

Oil price surge keeps bond markets on edge

Market recap

Middle East tensions continued to drive markets last week, with WTI crude oil ending the week up 13% at \$94 per barrel. Despite President Trump announcing a ceasefire extension, negotiations produced no substantive progress. Economic data were broadly constructive, with jobless claims remaining low and retail sales beating expectations in March. Against that backdrop, Treasury yields moved higher across the curve, with the 10-year ending up 5 basis points (bps) to 4.30%. Markets now price roughly a 45% chance of a single U.S. Federal Reserve rate cut by year-end, down slightly from the prior week.

Fixed income returns were mixed. The Bloomberg Aggregate Bond Index returned -0.26%, while investment grade corporates retreated but outperformed similar-duration Treasuries by 1 basis point. Preferreds were flat, tax-exempt munis edged up 0.03%, and senior loans advanced 0.26%.

Outlook

The Federal Open Market Committee (FOMC) meets Wednesday, and we expect no change to interest rate policy. With no updated economic projections or dot plot scheduled, attention will focus on Chair Powell's press conference. Given that the Department of Justice has dropped its investigation of the Federal Reserve, this may be Powell's final meeting as Chair — a dynamic that makes any firm near-term policy signals unlikely. We expect him to reiterate that future decisions will depend on incoming inflation and labor market data.

We have modestly revised our 2026 macroeconomic forecasts, now projecting real U.S. GDP growth of 1.8% and core inflation of 2.8%. We expect the Fed to remain on hold through the summer before cutting once later in the year. Our forecast for the 10-year Treasury yield remains 4.00% to 4.25%, with a year-end bias toward the lower end of that range.

KEY TAKEAWAYS

- U.S.-Iran negotiations stalled, pushing oil prices higher for the week and keeping geopolitical uncertainty elevated across markets.
- Economic data remained broadly healthy, with jobless claims holding low and retail sales beating March expectations.
- Treasury yields rose ahead of this week's FOMC meeting, as expectations for near-term rate cuts faded slightly.

What we're watching:

APRIL

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- Bank of Japan meeting

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- FOMC meeting

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- ECB and BoE meetings
- U.S. first quarter GDP

MAY

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- ISM manufacturing survey

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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U.S. Treasury market yields

Maturity	Yield	Change (%)		
		Week	Month-to-date	Year-to-date
2-year	3.78	0.07	-0.02	0.31
5-year	3.92	0.07	-0.03	0.19
10-year	4.30	0.05	-0.02	0.13
30-year	4.91	0.02	0.00	0.06

Source: Bloomberg L.P., 24 Apr 2026. Performance data shown represents past performance and does not predict or guarantee future results.

Rising oil prices and resilient economic data pushed Treasury yields higher, producing mixed fixed income returns with senior loans leading the way.

Fixed income characteristics and returns

Index	Yield to worst (%)	Spread (bps)	Effective duration (years)	Returns (%)		
				Week	Month-to-date	Year-to-date
Municipal	3.60	–	6.66	0.03	1.50	1.32
High yield municipal	5.52	163 ¹	7.33	0.08	1.62	2.35
Taxable municipal	4.93	54 ²	7.56	-0.26	0.38	0.81
U.S. aggregate bond	4.51	26 ²	5.87	-0.26	0.62	0.57
U.S. Treasury	4.11	–	5.83	-0.23	0.39	0.35
U.S. government related	4.49	37 ²	5.31	-0.25	0.74	0.67
U.S. corporate investment grade	5.03	79 ²	6.83	-0.27	1.05	0.51
U.S. mortgage-backed securities	4.77	20 ²	5.29	-0.33	0.61	1.02
U.S. commercial mortgage-backed securities	4.61	68 ²	3.78	-0.18	0.50	0.82
U.S. asset-backed securities	4.37	51 ²	2.81	-0.07	0.43	0.75
Preferred securities	6.14	159 ²	5.55	0.00	2.21	1.56
High yield 2% issuer capped	6.90	272 ²	2.92	-0.19	1.78	1.28
Senior loans ³	8.45	489	0.25	0.26	1.12	0.64
Collateralized loan obligations, AA	5.13	145 ²	0.25	0.22	0.55	1.54
Collateralized loan obligations, BB	11.78	790 ²	0.25	0.53	2.46	-0.77
Global emerging markets	5.96	175 ²	5.96	-0.27	2.40	1.02
Global aggregate (unhedged)	3.72	28 ²	6.26	-0.64	1.38	0.29

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, 24 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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