

Monthly Fixed Income Market Update

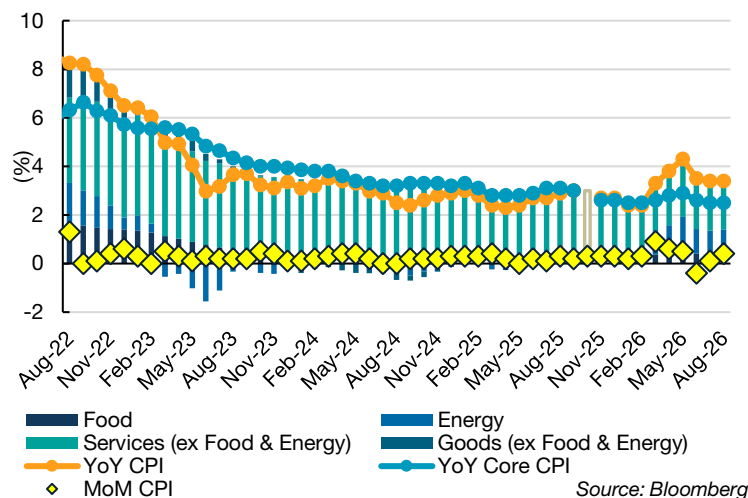
As of September 30, 2026

Key Takeaways

1. Treasury yields jumped in September, with points along the curve reaching highs not seen since the early 2000s. The 10-year yield ended the month at 5.29%, 54 bps higher than August's 4.75%.
2. The Federal Reserve hiked rates in September. While the move was anticipated, the more hawkish dot plot resulted in markets repricing subsequent monetary policy expectations.
3. Why have yields been rising? Markets don't always explain why they move, so we consider a few potential drivers of higher yields.

The Month in Charts

August's CPI report, published in September, showed no movement in inflation as it remains above the Federal Reserve's (the Fed) 2% target. Headline CPI remained at 3.4% year-over-year and Core CPI at 2.5% year-over-year. The Fed met in September and delivered on the market's expectations, raising rates by 25 basis points and reinforcing Chair Warsh's Jackson Hole messaging that policy remained insufficiently restrictive given elevated inflation. The accompanying statement and dot plot leaned hawkish relative to earlier projections, with several committee members signaling a willingness to extend the hiking cycle further than markets had anticipated entering the meeting. Markets repriced accordingly, shifting from a single hike narrative to pricing in two to three additional increases through the end of 2027 as participants recalibrated their expectations.



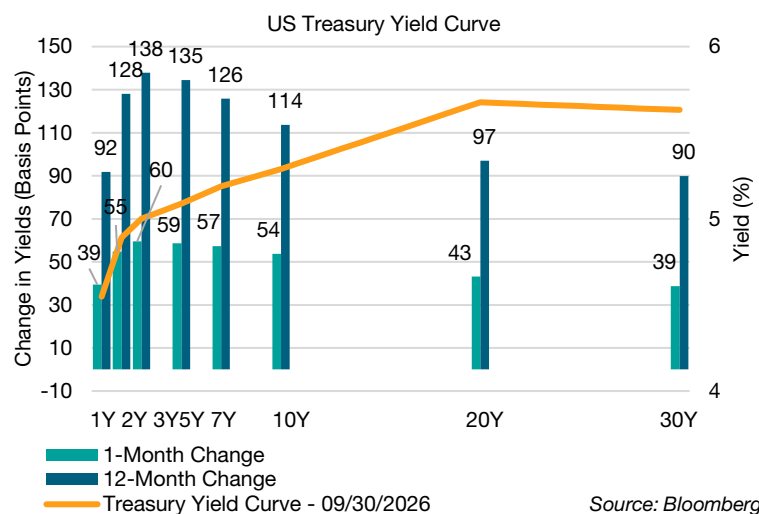
Credit spreads widened month over month. Investment grade corporate credit has inched off multi-decade lows while high yield corporates widened 52bps month over month.

Asset Class	Yield	Spread	Trend	Quarter		Change			Trailing 10 yr avg
				Tight	Wide	MoM	QoQ	YoY	
U.S. Treasury	5.13								
U.S. MBS	5.95	43		23	45	14	19	13	37
U.S. Corporate	6.04	80		73	82	3	6	7	112
U.S. Corporate High Yield	8.49	313		260	313	52	48	42	381
CMBS	5.72	67		63	67	1	2	-9	87
ABS	5.35	40		38	44	-4	-3	-7	54
A	5.92	68		62	70	2	6	6	92
BBB	6.23	99		92	100	4	7	6	143
BB	7.18	186		146	186	39	32	19	249

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 09/30/2026

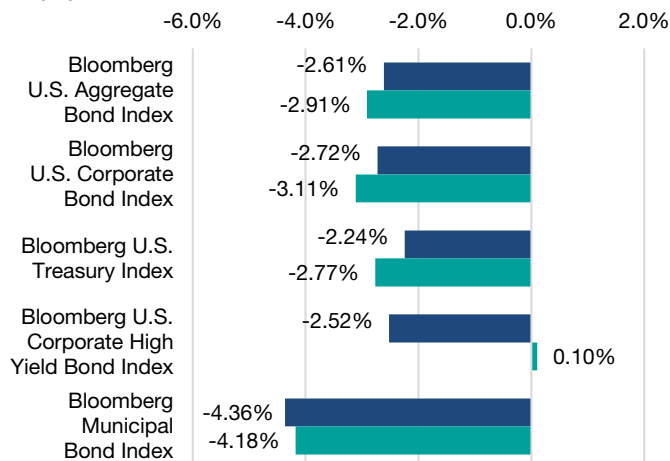
Source: Bloomberg

Yields rose across the curve in September, with front-end hawkishness from the Fed effectively bootstrapping its way outward as markets repriced the broader rate path higher. Persistent global tensions added further pressure, fueling higher energy prices that reinforced the inflationary backdrop and gave long-term yields little room to decouple from the front-end move.



Performance was negative across broad fixed income indices as the yield increase was both too quick and too large to be offset by income.

Returns (%) for Fixed Income Indices



Performance as of 09/30/2026

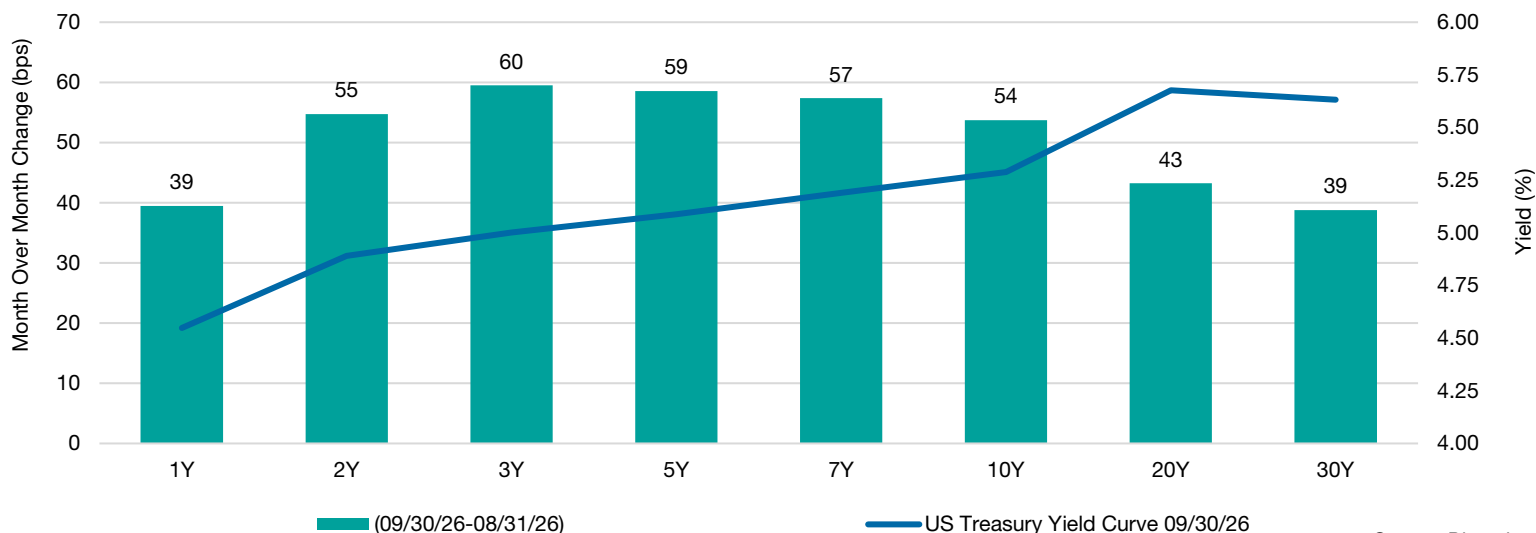
■ Month to Date ■ Year to Date

Past performance is no guarantee of future results.

Source: Bloomberg

Frequently Asked Questions

There are a few likely contributors to the recent rise in yields. Inflation concerns are one factor. Another is competition for capital tied to AI-related issuance, which continues to compete with other borrowers for the same pool of investor dollars as hyperscalers fund large-scale infrastructure buildouts. The federal deficit is also frequently cited as a driver in current market commentary. However, the data suggests to us a more nuanced picture: long-term inflation expectations have remained relatively anchored, and there is limited evidence directly linking deficit dynamics to the recent yield moves. Three factors appear more directly correlated with the rise in yields over the past month: markets repricing toward a higher Fed funds rate path, growth data pushing real rates higher, and increased competition for capital across public and private borrowers.



For investors, this combination has produced starting yields that are, by historical measures, among the highest seen in roughly two decades. The inverse relationship between bond yields and bond prices has weighed on near-term performance, which we believe is a mechanical function of rising rates rather than a reflection of asset-class impairment. Historically, starting yields this high have been associated with stronger forward-looking total returns, because income can do more of the work and investors can be less dependent on price appreciation or aggressive duration positioning.

What We'll Be Watching in the Month Ahead

- October 14th, the next CPI Report:** This report will provide additional information on the path of inflation and whether or not it is moving closer to the Fed's 2% target.
- October 28th, the next FOMC Rate Decision:** At the end of September markets were pricing in a 37% chance that the Fed raises rates.
- October 29th, the next GDP Report:** This report will provide additional insight into the health of the economy, which has proven resilient so far in 2026.

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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V21.047 // September 2026
VINC Fixed Income Monthly Update COM

