

Monthly Fixed Income Market Update

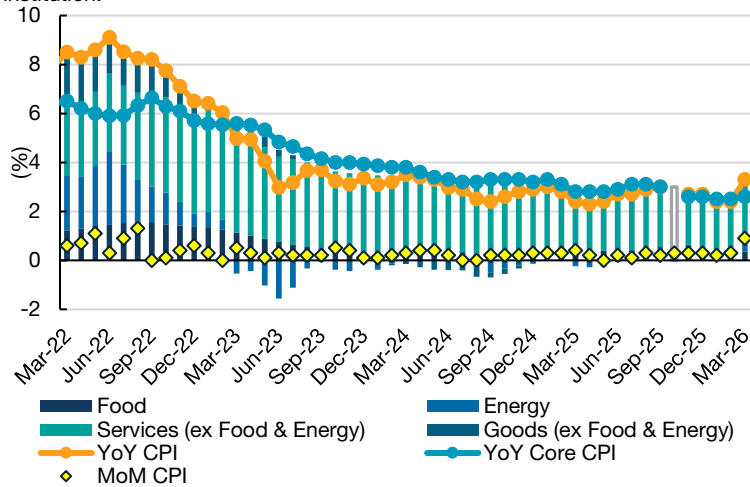
As of April 30, 2026

Key Takeaways

1. The Federal Reserve held rates steady in April, noting solid economic activity and higher inflation reflecting the rise in global energy prices due to the war in Iran. The 10-year yield ended the month at 4.37%, up from March's 4.32%.
2. Fixed income experienced mostly positive performance in April. Treasury yields rose slightly due to higher inflation pressures, while corporate credit spreads tightened throughout the month.
3. It's earnings season. We cover the recent strength in corporate earnings and their historical relationship with corporate credit spreads.

The Month in Charts

March's CPI report, published in April, reflects the impacts of rising oil prices and closure of the Strait of Hormuz on inflation. Headline CPI rose to 3.3% year-over-year and Core CPI rose to 2.6% year-over-year, as oil price volatility put pressure on the energy component of the inflation measure. The Federal Reserve (the Fed) held rates steady, but there were four dissents at their April meeting. As the uncertain impacts of the conflict in Iran unfolded, we saw markets significantly slow expectations for rate cuts in 2026 and move to hikes in 2027. At his last press conference, Chair Powell committed to remaining on the Fed Board of Governors in an effort to protect the independence of the institution.



Source: Bloomberg

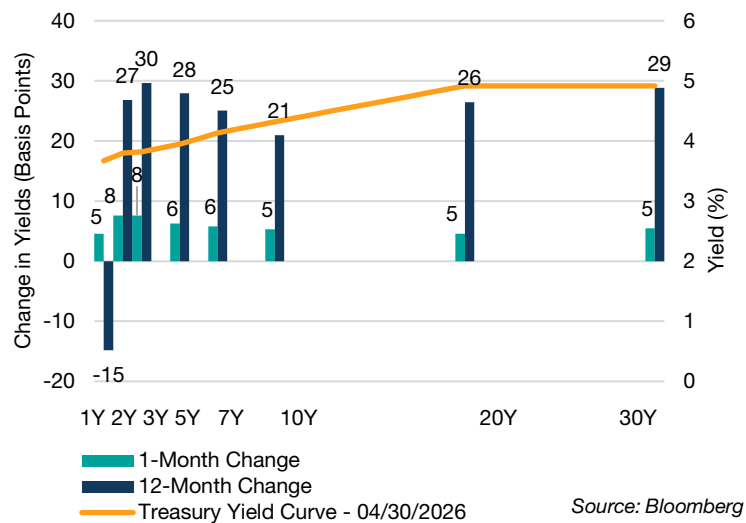
Credit spreads tightened month-over-month reflecting a risk on attitude amongst investors. Despite the ongoing geopolitical tensions and uncertainty marring the outlook, demand for corporate credit remained robust given elevated all-in yields. We continue to see industry specific widening but ultimately credit spreads ended April still below historical lows. High yield corporate credit spreads tightened the most at 49bps, reversing much of their March move.

| Asset Class | Yield | Spread | Trend | Quarter | | Change | | | Trailing 10 yr avg |
|---------------------------|-------|--------|-------|---------|------|--------|-----|------|--------------------|
| | | | | Tight | Wide | MoM | QoQ | YoY | |
| U.S. Treasury | 4.21 | | | | | | | | |
| U.S. MBS | 4.89 | 20 | | 14 | 27 | -4 | 5 | -23 | 37 |
| U.S. Corporate | 5.14 | 78 | | 71 | 93 | -11 | 6 | -28 | 112 |
| U.S. Corporate High Yield | 7.27 | 271 | | 261 | 338 | -49 | 8 | -113 | 381 |
| CMBS | 4.71 | 67 | | 67 | 72 | -4 | 0 | -30 | 87 |
| ABS | 4.45 | 48 | | 47 | 53 | -4 | 0 | -25 | 54 |
| A | 5.01 | 66 | | 60 | 79 | -9 | 5 | -23 | 92 |
| BBB | 5.34 | 98 | | 91 | 115 | -14 | 5 | -35 | 143 |
| BB | 6.15 | 161 | | 153 | 212 | -35 | 3 | -88 | 249 |

Source: Bloomberg; Asset Classes represented by: Bloomberg US Treasury Total Return Index, Bloomberg US MBS Total Return Index, Bloomberg US Agg Total Return Value Unhedged USD, Bloomberg US Corporate High Yield Index, Bloomberg CMBS: Erisa Eligible Index, Bloomberg US Agg ABS Total Return 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 04/30/2026

Treasury yields concluded April higher month-over-month. Markets appeared willing to look through some of the macroeconomic risks posed by the war in Iran but are less eager to forget about the inflation risks posed by persistently elevated oil prices.

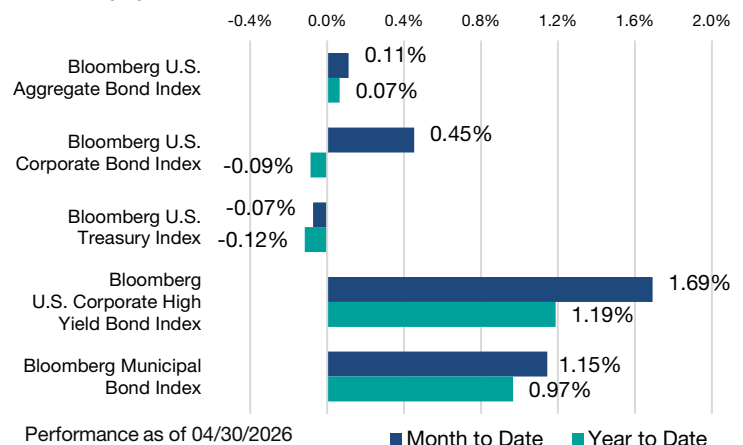
US Treasury Yield Curve



Source: Bloomberg

Performance was mostly positive for fixed income in April. Corporate credit spreads tightened sufficiently to offset the rise in Treasury yields. High yield corporates led in performance driven by positive risk sentiment and municipal bonds posted their best April in over a decade.

Returns (%) for Fixed Income Indices

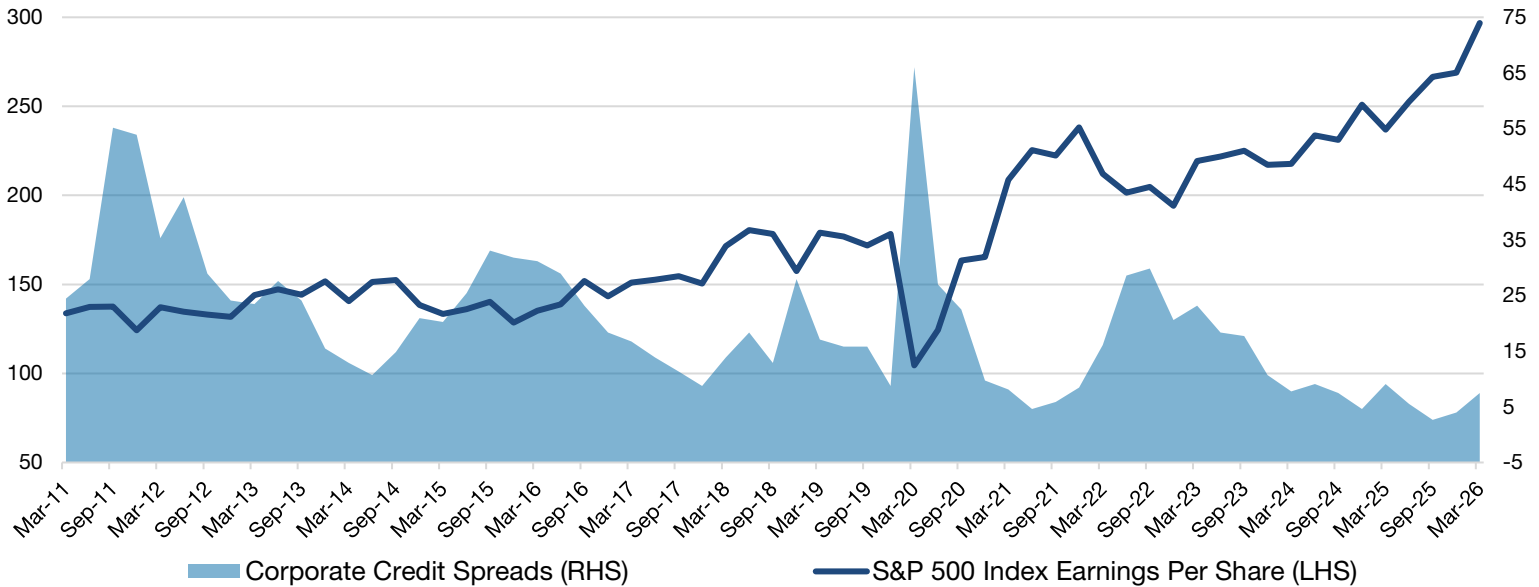


Past performance is no guarantee of future results.

Source: Bloomberg

Frequently Asked Questions

This earnings season has demonstrated the resilience of corporate America. In March and at the start of April there were significant questions about the ramifications of the war in Iran, private credit jitters, new tariffs and AI software disruption. Much of those concerns, however, have been pushed aside as earnings growth is approaching the heights of the post-COVID era. Many companies have also increased their expectations going forward. Strong corporate earnings are reflected in investment grade corporate credit spreads. Spreads have once again tightened to multi-decade lows, ending April at 79 bps.



The historical relationship between reported Earnings Per Share for the S&P 500 and corporate credit spreads is shown above. There has historically been a negative correlation between the two, shown clearly in 2020: tighter spreads generally going hand in hand with positive earnings and the opposite. Currently, corporate credit spreads are pricing in good news as noted earlier. Despite consumer sentiment weakening and inflation rising in April, consumers continued to spend. Notably, the relationship also signals what may lie ahead for earnings should spreads widen. Credit spreads tend to widen 2-4 quarters before an earnings trough, making them a commonly referenced leading indicator for investors. In the current environment, market appetite for risk is still robust, demonstrating that investors don't see any catalyst out there to cause widening spreads. Given there is still significant uncertainty surrounding inflation and geopolitical tensions, it's our view that the elevated yields and diversification benefits of fixed income could provide steadiness for investors that hold a more cautious outlook.

What We'll Be Watching in the Month Ahead

- **May 8th, Change in Nonfarm Payrolls and Unemployment Rate:** These will provide insight into the status of the labor market, an important consideration for future monetary policy.
- **May 12th, April's CPI Report:** This report will provide further insight into the impact of rising oil prices on the different components used to calculate inflation.
- **May 22nd, University of Michigan Inflation Expectations Surveys:** Long-term inflation expectations have not spiked, though short-term expectations have risen. This report will provide further insight into consumer thoughts on how persistently high oil prices could ultimately impact future inflation.

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 views expressed are as of the date noted and are subject to change at any time based on market or other conditions. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any portfolio.

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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