

Ceasefire brings relief to bond markets

Market recap

Front-month oil prices fell last week after the U.S. and Iran established a fragile ceasefire, though December WTI futures held slightly higher at \$75 per barrel. The March CPI report, among the first data to reflect the war's impact, showed a sharp jump in energy prices, lifting headline inflation to +0.9% month-over-month and +3.3% year-over-year. Core inflation came in close to expectations at +2.6% year-over-year, as energy price increases typically take longer to filter through to core.

U.S. Treasury yields fell broadly, with the 10-year ending the week 3 basis points (bps) lower at 4.32% last week. The Bloomberg U.S. Aggregate Bond Index returned +0.33%. All major sectors outperformed similar-duration Treasuries, led by emerging markets (+105 bps), preferreds (+81 bps) and high yield corporates (+68 bps).

Outlook

Amid ongoing geopolitical uncertainty and evolving economic data, we have revised our macroeconomic forecasts. We now project real GDP growth of 1.8% for the year, modestly below our prior estimate, reflecting the drag on consumer spending from elevated oil prices. We also expect core inflation to decelerate by year-end, though by less than previously forecast, settling at 2.8% rather than the lower level we had anticipated.

These revisions lead us to expect the U.S. Federal Reserve to remain on hold longer than we previously forecast. A first rate cut, which we had anticipated around mid-year, is now expected in the second half of 2026, with a second cut likely slipping into 2027. We continue to forecast a 4.00% to 4.25% range for the 10-year Treasury yield, with a bias toward the lower end by year-end.

KEY TAKEAWAYS

- A fragile U.S.-Iran ceasefire eased near-term oil market stress, pushing Treasury yields lower and tightening credit spreads broadly.
- Oil prices declined and all major fixed income sectors posted positive returns, with most outperforming similar-duration Treasuries.
- March CPI showed a sharp energy-driven spike in headline inflation; core inflation remained relatively stable.

What we're watching:

APRIL

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- PPI inflation

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- China first quarter GDP
- Euro area CPI inflation

U.S. Treasury market yields

Maturity	Yield	Change (%)		
		Week	Month-to-date	Year-to-date
2-year	3.80	-0.04	0.00	0.32
5-year	3.94	-0.04	0.00	0.22
10-year	4.32	-0.03	0.00	0.15
30-year	4.91	0.00	0.00	0.07

Source: Bloomberg L.P., 10 Apr 2026. Performance data shown represents past performance and does not predict or guarantee future results.

Near-term geopolitical relief lifted bond markets last week, even as updated forecasts point to slower growth, stickier inflation and a more patient Fed.

Fixed income characteristics and returns

Index	Yield to worst (%)	Spread (bps)	Effective duration (years)	Returns (%)		
				Week	Month-to-date	Year-to-date
Municipal	3.62	–	6.73	0.82	1.14	0.97
High yield municipal	5.56	163 ¹	7.49	0.77	1.10	1.82
Taxable municipal	4.95	55 ²	7.59	0.35	0.04	0.46
U.S. aggregate bond	4.54	26 ²	5.92	0.33	0.33	0.29
U.S. Treasury	4.14	–	5.88	0.24	0.14	0.10
U.S. government related	4.52	38 ²	5.34	0.44	0.41	0.34
U.S. corporate investment grade	5.07	80	6.85	0.46	0.65	0.11
U.S. mortgage-backed securities	4.78	² 19	5.35	0.35	0.40	0.80
U.S. commercial mortgage-backed securities	4.64	69 ²	3.78	0.33	0.18	0.49
U.S. asset-backed securities	4.43	53 ²	2.82	0.19	0.14	0.46
Preferred securities	6.27	166 ²	5.62	1.06	1.55	0.91
High yield 2% issuer capped	6.98	278 ²	2.93	0.90	1.31	0.80
Senior loans ³	8.64	507	0.25	0.30	0.35	-0.13
Collateralized loan obligations, AA	5.27	158 ²	0.25	0.13	0.20	1.19
Collateralized loan obligations, BB	12.21	830 ²	0.25	0.19	0.30	-2.87
Global emerging markets	6.05	182 ²	5.97	1.33	1.67	0.30
Global aggregate (unhedged)	3.74	28 ²	6.29	0.88	1.14	0.06

¹ Yield difference between the Bloomberg High Yield Municipal Index and the 20-year AAA MMD scale. ² Option-adjusted spread to Treasuries. 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, 10 Apr 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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