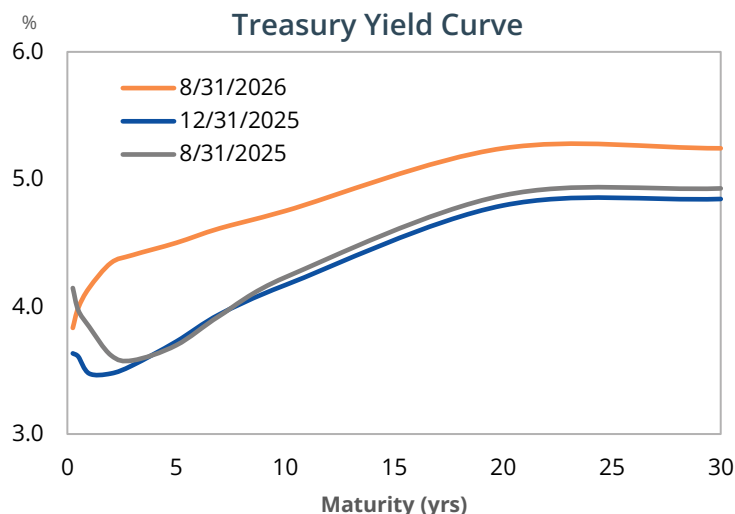


MARKET NEWS

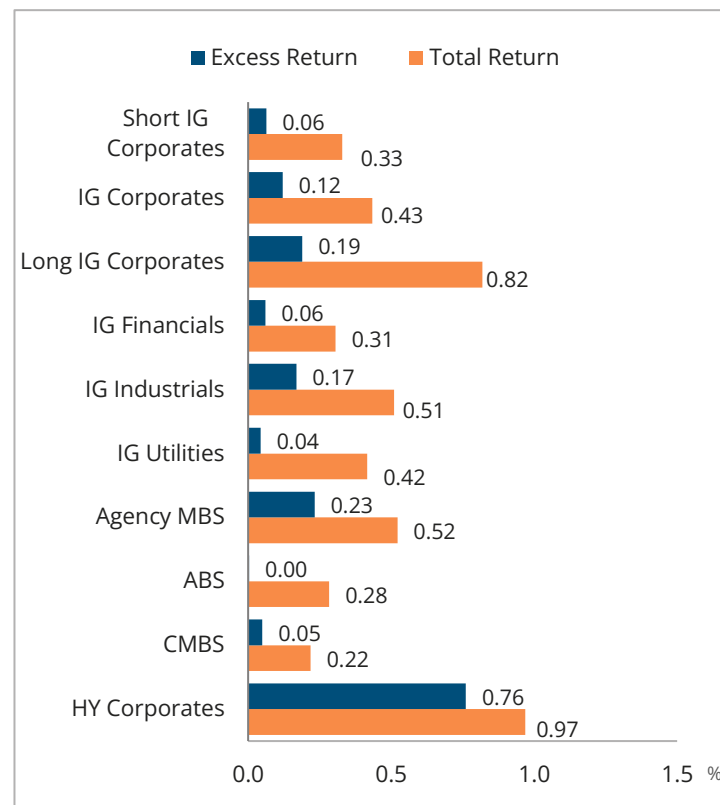
- Markets showed signs of resilience in August as investors weighed mixed economic data, persistent inflation and fiscal concerns, shifting monetary policy expectations, and continued AI-related financing activity
- The labor market reinforced signs of moderation, as July non-farm payrolls declined by 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

MTD Returns



As of 8/31/26. Sources: Bloomberg. Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. This is not a recommendation to purchase or sell the securities mentioned above. The views contained in this report are those of Income Research + Management ("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.