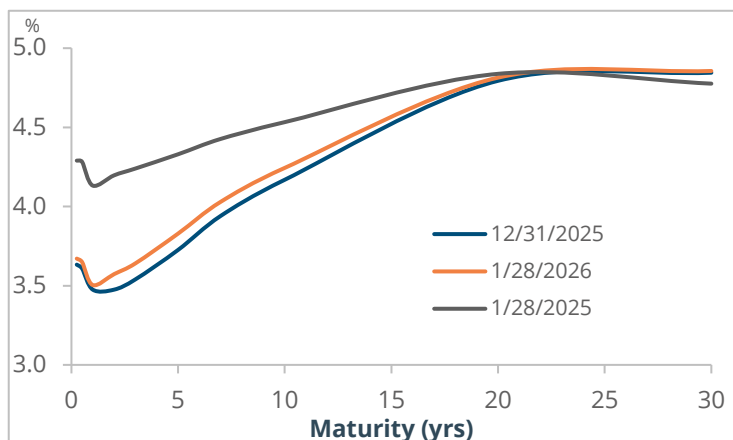


Word on the IR+M Desk

It is hard to envision what breaks the investment-grade bond market. There was no shortage of potential market-moving news, but spreads still grinded tighter amid relentless demand and more than \$5 billion of fund inflows last week. The true stress test may be supply, as AI-driven capex from hyperscalers accelerates—Meta Platforms, Inc. alone guided over \$115 billion of capex in 2026. At what point do investors lose their appetite? We believe a discerning palate is necessary, especially as the AI trend continues to touch all corners (and sectors) of the fixed income market.

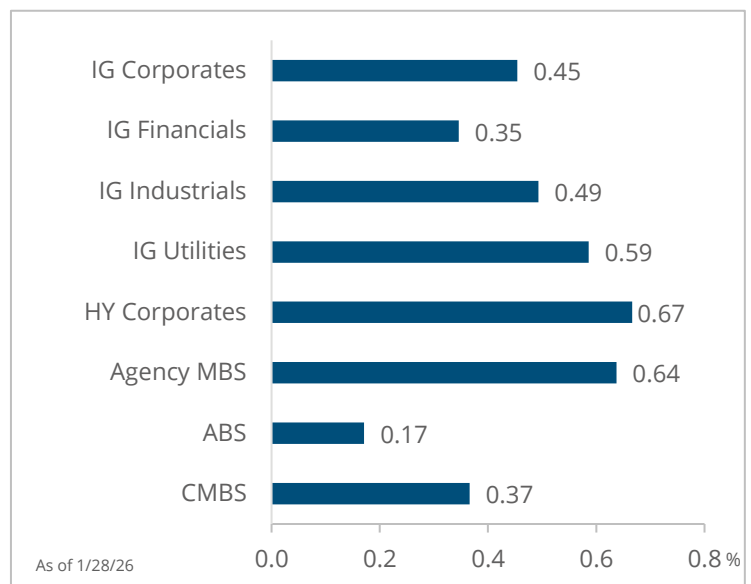
- As expected, the Federal Reserve (Fed) left the federal funds target range unchanged at 3.50-3.75%, although there were two dissents in favor of a rate cut (more of IR+M's thoughts can be found [here](#))
 - Chair Powell later noted at the press conference that the labor market was stabilizing, consumer spending remained resilient, and inflation had eased – though it was still elevated – supporting the no action approach
- There are now 106 days until Chair Powell's term ends on May 15th, and it is widely speculated his successor will be nominated imminently
 - Prediction markets currently favor Rick Rieder (39%), followed by Kevin Warsh (29%) and Christopher Waller (14%), the latter of whom was a dissenting FOMC member
- Treasury yields were virtually unchanged week-over-week; the 1-year Treasury rate fell by 2bps as the market-implied probability of two rate cuts by this time next year increased slightly
- Consumer confidence fell from 89.1 to 84.5, the lowest level since early 2014, as consumers' views on the economy and labor market prospects deteriorated in January
 - Several large companies announced notable layoffs during earnings calls – with roughly 46k of job cuts across just two companies – which should further impact opinions on the labor market
- A late-week surge of investment-grade corporate supply, totaling almost \$37 billion, propelled the monthly total to \$208 billion, a new January record; new issue concessions have averaged 1bp year-to-date, signaling strong demand
 - Investment-grade corporate spreads grinded 1bp tighter week-over-week to 71bps, the tightest level since 1998, despite notable weakness from the Managed Care sector
- High-yield corporate supply slowed from last week's torrid pace to just over \$3 billion, as issuers stayed on the sidelines ahead of the Fed meeting; high-yield spreads were 5bps wider week-over-week amid lower consumer confidence
- Agency mortgage-backed securities continued to outperform investment-grade alternatives, as the administration's focus on measures to aid home affordability creates a tailwind for the sector
- Municipals outperformed Treasuries with muni/Treasury ratios down slightly across the curve; ratios remain well-below historical averages, especially in intermediate- and shorter-maturities

Treasury Yield Curve



| Maturity | 2-year | 5-year | 10-year | 20-year | 30-year |
|------------|--------|--------|---------|---------|---------|
| 1/28/26 | 3.57 | 3.83 | 4.24 | 4.81 | 4.86 |
| MTD Change | 0.10 | 0.10 | 0.08 | 0.02 | 0.01 |

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 1/28/26 unless otherwise noted. Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P., and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accuracy, or completeness of any data or information relating to any IR+M product.