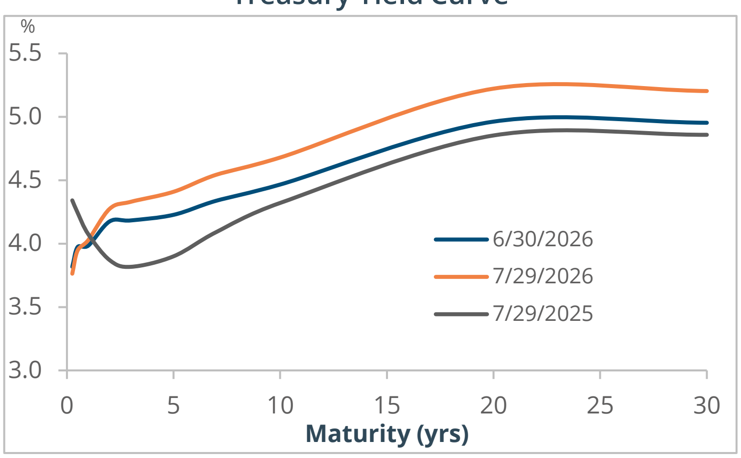
# IR+M Weekly Fixed Income Market Update:
## July 24 – July 30, 2026

### Word on the IR+M Desk

Yesterday offered another glimpse into the next chapter of the Fed under Chair Warsh. The policy statement was again shorter than usual and provided less forward guidance than markets have come to expect. More notable was the resulting interest rate volatility. Despite limited new information, Treasuries experienced outsized moves as investors searched for clues about the Fed's path forward. The reaction reinforces a theme we have highlighted in recent months: a quieter Fed may create louder market reactions. As communication becomes more limited and the Fed's reaction function less transparent, market participants may place greater weight on incremental data releases rather than policy signals.

- The Federal Reserve (Fed) left the federal funds target range unchanged at 3.50-3.75% at Kevin Warsh's second meeting as Fed Chair, although three officials dissented in favor of a rate hike, reinforcing the Committee's hawkish bias
    - The Fed made few changes to is policy statement, reiterating that inflation remains elevated while noting that economic activity continues to expand at a solid pace despite persistent uncertainty
    - The Fed's limited guidance increased uncertainty around the policy outlook, leading investors to reduce the market-implied probability of a September rate hike to from 100% to 65%
- Core PCE rose 0.1% in June, below estimates of 0.2%, as softer core services ex-housing ("supercore") inflation more than offset firmer healthcare spending
- A sharp increase in imports weighed on second quarter GDP which grew at a 1.5% annualized pace, below expectations of 2.0%, despite consumer spending accelerating to a stronger-than-expected 3.2%
- Treasury yields followed oil prices early in the week before the Fed decision sparked a sharp curve steepening; the spread between the 2-year and 30-year Treasury rates widened by 9bps to 93bps week-over-week
- Investment-grade (IG) borrowers largely remained on the sidelines ahead of the Fed decision as supply totaled $30 billion, below dealer expectations of $40 billion
    - HY issuance was muted, as one deal was priced totaling $950 million
- Continued volatility in the Technology sector, coupled with uncertainty surrounding the Fed, pushed IG and HY corporate spreads wider on the week by 3bps and 22bps to 80bps and 289bps, respectively
- Agency mortgage-backed securities (MBS) outperformed other securitized sectors despite heightened interest rate volatility; MBS spreads tightened to 26bps before ending the week unchanged at 28bps
- Short- and intermediate-maturity municipals underperformed Treasuries as muni/Treasury ratios rose; the 2-year muni/Treasury ratio rose from 57.7% to 60.2%, yet still below the trailing five-year average of 63%

### Treasury Yield Curve




| Maturity | 2-year | 5-year | 10-year | 20-year | 30-year |
|---|---|---|---|---|---|
| *7/29/26* | 4.27 | 4.41 | 4.68 | 5.22 | 5.20 |
| *MTD Change* | 0.10 | 0.18 | 0.21 | 0.26 | 0.25 |

### Month-to-Date Excess Returns