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FIXED INCOME WEEKLY COMMENTARY 29 JUNE 2026

Bonds rally while credit feels equity pressure

Market recap

Global markets were mixed as U.S. Treasury bonds rallied on improved geopolitical sentiment while equities struggled. The Strait of Hormuz reopening sent oil prices down 10% to near $69/barrel — pre-war levels — easing inflation concerns and pulling Treasury yields lower across the curve. The front end and belly led the rally, with the 2-year yield falling 9 basis points (bps) and the 5-year yield declining 10 bps. Equities were broadly weaker — AI-related names sold off sharply on mounting infrastructure cost concerns, dragging the Nasdaq down 4%.

The risk-off tone spilled into credit markets, where spreads widened modestly and returns were mixed. The Bloomberg U.S. Aggregate Bond Index returned +0.46%, investment grade corporates +0.41% and MBS +0.56%. In contrast, high yield returned -0.06%, preferreds -0.28%, senior loans -0.15% and emerging markets +0.02%.

Outlook

We expect rates to remain range-bound as markets balance easing geopolitical tensions against persistent inflation uncertainty. The Hormuz reopening should lower headline inflation in coming months, but core measures remain sticky and the U.S. Federal Reserve remains data-dependent. Markets are pricing in approximately two Fed rate cuts by mid-2027, and we expect the year-end 10-year Treasury yield to range between 4.25% and 4.50%.

Credit fundamentals remain broadly supportive, though recent spread widening is a reminder that these markets are not immune to equity volatility. Record investment grade corporate June supply met with strong demand — 3.9x oversubscribed — confirming the technical backdrop is intact. We favor holding high-quality income through the summer. Spread sectors offer attractive all-in yields despite compressed risk premiums relative to historical averages.

Key takeaways

- The Strait of Hormuz reopening sent oil prices to pre-war levels, easing inflation fears and driving a broad Treasury rally.
- A sharp AI-related equity selloff spilled into credit markets, leaving spreads mostly wider and fixed income returns mixed.
- Despite spread widening, record IG issuance met robust demand, signaling durable investor appetite for high-quality fixed income.

WHAT WE'RE WATCHING:

JUNE

30
- JOLTS report

JULY

01
- Euro area CPI
- U.S. ISM manufacturing

02
- U.S. jobs report

03
- Final global PMIs

Weekly fixed income snapshot

29 JUNE 2026

U.S. Treasuries

U.S. Treasuries rallied as a weaker PCE report and plunging oil prices eased inflation concerns. The Strait of Hormuz reopening sent crude oil prices back to pre-conflict levels, removing a key source of upside inflation risk. The front end and belly led the rally while the long end was more muted. Current yield levels remain well above their 10- and 20-year historical averages.

The 2-year Treasury yield fell 9 bps to 4.09%, the 5-year fell 10 bps to 4.13%, the 10-year fell 8 bps to 4.37%, the 20-year fell 5 bps to 4.87% and the 30-year fell 3 bps to 4.87%.

Tax-exempt municipals

Municipals posted positive returns but lagged taxable counterparts. Shorter-maturity yields edged higher while longer-dated bonds rallied, rewarding duration extension. New issue volume of $14.2 billion tested the market — several deals were repriced wider early in the week. Fund flows were positive at $633 million, with high yield strategies showing strong momentum. Supply is expected to slow around the July 4th holiday in the U.S., and record reinvestment payments in July should reignite demand. Congress passed the 21st Century ROAD to Housing Act, which could increase municipal housing bond supply if signed into law.

The Bloomberg Municipal Index returned +0.15%.

Taxable municipals

Taxable municipals benefited from the Treasury rally given the sector's longer duration profile, posting a solid gain. Performance remains strong year-to-date and the sector's yield advantage continues to attract crossover demand from corporate bond buyers seeking high-quality, longer-duration exposure.

The Bloomberg Municipal Taxable Index returned +0.54% with spreads at 52 bps.

Investment grade corporates

Investment grade corporates posted a positive total return as spreads widened modestly — a tech-driven equity selloff weighed on sentiment. Technicals remained constructive: Fund inflows of $7.0 billion continued ($257.3 billion year-to-date) and June supply hit an all-time record of $187.1 billion with deals 3.9x oversubscribed. Supply is expected to drop sharply next week given the holiday in the U.S. and corporate blackout periods. All-in yields above 5% continue to attract a broad buyer base.

The Bloomberg U.S. Corporate Bond Index returned +0.41% with spreads at 75 bps.

U.S. high yield corporates

High yield posted a slightly negative return as spreads widened amid a heavy primary market calendar and caution around higher-beta credits. AI and software names saw the most notable weakness. The primary market priced $7 billion of new supply. Technicals remain supported by contained default expectations, though broader equity volatility warrants monitoring. Fund flows were modestly positive at $287 million.

The Bloomberg High Yield 2% Issuer Capped Index returned -0.06% with spreads at 282 bps.

Preferred securities

Preferred securities declined as spreads widened broadly, with notable weakness in $25 par preferreds ahead of month-end index rebalancing driven by Alphabet mandatory converts entering the index. The sector lagged the Treasury rally, though AT1s posted modest price gains. New issuance was limited and is expected to slow further into Q2 blackout periods.

The ICE BofA U.S. All Capital Securities Index returned -0.28% with spreads at 164 bps.

Senior loans

Senior loans posted a slightly negative return as accounts sold lower-spread names to fund new issue allocations, leaving the market with a soft undertone early before stabilizing. Primary issuance reached $24.2 billion. Fund flows were negative at -$476 million. The floating-rate structure provides high current income with minimal duration risk and CLO demand remains a steady technical bid.

The S&P Leveraged Loan Index returned -0.15% with spreads at 500 bps.

Securitized credit

Securitized sectors posted positive returns with broadly stable spreads. Agency MBS benefited from the Treasury rally, with spreads tightening modestly, though heavy new issuance in the non-agency mortgage market kept spreads slightly wider there.

ABS was firm and rangebound, ending slightly tighter. CMBS secondary flows slowed 12% week-over-week with spreads effectively unchanged — AAAs at 76 bps. CMBS issuance is running 22% ahead of 2025 year-to-date.

The Bloomberg MBS Index returned +0.58% with spreads at 22 bps. The Bloomberg CMBS Index returned +0.46% with spreads at 65 bps. The Bloomberg ABS Index returned +0.31% with spreads at 45 bps.

Global emerging markets

Emerging markets hard currency sovereigns widened 12 bps as oil exporters struggled following the Strait of Hormuz reopening. Venezuela, Nigeria and Angola were the weakest performers. EM corporate spreads widened 11 bps. Local markets returned -0.42% hedged as the dollar strengthened, though Brazil, Colombia and South Africa posted strong local-rate gains. Inflows improved to $516 million from -$929 million the prior week, with inflows at $27.1 billion year-to-date. New issuance reached $21.2 billion with average demand of 3.2x oversubscribed.

The Bloomberg Global Aggregate Unhedged Index returned +0.02% with spreads at 167 bps.

U.S. Treasury market yields

		Change (%)		
Maturity	Yield	Week	Month-to-date	Year-to-date
2-year	4.18	0.10	0.18	0.71
5-year	4.23	0.03	0.09	0.51
10-year	4.46	-0.03	0.02	0.29
30-year	4.90	-0.07	-0.08	0.05

Source: Bloomberg L.P., 26 Jun 2026. **Performance data shown represents past performance and does not predict or guarantee future results.**

Geopolitical relief eased rates while equity volatility pressured credit — yet record IG issuance met with strong demand underscores the resilience of high-quality fixed income at current yields.

Fixed income characteristics and returns

				Returns (%)		
Index	Yield to worst (%)	Spread (bps)	Effective duration (years)	Week	Month-to-date	Year-to-date
U.S. Treasury	4.30	–	5.84	0.50	0.66	0.65
U.S. government related	4.66	37[1]	5.32	0.36	0.50	0.99
Municipal	3.60	–	6.49	0.15	0.80	2.15
High yield municipal	5.43	163[2]	7.03	0.36	1.12	3.87
Taxable municipal	5.02	52[1]	7.52	0.54	1.06	1.59
U.S. aggregate bond	4.66	26[1]	5.89	0.49	0.60	0.98
U.S. corporate investment grade	5.14	75[1]	6.81	0.41	0.51	1.19
High yield 2% issuer capped	7.21	282[1]	2.93	-0.06	0.06	1.75
Preferred securities	6.30	164[1]	5.54	-0.28	-0.07	1.41
Senior loans[3]	8.88	500	0.25	-0.15	0.05	1.27
U.S. mortgage-backed securities	4.89	22[1]	5.35	0.58	0.64	1.41
U.S. commercial mortgage-backed securities	4.81	65[1]	3.73	0.46	0.37	0.98
U.S. asset-backed securities	4.59	45[1]	2.86	0.31	0.33	1.18
Collateralized loan obligations, AA	5.13	128[1]	0.25	0.11	0.38	2.55
Collateralized loan obligations, BB	11.79	774[1]	0.25	-0.58	-0.31	1.67
Global emerging markets	6.01	167[1]	5.93	0.02	0.60	2.06
Global aggregate (unhedged)	3.76	27[1]	6.27	0.17	-0.59	-0.10

1 Option-adjusted spread to Treasuries. **2** Yield difference between the Bloomberg High Yield Municipal Index and the 20-year AAA MMD scale. **3** 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, 26 Jun 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: U.S. Treasury: Bloomberg U.S. Treasury Index; **U.S. government related:** Bloomberg U.S. Government-Related Index; **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. corporate investment grade:** Bloomberg U.S. Corporate Index; **high yield 2% issuer capped:** Bloomberg High Yield 2% Issuer Capped Index; **preferred securities:** ICE BofA U.S. All Capital Securities Index; **senior loans:** S&P UBS Leveraged Loan 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; **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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