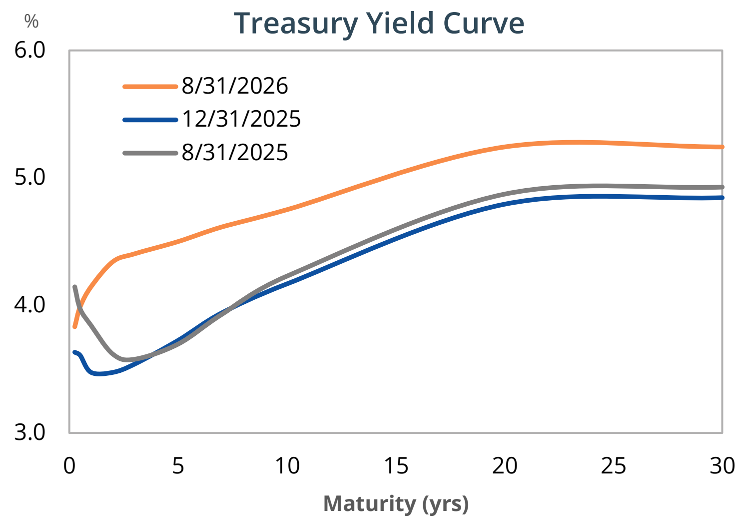
IR+M FIXED INCOME MARKET UPDATE
August 2026

September 1, 2026

MARKET NEWS

- Markets showed signs of resilience in August as investors weighed mixed economic data, persistent inflation and fiscal concerns, shifting monetary policy expectations, and continued AI-related financing activity
- The labor market reinforced signs of moderation, as July non-farm payrolls declined by 23k, well below expectations of an 80k increase, while the unemployment rate fell to 4.1%
- Monthly inflation readings were relatively subdued during the month, with headline CPI rising 0.1% and Core PCE increasing 0.2% month-over-month, both in line with expectations
    - Year-over-year headline CPI and Core PCE continued to trend above the Federal Reserve's 2% inflation target, growing 3.4% and 3.3%, respectively
- In his first public speech as Federal Reserve Chair in Jackson Hole, Kevin Warsh offered his clearest assessment to date regarding inflation, economic activity, and financial conditions, suggesting a bias toward more restrictive policy
- Treasury yields were volatile as investors weighed softer economic data, fiscal concerns, and AI-related borrowing; the yield curve flattened as the spread between the 2- and 30-year Treasury rates tightened by 8bps to 90bps
    - The 30-year Treasury yield reached as high as 5.34% intra-month, the highest level since 2007, before closing at 5.24%
- Investment-grade (IG) corporate spreads were unchanged at 78bps amid heavy issuance, while high-yield (HY) spreads tightened by 18bps to 261bps due to limited supply
    - The Communications and Finance Companies subsectors outperformed other corporate sectors, while Insurance and REITs lagged
- IG corporate supply totaled $163 billion, exceeding dealer forecasts and marking the busiest August on record
    - New issue concessions averaged 5.7bps in August, above the 3.3bps average in 2025, suggesting some investor fatigue amid heavy supply
    - HY borrowers were unsurprisingly quiet given the typical seasonal slowdown of issuance, bringing approximately $12 billion of supply in August
- Agency mortgage-backed securities (MBS) partially retraced last month's underperformance, outperforming Treasuries and other securitized sectors, as interest rate volatility began to normalize; MBS spreads tightened by 2bps to 29bps
- The AAA municipal bond curve steepened during the month, as the 2-year muni/Treasury ratio fell 2% to 58%, and the 30-year ratio rose 3% to 88%

MARKET STATISTICS



Maturity	2-year	5-year	10-year	20-year	30-year
8/31/26	4.34	4.50	4.75	5.24	5.24
MTD Change	0.05	0.05	0.02	-0.05	-0.03
YTD Change	0.87	0.78	0.58	0.45	0.40