PNC Capital Advisors Monthly Market Monitor

May 2026

MACRO

Kevin Warsh moved closer to confirmation as the next Federal Reserve (Fed) chair after the Senate Banking Committee approved his nomination on April 29. During his confirmation hearing, Warsh had criticized the Fed's post-pandemic inflation response, emphasized the importance of central bank independence and argued for a new approach to the Fed's communication strategy. He also highlighted artificial intelligence as a potential productivity-enhancing economic growth driver, while acknowledging uncertainty around timing.

In April, the Fed held rates steady for a third consecutive meeting but struck a more hawkish tone, describing inflation as "elevated" instead of "somewhat elevated." The April meeting also had the most dissents in more than 30 years, underscoring growing divisions as the Fed's two goals (price stability and maximum employment) increasingly conflict and the outlook for inflation remains highly uncertain. Chair Jerome Powell signaled that he would remain on the Fed's Board of Governors for the foreseeable future to support the central bank's independence.

March's headline Consumer Price Index inflation rose to 3.3%, coming in just below expectations but marking the largest monthly gain since 2022. Headline Personal Consumption Expenditures (PCE) inflation in March jumped to 3.5% year over year, led by a 20.9% surge in gasoline prices, while core PCE edged up to 3.2%. Although personal income rose 0.6%, spending continued to outpace income and pushed the savings rate down to 3.6%. While core inflation is typically the Fed's primary area of focus, persistently higher energy prices tied to the Iran conflict raise the risk that inflation pressures broaden and prove less transitory.

CREDIT

April was an active month for issuers, with more than $175 billion in investment grade (IG) issuance and nearly $39 billion in U.S. high yield (HY) issuance. Despite lingering volatility, IG and HY spreads narrowed 10 basis points (bps) and 49 bps, respectively.

Lower-quality corporate bonds outperformed on an excess return basis, with CCC-rated bonds outperforming their BBB counterparts by 181 bps.

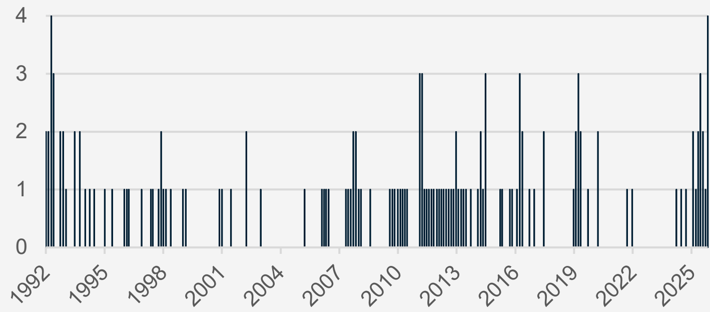
STRUCTURED

Monthly volume summaries for Fannie Mae and Freddie Mac show that the organizations continued to purchase mortgage-backed securities (MBS) at a healthy pace in March. MBS posted a modest 24 bps of excess return in April, but the sector is still outperforming credit on a year-to-date basis, with 39 bps in excess returns.

Asset-backed securities' (ABS) new issuance was robust during the month, with nearly $35 billion in new deals. The market continued to absorb the supply in stride, with spreads settling into a relatively narrow range. During the month, ABS posted 21 bps in excess returns.

CHART OF THE MONTH

Fed Dissents Reach Multi-decade High



- *At Powell's last meeting as chair of the Federal Open Market Committee on April 29, policymakers maintained the fed funds rate and existing guidance. Four of the committee's 12 voting members dissented, which is the highest number of dissents since 1992.*
- *Three dissents targeted the policy statement language rather than the rate decision, reflecting hawkish concerns about renewed inflationary pressures after years above the Fed's 2% target.*
- *The fourth dissent came from Governor Stephen Miran, who favored a quarter-point rate cut.*

As of 4/29/2026. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	3.67	-0.01	-0.01	0.03
2-Yr UST	3.87	0.08	0.08	0.40
5-Yr UST	4.01	0.06	0.06	0.28
10-Yr UST	4.37	0.05	0.05	0.20
30-Yr UST	4.97	0.05	0.05	0.12
Risk Premia	**OAS (Bps)**	**MTD Change**	**QTD Change**	**YTD Change**
Investment Grade Credit	73	-10	-10	0
Asset-Backed Securities	49	-4	-4	-3
High Yield	268	-49	-49	2

As of 4/30/2026. 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	6.54	0.76	0.32	0.45	-0.03
Mortgage-Backed Securities	5.29	0.24	0.39	0.07	0.47
Asset-Backed Securities	2.71	0.21	0.31	0.29	0.61
High Yield	2.84	1.64	0.90	1.69	1.19

Index	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
1-3-Yr Government/Credit	1.79	0.04	0.05	0.24	0.52
Intermediate Government/ Credit	3.66	0.17	0.11	0.21	0.19
U.S. Aggregate	5.79	0.27	0.19	0.11	0.07

As of 4/30/2026. Source: Bloomberg L.P.