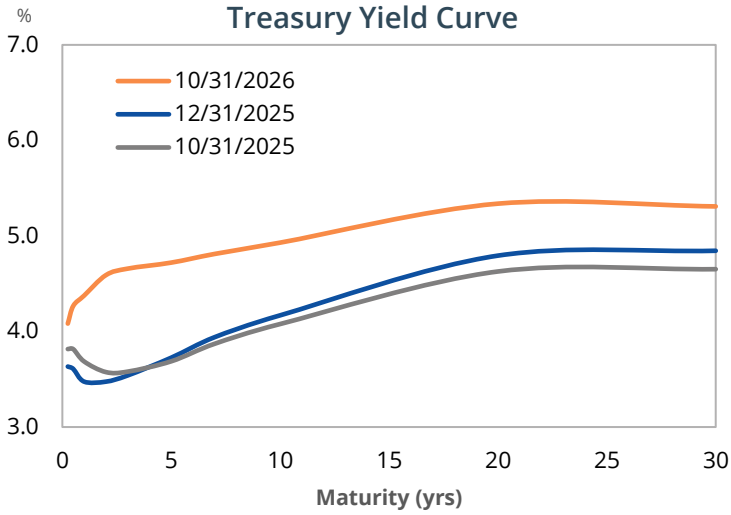
IR+M FIXED INCOME MARKET UPDATE
October 2026

November 2, 2026

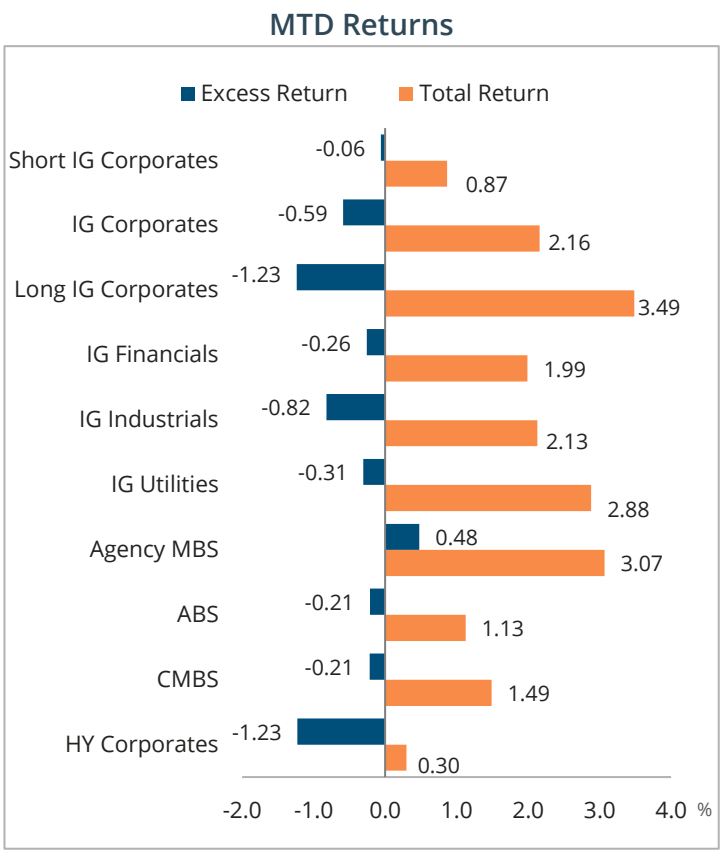
MARKET NEWS

- In October, the Federal Reserve (Fed) maintained the federal funds target range at 3.75-4.00%, pausing after September's rate hike; policymakers left the door open to additional tightening as several Fed officials indicated further hikes may be necessary to bring inflation back toward target
    - The market remained fixated on persistent inflation, fiscal sustainability, and the path of monetary policy; concerns surrounding US deficits and growing financing needs continued to keep Treasury supply and demand, particularly at the long end, in focus
- Economic data generally surprised to the downside; September payrolls increased just 29k versus expectations of 90k, October's PMI Composite Index remained expansionary at 57.6, and the unemployment rate ticked up to 4.2% from 4.1%
- Treasury yields reversed sharply lower during the month as softer employment data, strong auction demand, and a late-month flight to quality supported government bonds; the 10-year Treasury yield fell 36bps to 4.93%, while the 30-year yield declined 32bps to 5.31%
    - A strong $39 billion 10-year Treasury auction helped alleviate concerns surrounding demand for government debt; the auction awarded at 5.30%, below the prevailing yield at the time, as higher yields attracted investors back to the long end
- Credit spreads widened as risk sentiment softened; investment-grade (IG) spreads rose from 80bps to 90bps and high-yield (HY) spreads increased from 311bps to 340bps, while IG all-in yields fell from 6.04% to 5.79% and HY yields modestly decreased from 8.35% to 8.31%
- IG corporate supply totaled approximately $123 billion in October; year-to-date issuance reached $1.8 trillion, on pace to surpass the previous annual record set in 2020, with AI-related capital needs contributing to elevated borrowing activity
    - HY issuance totaled roughly $15 billion, the slowest monthly pace since the spring, as higher funding costs weighed on lower-rated borrowers' primary market activity
- Agency mortgage-backed securities outperformed most spread sectors as lower Treasury yields and reduced rate volatility supported valuations; MBS spreads tightened from 43bps to 34bps during the month
- Municipal bonds posted their strongest October in more than four decades, with the Bloomberg Municipal Bond Index gaining roughly 3.9%; the 2-year muni/Treasury ratio declined from 73% to 61%, while the 30-year ratio edged lower from 93% to 92%

MARKET STATISTICS



Maturity	2-year	5-year	10-year	20-year	30-year
10/31/26	4.59	4.72	4.93	5.34	5.31
MTD Change	-0.30	-0.37	-0.36	-0.34	-0.32
YTD Change	1.12	1.00	0.76	0.54	0.46



As of 10/31/26. 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.