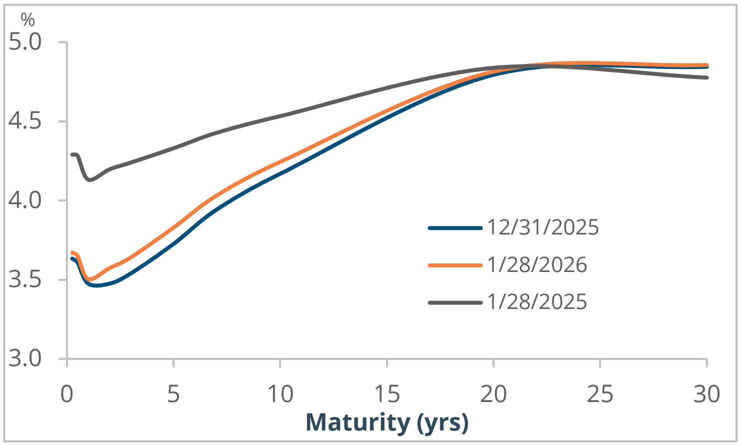
IR+M Weekly Fixed Income Market Update:
January 23 – January 29, 2026

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