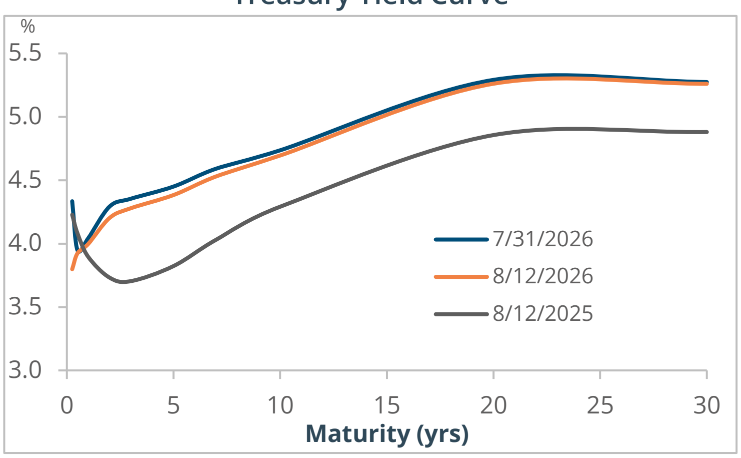
IR+M Weekly Fixed Income Market Update:
August 7 – August 13, 2026

Word on the IR+M Desk

The AI buildout has highlighted how dependent future growth has become on debt financing, but the corporate and securitized markets are not alone. Treasury issuance continues to expand as the US funds sizable fiscal deficits, adding to the supply fixed income investors must absorb. This week's long-dated Treasury auctions came at yields not seen in decades, reflecting both elevated borrowing needs and investors' demand for greater compensation. As the buyer base evolves away from Central Banks and toward more price-sensitive investors, Treasury yields may become increasingly influenced by market fundamentals. Combined with a potentially less communicative Federal Reserve, the result may be a market increasingly prone to interest rate volatility.

- Softer July employment and inflation data prompted investors to reassess the path of monetary policy, strengthening the case for a more patient Fed as labor market risks emerged and inflation pressures eased
    - Non-farm payrolls underscored a softer labor market as the economy shed 23k jobs, well below expectations of an 80k increase, while payrolls for May and June were revised lower by a combined 103k
    - The unemployment rate dipped to 4.1%, alongside a decline in labor force participation to 61.4%, its lowest level since the 1970s outside of the COVID-19 period
    - Headline CPI rose 0.1% month-over-month and 3.4% year-over-year in July, in line with expectations, suggesting the effects of the energy-price shock triggered by the Iran conflict continued to fade
- Treasury yields initially moved higher alongside oil prices before softer economic data prompted investors to reassess Fed expectations and pulled front-end yields lower; the curve steepened, as the spread between 2- and 10-year Treasury yields widened 6bps to 49bps
    - The market-implied probability of a 25bp hike at the September FOMC meeting declined from 55% to 40%
- AI-related investments continued to drive investment-grade (IG) issuance, pushing weekly supply to roughly $56 billion, above dealer forecasts of $40 billion
    - High-yield (HY) supply totaled $5 billion, led by a $2.25 billion data center deal
- IG corporate spreads moved 2bps wider to 78bps, pressured by the week’s wave of supply, while HY corporate spreads were unchanged at 267bps
- Asset-backed securities (ABS) underperformed their securitized counterparts week-over-week amid robust issuance, totaling over $9 billion week-to-date
- Municipals outperformed Treasuries as muni/Treasury ratios fell across the curve; municipal bond funds reported $41 million of net outflows last week, marking the first week of outflows since April

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
8/12/26	4.20	4.38	4.70	5.26	5.26
MTD Change	-0.09	-0.07	-0.04	-0.03	-0.01

Month-to-Date Excess Returns