

# Rising oil prices pressure bonds and yields

## Market recap

Fixed income markets were almost entirely driven by the ongoing geopolitical crisis in the Middle East last week. Crude oil prices surged more than 35%, with WTI closing Friday above \$90 per barrel — well above its roughly \$60 average over the prior three months. That sharp rise should push global inflation higher and pressure bond yields. 10-year Treasury yields climbed 20 basis points (bps), their steepest weekly selloff since last April's "Liberation Day."

Separately, the February payrolls report fell well short of expectations, showing a net loss of 92,000 jobs — the weakest reading since 2020, excluding last fall's shutdown-affected prints. Unemployment ticked back up to 4.4%.

Most fixed income sectors sold off alongside Treasuries, with senior loans a notable exception, returning +0.20%. Other sectors outperformed on a duration-adjusted basis, led by preferreds (+40 bps), investment grade corporates (+16 bps), and high yield (+3 bps).

## Outlook

The macroeconomic implications of the oil shock remain highly uncertain. That said, if current price levels hold, we estimate headline U.S. inflation could run roughly 0.75 percentage points higher this year. The impact on core inflation would be smaller but still meaningful, at around 0.30 percentage points. With consumers spending more on energy, overall growth could slow by roughly 0.25 percentage points. These estimates are tied to current oil prices and will evolve as conditions change.

We expect near-term inflationary pressure to keep the U.S. Federal Reserve on hold for now. Our base case remains two 25-basis-point cuts this year, with the first likely coming this summer. Over the medium term, slowing growth and a softer labor market could prompt additional easing. We continue to forecast the 10-year Treasury yield at approximately 4.00% by year-end.

## KEY TAKEAWAYS

- Treasury yields surged as a geopolitically driven oil price shock stoked inflation fears.
- Total returns were negative across most fixed income sectors, though most outperformed similar-duration Treasuries; loans gained.
- February's jobs report disappointed sharply, with a net loss of 92,000 jobs and unemployment rising to 4.4%.

## What we're watching:

### MARCH

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- CPI inflation

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- PCE inflation
- Job openings and labor turnover survey

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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## U.S. Treasury market yields

Maturity	Change (%)			
	Yield	Week	Month-to-date	Year-to-date
2-year	3.56	0.19	0.19	0.09
5-year	3.73	0.23	0.23	0.00
10-year	4.14	0.20	0.20	-0.03
30-year	4.76	0.15	0.15	-0.09

Source: Bloomberg L.P., 06 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results.

**Higher oil prices drove Treasury yields sharply higher, though most spread sectors outperformed similar-duration Treasuries. Floating-rate senior loans also posted gains.**

## Fixed income characteristics and returns

Index	Yield to worst (%)	Spread (bps)	Effective duration (years)	Returns (%)		
				Week	Month-to-date	Year-to-date
Municipal	3.44	–	6.72	-0.77	-0.77	1.41
High yield municipal	5.47	153 <sup>1</sup>	7.48	-0.68	-0.68	1.97
Taxable municipal	4.78	54 <sup>2</sup>	7.67	-1.21	-1.21	1.38
U.S. aggregate bond	4.36	28 <sup>2</sup>	5.91	-0.96	-0.96	0.77
U.S. Treasury	3.93	–	5.94	-0.96	-0.96	0.74
U.S. government related	4.34	39 <sup>2</sup>	5.41	-0.88	-0.88	0.79
U.S. corporate investment grade	4.90	83 <sup>2</sup>	6.87	-0.95	-0.95	0.51
U.S. mortgage-backed securities	4.63	23 <sup>2</sup>	5.20	-1.02	-1.02	1.05
U.S. commercial mortgage-backed securities	4.44	70 <sup>2</sup>	3.81	-0.80	-0.80	0.83
U.S. asset-backed securities	4.14	47 <sup>2</sup>	2.85	-0.38	-0.38	0.73
Preferred securities	6.00	167 <sup>2</sup>	5.53	-0.50	-0.50	1.17
High yield 2% issuer capped	6.95	296 <sup>2</sup>	2.93	-0.44	-0.44	0.26
Senior loans <sup>3</sup>	8.44	511	0.25	0.20	0.20	-0.89
Collateralized loan obligations, AA	5.17	161 <sup>2</sup>	0.25	-0.37	-0.37	0.53
Collateralized loan obligations, BB	11.68	799 <sup>2</sup>	0.25	-1.35	-1.35	-2.49
Global emerging markets	5.87	184 <sup>2</sup>	6.02	-1.09	-1.09	0.48
Global aggregate (unhedged)	3.58	29 <sup>2</sup>	6.34	-1.75	-1.75	0.28

<sup>1</sup> Yield difference between the Bloomberg High Yield Municipal Index and the 20-year AAA MMD scale. <sup>2</sup> Option-adjusted spread to Treasuries. <sup>3</sup> Spread refers to the 3-year discount margin. Duration is estimated based on the frequency of the reset date.

Source: Bloomberg L.P. and Standard & Poor's, 06 Mar 2026. Performance data shown represents past performance and does not predict or guarantee future results. Unless otherwise noted, the index is Bloomberg. All index returns are shown in U.S. dollars. Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. Effective duration (expressed in years) measures the price sensitivity of a fixed-income investment to a change in interest rates, considering that expected cash flows will fluctuate as interest rates change. Index performance is shown for illustrative purposes only. Index returns include reinvestment of income and do not reflect investment advisory and other fees that would reduce performance in an actual client account.

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**Representative indexes:** municipal: Bloomberg Municipal Index; **high yield municipal:** Bloomberg High Yield Municipal Index; **taxable municipal:** Bloomberg Taxable Municipal Bond Index; **U.S. aggregate bond:** Bloomberg U.S. Aggregate Bond Index; **U.S. Treasury:** Bloomberg U.S. Treasury Index; **U.S. government related:** Bloomberg U.S. Government-Related Index; **U.S. corporate investment grade:** Bloomberg U.S. Corporate Index; **U.S. mortgage-backed securities:** Bloomberg U.S. Mortgage-Backed Securities Index; **U.S. commercial mortgage-backed securities:** Bloomberg CMBS ERISA-Eligible Index; **U.S. asset-backed securities:** Bloomberg Asset-Backed Securities Index; **preferred securities:** ICE BofA U.S. All Capital Securities Index; **high yield 2% issuer capped:** Bloomberg High Yield 2% Issuer Capped Index; **senior loans:** S&P UBS Leveraged Loan Index; **CLO AA:** J.P. Morgan Collateralized Loan Obligation AA Index; **CLO BB:** J.P. Morgan Collateralized Loan Obligation BB Index; **global emerging markets:** Bloomberg Emerging Market USD Aggregate Index; **global aggregate:** Bloomberg Global Aggregate Unhedged Index.

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Investors should contact a tax professional regarding the appropriateness of tax-exempt investments in their portfolio. If sold prior to maturity, municipal securities are subject to gain/losses based on the level of interest rates, market conditions and the credit quality of the issuer. Income may be subject to the alternative minimum tax (AMT) and/or state and local taxes, based on the state of residence. Income from municipal bonds held by a portfolio could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. It is important to review your investment objectives, risk tolerance and liquidity needs before choosing an investment style or manager.

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