



May 2026 Bond Market Review

Market Summary

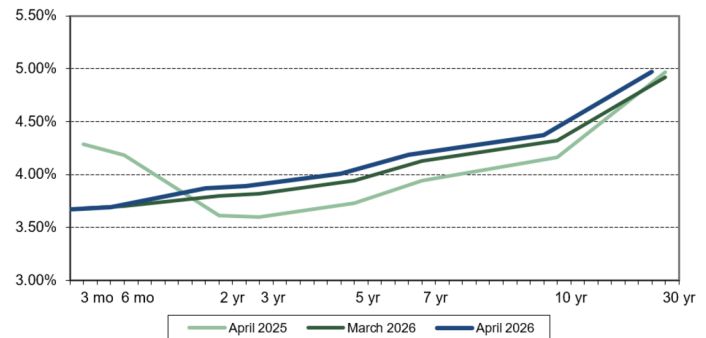
Recent economic data point to renewed inflationary pressure stemming from the conflict in the Middle East, while labor market conditions and consumer spending continue to demonstrate resilience. Headline measures of inflation have moved further above the Federal Reserve longer-run objective, even as core readings remain more contained. The Chandler team expects the Federal Reserve to maintain the federal funds rate at its current level over the next six months. U.S. trade and fiscal policy, alongside geopolitical developments in the Persian Gulf, remain key sources of elevated market uncertainty.

The Federal Reserve April Federal Open Market Committee meeting concluded with policymakers maintaining the target range at 3.50%-3.75% for a third consecutive meeting, in line with market expectations. The decision marked the most divided Committee vote since October 1992, as four members dissented in an 8-4 split. Governor Stephen Miran preferred a 25-basis-point reduction, while Cleveland Fed President Hammack, Minneapolis Fed President Kashkari, and Dallas Fed President Logan opposed retaining the easing bias in the post-meeting statement. The statement acknowledged that inflation remains elevated, in part reflecting the recent increase in global energy prices. With Chair Jerome Powell's term scheduled to expire on May 15, the meeting was widely viewed as his final time leading the Committee. Powell indicated he intends to remain on the Board of Governors through the conclusion of ongoing investigations tied to the Federal Reserve renovation project. The nomination procedure of Kevin Warsh as the next Federal Reserve Chair has continued to advance through the Senate confirmation process.

The US Treasury yield curve steepened in April, as the 2-year Treasury yield rose 7 basis points to 3.87%, the 5-year Treasury was up 7 basis points to 4.01%, and the 10-year Treasury yield was 5 basis points higher at 4.37%. The 3-month Treasury yield edged 2 basis points lower to 3.68%. The spread between the 2-year and 10-year Treasury yield points on the curve was 1 basis point wider from March at +52 basis points at April month-end. The spread between the 2-year Treasury and 10-year Treasury yield one year ago was +56 basis points. The spread between the 3-month and 10-year Treasury yield points on the curve was +72 basis points in April versus +60 basis points in March.

U.S. Treasury yields drifted higher across most maturities in April, as escalating tensions in the Persian Gulf and the related surge in crude oil prices reignited concerns over the trajectory of inflation. The front-end of the curve was anchored by the Federal Reserve decision to leave the policy rate unchanged for a third consecutive meeting, while intermediate and longer-dated yields drifted higher on the back of stronger than expected first quarter earnings, a record-setting equity rally, and the prospect of fewer rate reductions this year. Despite the prominence of dissents at the April Federal Open Market Committee meeting, the Chandler team continues to expect a gradual steepening of the yield curve, led by lower short-term rates as the policy rate moves toward a more neutral range over the balance of 2026.

U.S. Treasury Yields



Source: Bloomberg

Credit Spreads

Credit spreads were tighter in April

	Spread to Treasuries	One Month Ago	Change
3-month top rated commercial paper	0.04	0.05	(0.01)
2-year A corporate note	0.30	0.39	(0.09)
5-year A corporate note	0.56	0.60	(0.04)
5-year Agency note	0.06	0.05	0.01

Source: Bloomberg; data as of 4/30/2026

Treasury Yields

Inflation Concerns Lift Treasury Yields in April

Treasury Yields	Trend	4/30/2026	3/31/2026	Change
3 month	▼	3.67	3.68	(0.01)
2 year	▲	3.87	3.80	0.07
3 year	▲	3.89	3.82	0.07
5 year	▲	4.01	3.94	0.07
7 year	▲	4.19	4.13	0.06
10 year	▲	4.37	4.32	0.05
30 year	▲	4.97	4.91	0.06

Source: Bloomberg

Market Data

Data as of 4/30/2026

	1-Mo Chg	% Chg
S&P 500		
7,209.01	680.49	10.42%
NASDAQ		
24,892.31	3,301.68	15.29%
Dow Jones		
49,652.14	3,310.63	7.14%
FTSE (UK)		
10,378.82	202.37	1.99%
DAX (Germany)		
24,292.38	1,612.38	7.11%
Hang Seng (Hong Kong)		
25,776.53	988.39	3.99%
Nikkei (Japan)		
59,294.92	8,945.44	17.77%

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

U.S. equity markets posted their strongest monthly performance in years during April, as investor sentiment rebounded sharply from a difficult first quarter. The S&P 500 advanced 10.4% to close at a record 7,209, marking the best monthly return since November 2020, while the Nasdaq Composite surged 15.3% for its strongest gain in more than 23 years, and the Dow Jones Industrial Average logged its largest monthly gain since November 2024. The rally was supported by a particularly strong first quarter earnings season, with the majority of S&P 500 companies that had reported by month-end exceeding both earnings and revenue expectations, alongside renewed optimism around capital expenditures tied to artificial intelligence infrastructure. Sector leadership was concentrated in technology, which advanced more than 20%, while energy lagged with a modest decline despite the geopolitically driven rise in crude oil prices.

Consumer Prices

The Personal Consumption Expenditures (PCE) price index for March reflected the broadening impact of higher energy costs on the inflation outlook. Headline PCE rose 0.7% from the previous month, the largest monthly increase in nearly four years, lifting the annual rate to 3.5%. The Core PCE deflator, which excludes food and energy and is the Federal Reserve preferred gauge, increased 0.3% month-over-month and 3.2% year-over-year. Personal income rose 0.6% on the month, while personal consumption expenditures advanced 0.9%, driven in part by sharply higher gasoline prices. The data underscore the renewed inflationary pressure stemming from the conflict-related energy shock, even as underlying core measures remain comparatively more contained.

Retail Sales

The Conference Board Consumer Confidence Index edged up 0.6 points to 92.8 in April from an upwardly revised March reading of 92.2, although the headline measure remains at a historically subdued level. The Present Situation Index, which reflects consumer assessments of current business and labor market conditions, retreated 0.3 points to 123.8, while the Expectations Index rose 1.2 points to 72.2. The April survey period spanned a two-week ceasefire in the Middle East and the related rebound in U.S. equity markets, factors that helped stabilize confidence even as concerns over rising gasoline prices weighed on assessments of current business conditions.

Labor Market

The latest available employment data showed total nonfarm payrolls increased by 178,000 in March, well above the consensus estimate of 60,000 and the strongest pace of job creation since December 2024. Job gains were concentrated in healthcare at 76,000, alongside notable increases in construction at 26,000 and transportation and warehousing at 21,000, while federal government employment continued to decline. The January payroll figure was revised higher by 34,000 to 160,000, while February was revised lower by 41,000 to a decline of 133,000 amid lingering effects of healthcare strike activity. The unemployment rate edged down to 4.3% from 4.4% in February, indicating labor market conditions remained broadly stable even as hiring momentum showed signs of moderating.

Housing Starts

Total housing starts rose to a seasonally adjusted annual rate of 1.502 million units in March, up 10.8% from February and reaching the highest pace since December 2024. The rebound was driven by a 9.7% increase in single-family starts to 1.032 million units, alongside a 9.6% gain in multi-family starts to 446,000 units. Building permits, a leading indicator of future construction, declined 10.8% to 1.372 million units, suggesting that the recent burst of groundbreakings may not be sustained as builders weigh affordability constraints. The S&P Cotality Case-Shiller 20-City Composite Home Price Index rose 0.9% year-over-year in February, down from 1.2% in January and marking the slowest annual pace since July 2023. The Freddie Mac 30-year fixed mortgage rate averaged 6.30% for the week ending April 30, up from 6.23% the prior week.

Economic Indicator	Current Release	Prior Release	One Year Ago
Trade Balance	(57.35) \$B Feb. 28	(54.68) \$B Jan. 31	(119.78) \$B Feb. 28
Gross Domestic Product	2.0% Mar. 31	0.50% Dec. 31	(0.30)% Mar. 31
Unemployment Rate	4.30% Mar. 31	4.40% Feb. 28	4.20% Mar. 31
Prime Rate	6.75% Apr. 30	6.75% Mar. 31	7.50% Apr. 30
Refinitiv/CoreCommodity CRB Index	395.11 Apr. 30	372.42 Mar. 31	288.77 Apr. 30
Oil (West Texas Int.)	\$105.07 Apr. 30	\$101.38 Mar. 31	\$58.21 Apr. 30
Consumer Price Index (YoY)	3.30% Mar. 31	2.40% Feb. 28	2.40% Mar. 31
Producer Price Index (YoY)	4.10% Mar. 31	1.60% Feb. 28	0.90% Mar. 31
Euro/Dollar	1.17 Apr. 30	1.16 Mar. 31	1.13 Apr. 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.