Monthly Fixed Income Market Update

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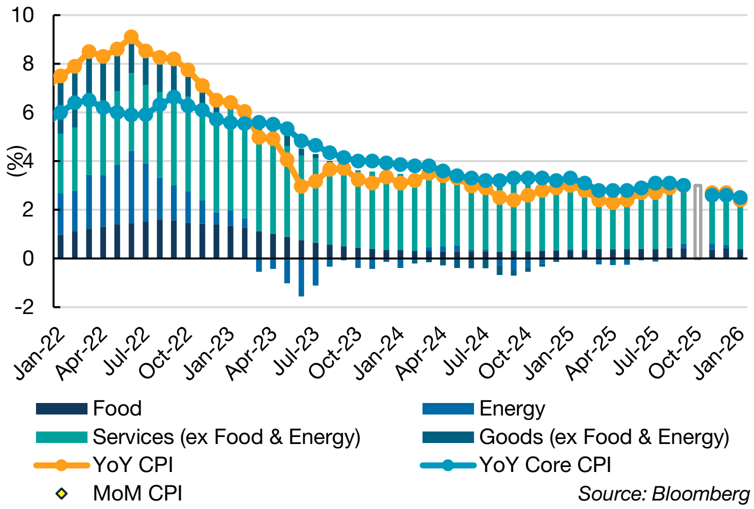
As of February 28, 2026

Key Takeaways

1. The Federal Reserve did not meet in February, and much economic data published throughout the month reduced pressure to cut rates quickly. The 10-year yield fell and ended the month at 3.95%, down from January's 4.24%.
2. Fixed income experienced positive performance in February. Yields fell across all tenors in response to rising geopolitical tensions abroad and tariff uncertainty at home but reversed much of this move in early March as investor concerns on inflation rose. Corporate credit spreads widened but remain below long-term averages.
3. Uncertainty seems to be hitting investors from multiple angles: AI, tariffs, military conflict in the Middle East. We highlight how fixed income can serve investors amidst unpredictability.

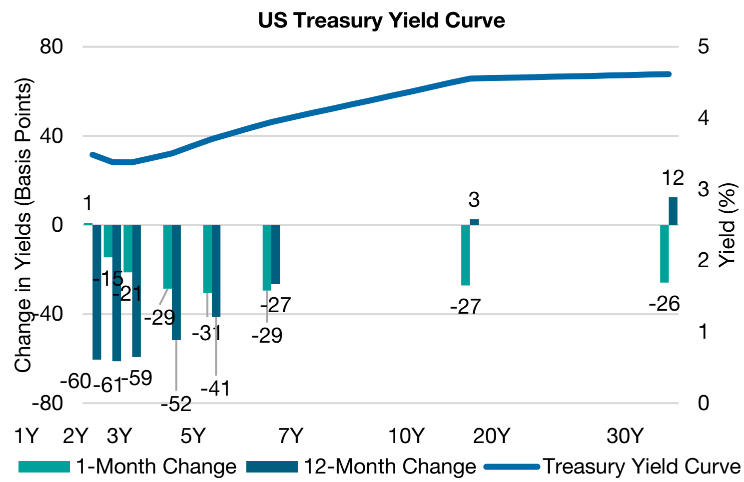
The Month in Charts

January's CPI report, published in February, showed a continuation of the downward trend. January CPI declined to 2.4% year-over-year, and Core CPI fell to 2.5% year-over-year. Overall prices rose less than expected in January, which reinforced market and consumer hopes that inflation will continue to trend closer to the Fed's 2% target. The Fed may pause once more at their March meeting, however, given geopolitical developments in the Middle East and its potential impact on oil prices. As energy is an input for calculating inflation, there are some investor concerns that this could result in stickier inflation should energy prices rise and remain elevated for the duration of the conflict.



Source: Bloomberg

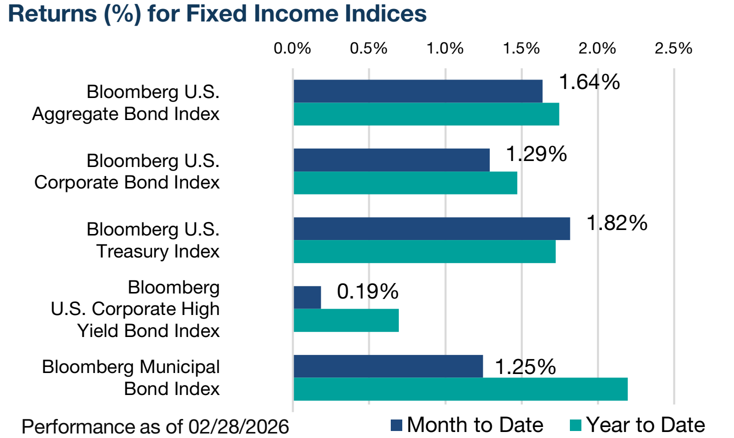
Treasury yields concluded February lower month over month as the military action in Iran at the end of the month drove a risk-off attitude in markets and investors poured into Treasuries. We saw yields decline across the curve, but long-term yields remain slightly elevated compared to one year ago. Yields retraced this move, however, in early March as investor worries about oil prices and inflation rose.



Source: Bloomberg

Performance was positive across fixed income in February, although high yield corporates lagged somewhat as their spreads widened. Treasuries rallied at the end of the month, driven by investor uncertainty surrounding tariffs and the initial military action taken by the U.S. and Israel late in the month.

Returns (%) for Fixed Income Indices



Performance as of 02/28/2026

Past performance is no guarantee of future results. *Source: Bloomberg*

Credit spreads widened month-over-month despite strong demand in the first half of the month. Industry specific disruptions within corporates related to AI or financials drove most of the widening, but ultimately credit spreads concluded the month still below historical lows. Investment grade corporate credit spreads widened 11 basis points and high yield corporate credit spreads widened 29 basis points.

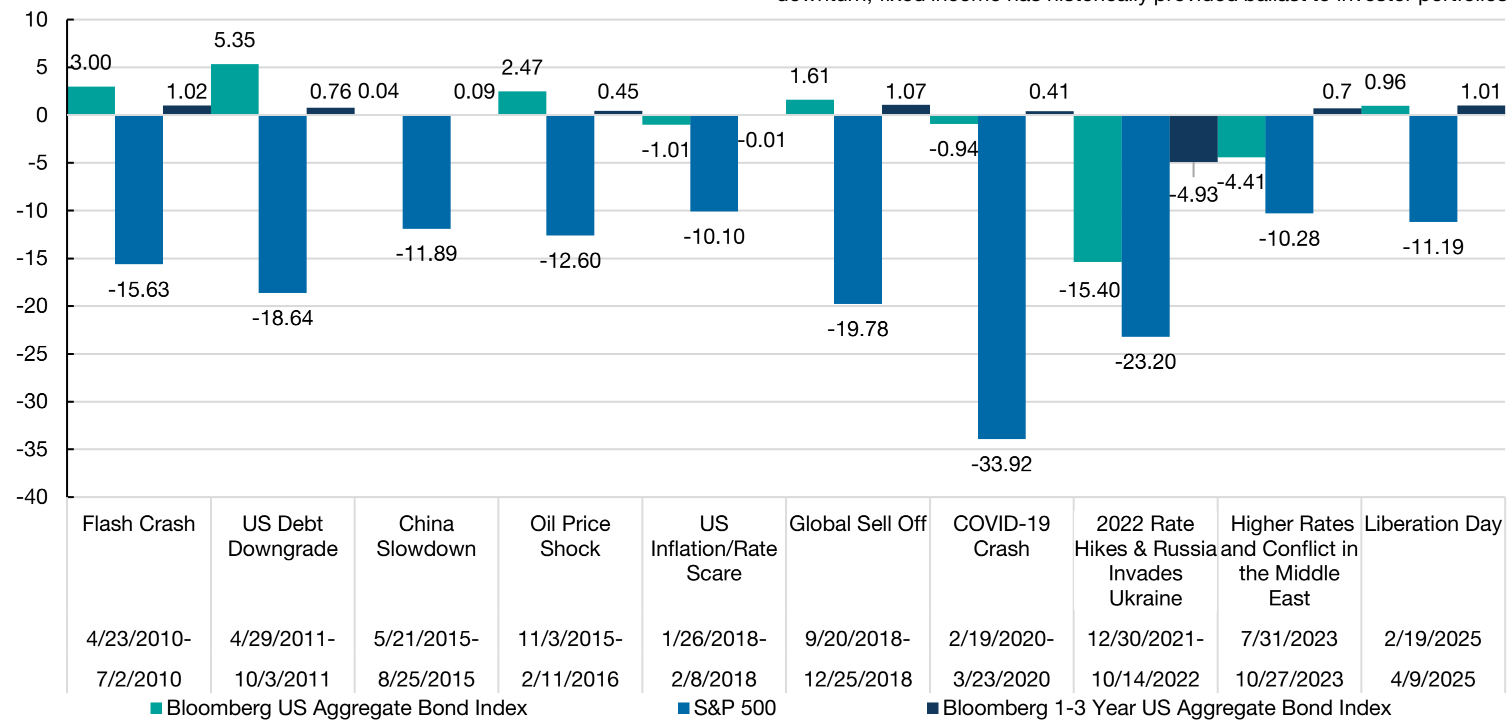
Asset Class	Yield	Spread	Trend	Quarter		Change			Trailing 10 yr avg
				Tight	Wide	MoM	QoQ	YoY	
U.S. Treasury	3.75								
U.S. MBS	4.38	21		14	29	5	-8	-10	38
U.S. Corporate	4.74	84		71	84	11	4	-3	114
U.S. Corporate High Yield	7.16	293		248	293	29	18	10	405
CMBS	4.21	69		67	78	1	-9	-11	90
ABS	3.98	49		47	54	0	-6	-1	55
A	4.60	71		59	71	10	4	-5	96
BBB	4.95	105		91	105	12	3	-2	152
BB	5.93	176		148	178	18	16	-1	265

Source: Bloomberg; Asset Classes represented by: ICE BofA US Treasury & Agency Index, Bloomberg US MBS Index, Bloomberg US Agg Total Return Value Unhedged USD, ICE BofA US High Yield Index, ICE BofA US Fixed Rate CMBS Index, ICE BofA US Fixed Rate Asset Backed Securities Index, Bloomberg US Agg A Total Ret Index, Bloomberg US Agg Baa Total Ret Index, Bloomberg Ba US High Yield TR Index. MoM/QoQ/YoY as of 02/28/2026

Frequently Asked Questions

Despite February being the shortest month of the year, there was no shortage of twists and turns for investors to digest. Some of the most notable were the AI-driven disruptions in software, the Supreme Court of the United States declaring President Trump's tariffs an overreach of presidential power, and the U.S./Israel strikes on Iran. To start, it remains our view that short-term uncertainty should not drive portfolio decisions and investors generally benefit from sticking to a long-term investment strategy centered on their goals.

We understand that for industry disruptions at scale such as the growth of AI, the long-term impacts and rumblings are unclear and potentially far reaching. We saw credit spreads widen in the technology sector, but overall corporate credit spreads are still below long-term averages. While the environment can change rapidly, current levels indicate limited concerns about the health of the credit market as a whole. With tariffs, while some trade deals are less stable now than they were prior to the ruling, it became clear quite quickly that the Trump administration is committed to exhausting all potential avenues to reinstate them. Regarding the military action in Iran, understanding potential market impacts hinges on the length of the conflict amongst other factors. We take this as an opportunity to remind investors that in moments of equity downturn, fixed income has historically provided ballast to investor portfolios.



Putting these events in perspective, consider the roles fixed income can play in a portfolio. Whether investor goals include capital preservation, diversification from equity risk, or income, the current fixed income environment has much to offer. Sector specific disruptions may even generate potential opportunities for fixed income investors. While the path ahead is somewhat cloudier than it was in January, current yields continue to offer investors attractive income opportunities relative to history and potential ballast to equity volatility.

What We'll Be Watching in the Month Ahead

- **March 6th, Change in Nonfarm Payrolls and Unemployment Rate:** These will provide insight into the status of the labor market, an important consideration for the FOMC heading into their March meeting.
- **March 11th, February's CPI Report:** This report will provide insight into past inflation and whether it is still moderating toward the Fed's 2% inflation target.
- **March 17-18th, the next FOMC Rate Decision:** The market largely does not expect a cut at this meeting given rising concerns about inflation and surprisingly positive economic prints in February. We expect March's press conference to provide more insight into the future of monetary policy.

All investing involves risk, including the possible loss of principal. An investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice regarding the best options for their particular circumstances from qualified tax and financial experts.

The opinions are as of the date noted and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Indexes are unmanaged; their returns include reinvestment of dividends and other income but do not reflect management fees, transaction costs or expenses. It is not possible to invest directly in an index. **Past performance does not guarantee future results.**

Basis point "bps" is 1/100th of a percentage point. **Credit spread** is the difference in yield between a U.S. Treasury bond and another debt security of the same maturity but different credit quality. Credit spreads are the additional compensation that investors require to hold securities that are not as safe and liquid as those issued by the US Treasury. **The Treasury Yield Curve** shows the relationship between the US bond yield and the time to maturity. Yield and price have an inverse relationship. As the yield curve lowers, the price of bonds increase. **Core CPI:** CPI excluding food and energy. **Consumer Price Index (CPI),** a popular measure of inflation and deflation calculated by the Bureau of Labor Statistics, measures the monthly change in prices paid by U.S. consumers. **Personal Consumption Expenditure Price Index** is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services and is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. The **Bloomberg 1-3 Month U.S. Treasury Bill Index** is designed to measure the performance of US-dollar-denominated, fixed-rate, investment-grade public obligations of the U.S. Treasury that have a remaining maturity 1 month to 3 months. The Index is market capitalization weighted, with securities held in the Federal Reserve System Open Market Account deducted from the total amount outstanding. The **Bloomberg U.S. Aggregate 1-3 Year Index** measures the performance of investment grade, USD-denominated, fixed-rate taxable bond market securities with maturities of 1-3 years, including Treasuries, government-related and corporate securities, mortgage-backed securities (MBS; agency fixed-rate and hybrid ARM pass-throughs), asset backed securities, and commercial MBS. The **Bloomberg U.S. Aggregate Bond Index** measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

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