



# June 2026 Bond Market Review

## Market Summary

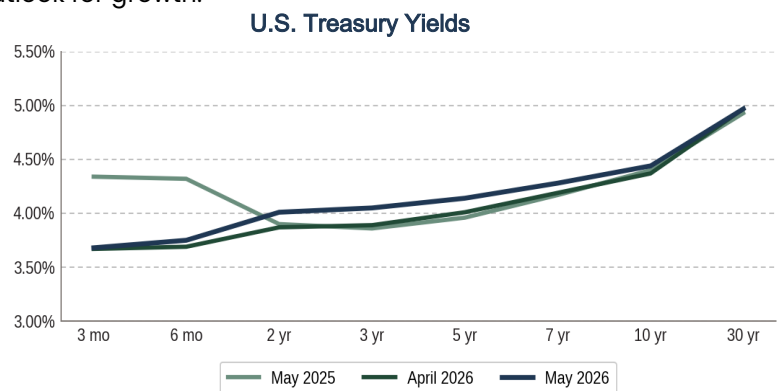
The Iran conflict continues to influence global markets, with Brent crude peaking in late April before easing in May on ceasefire hopes. Elevated energy prices have lifted headline inflation above core measures and weighed on sentiment, while the labor market remains resilient. This mix has reduced the likelihood of near-term rate cuts, prompting the Chandler team to push easing expectations beyond our six-month investment horizon.

In May, equities reached new highs even as Treasury yields rose on inflation data tied to energy costs. Despite some late-month relief in oil prices, markets shifted toward an extended policy pause with some risk of further tightening. Under newly confirmed Fed Chair Kevin Warsh, the Chandler team expects gradual normalization, with energy prices and ceasefire durability as key uncertainties.

The Fed did not meet in May, keeping the federal funds rate at 3.50%–3.75% after April’s unusually divided decision, which saw four dissents. Although Kevin Warsh was confirmed by the Senate as Fed Chair, Jerome Powell will remain a governor “for a period of time to be determined.” With energy-driven inflation elevated and labor markets still growing modestly, markets have priced out rate cuts for the rest of the year and begun to assign some probability to a hike, making the June meeting the next key policy inflection point.

The Treasury yield curve flattened modestly through May month-end. The curve’s positive slope reflects a market that expects the Federal Reserve to hold short rates in place over the coming months, even as longer yields continue to embed the uncertainty of higher inflation alongside the outlook for growth.

As the Iran conflict continued, U.S. Treasury yields remained at the highest levels in several months. By May month-end, the 2-year Treasury yield closed at 4.00% and the 10-year at 4.44%, producing a +44 basis point spread. This narrowed from +69 basis points at the end of 2025, as the curve flattened year-to-date: the 2-year rose roughly 53 basis points while the 10-year gained roughly 28 basis points. The 3-month to 10-year spread stood at +76 basis points, a positively sloped curve that reflects markets pricing in persistent inflation risk.



## Credit Spreads

*Credit spreads were tighter in May*

	Spread to Treasuries	One Month Ago	Change
3-month top rated commercial paper	0.01	0.04	(0.03)
2-year A corporate note	0.22	0.30	(0.08)
5-year A corporate note	0.48	0.56	(0.08)
5-year Agency note	0.03	0.06	(0.03)

Source: Bloomberg; data as of 5/29/2026

## Treasury Yields

Source: Bloomberg

*Iran Conflict Keeps Treasury Yields Elevated in May*

Treasury Yields	Trend	5/29/2026	4/30/2026	Change
3 month	▲	3.68	3.67	0.01
2 year	▲	4.01	3.87	0.14
3 year	▲	4.05	3.89	0.16
5 year	▲	4.14	4.01	0.12
7 year	▲	4.28	4.19	0.11
10 year	▲	4.44	4.37	0.07
30 year	▲	4.97	4.97	0.00

Source: Bloomberg

## Market Data

Data as of 5/29/2026

	1 Mo Chg	% Chg
<b>S&amp;P 500</b>		
7,580.06	371.05	5.15%
<b>NASDAQ</b>		
26,972.62	2,080.31	8.36%
<b>Dow Jones</b>		
51,032.46	1,380.32	2.78%
<b>FTSE (UK)</b>		
10,409.28	30.46	0.29%
<b>DAX (Germany)</b>		
25,104.70	614.29	2.51%
<b>Hang Seng (Hong Kong)</b>		
24,182.39	(594.14)	(2.30%)
<b>Nikkei (Japan)</b>		
66,239.50	15,990.02	31.76%

### World Stock Market Index Descriptions

**S&P 500**—The S&P 500 is a market value-weighted index of 500 large-capitalization stocks. The 500 companies included in the index capture approximately 80% of available US market capitalization. **NASDAQ**—The NASDAQ Composite Index is the market capitalization-weighted index of over 3,300 common stocks listed on the NASDAQ stock exchange. **Dow Jones**—The Dow Jones Industrial Average is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ. The Financial Times Stock Exchange Group (FTSE)—The FTSE is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. **DAX**—The Deutscher Aktienindex (DAX) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. **Hang Seng**—The Hang Seng Index is a freefloat-adjusted market-capitalization-weighted stock market index in Hong Kong. It is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of overall market performance in Hong Kong. **Nikkei**—Japan's Nikkei 225 Stock Average is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

## Economic Roundup

### Equities

Equity markets extended their May advance to close at record highs, shrugging off rising Treasury yields as resilient earnings and AI enthusiasm outweighed renewed inflation concerns. The Nasdaq led with an ~8% gain to fresh all-time highs, while the S&P 500 also set records as investors looked past energy-driven price pressures toward underlying profit growth. The rally reflected a market increasingly willing to separate geopolitical and inflation noise from fundamentals, even as higher discount rates warranted caution.

### Consumer Prices

The Iran conflict drove energy prices higher in April, pushing CPI up 0.6% month-over-month to a 3.8% year-over-year headline rate – the fastest pace since May 2023, up from 3.3% in March. Core CPI rose 0.4% for the month and 2.8% year-over-year. PCE also remained firm, climbing 0.4% monthly and 3.8% annually, with core PCE up 0.2% and 3.3%, respectively. Energy is the primary inflation driver: the CPI energy component is up 17.9% over 12 months and gasoline 28.4%. Goods inflation has reaccelerated due to tariff pressures and higher oil prices, while services inflation has moderated. The broadening of price increases complicates the policy outlook.

### Retail Sales

Tax refunds may be cushioning consumers facing higher gasoline and food prices amid recent inflation. April retail sales rose 0.5% month-over-month and 4.9% year-over-year, reflecting continued but decelerating household spending despite the energy shock, with more than 40% of the monthly gain driven by higher gasoline spending. The Conference Board's Consumer Confidence Index edged down to 93.1 in May from a revised 93.8 in April; the survey period captured a temporary ceasefire and equity market rebound that partially offset energy-price anxiety weighing on near-term sentiment.

### Labor Market

The April Employment Situation report revealed a stronger-than-expected jobs market, with nonfarm payrolls climbing 115,000 – well above the 65,000 forecast – while the unemployment rate held steady at 4.3%. Behind the headline number, however, the data carried some noise: February payrolls were revised down 23,000 to a loss of 156,000 (originally reported at -92,000 and previously revised to -133,000), while March payrolls were revised up 7,000 to a gain of 185,000, leaving a net revision of -16,000. Meanwhile, the labor force participation rate dipped to 61.8%, its lowest level since October 2021.

### Housing Starts

The Census Bureau reported that April housing starts totaled 1.465 million units, down 2.8% from March but up 4.6% year-over-year. Single-family starts declined to 930,000 units, while multifamily starts rose to 535,000. March starts were revised higher to 1.507 million. On the price side, the S&P CoreLogic Case-Shiller 20-City Composite Home Price Index climbed 0.8% year-over-year as of March month-end, though half of the metro areas posted annual declines. Seattle led the downside at -2.5%, while Chicago topped the gains at +6.1% year-over-year. Meanwhile, the Freddie Mac 30-year fixed mortgage rate averaged 6.53% at the end of May.

Economic Indicator	Current Release	Prior Release	One Year Ago
Trade Balance	(55.88) \$B Apr. 30	(56.59) \$B Mar. 31	(60.34) \$B Apr. 30
Gross Domestic Product	1.60% Mar. 31	0.50% Dec. 31	(0.20)% Mar. 31
Unemployment Rate	4.30% May 29	4.30% Apr. 30	4.30% May 31
Prime Rate	6.75% May 29	6.75% Apr. 30	7.50% May 30
Refinitiv/CoreCommodity CRB Index	380.45 May 29	395.11 Apr. 30	290.43 May 30
Oil (West Texas Int.)	\$87.36 May 29	\$105.07 Apr. 30	\$60.79 May 30
Consumer Price Index (YoY)	3.80% May 29	3.30% Apr. 30	2.3% May 30
Producer Price Index (YoY)	6.46% May 29	4.48% Apr. 30	0.29% May 30
Euro/Dollar	1.17 May 29	1.17 Apr. 30	1.13 May 30

Source: Bloomberg

© 2026 Chandler Asset Management, Inc. An independent, SEC-registered investment adviser. Data source: Bloomberg, Federal Reserve, and the US Department of Labor. This report is provided for informational purposes only and should not be construed as specific investment or legal advice. The information contained herein was obtained from sources believed to be reliable as of the date of publication, but may become outdated or superseded at any time without notice. Any opinions or views expressed are based on current market conditions and are subject to change. This report may contain forecasts and forward-looking statements which are inherently limited and should not be relied upon as an indicator of future results. Past performance is not indicative of future results. This report is not intended to constitute an offer, solicitation, recommendation, or advice regarding any securities or investment strategy and should not be regarded by recipients as a substitute for the exercise of their own judgment. Fixed income investments are subject to interest rate, credit, and market risk. Interest rate risk: The value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low-rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market, in general, could decline due to economic conditions, especially during periods of rising interest rates. The S&P CoreLogic Case-Shiller home price index tracks monthly changes in the value of residential real estate in 20 metropolitan regions across the nation.