yield corporates widened 32 bps in October.

				Quarter		Change			Trailing 10 yr avg
Asset Class	Yield	Spread	Trend	Tight	Wide	MoM	QoQ	YoY	
U.S. Treasury	4.80								
U.S. MBS	5.52	34		24	45	-10	3	6	37
U.S. Corporate	5.79	89		75	89	10	12	11	112
U.S. Corporate High Yield	8.50	345		260	345	32	65	65	381
CMBS	5.45	75		63	75	9	10	-2	87
ABS	5.16	51		38	51	11	10	-3	54
A	5.63	75		64	75	6	9	9	92
BBB	6.01	111		92	111	12	14	12	143
BB	7.07	203		146	206	17	39	31	249

Asset Classes represented by: Bloomberg US Treasury Total Return Index, Bloomberg US MBS Total Return Index, Bloomberg US Agg Total Return Value Unhedged USD, Bloomberg US Corporate High Yield Index, Bloomberg CMBS: Erisa Eligible Index, Bloomberg US Agg ABS Total Return Index, Bloomberg US Agg A Total Ret Index, Bloomberg US Agg Baa Total Ret Index, Bloomberg Ba US High Yield TR Index. MoM/QoQ/YoY as of 10/31/2026

Source: Bloomberg

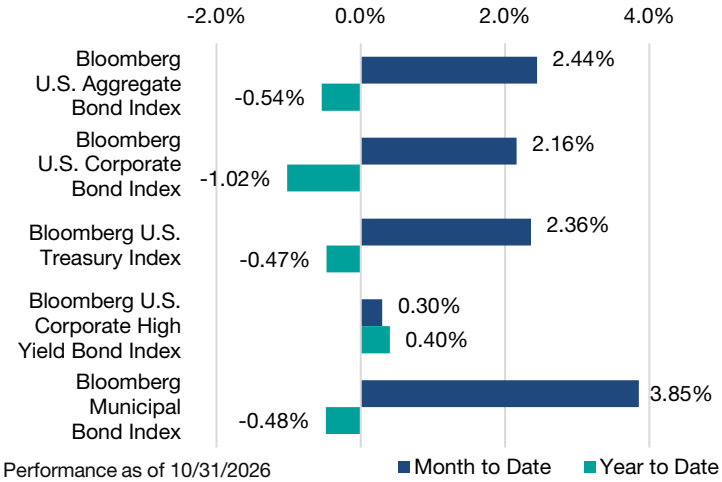
Yields declined across the curve in October as Treasuries rallied toward the end of the month. Technology stocks softened in October, leading to a flight-to-quality trade which pushed yields down. Yields are still elevated relative to 12 months ago but have come down off their eye-popping peaks.



Source: Bloomberg

Performance was positive in October for major fixed income asset classes, driven by falling Treasury yields in a flight-to-quality bid as tech equities softened toward the end of the month.

Returns (%) for Fixed Income Indices



Performance as of 10/31/2026

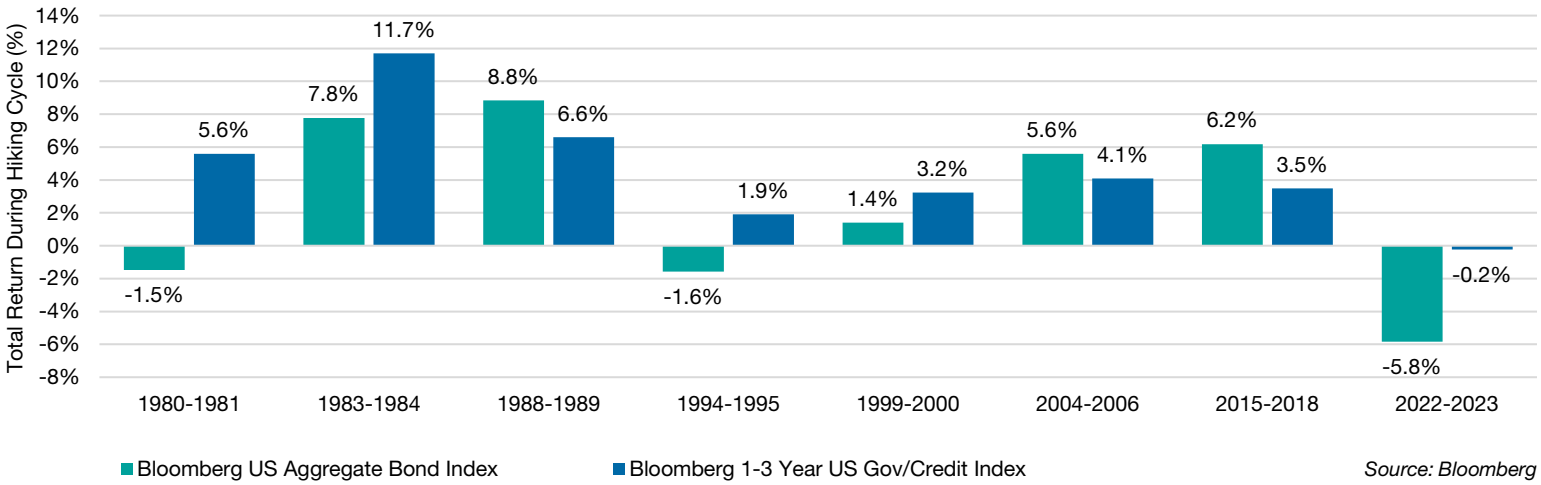
Past performance is no guarantee of future results.

Source: Bloomberg

Frequently Asked Questions

As the Fed looks to continue tightening, we would like to provide some analysis that may contradict some popularly held beliefs around fixed income allocations during hiking cycles. In the chart below we look at the eight Fed hiking cycles since 1980, comparing the total return of the Bloomberg Aggregate and the Bloomberg 1-3 Year Gov/Credit Index from the first hike to the last hike during those periods. While during these hiking cycles short-term bonds beat out intermediate in five of the eight cycles, something to note is that short won by the largest margins during the particularly fast hiking cycles (1980-81, 2022-23).

Fixed Income Total Returns During Fed Tightening Cycles Since 1980: Intermediate and Short Bonds



Source: Bloomberg

For the more gradual hiking cycles (1988-89, 2004-06, 2015-18), the Bloomberg Aggregate came out ahead. While past results are no guarantee of future ones, our analysis of the data indicates to us that short-term bonds might not be the only answer for fixed income investors in a hiking cycle, particularly in shallower tightening cycles where there is no clear rush to raise rates.

What We'll Be Watching in the Month Ahead

- **November 6th, the next Nonfarm Payrolls and Unemployment Rate Reports:** These reports will provide details on the labor force and are an economic health indicator for the Fed.
- **November 10th, the next CPI Report:** This report will provide additional information on the path of inflation and whether it is moving closer to the Fed's 2% target.
- **November 25th, the next Personal Consumption Expenditure (PCE) Index Report:** This inflation report is favored by the Fed and will provide additional information on the path of inflation.

All investing involves risk, including the possible loss of principal. An investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice regarding the best options for their particular circumstances from qualified tax and financial experts.

The views expressed are as of the date noted and are subject to change at any time based on market or other conditions. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any portfolio.

Indexes are unmanaged; their returns include reinvestment of dividends and other income but do not reflect management fees, transaction costs or expenses. It is not possible to invest directly in an index. **Past performance does not guarantee future results.**

Basis point "bps" is 1/100th of a percentage point. **Credit spread** is the difference in yield between a U.S. Treasury bond and another debt security of the same maturity but different credit quality. Credit spreads are the additional compensation that investors require to hold securities that are not as safe and liquid as those issued by the US Treasury. **The Treasury Yield Curve** shows the relationship between the US bond yield and the time to maturity. Yield and price have an inverse relationship. As the yield curve lowers, the price of bonds increase. **Core CPI:** CPI excluding food and energy. **Consumer Price Index (CPI),** a popular measure of inflation and deflation calculated by the Bureau of Labor Statistics, measures the monthly change in prices paid by U.S. consumers. **Personal Consumption Expenditure Price Index** is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services and is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. The **Bloomberg 1-3 Month U.S. Treasury Bill Index** is designed to measure the performance of US-dollar-denominated, fixed-rate, investment-grade public obligations of the U.S. Treasury that have a remaining maturity 1 month to 3 months. The Index is market capitalization weighted, with securities held in the Federal Reserve System Open Market Account deducted from the total amount outstanding. The **Bloomberg U.S. Aggregate 1-3 Year Index** measures the performance of investment grade, USD-denominated, fixed-rate taxable bond market securities with maturities of 1-3 years, including Treasuries, government-related and corporate securities, mortgage-backed securities (MBS; agency fixed-rate and hybrid ARM pass-throughs), asset backed securities, and commercial MBS. The **Bloomberg U.S. Aggregate Bond Index** measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

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