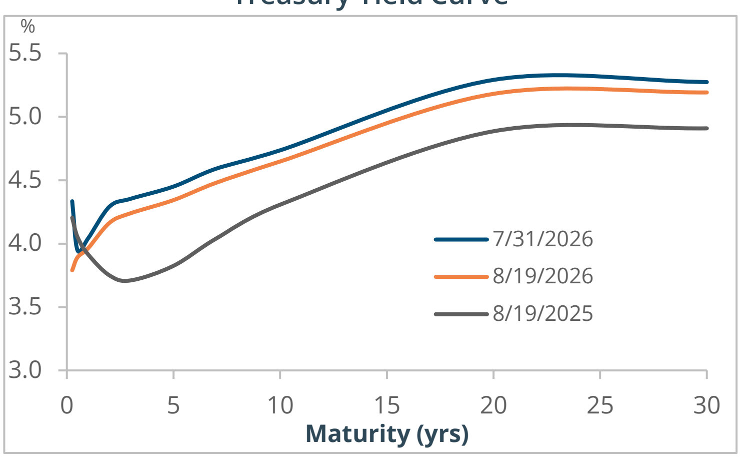
IR+M Weekly Fixed Income Market Update:
August 14 – August 20, 2026

Word on the IR+M Desk

This week, investors were again reminded that markets don't just react to policy, they react to how policy is communicated. The Treasury's decision to expand its long-end buyback program briefly fueled a rally in longer-dated Treasuries and was followed by comments from Treasury Secretary Scott Bessent highlighting the administration's focus on fiscal consolidation. Yet the bigger story may have been what happened next: very little. Rather than embracing the message, investors appeared to look past the headlines and focus on the broader reality of elevated borrowing needs and continued Treasury supply. If that sounds familiar, it should. We've recently discussed how a less communicative Fed could contribute to greater market volatility, and this week suggested the Treasury may be entering an "actions speak louder than words" phase of its own.

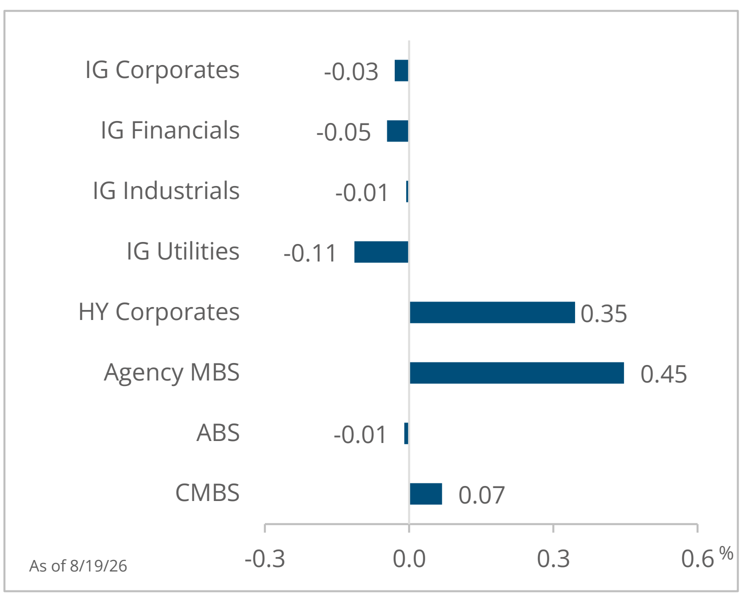
- Markets experienced more volatility this week as investors grappled with inflation risks, rising fiscal deficits, and AI-related financing pressures, pushing a selloff in rates and weighing on risk assets
- July's FOMC minutes revealed limited support for an interest rate hike, while Fed officials warned that inflation could remain elevated for longer
    - The minutes highlighted the downside risks associated with AI-driven financing and activity, while participants expressed differing views on how the AI buildout could affect long-term inflation expectations
- Rising inflation concerns overtook labor market worries, propelling one-year inflation expectations to 4.3% and driving consumer sentiment lower for the first time since May
- Fiscal deterioration and AI-driven corporate issuance concerns initially pushed long-dated Treasury yields higher, before the Treasury's announcement of increased long-dated buybacks reversed the move and drove yields lower
    - The 30-year Treasury rate rose to 5.31% intra-week – the highest level since 2007 – before closing at 5.19%, 7bps lower week-over-week
- Investment-grade (IG) issuance totaled $19 billion, narrowly missing dealer forecasts of $20 billion, as a risk-off sentiment kept many borrowers on the sidelines
    - The high-yield (HY) primary market was subdued, with supply falling short of $2 billion
- The market's more cautious backdrop pressured corporate spreads, as IG and HY spreads widened modestly by 2bps and 3bps, respectively, to 80bps and 270bps
- Agency mortgage-backed securities (MBS) outperformed other securitized subsectors amid a decrease in mortgage rates; MBS spreads tightened on the week by 2bps to 24bps
- Municipals underperformed Treasuries as muni/Treasury ratios rose across the curve; the 10-year muni/Treasury ratio rose from 68.3% to 70.9%, just below the trailing 5-year average of 71%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
8/19/26	4.16	4.34	4.65	5.18	5.19
MTD Change	-0.13	-0.11	-0.09	-0.11	-0.08

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 8/20/26 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, accurateness, or completeness of any data or information relating to any IR+M product.