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Active Fixed Income Perspectives Q2 2026: **Dispersion drives opportunity**

Big picture

Markets remain resilient: Higher energy prices pose an increasing risk to both the growth and inflation outlook. Front-end government bond yields have moved higher, but markets have overall remained tame. We have not materially altered our base case outlook, but outside the U.S., we expect a larger impact.

Higher yields are doing their job: Geopolitical shocks and rising energy prices pushed yields higher, but starting yields near or above 4% helped cushion total returns.

Macro

We see three scenarios from the impact of the conflict with Iran:

Base case: Progress that leads to timely resumption of shipping through the Strait of Hormuz would mean lesser impact to economic growth or medium-term inflation.

A protracted standoff: If oil prices remain above $100 per barrel for several quarters, we see a modest decline in U.S. growth and rise in core inflation. Europe would experience much greater impact.

Recession outcome: It could take oil prices of $200 per barrel for a year to trigger a recession in the U.S.

Central banks

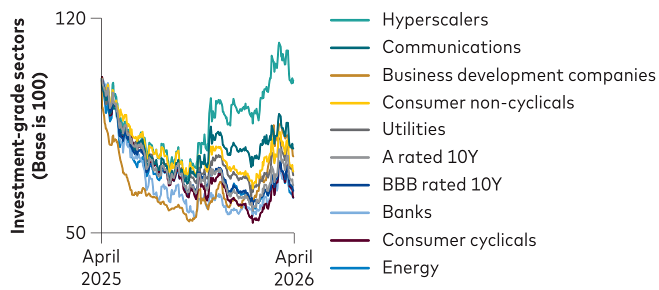
Globally: Expectations shifted from near-term rate cuts toward the possibility of rate hikes this year in economies more exposed to energy shocks.

U.S.: We expect the Fed to remain on hold with the potential for a policy rate cut later in the year, dependent on clearer progress in inflation.

Credit

Dispersion: Performance is becoming more differentiated across subsectors and issuers, creating a bond picker's market. We have added issuers with resilient business models now trading at more attractive levels.

Rising uncertainty is increasing dispersion and opportunity



Source: Macrobond as of April 9, 2026.

Takeaways to consider:

- **The belly of the curve:** With yields moving up, the 2- to 10-year range on the U.S. Treasury curve provides a strong risk-reward profile.
- **Credit:** While credit spreads remain tight, yields are attractive and dispersion has created opportunities for active management.

For more information about active fixed income, speak with your financial advisor.

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