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FIXED INCOME WEEKLY COMMENTARY 12 OCTOBER 2026

Markets rally back from September's losses

Market recap

Global markets were mixed but resilient. European sovereigns remained in focus as French spreads gyrated before settling tighter. Treasuries sold off early, with the 10-year yield briefly touching its highest level since 2002, before recovering to finish modestly lower across the curve. Credit spreads stabilized after the prior week's widening, and primary issuance stayed light as rate uncertainty and earnings blackouts kept issuers on the sidelines.

Gains were broad across fixed income, a reversal from September. Emerging markets led on both a total and excess return basis, while investment grade corporates and agency mortgage-backed securities also delivered solid excess returns as spreads retraced. The pattern inverted from recent weeks: Floating-rate assets lagged as rates rallied, with senior loans posting a modest loss, and municipals and preferreds were the other soft spots. Within high yield and loans, higher-quality credits outperformed lower-rated paper.

Outlook

We expect the U.S. Federal Reserve to raise rates once more by year-end, followed by an extended hold through 2027. This path is less hawkish than current market pricing and highly dependent on the evolution of the energy shock and its pass-through to core inflation. Incoming data on services activity and the labor market will also be key factors determining the outcome, with CPI, PPI and retail sales all due in the week ahead.

Credit fundamentals remain sound. This week's spread stabilization reinforced our view that recent widening reflected rate volatility and dealer inventory management rather than deteriorating credit. We continue to favor carrying high-quality income and, in municipals, favor longer duration over Treasuries. We forecast the 10-year Treasury yield at 4.95% for year-end 2026 and 4.75% for end-2027, with the 2-year at 4.70% this year and 4.50% next year.

Key takeaways

- Treasury yields briefly touched 2002-era highs before recovering, while credit spreads stabilized after the prior week's widening.
- Emerging markets, investment grade corporates and agency MBS led gains as floating-rate assets and municipals lagged.
- We anticipate one more Fed rate hike by year-end, a less hawkish path than markets currently expect.

WHAT WE'RE WATCHING:

OCTOBER

14
- China and U.S. CPI

15
- Euro area CPI, U.S. retail sales, U.S. PPI

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

Weekly fixed income snapshot

12 OCTOBER 2026

U.S. Treasuries

Yields moved modestly lower in a quieter week after the prior week's volatility, with the curve continuing to steepen at a measured pace. The front end led the rally while longer maturities stayed comparatively anchored. An early selloff that briefly carried the 10-year to its highest level since 2002 reversed as rate volatility settled.

The 2-year fell 4 bps to 4.79%, the 5-year 4 bps to 5.02%, the 10-year 3 bps to 5.24%, the 20-year 3 bps to 5.65% and the 30-year 2 bps to 5.60%.

Tax-exempt municipals

Municipals declined and underperformed the broader market, one of the few sectors to post a loss in an otherwise constructive week. With the index yielding 4.66% and high yield municipals at 6.16%, absolute yields remain at levels that have historically attracted buyers. We view periods of technical weakness as a potential opportunity to add high-quality duration, and favor longer duration in municipals over Treasuries.

The Bloomberg Municipal Index returned -0.32%.

Taxable municipals

Taxable municipals posted a modest gain as rates stabilized, with the sector's long duration profile working in its favor after several difficult weeks. Absolute yields near 5.80% continue to provide a natural clearing mechanism and attract demand from crossover investors. We view the current backdrop as an opportunity to lock in elevated yields at attractive valuations.

The Bloomberg Municipal Taxable Index returned +0.36% in September with spreads at 55 bps.

Investment grade corporates

The market was subdued, with lower volumes and tame price action, though spreads tightened modestly despite elevated Treasury volatility. Primary supply fell well short of forecasts as earnings blackouts and rate uncertainty kept issuers sidelined, and the deals that priced saw healthy oversubscription. Sector dispersion remained a theme, with technology-linked and European bank credits underperforming on idiosyncratic pressures. Fund inflows rose sharply to their strongest reading since late June, well above the four-week average.

The Bloomberg U.S. Corporate Bond Index returned +0.48% with spreads at 81 bps.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

U.S. high yield corporates

High yield had a choppy but constructive week. A firm midweek rally as rates retraced from their highs gave way to softer sessions before stabilizing ahead of the long weekend. Higher-quality credits outperformed lower-rated paper, pointing to a slight flight-to-quality tilt even as the overall tone stayed firm. Primary issuance picked up steadily as the week progressed, and the calendar remained active into the close.

The Bloomberg High Yield 2% Issuer Capped Index returned +0.20% with spreads at 308 bps.

Preferred securities

Preferreds were the weakest spot in credit. Additional Tier 1 (AT1) and U.S. hybrid prices were little changed while retail par preferreds continued to struggle as the sector adjusts to the recent rate move, with growing concern around year-end tax-loss harvesting adding to the pressure. It was a quiet new issue week, with prospective issuers standing down and no hybrid supply expected near-term as companies enter earnings blackouts.

The ICE Preferred Index returned -0.07% with spreads at 171 bps.

Senior loans

Loans posted a modest loss and lagged high yield, giving back ground as the rally in rates reduced the relative appeal of floating-rate paper. Levels opened unchanged before turning choppy midweek, with lower-quality, beta-sensitive structures underperforming most, though buyers stepped in late to keep levels afloat. The primary calendar stayed active throughout, while secondary trading went quiet into Friday.

The S&P Leveraged Loan Index returned -0.13% with spreads at 494 bps.

Securitized credit

The agency MBS basis reached a one-year high early in the week before tightening as rate volatility settled, with the entire coupon stack outperforming Treasury hedges and mortgage credit new issuance picking up after the late-September lull. ABS saw its busiest new issue week of the year by deal count; deals took longer to clear but were largely well subscribed as investors found all-in yields enticing. CLO secondary volumes were heavy early before slowing, with demand and technicals outweighing investor caution. CMBS secondary flows slowed on continued customer selling, and spreads leaked wider.

The Bloomberg MBS Index returned +0.46% with spreads at 39 bps. The Bloomberg CMBS Index returned +0.24% with spreads at 69 bps. The Bloomberg ABS Index returned +0.17% with spreads at 43 bps.

Global emerging markets

EM debt led the complex, with hard-currency sovereign spreads compressing and local markets contributing strongly as several Latin American rates markets rallied. Retail flows swung positive after the prior week's outflows, with both hard and local currency funds seeing inflows. New issue activity remained slow as the macro picture did little to improve, though demand for priced deals improved from the prior week and most traded above their initial offering price.

The Bloomberg Global EM Index returned +0.64% with spreads at 174 bps.

U.S. Treasury market yields

Maturity	Yield	Change (%) Week	Month-to-date	Year-to-date
2-year	4.79	-0.04	-0.10	1.31
5-year	5.02	-0.04	-0.07	1.29
10-year	5.24	-0.03	-0.05	1.07
30-year	5.60	-0.02	-0.03	0.75

Source: Bloomberg L.P., 09 Oct 2026. **Performance data shown represents past performance and does not predict or guarantee future results.**

The 10-year Treasury yield briefly touched its highest level since 2002 before staging a sharp intraweek recovery as credit markets stabilized.

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	5.08	–	5.59	0.31	0.34	-2.43
U.S. government related	5.46	39[1]	5.08	0.37	0.36	-1.88
Municipal	4.66	–	7.06	-0.32	0.70	-3.51
High yield municipal	6.16	131[2]	7.80	-0.45	0.45	-1.24
Taxable municipal	5.80	55[1]	7.43	0.36	0.39	-2.89
U.S. aggregate bond	5.51	31[1]	5.81	0.39	0.44	-2.48
U.S. corporate investment grade	5.99	81[1]	6.42	0.48	0.47	-2.66
High yield 2% issuer capped	8.24	308[1]	3.16	0.20	0.24	0.34
Preferred securities	7.14	171[1]	5.53	-0.07	0.02	-1.47
Senior loans[3]	9.67	494	0.25	-0.13	-0.17	3.25
U.S. mortgage-backed securities	5.86	39[1]	5.95	0.46	0.64	-2.68
U.S. commercial mortgage-backed securities	5.67	69[1]	3.60	0.24	0.28	-0.78
U.S. asset-backed securities	5.30	43[1]	2.89	0.17	0.27	0.53
Collateralized loan obligations, AA	5.71	138[1]	0.25	0.11	0.16	4.04
Collateralized loan obligations, BB	12.64	779[1]	0.25	0.16	-0.08	5.07
Global emerging markets	6.88	174[1]	5.62	0.64	0.28	-1.23
Global aggregate (unhedged)	4.40	34[1]	6.13	0.03	-0.08	-2.74

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, 09 Oct 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.

For more information, please visit nuveen.com.

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

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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