nuveen
A TIAA Company

CIO Weekly Commentary
26 January 2026

CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

A slice of senior loans in the portfolio pie

Bottom line up top

Inflation pipes: steady pressure, but cooler to the touch. A flood of geopolitical headline risks has been roiling markets, all but drowning out data showing a U.S. economy that may be leaking strength at the margins but remains far from underwater. Inflation prints have been mixed to marginally improved. Last week's delayed release of November's core Personal Consumption Expenditures (PCE) Price Index — the Federal Reserve's preferred inflation barometer — came in at 0.2% for the month, largely in line with consensus forecasts, while the year-over-year rate of 2.8% was slightly below expectations but still higher than the Fed's 2% target. The lack of meaningful improvement in the year-over-year data highlights why policymakers are likely to remain cautious.

Although tariffs have yet to spark the rapid reacceleration in U.S. inflation that many observers had predicted, "affordability" is a hot topic of debate. That's because consumer spending, historically the engine of broader economic growth, will most likely need to continue at healthy levels to instill confidence in the economy and soothe markets. Retail sales, an important indicator of consumer spending, have surprised to the upside, although the most current release is November's delayed reading. Retail sales control group data — which excludes some volatile categories and feeds directly into GDP growth — reinforces the message that positive real consumption growth was intact heading into 2026 (Figure 1). Notably, strength is concentrated in services-oriented and nondiscretionary categories, while big-ticket discretionary spending shows early signs of fatigue. In short, consumers are still spending, but selectively. On balance, inflation and consumption data argue for policy patience rather than policy urgency.

Saira Malik, CFA
Chief Investment Officer

On behalf of Nuveen's Global Investment Committee

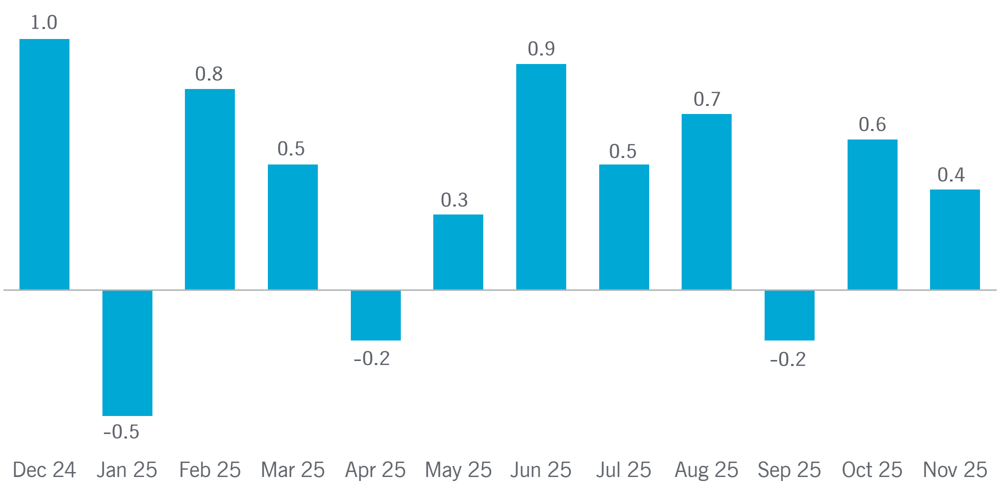
As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

> ***With inflation still warm, the Fed is likely to retain its cautious approach to interest rates.***

Markets are pricing the policy pivot — carefully. Fixed income markets are paying attention to the patience theme, as the fed funds futures market is reinforcing the message that imminent rate cuts are unlikely. For the equity market, above-consensus retail sales support near-term earnings visibility. Equity valuations increasingly rely on the assumption that inflation is cooling without severe labor-market deterioration — a forward path that looks narrow but still plausible. And within fixed income markets, a still-cautious Fed could mean that senior loans (one of our favored asset classes) have more room for upside.

FIGURE 1: STRONG RETAIL SALES GROWTH SHOULD BOOST GDP

Month-over-month change (%)



Data source: Nuveen, Bloomberg, L.P., 20 Jan 2026. Representative index: Retail Sales Control Group (retail sales less food services, auto dealers, building materials and motor vehicle dealers).

Portfolio considerations

Senior loans, also known as syndicated loans or leveraged loans, returned roughly +6% in 2025 — their third consecutive year of strong performance and ninth positive year of the past ten, as measured by the S&P UBS Leveraged Loan Index. The loan asset class continues to provide high levels of income, even with two Fed rate cuts priced in for 2026. As of 22 January, the senior loan market was yielding 7.97%.

Beyond compelling yields, we see three additional reasons why senior loans are currently attractive:

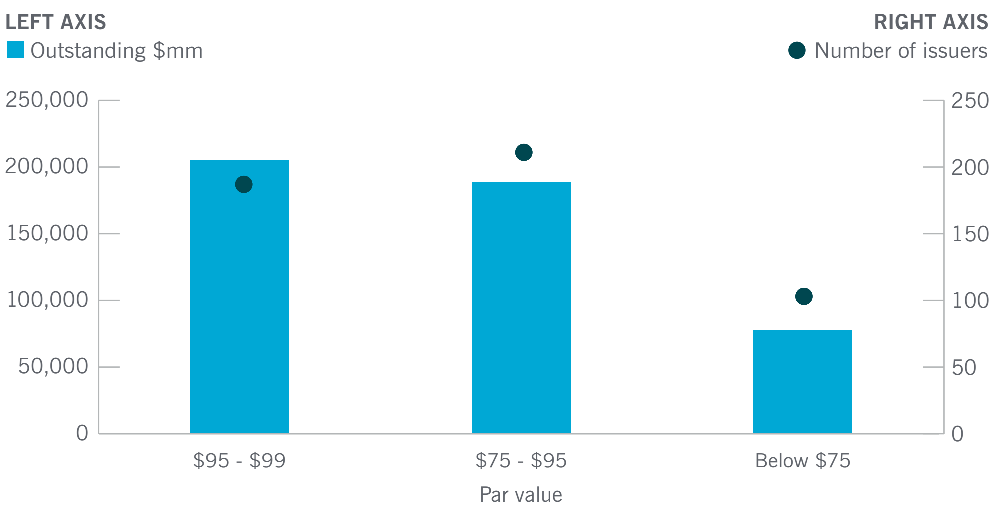
- **A healthy macroeconomic backdrop supports the asset class.** U.S. real GDP growth is elevated, with last week's updated report for Q3 2025 at +4.4%, and the Atlanta Fed's current tracking estimate for Q4 at +5.4%. The labor market, while softening, is still in solid shape, and consumers remain resilient, with comparatively healthy balance sheets. These factors support loan issuer revenues and cash flows.

- **Recent refinancing activity has reduced near-term risk for stronger issuers.** Increased refinancing and repricing activity over the past two years has allowed many larger, higher-quality issuers to extend maturities and proactively address balance sheet risk.
- **Discounted prices and ample liquidity are bolstering total return potential.** Roughly $200 billion of loans are trading below par in the $75 - $95 range (Figure 2), offering upside opportunity that equates to high total return potential when paired with the level of income provided. Additionally, periods of macro-driven volatility, which inevitably occur from time to time, can pressure prices indiscriminately, creating opportunities for actively managed portfolios that focus on larger, more liquid issuers. In fact, because fundamentals for loan issuers are uneven — with stress concentrated in the lowest-quality segment while higher-quality issuers exhibit better access to capital and financial flexibility — active management and issuer selection within the asset class are more important than broad exposure.

Overall, senior loans can be a worthy addition to portfolios based on both the currently favorable asset class environment and their historically demonstrated ability to offer high levels of income, strong total return potential and diversification advantages.

Senior loans offer the potential for solid income, strong total return potential and diversification.

FIGURE 2: A SIGNIFICANT NUMBER OF LOANS ARE TRADING AT DISCOUNTS TO PAR



Data source: Nuveen, Bloomberg, L.P. 21 Jan 2026. Data depicts the Morningstar LSTA US Leveraged Loan Index and S&P UBS Leveraged Loan Index, categorized by relative discounts to par value. **Performance data shown represents past performance and does not predict or guarantee future results. It is not possible to invest directly in an index.**

About Nuveen's Global Investment Committee

Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets.

Regular meetings of the GIC lead to published outlooks that offer:

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

For more information, please visit nuveen.com.

Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professionals.

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. This material may contain "forward-looking" information that is not purely historical in nature.

Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been made in preparing this material could have a material impact on the information presented herein by way of example. **Performance data shown represents past performance and does not predict or guarantee future results.** Investing involves risk; principal loss is possible.

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such. For term definitions and index descriptions, please access the glossary on nuveen.com. **Please note, it is not possible to invest directly in an index.**

Important information on risk

All investments carry a certain degree of risk and there is no assurance that an investment will provide positive performance over any period of time. Equity investments are subject to market risk, active management risk, and growth stock risk; dividends are not guaranteed. Debt or fixed income securities are subject to market risk, credit risk, interest rate risk, call risk, tax risk, political and economic risk, and income risk. As interest rates rise, bond prices fall. Credit risk refers to an issuer's ability to make interest payments when due. Below investment grade or high yield debt securities are subject to liquidity risk and heightened credit risk. Below investment grade or high yield debt securities are subject to heightened credit risk, liquidity risk and potential for default. The issuer of a debt security may be able to repay principal prior to the security's maturity, known as prepayment (call) risk, because of an improvement in its credit quality or falling interest rates. In this event, this principal may have to be reinvested in securities with lower interest rates than the original securities, reducing the potential for income. Senior loans may not be fully secured by collateral, generally do not trade on exchanges, and are typically issued by unrated or below-investment grade companies, and therefore are subject to greater liquidity and credit risk.

Nuveen, LLC provides investment services through its investment specialists.

This information does not constitute investment research as defined under MiFID.

WF3800300 5143881