

	Monthly Return (%)	Year-to- Date Return (%)	Yield (%)	Option-Adjusted Spread (BPS)			
	8/31/26	8/31/26	8/31/26	8/31/26	12/31/25	12/31/24	12/31/23
Investment-Grade Corporate Bonds	0.43	-0.34	5.43 ¹	73	73	77	93
Single A Bonds	0.38	-0.51	5.36	66	64	68	85
BBB Bonds	0.50	0.03	5.65	95	97	97	121
1-3 Year Credit	0.32	1.57	4.73	38	45	48	58
7-10 Year Credit	0.27	-0.70	5.57	88	83	89	112
Long Credit	0.83	-2.00	6.15	99	95	100	117
Bank Loans ²	0.93	3.07	8.35	470	429	424	490
BB Loans ²	0.73	3.96	6.18	253	263	254	309
B Loans ²	1.16	3.21	8.15	451	414	425	471
High Yield	0.97	2.69	7.27 ¹	261	266	287	323
BB Bonds	0.94	2.55	6.14	147	165	179	201
CCC Bonds	0.61	1.78	13.05	858	615	558	776
Intermediate High-Yield Bonds	0.95	2.68	7.26	261	266	287	323
Long High-Yield Bonds	1.94	2.88	7.86	282	301	302	341

Source: Bloomberg and Morningstar as of 8/31/26.

Investment-grade corporate bonds represent the Bloomberg US Credit Index and index components. This index measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with at least ten years to maturity. **Bank loans** represent the Morningstar LSTA US Leveraged Loan Index and index components. This index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. **High yield** represents the Bloomberg US Corporate High Yield Index and index components. This index covers performance for U.S. high-yield corporate bonds. An **option-adjusted spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return. **Past performance is no guarantee of future results.**

¹Yield quoted is yield-to-worst. **Yield-to-worst** is a measure of the lowest possible yield from purchasing a bond apart from a company defaulting.

²Yields represent four-year effective yields. The **effective yield** is a financial metric that measures the interest rate (or coupon rate) return on a bond.

Highlights

Investment Grade

- Barclays on AI infrastructure financing: “Investment grade hyperscaler issuance: 2026 has seen a significant step-up in investment grade issuance from the hyperscalers thus far, with around \$248bn issued across currencies year to date, including \$182bn in the USD market. While issuance needs have been largely met for 2026, issuers may choose to issue opportunistically ahead of needs, and we forecast ~\$285bn of hyperscaler issuance by year-end. Aggregate issuance this year has been well distributed across the curve, with ~32% in the front-end (1-6y), ~32% in the belly (7-15y), and ~36% in the long end (15y+), which includes ~\$88bn (~36% of YTD total) 30y and out. More broadly, hyperscaler supply has totaled 21% of IG non-financial supply in 2026, while tech (inclusive of META/AMZN/SPCX) has been 37% of that total, which, if maintained at that level, would be a record for a single sector. Based on our recent survey, the investors expect 2026 hyperscaler supply of \$275-325bn range (USD equivalent across currencies) and believe cadence and supply will be the key driver of performance over the next twelve months. Data center bond issuance: The US data center bond market has continued to see a robust pipeline in 2026, as developers continue looking at alternative sources of funding beyond typical construction/project finance loans. Year to date in 2026, about \$76.2bn of data center bonds have been issued, including \$33.6bn HY and \$42.6bn IG (representing 15% and 3% of total year-to-date USD issuance in each asset class, respectively, from \$35.9bn in 2025, including \$8.6bn HY and \$27.3bn in IG).¹
- Wells Fargo Research putting rising yields in historical context: “We’ve heard a very specific phrase far too many times over recent days, so here is your daily dose of context...The shortcoming in the exclamation we’ve been hearing that “yields are the highest in 20yrs!” is that for about 15 of those years we were either drifting to/coming from the Zero Lower Bound or actually at the ZLB. This was a period that saw some of the lowest yields EVER...So yes, yields are up vs. a historical aberration. But it also seems important to know where yields are relative to the entire term structure. And if we look at different points on the curve vs. backend rates, the slope of the curve is still slightly below the longer run average. We’ve spoken to a number of smart folks about this and no one can really pinpoint with precision why yields are higher. We don’t discount it’s a combination of factors (Fed uncertainty, fiscal, corporate issuance, etc. etc.). That is all plausible. BUT from a macro perspective, higher yields are coming with financial conditions that are STABLE. In that context, don’t discount something that seems to be missing from the current conversation: yields are just normalizing. Real GDP growth has been 2% or higher year-over-year every quarter for 14 quarters in a row. That’s despite ALL the headwinds (Fed hikes, the tariffs, the wars, DOGE, SVB bank failures etc. etc.). In other words, growth and inflation are both normalizing relative to the 2010s, so it’s not super surprising rates are too. People love to use the phrase “higher for longer.” We actually detest that phrase, mostly because it’s wildly inaccurate. We would argue a far better characterization is normal for longer.”²

Bank Loans

- JP Morgan Strategy updated default rate forecasts: “Given stress in the high-yield Cable sector, we are making changes to our high-yield bond default rate forecast. Specifically, we now forecast 2026 high-yield bond rates of 2.25% (+50bp vs our previous 1.75% forecast), and we expect this to rise to 2.75% in 2027 (+50bp vs 2.25% previously). While many of the factors supporting our default outlook remain in place, including a resilient earnings cycle, strong economic data, and a record amount of B3 or lower-rated refinancing activity in 2025 and early 2026, the high-yield Cable sector has already (unexpectedly) seen the second largest default post pandemic (DISH \$9.75bn) and currently accounts for 30% of the high-yield distressed universe. Specifically, \$19.1bn of high-yield Cable debt trades wide of 1000bp, which is 26% of the entire HY Cable market and is likely to be a contributing factor in higher default rates over the next 18 months. Note, with half of 2025’s default activity in bonds occurring in November and December, we acknowledge HY last twelve months default rates will run above our forecast through October 2026 before sliding into YE26. On the loan side, significantly reduced leverage management exercise (LME) activity year to date has provided the impetus for us to lower our 2026 institutional loan default rate forecast by 75bp to 2.25%. Notably, leveraged loan LME activity has averaged \$1.2bn per month across the year’s first seven months and an even lower \$715mn/mo. average over the last five months, which compares to a \$2.7bn/mo. average across 2024/25. That said, we are leaving our 2027 loan default rate forecast unchanged at 4.5%. Our rationale for the inflection higher in default rates is a large maturity wall in 2028 (\$417bn) that includes a sizeable attribution to lower-rated loans. And while the fundamentals for many Software issuers may be presently fine, the cost of capital for some has risen to levels that, if sustained, would likely limit access to public or private capital markets when maturities begin to ramp in 2028 and beyond. This may eventually produce defaults and/or another wave of LMEs beginning in 2027 (and extending into 2028/29). With 18% of the Technology sector trading at distressed levels, we surmise the market is thus far positioning for a more benign default cycle akin to 2022-24’ Healthcare.”³

Highlights

High Yield

- BAML Strategy comparing HY spreads historically: “Investors tend to anchor to prior-cycle spread levels but the ICE BofA U.S. High Yield Index’s composition has changed materially, so a like-for-like OAS comparison inaccurately compares two different risk pools side by side. CCC weight has fallen from 17.7% in June 2014 to 9.8% in July 2026, thinning the highest-beta cohort, while BB has risen from roughly 45% to 59% to offset. On a broad-ratings basis the index is simply higher quality today, and should trade tighter regardless of any change in risk appetite.”⁴
- JP Morgan Strategy on the growing percentage of 144A bonds in HY index: “Pre-crisis, 144A for life securities accounted for 5% or less of the US High-Yield index and no more than 14% of high-yield bond issuance for a given year. Since 2009, the attribution of 144A for life securities as a percentage of issuance has steadily risen in each of the past 17 years to more than 90% compared to 10% in 2008. More specifically, 144A for life securities account for 95.2% of US HY issuance YTD, which compares to 94.5%, 94.0%, 89.4%, 88.5%, 85.8%, 76.3%, 75.8%, 70.3%, 67.9%, 53.7%, 50.9%, 46.5%, 41.9%, 29.1%, 28.9%, and 25.8% of total HY issuance in the sixteen years preceding. And the weighting of 144A for life securities as a percentage of US HY outstanding has steadily increased to 76.9%, from 41.5% in 2018, 17.2% in 2011, and 8.6% in 2009. Note 50.2% of 144A-for-Life Securities are Upper Tier (Split BBB, BB) whereas 10.5% are Lower-tier rated (Split B, CCC, NR), versus considerably more benign statistics for those that are non-144A for life securities (69.5 % Upper-tier, 4.9% Lower-Tier). This obviously leads to a higher yield for the component of 144A-for-Life securities in the universe. Lastly, what does trading activity look like in 144As? 144As accounted for an estimated 59% of trading activity on a typical day over the past 12 months, or comfortably below the percentage of outstanding 144As represent. In other words, 144A-for-life securities do appear to experience less trading activity than registered securities.”⁵
- Citi Strategy on AI weight in HY: “AI-related issuers raised \$37bn in speculative grade bonds in 2026, roughly doubling the 2025 tally of \$17bn already. For what it’s worth, investment grade AI comprises nearly 12.5% of the Bloomberg Index. However, high yield AI punches well above its weight given the relative uncertainty offered by numerous debut issuers and the potentially wide outcomes from this emerging sector. Furthermore, the sector could swell to 9% of the high yield market by the middle of 2027 if we price \$25bn per quarter, putting it on par with the energy sector and above all other sectors except for finance. In this scenario, we assume the high yield market only grows through AI issuance, keeping all other sectors constant.”⁶

Sources

¹ Barclays Strategy, August 21, 2026

² Wells Fargo Research, August 19, 2026

³ JP Morgan Strategy, August 3, 2026

⁴ Bank of America Merrill Lynch Strategy, August 26, 2026

⁵ JP Morgan Strategy, August 14, 2026

⁶ Citi IG Strategy, August 21, 2026

Definitions

- A **144A bond** is a privately placed debt security that can be traded among large institutional investors without needing full registration with the U.S. Securities and Exchange Commission (SEC).
- **B3** is A Moody's high-yield credit rating indicating a relatively high level of credit risk.
- **Bank loans** (also known as **floating-rate loans** or **leveraged loans**) invest in bonds and other fixed-income securities that have variable, as opposed to fixed, interest rates.
- A **basis point (bp)** is one hundredth of a percent, so 100 basis points is equivalent to 1%.
- **Beta** measures an asset's price volatility relative to the broader market. It is a gauge of systematic risk—the unpredictable market forces that affect all investments, which cannot be diversified away.
- The **Bloomberg Global Aggregate Bond Index** (global IG index) is a flagship fixed-income benchmark that measures global investment-grade debt from developed and emerging markets.
- A **bond** is a fixed-income instrument and investment product where individuals lend money to a government or company at a certain interest rate for an amount of time. The entity repays individuals with interest in addition to the original face value of the bond.
- A **corporate bond** is a debt security that is issued by a company to raise capital.
- A **coupon** or **coupon payment** is the annual interest rate paid on a bond, expressed as a percentage of the face value and paid from issue date until maturity.
- The **credit market** refers to the marketplace through which companies and governments issue debt to investors in exchange for regular interest payments.
- **Credit spread** is the difference in yield between two debt securities with the same maturity but different credit quality.
- **Credit rating** is when bond ratings are grades given to bonds that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade.
- **Duration** is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk.
- **High-yield bonds** (or **junk bonds**) are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds.
- The **Hyperscalers Index** refers to a financial benchmark that measures the equity or corporate debt performance of major cloud data center and Artificial Intelligence (AI) providers.
- The **ICE BofA US Corporate Index** is a benchmark index that tracks the performance of investment grade corporate debt in the United States.
- **Inflation** is the general increase in the prices of goods and services across an economy over time.
- **Investment grade** refers to the quality of a company's credit. To be considered an investment grade issue, the company must be rated at 'BBB' or higher by Standard and Poor's or Moody's.
- **Investment Grade (IG) Index** refers to the ICE BofA US Corporate Index.
- An **issue** or **issuance** is a process of offering securities in order to raise funds from investors. Companies may issue bonds or stocks to investors as a method of financing the business.
- **Leverage** refers to using debt (borrowed funds) to amplify returns from an investment. A **leveraged loan** is a type of loan made to borrowers who already have high levels of debt and/or a low credit rating. Lenders consider leveraged loans to have an above-average risk that the borrower will be unable to pay back the loan (also known as the risk of default).
- **Leveraged Finance (LevFin)** is the process of taking on debt or borrowing funds to increase returns gained from an investment or a project.
- **Maturity** (or **maturity wall**) is the date on which the life of a transaction or financial instrument ends, after which it must either be renewed, or it will cease to exist.
- **Morningstar LSTA US Leveraged Loan Index** is a market-value weighted index designed to measure the performance of the US leveraged loan market.
- **Private Credit (PC)** refers to any loan-based financing provided by non-bank institutions—such as private equity firms, asset managers, or specialized funds—to businesses outside of public bond markets.
- **Spread** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, represented by Treasury bonds. Spread income refers to the additional income from this difference.
- **Total return**, when measuring performance, is the actual rate of return of an investment or a pool of investments over a given evaluation period.
- **Yield** is a measure of the profit that an investor will be paid for investing in a stock or a bond. It is usually computed on an annual basis.

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