JULY 2026

Active Fixed Income Perspectives Q3 2026: **Finding higher ground**

Big picture: Higher yields

Performance: Front-end yields rose and the yield curve flattened over the quarter. Credit markets remained stable.

Why it matters: Higher yields provide both income and a larger cushion against uncertainty. That keeps us constructive on fixed income even as markets navigate policy and inflation risks.

Rates and policy: The Fed still matters

Inflation in focus: Geopolitics remains a risk, but the markets' attention has shifted toward inflation, growth, and central bank policy. The Federal Reserve is less dovish.

Base case: We think inflation and employment trends will soften and allow the Fed to remain on hold. However, the possibility of rate hikes leaves markets sensitive to new data.

10-year U.S. Treasury: We expect yields to trade in 4.25%–4.75% range in the near term.

Credit: AI is reshaping issuance

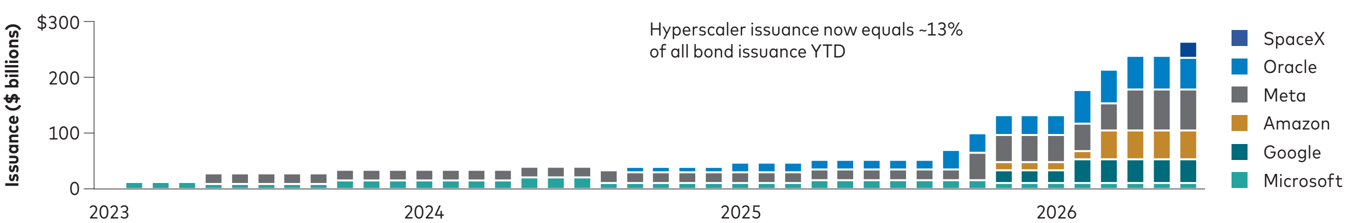
Record issuance: Issuance over the first half of the year is at a record pace, exceeding $1.2 trillion, with roughly a quarter tied to AI-related investment.

Hyperscalers: Meta, Google, Microsoft, Amazon, Oracle, and SpaceX have become frequent issuers as they fund the AI infrastructure buildout. Investment-grade hyperscaler issuance accounts for **13% of corporate bond market issuance** year to date and now represents **4% of the investment-grade corporate credit market.** This quality supply expands the opportunity set, but selection still matters.

Takeaways to consider:

- **Rates:** Don't overlook income beyond cash. Yields in the 1- to 10-year range on the U.S. Treasury curve remain attractive.
- **Credit:** Issuance from AI hyperscalers with strong balance sheets adds quality to the investment-grade market.

AI hyperscaler corporate debt has amped up



Source: Bloomberg, as of June 30, 2026.

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

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