PNC Capital Advisors Monthly Market Monitor

February 2026

MACRO

A partial U.S. government shutdown has delayed the January 2026 jobs report from the U.S. Bureau of Labor Statistics until February 11. At the time of this writing, broader labor market data suggest conditions have stabilized following a prolonged moderation, although downside risks remain. The low-fire, low-hire environment has made re-employment more challenging, and while the unemployment rate remains stable, it is likely more vulnerable to adverse shocks.

After cutting the fed funds rate at each of its three prior meetings, the Federal Reserve (Fed) paused cuts at its January 28 meeting and signaled that it is likely to remain on hold in the near term. Policymakers emphasized that inflation and labor market risks have become more balanced, enabling the Fed to assess the impact of the 75 basis points (bps) in cumulative rate reductions it has enacted since Sept. 17, 2025.

President Trump announced Kevin Warsh as his nominee to become the next Fed chair, following the end of current Chair Jerome Powell's term in May. Warsh, who previously served as a Fed governor from 2006 to 2011, was known to have a more hawkish reputation. However, more recently, he has indicated a preference for lower rates. Despite advocating for further easing, Warsh has also criticized the Fed's large balance-sheet holdings which have accumulated through prior quantitative easing initiatives.

CREDIT

New issuance in January marked the fifth-highest monthly total on record, at $209 billion, driven by a surge in bank supply. Dealers are projecting that February will be another active month, with $190 billion in new issuance anticipated.

During January, investment grade (IG) spreads compressed further, generating 31 bps in excess returns. BBB-rated issues were the strongest performing segment in the IG credit index with 41 bps of excess returns.

STRUCTURED

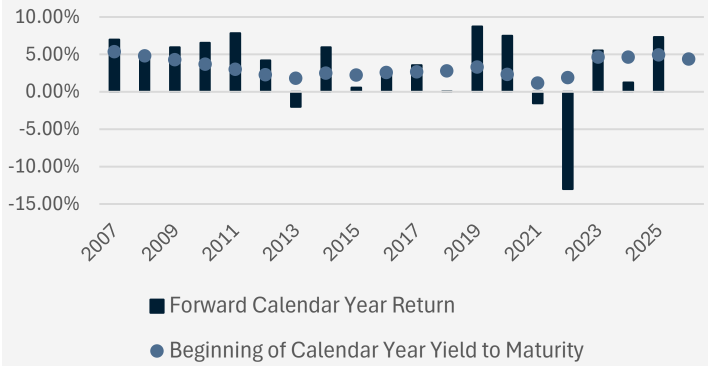
Issuance of asset-backed securities (ABS) was robust in January, at $31 billion, and helped to set the stage for potentially another year of elevated supply. That said, supply was well digested during the month, and the sector saw excess returns of 14 bps.

Overall, fixed income markets did not react strongly to news of the administration's proposed 10% interest rate cap, which would negatively impact the credit card ABS market, should it come to fruition.

The mortgage-backed securities (MBS) sector once again stood out from a performance perspective, as it generated 52 bps in excess return during the month. President Trump's directive for Fannie Mae and Freddie Mac to increase their holdings of agency MBS, helped to support the sector.

CHART OF THE MONTH

Bloomberg U.S. Aggregate Bond Index (the Agg) Calendar-Year Starting Yield vs. Forward Return



- *The Agg began 2026 with a starting yield-to-maturity of 4.36%. Over the past 20 years, the Agg has only begun a calendar year with yields at or above this level on five instances.*
- *In each of those five years, the Agg delivered positive total returns, with a median annual return of 5.53%. In contrast, when starting yields were below 4.36% at the start of the year, the index's median return over the same period was 3.88%.*

As of 1/30/2026. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	YTD Change
3-Mo UST	3.66	0.03	0.03
2-Yr UST	3.52	0.05	0.05
5-Yr UST	3.79	0.06	0.06
10-Yr UST	4.24	0.07	0.07
30-Yr UST	4.87	0.03	0.03
Risk Premia	**OAS (Bps)**	**MTD Change**	**YTD Change**
Investment Grade Credit	69	-4	-4
Asset-Backed Securities	48	-4	-4
High Yield	265	-1	-1

As of 1/30/2026. Source: Bloomberg L.P.

BLOOMBERG SECTOR/INDEX PERFORMANCE (USD)

Sector	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
Investment Grade Credit	6.57	0.31	0.31	0.16	0.16
Mortgage-Backed Securities	5.54	0.52	0.52	0.41	0.41
Asset-Backed Securities	2.75	0.14	0.14	0.25	0.25
High Yield	2.73	0.44	0.44	0.51	0.51

Index	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
1-3-Yr Government/Credit	1.77	0.05	0.05	0.23	0.23
Intermediate Government/ Credit	3.65	0.09	0.09	0.08	0.08
U.S. Aggregate	5.87	0.22	0.22	0.11	0.11

As of 1/30/2026. Source: Bloomberg L.P.