

## Bond markets breathe as yields ease

### Market recap

Global markets stabilized after last week's selloff, with equities broadly higher and U.S. Treasury yields falling across the curve. Trading was range bound through midweek before President Trump called off planned strikes against Iran, citing hopes for a peace deal — a late-week catalyst that lifted risk sentiment. WTI oil prices fell 6%, settling near \$84 and revisiting mid-April lows. May CPI came in slightly below expectations, easing near-term inflation concerns and trimming rate hike bets. The yield curve bull-steepened as markets repriced the short end lower.

Falling yields drove positive returns across most fixed income sectors. The Bloomberg U.S. Aggregate Bond Index returned +0.52%, IG corporates +0.55%, MBS +0.66% and emerging markets +0.51%. High yield corporates added +0.44% and preferreds +0.17%. Senior loans were the sole detractor at -0.06%.

### Outlook

We revised our U.S. Federal Reserve forecast, as we no longer expect a rate cut in 2026 and now look for the first move — still a cut — in H1 2027. A resilient May jobs report, combined with sticky inflation data, has reduced the case for near-term action. We have also increased our year-end 10-year Treasury yield range forecast to between 4.25% and 4.50%.

Three factors drive the revision. The oil futures curve has shifted higher, with markets pricing roughly \$85/barrel through year-end. Also, tech-related mismeasurement continues to inflate core CPI readings. And payrolls have averaged approximately 190,000 per month over the past three months, signaling a firmer labor market. We expect these pressures to ease in 2027 as energy base effects fade and employment growth moderates, giving the Fed room to resume cutting toward its estimated neutral rate of 3.00% to 3.25%.

### Key takeaways

- Treasury yields fell and bond returns were broadly positive as oil prices dropped and May CPI came in below expectations.
- Resilient jobs and sticky inflation prompted us to push our first Fed cut forecast to H1 2027, with the year-end 10-year yield range rising to between 4.25% and 4.50%.
- All eyes turn to Wednesday's June FOMC meeting, where we expect the Fed to hold rates steady.

### WHAT WE'RE WATCHING:

#### JUNE

##### 16

- Bank of Japan meeting

##### 17

- Euro area CPI
- U.S. retail sales
- U.S. Federal Reserve meeting

##### 18

- Bank of England meeting

##### 19

- Japan CPI

## Weekly fixed income snapshot

15 JUNE 2026

### U.S. Treasuries

Yields rallied across the curve last week, reversing part of the prior week's sharp selloff. Three catalysts drove the move: oil fell 6% to mid-April lows, May CPI came in slightly below expectations and a proposed U.S./Iran peace deal emerged Friday. Together, these developments eased inflation concerns and trimmed rate hike bets. The curve bull-steepened, with the front end leading. The 2-year slipped back below 4.10% after touching 4.16% the prior week. The June FOMC meeting is next, with rates widely expected to hold steady.

The 2-year Treasury yield fell 7 bps to 4.08%, the 5-year fell 6 bps to 4.21%, the 10-year fell 5 bps to 4.48%, and the 30-year fell 3 bps to 4.97%.

### Tax-exempt municipals

Tax-exempt municipals posted a modest negative return, slightly underperforming Treasuries. The sector continues to benefit from favorable summer seasonals, though flows were more muted last week. Starting yields remain attractive, and steady demand for tax-advantaged income provides a supportive backdrop.

The Bloomberg Municipal Index returned -0.12%.

### Taxable municipals

Taxable municipals posted a positive return, supported by the rally in Treasury yields and steady crossover demand. The sector's longer duration profile benefited from the decline in rates. Year-to-date performance remains positive, and the yield advantage over comparably rated corporates continues to attract interest.

The Bloomberg Municipal Taxable Index returned +0.55% with spreads at 51 bps.

### Investment grade corporates

Investment grade credit had a quiet, largely directionless week, with spreads holding broadly unchanged despite geopolitical and valuation headwinds. A lighter supply calendar and steady inflows offered relief as markets ease into summer seasonality. New issuance totaled approximately \$27 billion — just below projections — with orderbooks averaging 3.5x oversubscribed and new issue concessions averaging just 1.7 basis points (bps). Fund inflows slowed to \$8.5 billion but remained near the four-week average. Credit volatility stayed suppressed, and demand for longer-duration paper remained a theme.

The Bloomberg U.S. Corporate Bond Index returned +0.55% with spreads at 72 bps.

## U.S. high yield corporates

High yield had a quiet week in secondary markets, marked by muted flows, a cautious tone on macro headlines and a continued preference for higher-quality credit. The market firmed late in the week on positive Iran developments, with single B credits outperforming. Primary issuance was a measured \$6 billion — notably lighter than the prior week's heavy calendar. Technicals remain supportive, with manageable supply and fund inflows of \$490 million.

**The Bloomberg High Yield 2% Issuer Capped Index returned +0.44% with spreads at 266 bps.**

## Preferred securities

Preferred securities finished mostly unchanged, with AT1s and domestic preferreds and hybrids ending modestly higher despite spreads widening 4 to 6 bps — a reflection of the rate rally's offsetting benefit. AT1 supply was light, while utility hybrids saw several deals price and trade well in the secondary market. Markets closed on a positive note Thursday as rates rallied and equities firmed.

**The ICE BofA U.S. All Capital Securities Index returned +0.17% with spreads at 156 bps.**

## Senior loans

Senior loans had a softer week, with the market contending with sector-specific weakness, a heavy primary calendar and thin secondary volumes. Cable, telecom, tech and software were notable underperformers. New issuance was robust at \$16.5 billion, though the weight of supply contributed to muted secondary activity.

**The S&P Leveraged Loan Index returned -0.06% with spreads at 493 bps.**

## Securitized credit

Securitized sectors posted positive returns as the rate rally supported the broader complex.

Agency MBS current coupon spreads tightened modestly, settling back into their recent range. ABS secondary volumes declined, but risk appetite held firm despite midweek volatility. CMBS secondary flows remained healthy at roughly \$4.6 billion, with spreads drifting modestly wider across the curve. Full-year CMBS issuance remains on pace for a post-Global Financial Crisis record.

**The Bloomberg U.S. Mortgage-Backed Securities Index returned +0.66% with spreads at 21 bps. The Bloomberg CMBS ERISA-Eligible Index returned +0.36% with spreads at 65 bps. The Bloomberg Asset-Backed Securities Index returned +0.29% with spreads at 45 bps.**

## Global emerging markets

Emerging markets debt posted a positive return as the rate rally more than offset modest spread widening. Hard currency sovereign spreads widened 6 bps across both investment grade and high yield. Local markets were modestly negative as a strengthening dollar weighed on returns. Retail flows turned negative at -\$929 million, a notable reversal from the prior week. New issuance was lighter at \$6.65 billion, with demand roughly 3x oversubscribed.

**The Bloomberg Global Aggregate Unhedged Index returned +0.51% with spreads at 160 bps.**

## U.S. Treasury market yields

Maturity	Yield	Change (%)		
		Week	Month-to-date	Year-to-date
2-year	4.08	-0.07	0.08	0.61
5-year	4.21	-0.06	0.06	0.48
10-year	4.48	-0.05	0.04	0.31
30-year	4.97	-0.03	-0.01	0.12

Source: Bloomberg L.P., 12 Jun 2026. Performance data shown represents past performance and does not predict or guarantee future results.

**Yields edged lower as oil sold off, CPI surprised to the downside and a potential U.S./Iran peace deal lifted late-week sentiment. The June FOMC meeting is next.**

## Fixed income characteristics and returns

Index	Yield to worst (%)	Spread (bps)	Effective duration (years)	Returns (%)		
				Week	Month-to-date	Year-to-date
U.S. Treasury	4.35	–	5.86	0.44	-0.02	-0.03
U.S. government related	4.70	34 <sup>1</sup>	5.32	0.44	0.01	0.50
Municipal	3.65	–	6.57	-0.12	0.28	1.62
High yield municipal	5.50	162 <sup>2</sup>	7.19	-0.04	0.25	2.98
Taxable municipal	5.09	51 <sup>1</sup>	7.54	0.55	0.18	0.70
U.S. aggregate bond	4.72	25 <sup>1</sup>	5.94	0.52	-0.03	0.35
U.S. corporate investment grade	5.18	72 <sup>1</sup>	6.82	0.55	-0.04	0.62
High yield 2% issuer capped	7.10	266 <sup>1</sup>	2.93	0.44	0.03	1.71
Preferred securities	6.30	156 <sup>1</sup>	5.57	0.17	-0.13	1.35
Senior loans <sup>3</sup>	8.86	493	0.25	-0.06	-0.02	1.21
U.S. mortgage-backed securities	4.97	21 <sup>1</sup>	5.51	0.66	-0.03	0.74
U.S. commercial mortgage-backed securities	4.86	65 <sup>1</sup>	3.73	0.36	-0.07	0.54
U.S. asset-backed securities	4.59	45 <sup>1</sup>	2.86	0.29	0.04	0.89
Collateralized loan obligations, AA	5.12	131 <sup>1</sup>	0.25	0.07	0.17	2.34
Collateralized loan obligations, BB	11.66	756 <sup>1</sup>	0.25	-0.03	0.13	2.12
Global emerging markets	5.99	160 <sup>1</sup>	5.95	0.51	0.26	1.72
Global aggregate (unhedged)	3.83	26 <sup>1</sup>	6.30	0.41	-0.49	0.01

<sup>1</sup> Option-adjusted spread to Treasuries. <sup>2</sup> Yield difference between the Bloomberg High Yield Municipal Index and the 20-year AAA MMD scale. <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, 12 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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