

Stabilizing After Shock

MACRO INSIGHT | BROAD MARKETS FIXED INCOME TEAM | May 2026

Monthly Review

April saw a partial reversal of March's risk-off move across global fixed income and credit markets as volatility eased following a temporary ceasefire between the U.S. and Iran. Although geopolitical tensions remained elevated and energy markets continued to reflect a meaningful risk premium, reduced tail risks supported an improvement in broader market sentiment. The month was characterized by a stabilization in credit conditions, a retracement in spreads, and a reassessment of the more aggressive inflation and policy repricing that dominated March.

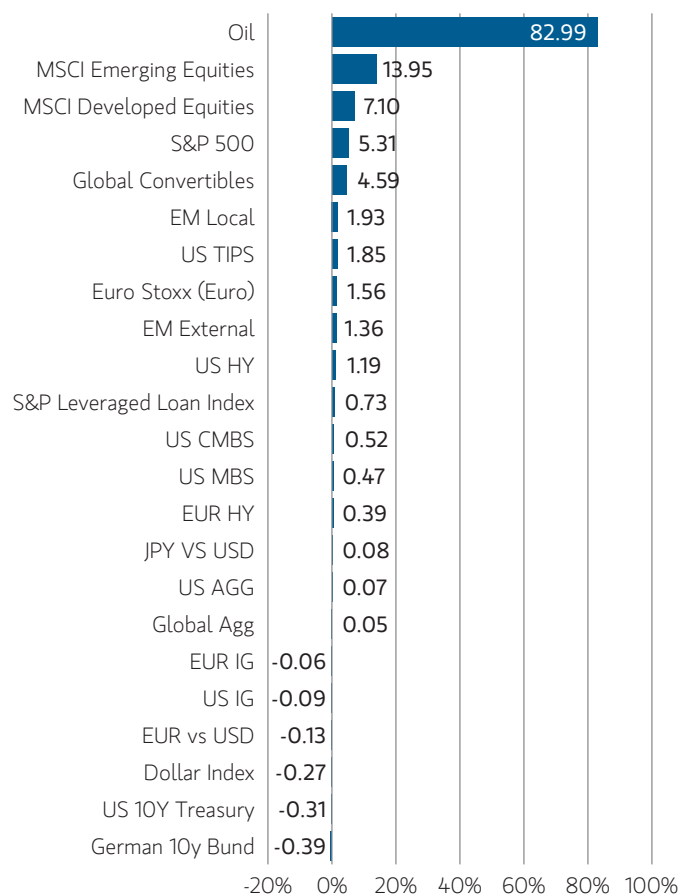
Energy remained the primary macro transmission channel. While disruption risk around the Strait of Hormuz and broader Middle East tensions kept oil prices elevated, markets increasingly focused on the likelihood that supply disruptions would remain contained.

Rates markets remained volatile but more orderly relative to March. Treasury yields moved modestly higher, with the U.S. 10-year ending April near 4.37% and the German 10-year near 3.04%. Expectations for rate cuts continued to be scaled back, while the Federal Reserve, European Central Bank (ECB), and Bank of England all left rates unchanged but emphasized rising uncertainty around inflation and growth. In Europe, markets increasingly priced the possibility of additional ECB tightening even as Eurozone growth momentum softened.

Macroeconomic data remained mixed but generally resilient. In the U.S., payroll growth remained firm at approximately 178,000, unemployment held near 4.3%,

DISPLAY 1

Asset Performance Year-to-Date (%)



Note: USD-based performance. Source: Bloomberg. Data as of April 30, 2026. The indexes are provided for illustrative purposes only and are not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.** See pages 6-7 for index definitions.

and manufacturing activity strengthened, while core inflation remained above target. In Europe, April PMIs pointed to weaker activity, particularly in services, as higher energy prices and weaker real incomes weighed on demand.

Credit markets recovered meaningfully during April. U.S. investment grade spreads tightened 11 basis points (bps) to 78bps option-adjusted spread (OAS), while Euro investment grade (IG) tightened 15bps to 82bps OAS, broadly retracing a portion of March's widening. The tightening reflected improved geopolitical sentiment, strong technical demand, and continued resilience in corporate fundamentals. Financials, subordinated debt, BBB-rated issuers, and shorter-dated credit outperformed, while high yield outperformed investment grade, with U.S. HY tightening 49bps to 268bps.

Despite the recovery, market leadership remained selective. In Europe, REITs, autos, lodging, and basic industry outperformed, while retail and communications lagged amid heavy issuance. In the U.S., finance companies and autos led spread compression, while technology and pharma tightened more modestly as AI-related disruption concerns remained an overhang for parts of the market. Synthetic/CDS markets lagged cash bonds, reflecting particularly strong demand for cash credit exposure.

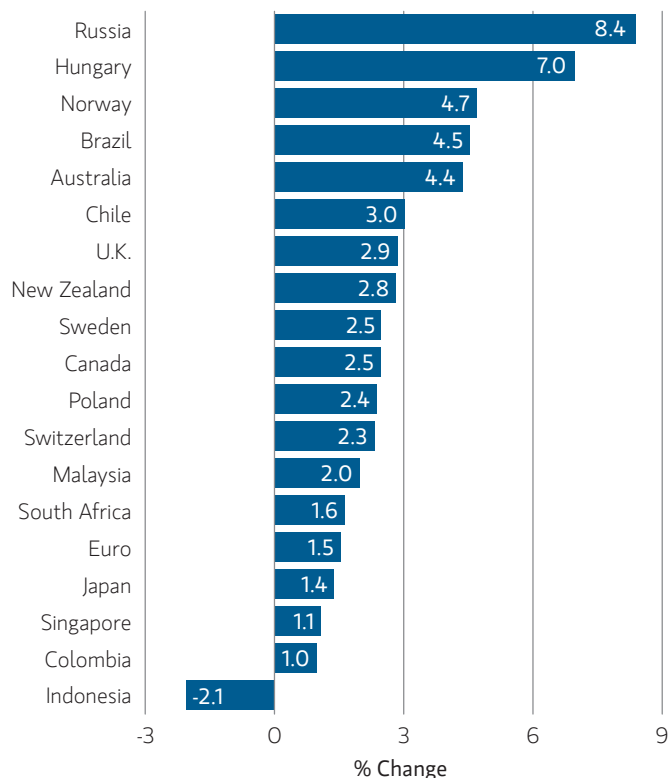
Corporate fundamentals remained broadly supportive through the early stages of earnings season. Banks generally reported stable asset quality and resilient net interest income, while most non-financial issuers maintained full-year guidance despite heightened geopolitical and energy uncertainty. Elevated M&A activity also reinforced the importance of issuer and sector selection.

High yield and leveraged loans benefited from improving sentiment, though dispersion remained elevated. Loan markets performed strongly during the month, supported by stabilizing software performance and solid fundamentals, while higher-quality loans continued to outperform lower-tier credits. CLO issuance recovered after a softer start to the quarter.

Securitized markets also improved as rate volatility subsided and broader risk sentiment stabilized. Agency Mortgage-Backed Securities (MBS) spreads tightened approximately 8bps to around +116bps versus Treasuries, benefiting from reduced volatility and strong technical demand. The Federal Reserve continued the gradual runoff of its MBS holdings, while bank and GSE demand remained supportive. Issuance across ABS, RMBS, and CMBS

DISPLAY 2 Currency Monthly Changes versus USD

(+ = appreciation)



Note: Positive change means appreciation of the currency against the USD. Source: Bloomberg. Data as April 30, 2026.

markets remained robust, with many transactions heavily oversubscribed despite the higher-rate environment.

Emerging markets (EM) remained relatively stable overall, with spreads broadly returning toward pre-conflict levels in several regions, particularly Latin America. Local political developments and energy sensitivity continued to drive country-level dispersion, while oil-linked risk premia remained embedded across parts of the asset class.

Municipal markets delivered one of their strongest periods of performance in years, supported by robust inflows and favorable technical conditions, particularly in the intermediate-to-longer portion of the curve.

Overall, April marked a stabilization phase following March's macro repricing shock. While geopolitical tensions, inflation risks, and evolving central bank expectations continued to drive volatility, markets generally demonstrated resilience, with credit spreads tightening, technical conditions remaining constructive, and risk sentiment improving across several fixed income sectors.

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DISPLAY 3
Major Monthly Changes in 10-Year Yields and Spreads

COUNTRY	10-YR YIELD LEVEL (%)	MONTH CHANGE (BPS)	10-YR SPREAD (BPS)	MONTH CHANGE (BPS)
(SPREAD OVER USTS)				
United States	4.37	5		
United Kingdom	5.01	10	64	4
Germany	3.04	3	-133	-2
Japan	2.53	17	-185	12
Australia	5.06	9	69	4
Canada	3.54	7	-83	2
New Zealand	4.74	1	37	-4
EUROPE (SPREAD OVER BUNDS)				
France	3.69	-3	66	-6
Greece	3.81	-4	77	-8
Italy	3.86	-5	82	-8
Portugal	3.44	-1	41	-4
Spain	3.50	-1	46	-4
EM				
	10-YR LOCAL YIELD (%)	MTD CHANGE (BPS)	SPREAD (BPS)	MTD CHANGE (BPS)
EM External Spreads			224	-36
EM Corporate Spreads			173	-33
EM Local Yields	6.25	-11		
(SPREAD OVER USTS)				
Brazil	13.96	-5	959	-10
Colombia	13.13	30	876	24
Hungary	5.96	-117	159	-122
Indonesia	6.83	-1	245	-6
Malaysia	3.56	-6	-81	-12
Mexico	9.21	-8	484	-13
Peru	6.73	-28	235	-33
Poland	5.73	-14	136	-19
South Africa	8.92	-38	455	-44
CREDIT				
			SPREAD (BPS)	MTD CHANGE (BPS)
U.S. IG			78	-11
EUR IG			82	-15
U.S. HY			268	-49
EUR HY			281	-51
SECURITIZED				
Agency MBS			116	-8
U.S. BBB CMBS			579	-9

Positive Neutral Negative

Source: Bloomberg, JPMorgan. Data as of April 30, 2026.

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Broad Markets Fixed Income Global Asset Allocation and Outlook

Developed Market Rate/Foreign Currency

(LONG DURATION, NEUTRAL CURVE POSITIONING)

April saw a strong reversal across developed market rates following March's sharp macro repricing, though the backdrop remains dominated by elevated inflation uncertainty and shifting central bank expectations. While geopolitical tensions in the Middle East continued to support higher energy prices, reduced tail-risk concerns and easing volatility helped markets partially retrace the more aggressive policy repricing seen in March. Even so, central banks increased their optionality by maintaining cautious messaging, with the Fed, ECB, and Bank of England all emphasizing persistent inflation risks and limited urgency to ease policy.

We increased duration exposure in March from neutral and now maintain a modest long stance across developed markets, expressed selectively through front-end exposure in regions where growth risks appear more vulnerable to tighter financial conditions. Positioning includes longs in short-maturity Canadian and New Zealand rates, as well as U.S. Treasuries, partially offset by a small short duration position in Japan, where policy normalization dynamics and weaker technicals continue to differentiate the market.

Inflation dynamics remain central to the rates outlook. While near-term inflation expectations retraced somewhat from March extremes, longer-dated breakevens continued to move higher during April, reinforcing the view that inflation risks remain skewed to the upside if energy prices stay elevated. In response, we increased exposure to U.S. inflation-linked markets through both intermediate and longer-dated breakevens, where valuations continue to appear attractive relative to the underlying inflation backdrop.

Curve dynamics stabilized somewhat during April following the prior month's bear flattening, and we remain neutral on outright curve positioning after exiting earlier steepening exposures.

In foreign exchange, we continue to favor selective high-beta currencies where carry remains attractive and external balances appear more resilient to elevated energy prices and tighter global liquidity conditions. Positioning remains focused on long Mexican peso exposure against both the euro and U.S. dollar. While the U.S. dollar weakened modestly during April as broader risk sentiment improved, we continue to expect FX markets to remain sensitive to geopolitical developments, energy prices, and evolving central bank expectations.

Emerging Market Debt

(OVERWEIGHT)

Emerging market sovereign and corporate debt remains an attractive opportunity, supported by elevated real yields, improving fundamentals in select countries, and a more stable technical backdrop following March's geopolitical repricing. While the conflict in the Middle East continues to keep oil-linked risk premia embedded in parts of the asset class, broader EM spreads retraced toward pre-conflict levels during April, particularly in Latin America, as volatility eased and risk sentiment improved.

Carry and income remain central drivers of expected returns, though country selection remains critical given elevated dispersion across regions. Higher energy prices continue to create divergence between commodity exporters and importers, while local political developments remain an important source of idiosyncratic risk in markets such as Hungary, Romania, the Philippines, and Indonesia.

Valuations remain attractive in select local and hard-currency markets, and many EM currencies continue to offer compelling carry relative to developed markets. We continue to favor countries with credible monetary frameworks, improving fundamentals, and attractive real yield differentials, while remaining mindful of geopolitical risks, commodity sensitivity, and evolving global policy expectations.

Corporate Credit

(UNDERWEIGHT IG, SMALL OVERWEIGHT HY)

Our base case remains cautiously constructive for credit, even as geopolitical uncertainty and inflation risks remain elevated following the escalation of the conflict in the Middle East. The partial stabilization in markets during April, alongside signs of willingness from both the U.S. and Iran toward de-escalation, supported a recovery in risk sentiment and a retracement in spreads across both investment grade and high yield markets.

We continue to believe that a meaningful demand destruction scenario is unlikely to be the base case. Expectations for low but positive economic growth—supported by ongoing fiscal support, resilient labor markets, energy-related spending, and continued AI and infrastructure investment—remain consistent with a broadly benign default environment. Corporate fundamentals also remain healthy, though the market is increasingly entering a late-cycle phase characterized by elevated M&A activity, AI- and infrastructure-related capex, and higher shareholder distributions. This backdrop continues to reinforce the importance of sector and security selection.

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At current spread levels, we continue to view carry as the primary driver of expected returns, particularly given the strong technical demand for high-quality credit and the resilience of underlying corporate fundamentals. While the near-term macro backdrop has stabilized, we continue to expect carry and security selection to remain the primary drivers of return rather than broad-based multiple expansion. Regionally, we continue to prefer Europe over the U.S., supported by relatively more balanced supply dynamics and stronger demand for high-quality carry.

We maintain a modest overweight to select high-yield issuers in both the U.S. and Europe. Although spreads tightened materially during April and issuance accelerated, fundamentals remain supportive, with improved average credit quality, manageable leverage, and contained default expectations. At the same time, elevated dispersion across sectors and issuers continues to create opportunities for selective positioning, particularly in businesses with resilient cash flows and stronger pricing power

Leveraged Loans

(UNDERWEIGHT)

We expect leveraged loans to remain characterized by elevated dispersion and increasingly selective technicals. While CLO demand continues to provide an important source of support for the asset class, investor preference has increasingly shifted toward higher-quality issuers and more resilient sectors. Higher-tier loans outperformed during April, while lower-rated and more cyclical credits continued to lag, reinforcing the bifurcation theme that has emerged across leveraged finance markets.

Software and technology-linked issuers stabilized during the month following earlier weakness tied to AI-related disruption concerns, though selectivity within the sector remains high. More broadly, economically sensitive sectors continue to face pressure from elevated financing costs, inflation uncertainty, and rising input costs, even as underlying corporate fundamentals remain broadly stable.

CLO issuance recovered following a softer start to the quarter, and demand for quality floating-rate exposure remains supportive. However, given the repricing in monetary policy expectations and the increasingly macro-driven market backdrop, we continue to prefer selective exposure where fundamentals remain resilient, and valuations adequately compensate for elevated dispersion and refinancing risk. While we remain underweight the asset class overall, recent spread widening and increased dispersion are beginning to create more attractive entry points in select areas of the market.

Securitized Products

(OVERWEIGHT)

Agency mortgage-backed securities (MBS) and non-agency residential mortgage-backed securities (RMBS) remain a high-conviction overweight for 2026. Following the volatility experienced during March, securitized markets stabilized during April as rate volatility subsided and broader risk sentiment improved. Agency MBS spreads tightened modestly during the month, while broader securitized credit spreads remained relatively resilient despite elevated yields and ongoing macro uncertainty. Relative valuations across agency MBS continue to appear attractive versus both historical levels and other core fixed income sectors.

Technical conditions remain highly supportive across securitized markets. Demand for high-quality collateral continues to benefit from attractive all-in yields, strong money manager demand, and increasing participation from banks and GSEs as balance sheet constraints ease and relative value improves. At the same time, the Federal Reserve's measured balance sheet runoff continues to limit net supply pressure. Although securitized products modestly underperformed corporates during April's broader risk recovery, funding conditions and market liquidity remained strong throughout the month.

Non-agency RMBS continues to offer an attractive opportunity set, supported by stable home prices, low loan-to-value ratios, and historically low delinquency rates. Supply-demand dynamics remain favorable, with limited refinancing risk given the large proportion of borrowers locked into low mortgage rates.

Within CMBS, fundamentals remain resilient, particularly in higher-quality segments. Strong technical demand and improving sentiment continue to support selective opportunities across hospitality, logistics, storage, and high-quality multifamily assets. Issuance across ABS, RMBS, and CMBS markets has remained robust, with many transactions heavily oversubscribed, reinforcing the strength of investor demand despite the higher-rate environment.

We also remain constructive on Danish covered bonds, where defensive characteristics, strong legal frameworks, and attractive USD-hedged yields continue to support relative value.

Risk Considerations

Diversification neither assures a profit nor guarantees against loss in a declining market.

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to **market risk**, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g., natural disasters, health crises, terrorism, conflicts, and social unrest) that affect markets, countries, companies, or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g., portfolio liquidity) of events. Accordingly, you can lose money investing in a portfolio. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. Certain **U.S. government securities** purchased by the strategy, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future. **Public bank loans** are subject to liquidity risk and the credit risks of lower-rated securities. **High-yield securities (junk bonds)** are lower-rated securities that may have a higher degree of credit and liquidity risk. **Sovereign debt securities** are subject to default risk. **Mortgage- and asset-backed securities** are sensitive to early prepayment risk and a higher risk of default and may be hard to value and difficult to sell (**liquidity risk**). They are also subject to credit, market, and interest rate risks. The **currency market** is highly volatile. Prices in these markets are influenced by, among other things, changing supply and demand for a particular currency; trade; fiscal, money and domestic or foreign exchange control programs and policies; and changes in domestic and foreign interest rates. Investments in **foreign markets** entail special risks such as currency, political, economic and market risks. The risks of investing in **emerging market** countries are greater than the risks generally associated with foreign investments. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, and correlation and market risks. **Restricted and illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). Due to the possibility that prepayments will alter the cash flows on **collateralized mortgage obligations (CMOs)**, it is not possible to determine in advance their final maturity date or average life. In addition, if the collateral securing the CMOs or any third-party guarantees are insufficient to make payments, the portfolio could sustain a loss.

DEFINITIONS

Basis point (bp): One basis point = 0.01%.

INDEX DEFINITIONS

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The **Bloomberg Euro Aggregate Corporate Index (Bloomberg Euro IG Corporate)** is an index designed to reflect the performance of the euro-denominated investment-grade corporate bond market.

The **Bloomberg Global Aggregate Corporate Index** is the corporate component of the Bloomberg Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income markets.

The **Bloomberg US Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

The **Bloomberg US Corporate Index** is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market.

The **Bloomberg US Mortgage-Backed Securities (MBS) Index** tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics

based on program, coupon, and vintage. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indexes for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. In April 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index.

Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care.

Euro vs. USD—Euro total return versus U.S. dollar.

German 10YR bonds—Germany Benchmark 10-Year Datastream Government Index; **Japan 10YR government bonds**—Japan Benchmark 10-Year Datastream Government Index; and **10YR US Treasury**—US Benchmark 10-Year Datastream Government Index.

The **ICE BofAML European Currency High-Yield Constrained Index (ICE BofAML Euro HY constrained)** is designed to track the performance of euro- and British pound sterling-denominated below investment-grade corporate debt publicly issued in the Eurobond, sterling.

The **ICE BofAML US Mortgage-Backed Securities (ICE BofAML US Mortgage Master) Index** tracks the performance of US dollar-denominated, fixed-rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market.

The **ICE BofAML US High Yield Master II Constrained Index (ICE BofAML US High Yield)** is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred-interest bonds and payment-in-kind securities. Its securities have maturities of one year or more and a credit rating lower than BBB-/Baa3 but are not in default.

The **ISM Manufacturing Index** is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders, and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys.

Italy 10-Year Government Bonds—Italy Benchmark 10-Year Datastream Government Index.

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The **JP Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging markets benchmark that tracks US-denominated corporate bonds issued by emerging markets entities.

The **JPMorgan Government Bond Index—emerging markets (JPM local EM debt)** tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JPMorgan Government Bond Index Emerging Markets (JPM External EM Debt)** tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JP Morgan Emerging Markets Bond Index Global (EMBI Global)** tracks total returns for traded external debt instruments in the emerging markets and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million.

The **JP Morgan GBI-EM Global Diversified Index** is a market-capitalization weighted, liquid global benchmark for US-dollar corporate emerging market bonds representing Asia, Latin America, Europe, and the Middle East/Africa.

JPY vs. USD—Japanese yen total return versus US dollar.

The **Markit iTraxx Europe Index** comprises 125 equally weighted credit default swaps on investment grade European corporate entities, distributed among 4 sub-indices: Financials (Senior & Subordinated), Non-Financials and HiVol.

The **Nikkei 225 Index (Japan Nikkei 225)** is a price-weighted index of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

The **MSCI AC Asia ex-Japan Index (MSCI Asia ex-Japan)** captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and eight emerging markets countries in Asia.

The **MSCI All Country World Index (ACWI, MSCI global equities)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in US dollars and assumes reinvestment of net dividends.

The **MSCI Emerging Markets Index (MSCI emerging equities)** captures large- and mid-cap representation across 23 emerging markets (EM) countries.

The **MSCI World Index (MSCI developed equities)** captures large and mid-cap representation across 23 developed market (DM) countries.

The **Purchasing Managers Index (PMI)** is an indicator of the economic health of the manufacturing sector.

The **Refinitiv Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of \$500 million (US), 200 million (Europe), 22 billion Yen, and \$275 million (Other) of Convertible Bonds with an Equity Link.

The **Russell 2000® Index** is an index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **S&P 500® Index (US S&P 500)** measures the performance of the large-cap segment of the US equities market, covering approximately 75 percent of the US equities market. The index includes 500 leading companies in leading industries of the U.S. economy.

The **S&P CoreLogic Case-Shiller US National Home Price NSA Index** seeks to measure the value of residential real estate in 20 major US metropolitan areas: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, D.C.

The **S&P/LSTA US Leveraged Loan 100 Index (S&P/LSTA Leveraged Loan Index)** is designed to reflect the performance of the largest facilities in the leveraged loan market.

The **S&P GSCI Copper Index (Copper)**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the copper commodity market.

The **S&P GSCI Softs (GSCI soft commodities) Index** is a sub-index of the S&P GSCI that measures the performance of only the soft commodities, weighted on a world production basis. In 2012, the S&P GSCI Softs Index included the following commodities: coffee, sugar, cocoa, and cotton.

Spain 10-Year Government Bonds—Spain Benchmark 10-Year Datastream Government Index.

The **Thomson Reuters Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of \$500 million (US), 200 million euro (Europe), 22 billion yen, and \$275 million (Other) of convertible bonds with an equity link.

U.K. 10YR government bonds—U.K. Benchmark 10-Year Datastream Government Index. For the following Datastream government bond indexes, benchmark indexes are based on single bonds. The bond chosen for each series is the most representative bond available for the given maturity band at each point in time. Benchmarks are selected according to the accepted conventions within each market. Generally, the benchmark bond is the latest issue within the given maturity band; consideration is also given to yield, liquidity, issue size and coupon.

The **US Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies.

The **Chicago Board Options Exchange (CBOE) Market Volatility (VIX) Index** shows the market's expectation of 30-day volatility.

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