

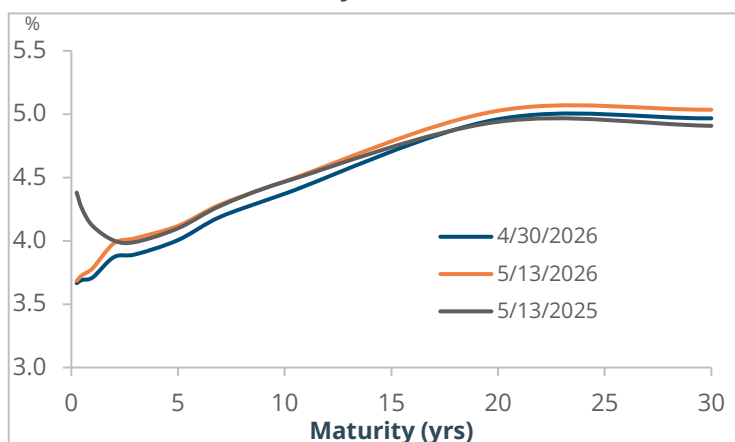
Word on the IR+M Desk



Markets appear increasingly willing to look through developments in the ongoing US-Iran conflict. This week's headlines surrounding a new peace proposal, followed by reports the ceasefire was on "massive life support," generated only a muted market reaction — a notable shift from earlier episodes of heightened volatility. Risk assets remained resilient, credit spreads tightened, and Treasury markets showed limited signs of sustained flight-to-quality demand. While geopolitical risks have not disappeared, investors appear increasingly focused on inflation, growth, and monetary policy. The challenge for investors is determining whether markets are appropriately discounting geopolitical risk or simply becoming complacent toward it. For now, we think the securitized market continues to offer attractive relative value, with the added benefit of being largely insulated from broader geopolitical risks.

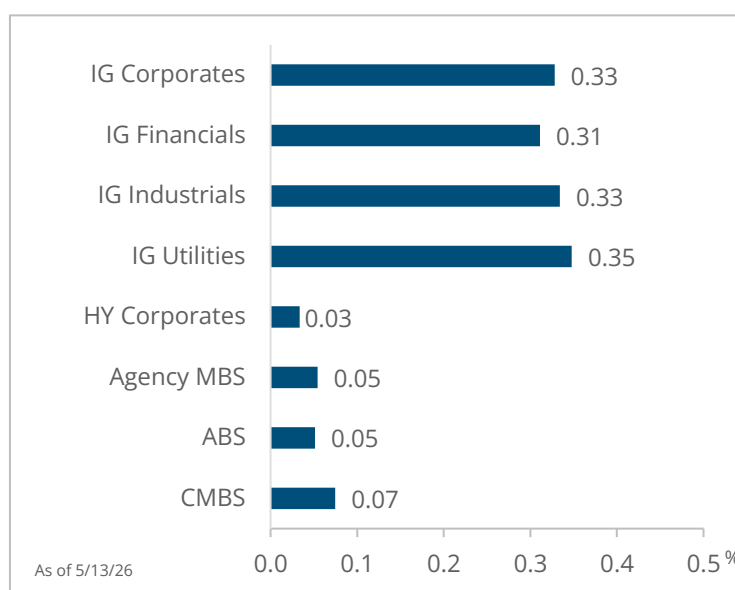
- Kevin Warsh was confirmed by the US Senate as the next Federal Reserve (Fed) Chair by the narrowest margin on record, and is set to inherit a stabilizing labor market alongside persistent inflationary pressures
- April's non-farm payrolls increased by 115k, exceeding estimates for the second consecutive month; hiring growth was broad-based across sectors, suggesting a resilient labor market despite the economic uncertainty from the Iran war
 - The unemployment rate was unchanged at 4.3%, while the labor participation rate declined to 61.8%
- Inflation accelerated in April with headline CPI rising 0.6%, in line with expectations; CPI grew from 3.3% to 3.8% year-over-year, the highest level since September 2023, driven primarily by higher energy and grocery prices
 - The spike in energy prices also pressured wholesale inflation and transportation costs, as PPI rose 1.4% in April, above estimates of 0.5% and the largest monthly increase since 2022
- Treasury yields rose across the curve as investors increasingly considered the Fed may need to maintain restrictive policy for longer; the market-implied probability of a rate hike by 2027 is now 50%
- Investment-grade (IG) corporate issuers continued to issue fresh debt, despite the heavy economic calendar with issuance totaling \$52 billion, surpassing dealer forecasts of \$50 billion
 - High-yield (HY) issuance, however, was temporarily impacted by April's CPI data as some borrowers pulled new deals; supply still totaled \$8 billion
- Demand for IG corporate bonds was robust, as spreads tightened 2bps to 75bps; HY corporate spreads were more sensitive to the prospect of tighter monetary policy with spreads widening 5bps to 267bps
- Agency mortgage-backed (MBS) securities underperformed other securitized sectors as stronger PPI data provided a headwind for the sector; MBS spreads widened 3bps to 21bps on the week
- Municipals outperformed Treasuries as muni/Treasury ratios declined across the curve; municipal bond funds reported \$1.1 billion of net inflows last week, marking the third consecutive week of net inflows exceeding \$1 billion

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/13/26	3.98	4.12	4.47	5.03	5.04
MTD Change	0.11	0.11	0.10	0.07	0.07

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 5/14/26 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.