Fixed Income Quarterly

Market Perspectives from Fixed Income Solutions

Fixed Income: You Can Get What You Want

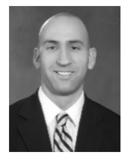
The Rolling Stones famously remind us that "you can't always get what you want," a sentiment that applies to many of life's expectations. Refreshingly, individual bonds can be an exception. Barring default, individual bonds held to maturity generally deliver what investors may seek from an investment strategy: defined cash flows, a predictable income stream, and the return of face value on a known maturity date. These outcomes remain intact despite the noise that can dominate interim market periods, including geopolitical events, changing interest rates, shifting supply and demand, political rhetoric, or competing economic forecasts. The ability to get what you want has real value in an uncertain world.

Attractive market conditions are not always available when investors have capital to put to work. Today's environment remains notable because opportunities exist across both equity and fixed income markets, allowing investors to pursue long-term wealth-creation while also using high-quality, income-producing individual bonds to help preserve principal. Balance matters, and discipline to a long-term strategy remain essential. For investors seeking more certainty from a portion of their portfolio, individual bonds offer the dual benefits of meaningful income and principal preservation when held to maturity.

The current opportunity remains compelling, largely because interest rates continue to offer meaningful income across the Treasury curve. The more relevant challenge is not whether value exists, but how to pursue it thoughtfully. Investors must consider where to position along the curve, how to evaluate money market alternatives, where value may still exist in a tight-spread environment, how credit ratings influence risk exposure, and what portfolio opportunities may emerge as economic data and media narratives evolve. These topics are addressed in the following pages where we feel it is apparent that you can get what you want with tailor-designed individual bond portfolios.

FIXED INCOME QUARTERLY CONTRIBUTING STRATEGISTS

DOUG DRABIK



DREW O'NEIL

ROB TAYLOE

KEITH PARRISH

IN THIS REPORT

THE FED: THE RELATIONSHIP BETWEEN INTEREST RATES AND INFLATION

Last quarter, we discussed the Federal Reserve, the U.S. central bank responsible for conducting monetary policy in pursuit of maximum employment and stable prices. Since then, attention has focused on the nomination of Kevin Warsh to succeed Jerome Powell as Chair of the Federal Reserve. Warsh cleared a key hurdle when the Senate Banking Committee advanced his nomination, sending it to the full Senate for consideration. Powell's term as Chair ended on May 15, 2026, while his term as a member of the Board of Governors runs through January 2028. He will serve as chair pro tempore until Warsh is sworn in.

The leadership transition has prompted considerable debate. Some market participants believe Warsh's background and policy views could lead to a more expedited shift toward lower interest rates. Others are focused on whether the Fed's independence will remain fully insulated from political pressure. That concern is not new. The Fed's credibility depends on its ability to make policy decisions based on economic data and its statutory mandate, rather than election cycles, political preferences, or short-term market pressure. Maintaining that independence is essential because monetary policy works best when households, businesses, and investors believe decisions are being made to support long-term economic stability.

The media narrative surrounding the nomination has at times implied that new leadership could lower interest rates and bring inflation down at the same time. The reality is more complicated. Inflation and interest rates are closely related, but higher inflation is typically what causes the Fed to keep short-term rates elevated or raise them. Higher interest rates are then used to restrain borrowing, spending, and demand. Over time, that restraint can reduce pressure on prices. Lowering rates, by contrast, generally supports borrowing and economic activity. Rate cuts may be appropriate when inflation is moving convincingly toward its target or when labor-market weakness becomes the greater risk, but cuts do not mechanically reduce inflation.

This distinction matters in the current environment. Inflation remains above the Fed's longer-run 2% objective, with April Consumer Price Index (CPI) up 3.8% year over year and March Personal Consumption Expenditure (PCE) inflation up 3.5%. At its April 29 meeting, the FOMC held the federal funds target range at 3.50% to 3.75%, while noting that inflation remains elevated and uncertainty around the outlook is high.

INFLATION AND INTEREST RATE RELATIONSHIP

- Inflation = the problem
- Interest rates = the tool used to fix it

- Rate hikes fight inflation
- Rate cuts support growth

- Inflation needs to be under control before meaningful cuts occur

The process also has tradeoffs. Restrictive interest-rate policy can slow the economy before it brings inflation down. Higher rates increase financing costs for consumers and businesses, affecting mortgages, auto loans, credit cards, capital investment, and overall risk appetite. That is the blunt instrument of monetary policy: it cools demand by making money more expensive. The intended benefit is lower inflation over time, but the near-term cost can be slower growth.

Recent labor-market data suggest the Fed still has room to remain patient. April payrolls increased by 115,000, and the unemployment rate held at 4.3%, a level that remains historically low. At the same time, job growth has moderated, and investors should be careful not to treat the labor market as either booming or broken. It is holding up, but it is no longer uniformly strong.

For investors, the key takeaway is that Fed leadership matters, but it does not override the data. The Chair influences communication, consensus-building, and policy direction, but interest-rate decisions still depend on inflation, employment, financial conditions, and the voting members of the FOMC. A change in leadership may alter the tone of the debate, but it does not eliminate the fundamental tradeoff: the Fed must balance the risk of keeping policy too tight against the risk of easing before inflation is under control.

COUPON CHOICE

Building a portfolio of individual bonds gives investors a high degree of customization across product type, issuer, credit quality, maturity, call features, and coupon structure. However, creating an effective portfolio requires understanding the tradeoffs behind each security-level decision. Coupon choice has an obvious impact on cash flow, but it can also affect price, duration, call risk, reinvestment risk, and the portfolio's future redemption structure. Given these potential effects, coupon selection should be considered as part of the broader portfolio construction process.

Coupon determines the cash flow a bond produces. Investors who require a high level of current income may generally prefer higher-coupon bonds. However, coupons are not the same as yield. Coupon determines the stated cash flow payment, while yield reflects the investor's return based on purchase price, redemption value, maturity or call date, and timing of cash flows. All else being equal, a higher-coupon bond will generally trade at a higher dollar price, often at a premium to par, because it provides greater current cash flow. A premium price is not a negative feature; it simply means the investor is paying more upfront in exchange for higher periodic cash flow.

Investors with no specific cash-flow requirement, or with a lower cash-flow target, may benefit from considering both high-coupon and low-coupon bonds. The less restrictive the coupon criteria are, the larger the available opportunity set. A broader opportunity set can improve the chances of finding bonds that align with other portfolio objectives, including credit quality, maturity structure, call protection, yield, liquidity, and relative value.

For callable bonds, coupons can play a significant role in determining duration and the portfolio's potential redemption structure. A call feature gives the issuer the option to redeem the bond before maturity, often when refinancing would reduce its borrowing cost. In general, the higher the coupon, the greater the likelihood that the issuer may call the bond if market rates decline or if lower-cost refinancing is available. For example, if an issuer can redeem a 5% coupon bond and reissue new debt at 4%, calling the existing bond may make financial sense.

Description	Price	Cpn	Maturity	Dur	Call	YTM	YTC	
High Coupon	100.883	**7.250%**	8/15/2036	0.25	**8/15/2026**	7.125%	**3.670%**	Bond has a much higher coupon than market (~5.4%). It is priced as if it will be called in three months.
Market Coupon	99.742	**5.400%**	**7/30/2036**	7.69	4/30/2036	**5.432%**	5.432%	On market coupon. Priced to maturity.

For illustrative purposes only. Does not represent actual offering. Sources: TradeWeb, Raymond James

When a bond is priced to a likely call, the market may treat the call date as the more relevant redemption date, even if the stated maturity is much later. For example, a bond with a 15-year stated maturity that is callable in 5 years and carries a higher-than-market coupon may behave more like a 5-year bond. Its duration, or sensitivity to changes in interest rates, may be lower than that of a similar lower-coupon bond that the market expects to remain outstanding for the full 15 years.

Coupon choice can therefore be used to help manage portfolio duration and potential price volatility. High-coupon, longer-maturity bonds with short or intermediate call dates may allow an investor to access longer-maturity yields while keeping duration lower. The tradeoff is reinvestment risk. If the bond is called, the investor receives principal back sooner than the stated maturity date and may have to reinvest at lower prevailing rates. In other words, the investor may receive more income today and experience less price sensitivity but may also lose the bond sooner if market conditions make refinancing attractive to the issuer.

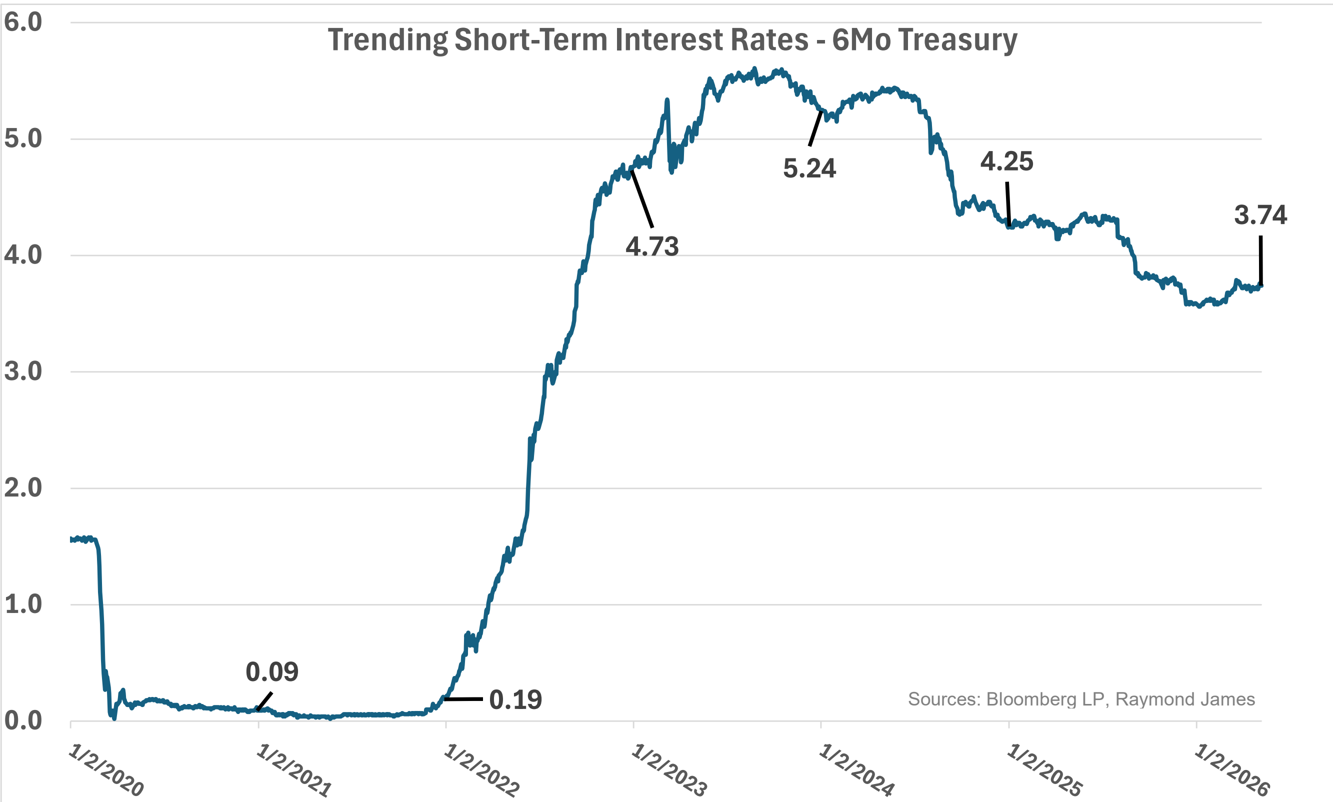
For buy-and-hold investors who are less concerned with interim price volatility and more focused on preserving income for a longer period, lower-coupon bonds may sometimes be more appropriate. Lower-coupon bonds are generally less likely to be called, which may allow the investor to maintain the income stream for a longer period. The tradeoff is that lower-coupon bonds may have longer duration and greater price sensitivity if interest rates change.

Interest rates, prices, and market expectations are constantly changing. If interest rates rise, a bond that was previously expected to be called may instead be expected to remain outstanding to maturity. If interest rates fall, a bond that was previously expected to remain outstanding may become more likely to be called. These changes can affect duration, price volatility, income continuity, and the portfolio's expected redemption schedule.

Coupon choice is therefore not simply a preference for income. It is a portfolio construction decision that influences cash flow, price, duration, call risk, and reinvestment risk. Considering both current market conditions and potential future rate scenarios can help investors build portfolios that are better aligned with their income needs, risk tolerance, and long-term objectives.

BEYOND MONEY MARKETS: EVALUATING SHORT-TERM OPTIONS

Investor interest in money market alternatives has intensified over the last several months. The word "alternatives" is important. These investments are not perfect substitutes. Each carries distinct characteristics that can create different outcomes when interest rates change, market demand fluctuates, or liquidity needs arise. Evaluating risk, income potential, tax treatment, and liquidity can help identify the most suitable option for a specific investor.



Short-term interest rates have remained elevated for an extended period, giving investors income-positive results for staying short. The biggest vulnerability may be complacency concerning whether this rate environment will persist indefinitely. That complacency is often tied to the belief that "short-term" automatically means conservative. Yield-curve positioning is strategic, not inherently conservative or aggressive.

Short-term investing can be useful when investors want liquidity or expect higher future rates. It provides flexibility to reinvest if rates rise. However, if rates decline, short-term investments may become disadvantaged because proceeds must be reinvested at lower yields. This is reinvestment risk, and it is one of the primary tradeoffs an investor faces when remaining concentrated in cash or very short maturities.

That said, a short-term investment can be appropriate when liquidity is goal. In those situations, alternatives to money market funds may have merit. The most direct comparison is often Treasury bills. T-bills are short-term U.S. government debt securities, issued with maturities ranging from 4 weeks to 1 year. They are highly liquid and carry very low credit risk. Money market funds seek to maintain a stable $1 share price, but that price is not guaranteed. T-bills, if held to maturity, mature at face value. If sold before maturity, however, their value is subject to market pricing and may be higher or lower than the purchase price.

Bank-issued, FDIC-insured Certificates of Deposit may also be appropriate for some investors. CDs can offer attractive yields and carry government insurance protection within applicable FDIC limits. However, they may be less liquid than money market funds or T-bills. Secondary-market CDs can have wider bid-ask spreads, which may create greater price risk if the investor needs to sell before maturity. If held to maturity, investors generally receive the face value of the CD, subject to issuer terms and insurance limits.

For investors in higher federal tax brackets, especially those living in states with high income tax rates, municipal bonds may be an attractive alternative. High-quality municipal bonds have historically maintained low default rates, and their tax-exempt income can produce compelling tax-equivalent yields. However, municipal bonds are still subject to market conditions, liquidity considerations, credit quality, and relative value. Their advantage depends on the investor’s tax profile and the yields available at the time of purchase.

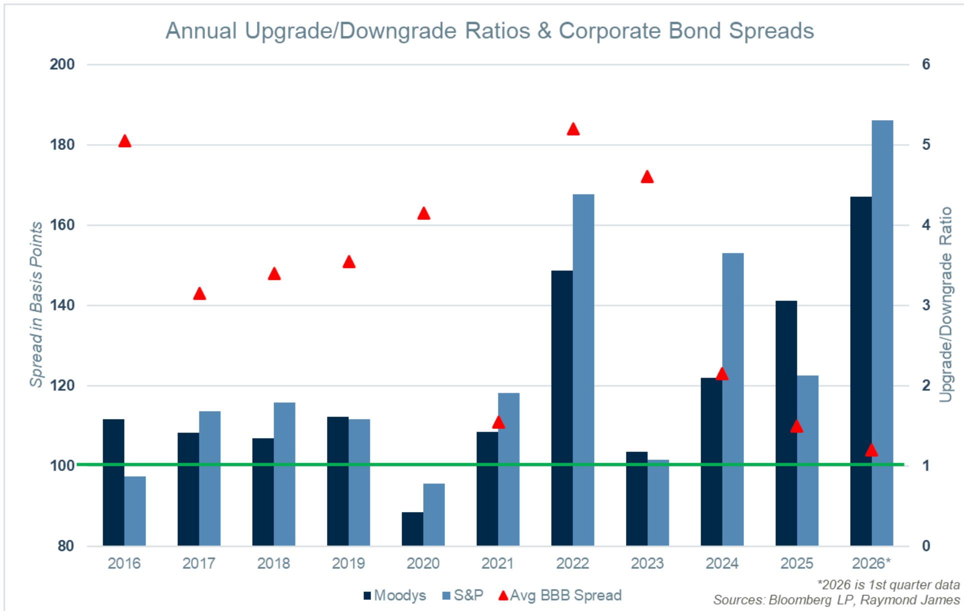
Investment	Liquidity	Credit Risk	Yield Potential
Money Market	Daily	Diversified	Market
Treasury (T-Bill)	Excellent	Very Low	Market (no fund fees)
Certificates of Deposit	Good	Very Low	Market (no fund fees)
Short-Term Municipal Bond	Good	Low	Higher (especially for investors in higher tax bracket)
Short-Term Corporate Bond	Good	Slightly More	Higher

Short-term, high-quality investment-grade corporate bonds may provide higher yields than government-backed alternatives, depending on market conditions. That additional income comes with additional credit risk compared with T-bills. While high-quality corporate bonds have historically experienced low default rates, they should be evaluated issue by issue. Issuer fundamentals, maturity, credit rating, structure, liquidity, and price all matter. Availability and relative value can also change daily.

The proper money market alternative depends on the investor’s objective. Liquidity, principal preservation, income, tax efficiency, maturity date, and tolerance for price fluctuation should all be considered. Money markets, T-bills, CDs, municipal bonds, and corporate bonds can each serve a role, but they are not interchangeable. The best choice is not simply the highest yield; it is the option for whose risks and structure best match the investor’s need.

TRENDS IN CORPORATE CREDIT QUALITY

Investment-grade corporate spreads are at historically tight levels. Corporate bond spreads, which represent the additional yield that an investor receives by purchasing a corporate bond rather than a US Treasury, are driven by a range of factors but in general represent the "reward" (additional yield) that an investor receives for taking on increased credit risk. A strong economy combined with stable and/or improving fundamentals tend to lead to tighter spreads, although other dynamics can also be a factor. The chart below puts some context around one of the major drivers of current spread levels.



The blue bars represent the upgrade/downgrade ratio for both Moodys and S&P for each year back to 2016 (right axis) for investment-grade corporate bonds. This is simply the total number of upgrades divided by the total number of downgrades each year. So, a bar at 2 means that there were 2 upgrades for every 1 downgrade. Any result over 1 (the green horizontal line) means that there were more upgrades than downgrades that year while a result under 1 means downgrades exceeded upgrades. The taller the bars, the stronger the trend is in a positive direction with regards to credit quality. The red triangles represent the average BBB corporate bond spread for a given year. With regards to spreads, summing up an entire year with a single average does not tell the whole story, it still paints the general trend to provide some context for analysis.

At a high level, it would be expected that in years with shorter blue bars (lower upgrade/downgrade ratios) the triangles would be higher (wider spreads). In general, this is what is shown, especially over the past few years. Since 2024, upgrades have outpaced downgrades by a nearly 3:1 margin. At the same time, spreads have moved from already tight levels to historically tight levels. What's the takeaway? Spread levels might be at least somewhat justified. Even though spreads are tight, the recent trend of improving credit quality across the sector supports tighter spreads. For investors looking at investment grade corporate bonds and considering whether the risk/reward dynamic is reasonable, the story that the chart above tells might shine some light on the subject.

CORPORATE & MUNICIPAL YIELDS AND SPREADS

Year-to-date, interest rates have moved meaningfully higher across both taxable and tax-exempt markets, with the most pronounced increases occurring at the short and intermediate parts of the curve. This has occurred despite spreads (the difference between a Treasury and the same maturity corporate bond) remaining historically tight.

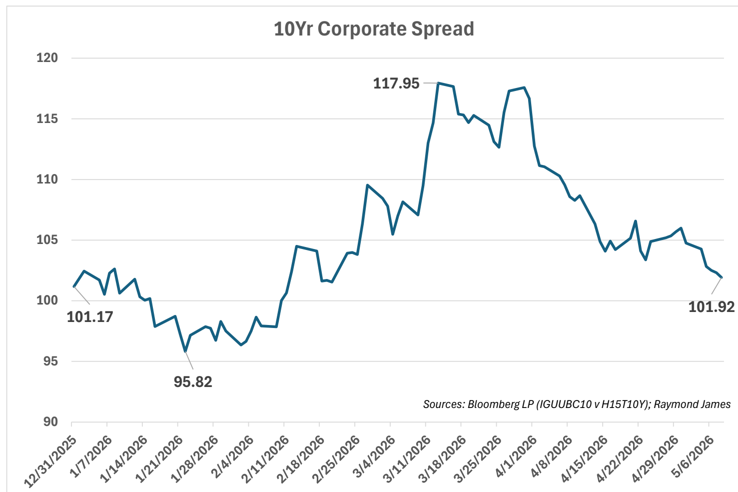
BBB Corporates

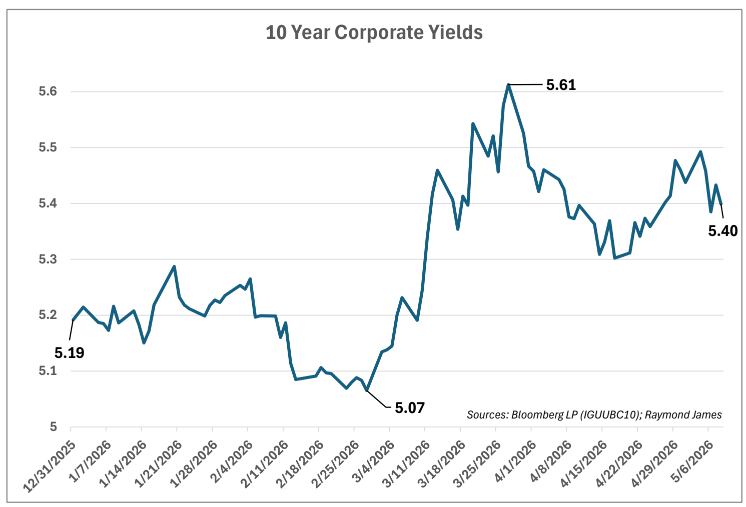
BBB-rated corporate bond yields are up 32 to 45 basis points across the curve:

- **2-year:** +36 bps
- **5-year:** +29 bps
- **10-year:** +21 bps

Two year yields are up 36 basis points, five year yields are up 29 basis points, and 10-year yields are up 21 basis points. This reflects continued uncertainty around near-term rate policy and some rebuilding of risk premium in lower-investment-grade credit. The larger increases at the front end suggest a market that has largely abandoned expectations for near-term Federal Reserve easing. Instead, investors are pricing in a "higher for longer" policy stance as inflation proves sticky and economic data remains resilient. While yields are higher, this move appears driven primarily by rates rather than credit deterioration, as spreads have remained relatively contained.

Spreads Remain Narrow – Yet Yields Have Widened





Municipal Markets

AAA municipal yields have also risen, particularly in the intermediate part of the curve:

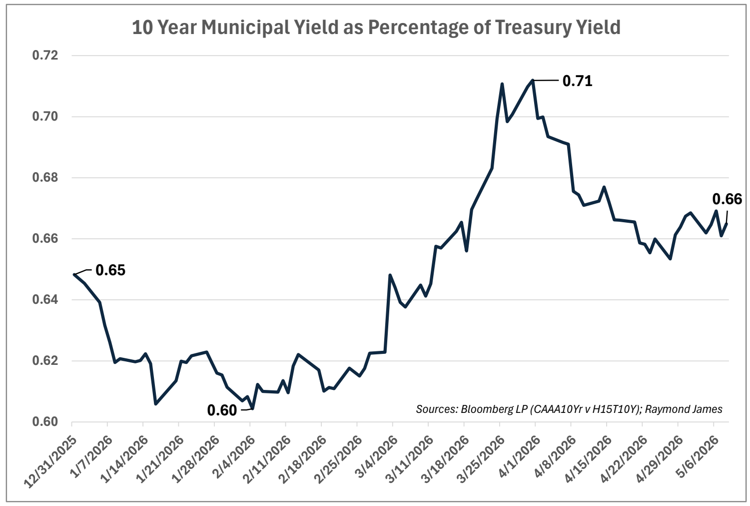
- **5-year:** +12 bps
- **10-year:** +20 bps
- **15-year:** +7 bps
- **20-year:** +7 bps

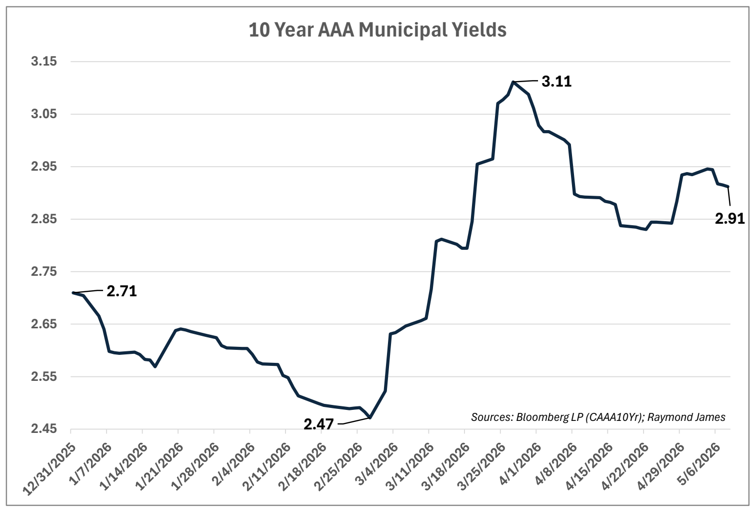
The result has been a flattening municipal curve, with intermediate maturities bearing the brunt of the selloff while the long end remains relatively well supported. Strong institutional demand and insurance company participation continue to anchor longer maturities, even as near- and mid-term supply pressures push yields higher in the belly of the curve.

Key Market Takeaways

1. **This has been a rate move, not a credit event.** The broad, orderly rise across corporates and municipals points to macro-driven repricing rather than stress in underlying credit fundamentals.
2. **Short and intermediate maturities have been repriced the most.** This reflects shifting expectations around monetary policy and reinforces the market's view that policy rates will remain elevated longer than previously anticipated.
3. **Relative value is improving.** Higher absolute yields have improved entry points for investors, particularly in high-quality credit. In municipals, rising yields have meaningfully increased tax-equivalent returns for investors in higher tax brackets.

Municipal Yield as % of Treasury Yield





Implications for Investors

Current yield levels offer improved compensation, especially for laddering strategies and selective intermediate-term and long-term exposure. The flattening curve argues for a disciplined approach to duration rather than concentrated short-end positioning.

Bottom Line

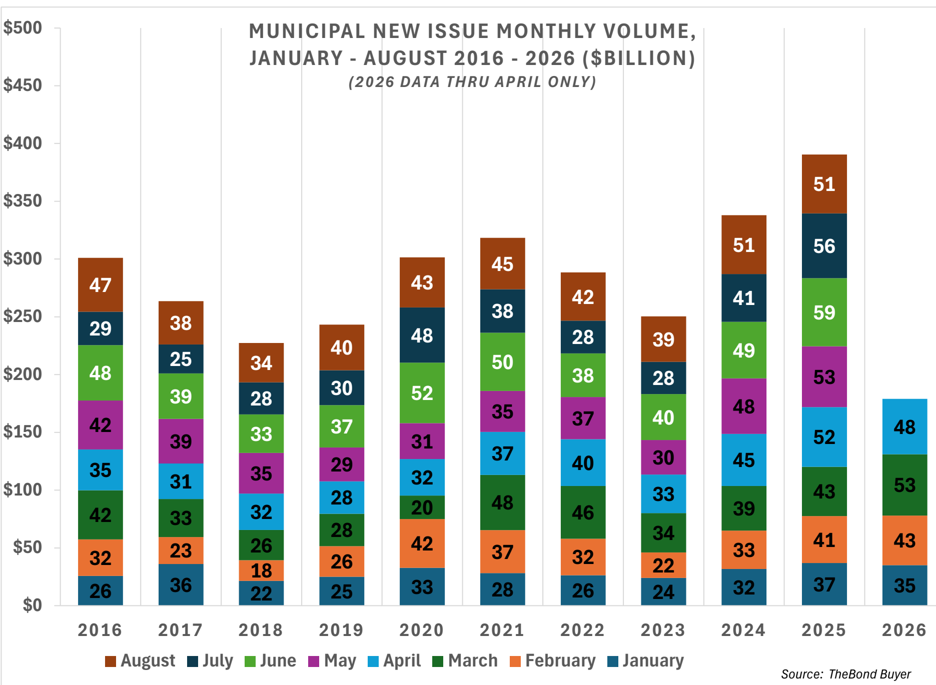
Markets have repriced decisively since the beginning of the year, reflecting a shift toward higher-for-longer expectations rather than deterioration in economic or credit conditions. While volatility has increased, higher yields are bringing value for long-term investors willing to utilize capital selectively.

MUNICIPAL SUPPLY, DEMAND AND MONEY IN MOTION: A SUMMER MARKET OUTLOOK

It is that time of year again, when we revisit one of the fundamental forces driving any market, and particularly the municipal bond market: supply, demand and money in motion.

New-issue municipal supply set a record in 2025, with nearly $580 billion in total issuance. So far, 2026 is off to an even stronger start, supported by a record-breaking March issuance total of $53 billion. Based on The Bond Buyer market data, monthly new-issue volume over the past decade shows that 2026 year-to-date issuance has surpassed every year in the last 10 years. Year-to-date through April, issuance is running 4% above last year's record-setting pace, raising the possibility that 2026 could become another record year for municipal supply.

The summer months may ultimately determine the full-year story. The key question is whether the market will see a roughly $150 billion summer issuance "flood," like 2020, 2024 and 2025, or a summer "drought" closer to the $100 billion range, as occurred in 2017, 2018, 2022 and 2023. While our Raymond James underwriters do not have a crystal ball, current estimates for June new-issue supply appear robust.



Record-breaking supply in 2026 has been met with strong investor demand, much like it was in 2025. The Bloomberg AAA 10-year municipal benchmark yield has moved higher since the start of the year, rising from approximately 2.70% to 2.97%. The 10-year Treasury yield has also moved higher, from 4.17% to 4.45%, with periods of volatility reflecting geopolitical uncertainty and evolving inflation dynamics. Yield data is as of May 13, 2026. For municipal investors, the increase in supply may have contributed to municipal bonds becoming somewhat cheaper relative to Treasuries at the intermediate to long end of the curve compared with the beginning of the year.

The question for investors is where the market goes from here. Current indicators suggest an unlikelihood of a meaningful summer drought in municipal issuance. Whether the market experiences "clearer skies" or a flood of new supply remains to be seen.

One factor appears more certain: investor demand is likely to remain strong. A significant source of that demand will come from maturing and redeemed bonds, commonly referred to as money in motion. These are the principal and interest dollars returned to municipal investors each month through scheduled payments, as well as principal returned from bonds called prior to maturity.

According to Bloomberg data, June, July and August are expected to see the largest volumes returned to municipal investors during 2026. More than $100 billion in principal and approximately $50 billion in interest are projected to be returned during those three months, totaling roughly $150 billion, with June leading the way. Based on our experience, a meaningful portion of those principal dollars are likely to be reinvested.

What is less clear is how much of the interest component will be reinvested. Many clients use coupon cash flow to support their lifestyle and broader financial plan, rather than reinvesting it. However, some portions are likely to return to the market. In addition, substantial cash remains on the sidelines in savings vehicles and money market funds. Recent data from the Investment Company Institute shows that, as of May 6, money market fund assets totaled nearly $7.7 trillion. Retail investors account for approximately $3 trillion of that total, including $135 billion in retail tax-exempt money market funds that could potentially be redeployed into customized portfolios of individual municipal bonds. Simply put, there are many moving parts to this investment puzzle over the next three months.

2026 Monthly Municipal Reinvestment Proceeds

(in $-Billions)

Month	Principal	Interest	P + I	P + I (Tax-exempt)
Jan	21.5	16.1	37.6	33.1
Feb	29.4	16.6	16.0	40.9
Mar	20.2	10.6	30.7	27.2
Apr	17.5	11.4	28.8	24.9
May	25.5	14.6	40.1	34.5
Jun	38.6	17.3	55.9	50.5
Jul	33.7	16.7	50.5	45.4
Aug	31.9	17.0	48.9	42.7
Sep	17.8	10.8	28.6	24.9
Oct	17.8	11.9	29.7	24.8
Nov	18.2	14.9	33.1	28.8
Dec	23.3	16.8	40.1	35.3
Total:	**295.5**	**174.7**	**470.1**	**413.0**
Mo avg.:	**24.6**	**14.6**	**39.2**	**34.4**

Source: Bloomberg LP, Raymond James

There is also an important state-level dimension to this discussion, particularly for investors in higher-tax states such as California and New York. The data discussed above reflects national figures, and averages can often obscure important state-specific nuances. For more detail on state-level flows, investors should follow our commentary in the *Municipal Bond Investor Weekly*. States such as California and New York continue to attract significant investor attention due to their relatively high state income tax rates, especially for high earners.

So, what does this mean for investors?

For many municipal bond investors, the summer months can reward those who act early. Clients with redemption proceeds or new money to invest should consider putting that capital to work rather than waiting on the sidelines. Even if supply remains elevated, demand is also likely to remain strong.

With yields at current levels, investors may want to consider locking in higher yields and increasing duration by purchasing longer-maturity bonds. This may help secure tax-efficient coupon income for a longer period, particularly for investors in higher-tax states. Tax-equivalent yields for top-bracket investors can easily surpass 7% and in states with high income taxes such as California and New York, tax-equivalent yields can exceed 8%.

That is one of the key advantages of owning individual bonds and working with your financial advisor and fixed income team at Raymond James. A customized portfolio can help identify unique opportunities in the municipal market, support wealth preservation, and keep tax-efficient coupon cash flow working for many years.

KNOW WHAT YOU CAN OWN

Most individual bonds provide investors with a few prominent features that are difficult to find in other product types, most notably: known cash flow for the life of the security, known income (yield) at the time of purchase, and a known date when the principal will be returned. While most individual bonds provide these benefits to investors, there are many types of individual bonds, each having different features and applications within a portfolio. As an investor, sometimes it's difficult to know which product is most appropriate for a particular situation. Below are listed attributes that may illustrate how various products might work within a portfolio.

- ✓ Define desired income.
- ✓ Create required cash flow.
- ✓ Identify the requisite redemption period.
- ✓ Create needed liquidity.
- ✓ Isolate personal biases.
- ✓ Use appropriate asset mix.
- ✓ Diversify.
- ✓ Rebalance when applicable.

	PRODUCT ATTRIBUTES	HOW DOES THIS FIT?	ADDITIONAL CONSIDERATIONS
TREASURY	Minimal credit risk. State and local tax exempt.	Can I benefit from the state tax exemption? Am I seeking safety and liquidity over maximizing yield?	Although credit risk is minimal, market risk increases with lengthening maturity.
CERTIFICATES OF DEPOSIT BROKERED	FDIC insured. Ability to diversify with multiple issuers.	Do I need more principal assurance? Typically more attractive yield versus Treasuries.	$250,000 per issuer per tax ID maximum size for insurance. Sales prior to maturity subject to interest rate risk and liquidity risk.
MUNICIPAL TAX-EXEMPT	Tax exempt income with favorable long-term credit standing.	The higher the tax bracket, the greater the tax benefit. The high credit quality is often viewed favorably.	Diversification can be attainable yet the liquidity is lesser versus other alternatives due to limited issue sizes. Subject to credit and interest rate risk.
MUNICIPAL TAXABLE	High quality, taxable alternative.	High credit quality alternative taxable investment. Investors in a lower tax bracket not benefitting from tax-exemption but still seeking the high quality and diversification offered by municipal bonds.	Diversification can be attainable yet the liquidity is lesser versus other alternatives due to limited issue sizes. Subject to credit and interest rate risk.
INVESTMENT GRADE CORPORATES	High quality, relatively good liquidity and competitive yields.	The breadth of the corporate market can allow for extensive diversification from credit ratings to multiple sectors. Generally liquid. Flexibility to create desired cash flow and income levels.	Wide range of issuers with various degrees of credit risk. Credit risks can fluctuate during holding period although this will not alter designated cash flow, income or redemption periods.
MORTGAGE-BACKED SECURITIES	High quality, taxable alternative	Can benefit by adding yield with a high quality underlying backing. Many variations provide wide scope of choices.	Works differently than securities above as principal is paid down during the holding period as opposed to in lump sum at maturity or with a call.

FIXED INCOME STRATEGY RESOURCES

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The Fixed Income Strategy Group provides market commentary, portfolio analysis, and strategy to Raymond James financial advisors for the benefit of their clients and prospects. We are part of the extensive Raymond James' Fixed Income Capital Markets Group with 41 fixed income locations and more than 450 fixed income professionals including trading and public finance specialists nationwide. This publication does not constitute Fixed Income research, but rather it represents commentary from a trading perspective.

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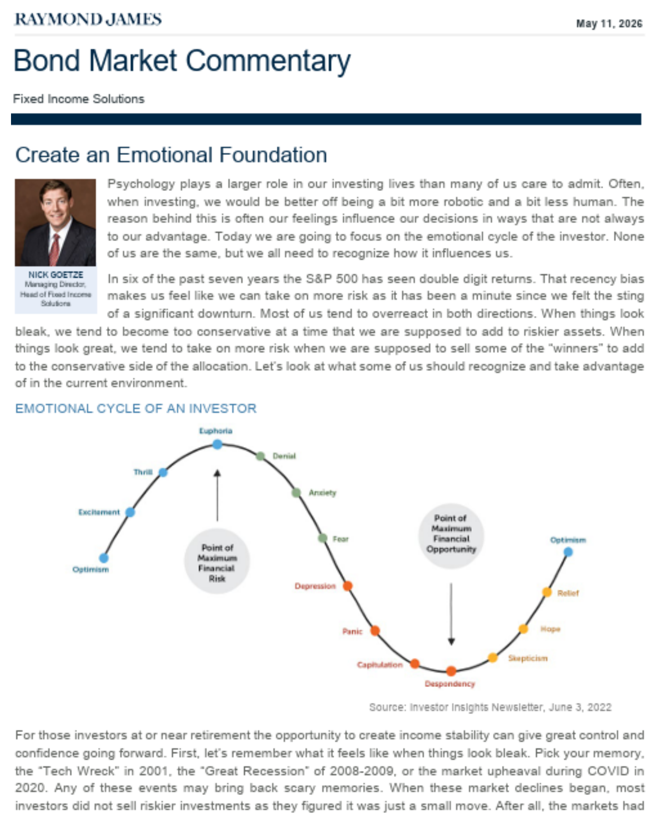
- Weekly Interest Rate Monitor

Investment Types/Expertise Include

- Treasuries/Agencies
- Brokered CDs
- Corporate bonds
- MBS/CMOs
- Tax-exempt municipals
- Taxable municipal bonds
- Preferred securities



RAYMOND JAMES May 11, 2026

Bond Market Commentary

Fixed Income Solutions

Create an Emotional Foundation

NICK GOETZE
Managing Director,
Head of Fixed Income Solutions

Psychology plays a larger role in our investing lives than many of us care to admit. Often, when investing, we would be better off being a bit more robotic and a bit less human. The reason behind this is often our feelings influence our decisions in ways that are not always to our advantage. Today we are going to focus on the emotional cycle of the investor. None of us are the same, but we all need to recognize how it influences us.

In six of the past seven years the S&P 500 has seen double digit returns. That recency bias makes us feel like we can take on more risk as it has been a minute since we felt the sting of a significant downturn. Most of us tend to overreact in both directions. When things look bleak, we tend to become too conservative at a time that we are supposed to add to riskier assets. When things look great, we tend to take on more risk when we are supposed to sell some of the "winners" to add to the conservative side of the allocation. Let's look at what some of us should recognize and take advantage of in the current environment.

EMOTIONAL CYCLE OF AN INVESTOR

Source: Investor Insights Newsletter, June 3, 2022

For those investors at or near retirement the opportunity to create income stability can give great control and confidence going forward. First, let's remember what it feels like when things look bleak. Pick your memory, the "Tech Wreck" in 2001, the "Great Recession" of 2008-2009, or the market upheaval during COVID in 2020. Any of these events may bring back scary memories. When these market declines began, most investors did not sell riskier investments as they figured it was just a small move. After all, the markets had

U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default or principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Short-term bonds with maturities of three years or less will generally have lower yields than long term bonds which are more susceptible to interest rate risk. Credit risk includes the creditworthiness of the issuer or insurer, and possible prepayments of principal and interest. Bonds may receive credit ratings from a number of agencies however, Standard & Poor's ratings range from AAA to D, with any bond with a rating BBB or higher considered to be investment grade. Individual investor's results will vary. Moody's rates more than 10,000 investment-grade municipal issuers, has tracked rating changes over the past 50 years and looked at rating changes (transitions, both year-over-year and multi-year). Each year, Moody's summarizes the number of rating changes, up and down, along with the number of notches in movement.

The Personal Consumption Expenditures Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The change in the PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

The Consumer Price Index (CPI) is a price index representing a weighted average market basket of consumer goods and services purchased by households. Changes in measured CPI track changes in prices over time.
A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Ratings and insurance do not remove market risk since they do not guarantee the market value of the bond.

VIX Index: financial benchmark designed to be an up-to-the-minute index estimate of the expected volatility of the S&P 500 Index, and is calculated by using the midpoint of real-time S&P Index (SPX)) option bid/ask quotes.

MOVE Index: this is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options. It is the weighted average volatilities on the CT2, CT5, CT10 and CT30. (weighted average of 1m2y, 1m5y, 1m10yand 1m30y Treasury implied vols with weights 0.2/0.2/0.4/0.2, respectively). S&P 500 Index: is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. The PHLX Gold/Silver Sector Index (XAU) is a capitalization-weighted index composed of companies involved in the gold or silver mining industry. The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. (Future Ticker: I00730US) U.S. Bloomberg Aggregate Bond Index (U.S. Corporate Investment Grade/LUACTRUU): Measures the investment grade, taxable corporate bond market. It includes USD demoninated securities publicly issued by US and non-US industrial, utility and financial issuers.

Duration is the measure of a bond's price sensitivity relative to interest rate fluctuations. Rebalancing a non-retirement account could be a taxable event that may increase your tax liability. Diversification and strategic asset allocation do not ensure a profit or protect against a loss. Investments are subject to market risk, including possible loss of principal. The process of rebalancing may carry tax consequences.

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Prior to transacting in any security, please discuss the suitability, potential returns, and associated risks of the transactions(s) with your Raymond James Financial Advisor.

The value of fixed income securities fluctuates and investors may receive more or less than their original investments if sold prior to maturity. Bonds are subject to price change and availability. Investments in debt securities involve a variety of risks, including credit risk, interest rate risk, and liquidity risk. Investments in debt securities rated below investment grade (commonly referred to as "junk bonds") may be subject to greater levels of credit and liquidity risk than investments in investment grade securities. Investors who own fixed income securities should be aware of the relationship between interest rates and the price of those securities.

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Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Income from municipal bonds is not subject to federal income taxation; however, it may be subject to state and local taxes and, for certain investors, to the alternative minimum tax. Please consult an income tax professional to assess the impact of holding such securities on your tax liability.

Single-family housing revenue bonds are backed by pools of residential mortgage loans and are subject to prepayment and extension risk, which may impact yield and average life.

Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value.

New issues are offered by Official Statement only, which describes the security for such issue and which may be obtained in any state in which the undersigned may lawfully offer such issue.

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Bond ladders: time-honored investment technique, in which an investor blends several bonds with differing maturities, provides the benefit of blending higher long-term rates with short-term liquidity. Should interest rates remain unchanged, increase, or even decline, a laddered approach to fixed income investing may help reduce risk, improve yields, provide reinvestment flexibility, and provide shorter-term liquidity. Risks include, but are not limited to, changes in interest rates, liquidity, credit quality, volatility, and duration.

Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

There are special risks associated with investing with bonds such as interest rate risk, market risk, call risk, prepayment risk, credit risk, reinvestment risk, and unique tax consequences. To learn more about these risks and the suitability of these bonds for you, please contact our office. Bonds are subject to risk factors including: (1) Default Risk - the risk that the issuer of the bond might default on its obligation; (2) Rating Downgrade - the risk that a rating agency lowers a debt issuer's bond rating; (3) Reinvestment Risk - the risk that a bond might mature when interest rates fall, forcing the investor to accept lower rates of interest (this includes the risk of early redemption when a company calls its bonds before maturity); (4) Interest Rate Risk - this is the risk that bond prices tend to fall as interest rates rise; (5) Liquidity Risk - the risk that a creditor may not be able to liquidate the bond before maturity.

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