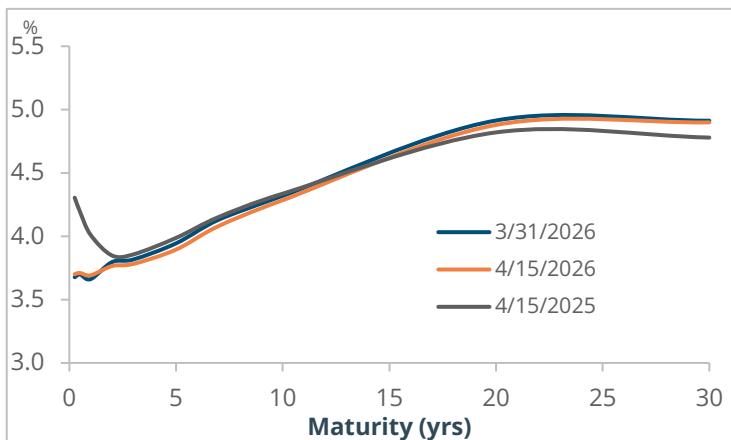


## Word on the IR+M Desk

Markets have been quick to embrace signs of de-escalation in the US-Iran conflict, but could recent optimism be masking unresolved fragilities elsewhere? While equities have reached new all-time highs and credit spreads have retraced recent widening, underlying uncertainties have not disappeared — they have just become less visible. Inflation expectations, policy responses, and upcoming midterm elections will have monetary and fiscal implications. We are mindful that today's optimism may be pricing in a smoother path than is likely. As a result, portfolios remain balanced, leaning on carry and quality while preserving flexibility in the event of any shift in tone.

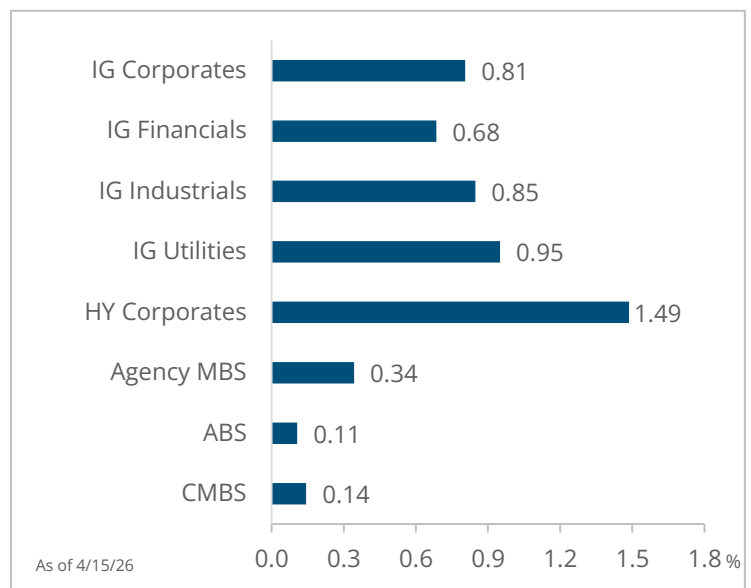
- A risk-on market tone persisted despite ongoing inflation concerns, as optimism grows that the U.S. and Iran are looking to extend the two-week ceasefire, while banks fueled a strong start to the first quarter earnings season
- March's CPI report rose 0.9% month-over-month and 3.3% year-over-year over the last twelve months – the largest monthly increase since 2022; energy accounted for a majority of the monthly advance given the record increase in gas prices, while the increases of other categories were relatively muted with Core CPI only up 0.2% last month
  - Concerns of long-term inflation resulting from the US-Iran conflict drove one-year inflation expectations to 4.8% and consumer sentiment to a record low level
- Treasury rates increased across the curve following the March CPI release before front-end rates declined on the prospect of peace talks between the US and Iran; the Treasury curve steepened on the week, as the 2-year rate fell by 2bps to 3.77% while the 30-year rate rose 1bp to 4.90%
- Investment-grade (IG) supply totaled \$58 billion, exceeding dealer expectations of \$40 billion; large money center banks returned to the market following self-imposed earnings blackouts and accounted for over half of the week's issuance
  - HY borrowers took advantage of the firmer tone, issuing over \$13 billion, led a \$5.7 billion data center deal; the deal was met with robust demand receiving roughly \$15 billion of investor orders
- Corporate spreads declined to the lowest levels since the start of the conflict between the US and Iran; IG and HY corporate spreads tightened by 3bps and 10bps, respectively, to 78bps and 269bps
- Agency mortgage-backed (MBS) securities outperformed other securitized sectors amid lower interest rate volatility, as MBS spreads tightened 1bps to 19bps
  - Existing home sales fell to 3.98 million in March, below estimates and the lowest level since June 2025, as the lock-in effect continues due to rising mortgage rates and home prices
- Short-maturity Municipals underperformed Treasuries while long-maturity municipals outperformed; the 2-year muni/Treasury ratio increased from 60.5% to 60.7% and the 30-year muni/Treasury ratio fell from 89.1% to 88.7%

### Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
4/15/26	3.77	3.90	4.29	4.88	4.90
MTD Change	(0.03)	(0.05)	(0.03)	(0.04)	(0.01)

### Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 4/16/26 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.