

MACRO

The recent conflict with Iran has pushed oil prices above \$100 per barrel, significantly impacting inflation expectations and raising global yields. Amid mixed signals about de-escalation discussions, the ongoing conflict remains the leading factor behind fluctuations in interest rates and risk premiums.

The U.S. labor market bounced back in March, with a better-than-expected monthly increase of 178,000 jobs added. Gains were widespread across industries; healthcare and leisure/hospitality sectors experienced the strongest gains. The unemployment rate ticked lower to 4.3%; however, this was partially the result of a drop in the participation rate, which fell to 61.9%, the lowest since 2021.

At the March 18 Federal Open Market Committee meeting, the committee held the fed funds rate steady at 3.50% - 3.75%. There was just one dissent favoring a cut, compared to the prior three meetings which featured multiple dissents. The Summary of Economic Projections was little changed from the December meeting, with slightly higher forecasts for GDP growth and inflation. During the post-meeting press conference, Federal Reserve Chair Jerome Powell flagged labor markets as a downside risk, underscoring the tricky trade-off between softening employment and renewed, energy-led inflation.

CREDIT

March was another active month with \$236 billion of investment grade (IG) corporate bond new issuance, marking the fourth-most active month on record and trailing only the March, April and May 2020 pandemic-era (see Chart of the Month). Dealers are predicting approximately \$115 billion of issuance for April. Spreads widened during the volatile month as markets occasionally struggled to digest the supply in the face of growing geopolitical uncertainty.

The high yield sector posted its first negative quarterly return since 2022 as rising U.S. Treasury yields and dislocations in the private credit market made investors more reluctant to invest in riskier companies. Although yields on junk bonds have increased to more than 300 basis points (bps) above Treasuries, these levels remain low on a historical basis.

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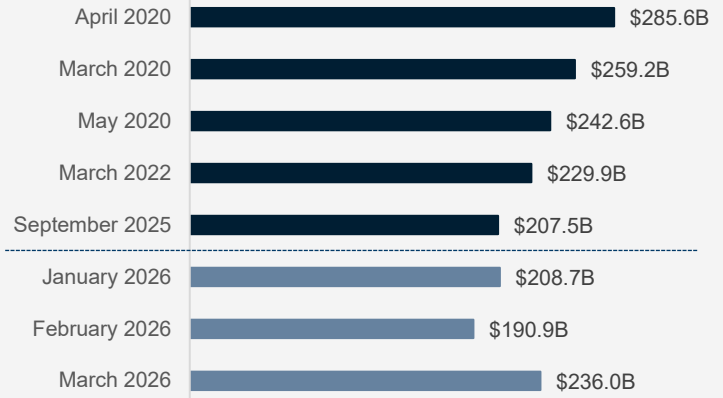
Mortgage-backed securities' (MBS) current coupon spreads widened by approximately 18 bps in March as the yield curve flattened and rate volatility increased due to the uncertainty about the direction of interest rates. MBS posted -28 bps in excess returns for the month; however, the sector is still outperforming credit on a year-to-date basis, with 16 bps in excess returns compared to -44 bps.

The supply of asset-backed securities decelerated during March as overall market volatility increased, keeping issuers on the sidelines. However, year-to-date volume still exceeds the pace seen over the same period in the last two years.

CHART OF THE MONTH

March Madness in Credit: 1Q26 U.S. IG Issuance Nears Record Territory

Top 5 U.S. IG New-Issue Months vs. 1Q 2026



- U.S. IG issuance ended March at \$236 billion — the fourth-largest month on record and the second-largest March, behind only the 2020 pandemic-related surge.
- Amazon.com, Inc. printed \$37 billion across 11 tranches, which was the largest non-mergers-and-acquisitions deal on record.
- Total first-quarter issuance exceeded \$635 billion, the highest quarterly pace to start the year.

As of 3/31/2026. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	YTD Change
3-Mo UST	3.68	0.02	0.04
2-Yr UST	3.80	0.42	0.32
5-Yr UST	3.94	0.44	0.22
10-Yr UST	4.32	0.38	0.15
30-Yr UST	4.91	0.30	0.07
Risk Premia	OAS (Bps)	MTD Change	YTD Change
Investment Grade Credit	83	4	10
Asset-Backed Securities	53	4	1
High Yield	317	26	51

As of 3/31/2026. Source: Bloomberg L.P.

BLOOMBERG SECTOR/INDEX PERFORMANCE (USD)

	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
Sector					
Investment Grade Credit	6.50	-0.10	-0.44	-1.96	-0.48
Mortgage-Backed Securities	5.29	-0.28	0.16	-1.65	0.40
Asset-Backed Securities	2.75	-0.07	0.10	-0.80	0.31
High Yield	2.89	-0.43	-0.73	-1.18	-0.50
Index					
1-3-Yr Government/Credit	1.78	-0.03	0.00	-0.46	0.28
Intermediate Government/ Credit	3.66	-0.05	-0.06	-1.22	-0.02
U.S. Aggregate	5.79	-0.10	-0.08	-1.76	-0.05

As of 3/31/2026. Source: Bloomberg L.P.

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