



# February 2026 Bond Market Review

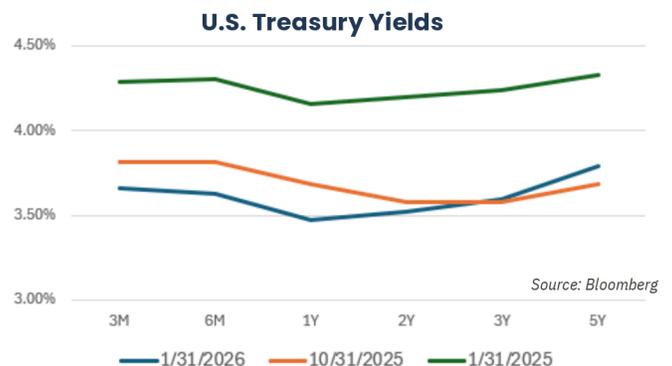
## Market Summary

Recent economic data point to moderating inflation and a continued rebalancing in labor market conditions. Although price pressures remain modestly above the Federal Reserve’s longer-run target, the unemployment rate has declined to 4.3%. As the data flow stabilizes, the Chandler team expects further yield curve steepening as the Federal Reserve gradually guides the policy rate toward a more neutral range. One additional 25-basis-point rate cut may occur in the first half of 2026, while U.S. trade and fiscal policy remain key sources of elevated market uncertainty.

The Federal Reserve’s January Federal Open Market Committee meeting concluded with policymakers maintaining the target range at 3.50%–3.75%, following three consecutive 25-basis-point cuts at the end of 2025. However, officials remained divided on the policy outlook, as Governors Christopher Waller and Stephen Miran dissented in favor of an additional rate reduction. Meanwhile, the future policy regime began to take shape with President Trump’s announcement of Kevin Warsh as his nominee for the next Federal Reserve Chair.

The US Treasury yield curve steepened in January, as the 2-year Treasury yield rose 4 basis points to 3.52%, the 5-year Treasury was up 6 basis points to 3.79%, and the 10-year Treasury yield was 7 basis points higher at 4.24%. The spread between the 2-year and 10-year Treasury yield points on the curve was 2 basis points wider from December at +71 basis points at January 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 +58 basis points in January versus +54 basis points in December.

The U.S. Treasury market was not immune to the volatility that struck capital markets in January. Geopolitical turmoil and concerns over tech and software stocks’ AI exposure roiled equities and whipsawed the MOVE Index. The month ended with a slightly steeper yield curve, reflecting an almost parallel upward shift across maturities. Escalating conflicts across all four hemispheres—along with Federal Reserve officials facing DOJ subpoenas—could drive Treasury yields lower via a flight-to-quality trade in the first half of 2026.



## Credit Spreads

Credit spreads were tighter in December

	Spread to Treasuries	One Month Ago	Change
3-month top rated commercial paper	-	0.03	(0.03)
2-year A corporate note	0.30	0.36	(0.06)
5-year A corporate note	0.47	0.51	(0.03)
5-year Agency note	0.04	0.03	0.01

Source: Bloomberg; data as of 12/31/2025

## Treasury Yields

Volatility picks up in the U.S. Treasury market

Treasury Yields	Trend	1/30/2026	12/31/2025	Change
3 month	▲	3.66	3.63	0.03
2 year	▲	3.52	3.48	0.04
3 year	▲	3.59	3.54	0.05
5 year	▲	3.79	3.73	0.06
7 year	▲	4.01	3.94	0.07
10 year	▲	4.24	4.17	0.07
30 year	▲	4.87	4.85	0.02

Source: Bloomberg

## Market Data

Data as of 1/30/2026 unless otherwise noted

	1-Mo Chg	% Chg
<b>S&amp;P 500</b>		
9,939.03	93.53	1.37%
<b>NASDAQ</b>		
23,461.82	219.83	0.95%
<b>Dow Jones</b>		
48,492.47	829.18	1.73%
<b>FTSE (UK)</b>		
10,223.54	292.16	2.94%
<b>DAX (Germany)</b>		
24,538.81	48.40	0.20%
<b>Hang Seng (Hong Kong)</b>		
27,387.11	1,756.57	6.85%
<b>Nikkei (Japan)</b>		
53,322.85	2,983.37	5.93%

### 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

### Consumer Prices

On the headline basis, inflation moderated in January with the Consumer Price Index (CPI) rising 0.2% for the month, down from 0.3% in December. On an annual basis, headline CPI eased to 2.4% from 2.7% a year earlier. Core CPI, which excludes volatile food and energy prices, edged up to 0.3% in January from 0.2% the previous month, while the annual rate eased slightly to 2.5% from 2.6%. The Personal Consumption Expenditures (PCE) Index for October and November, released on January 22, showed headline inflation rising 0.2% in each month, driven by increases in both goods and services. On an annual basis, headline PCE inflation advanced 2.7% in October and 2.8% in November. Core PCE, which excludes food and energy, also rose 0.2% month-over-month in both months, while the annual rate edged up from 2.7% to 2.8% in November.

### Retail Sales

Inclement weather may have contributed to Retail Sales missing analyst estimates in December. Advanced Retail Sales were unchanged on a month-over-month basis for the second consecutive month and increased at 2.4% on an annual basis. The control group measure, which feeds into GDP, unexpectedly declined -0.1% versus an estimate to rise 0.4% from November. The government shutdown may have weighed on consumer confidence regarding jobs, incomes, and overall financial conditions, both current and in the future. The Conference Board's Consumer Confidence Index declined by 9.7 points to 84.5 in January from an upwardly revised 94.2 in December, sinking to its lowest level since 2014 and resuming the downtrend after a brief year-end uptick. Consumers grew more pessimistic about both current and future business conditions and the labor market.

### Labor Market

The January Nonfarm Payrolls report exceeded expectations, adding 130,000 jobs compared to the forecast of 65,000. Job gains were concentrated in the private education and health services sectors, while government employment posted the largest decline. Meanwhile, the unemployment rate declined for a second straight month to 4.3% in January, according to the Bureau of Labor Statistics. Taken together, the data suggest the labor market may be showing signs of stabilization at the start of 2026.

### Housing Starts

The S&P CoreLogic Case-Shiller 20-City Composite Home Price Index rose 1.4% year over year in November, holding near the slowest annual pace since mid-2023. Short-term momentum softened further, with 15 of the 20 tracked markets reporting month-over-month declines on a non-seasonally adjusted basis as elevated mortgage rates and affordability challenges continued to weigh on demand. Housing starts declined in October to an annualized rate of 1.25 million units, adding 875,000 single-family starts and 372,000 multifamily starts. The Freddie Mac 30-year fixed mortgage rate trended lower, ending January at 6.10%.

Economic Indicator	Current Release	Prior Release	One Year Ago
Trade Balance	(70.31) \$B Dec. 31	(53.04) \$B Nov. 30	(96.95) \$B Dec. 31
Gross Domestic Product	1.40% Dec. 31	4.40% Sep. 30	1.90% Dec. 31
Unemployment Rate	4.30% Jan. 31	4.40% Dec. 31	4.00% Jan. 31
Prime Rate	6.75% Jan. 30	6.75% Dec. 31	7.50% Jan. 31
Refinitiv/CoreCommodity CRB Index	320.09 Jan. 30	298.78 Dec. 31	304.95 Jan. 31
Oil (West Texas Int.)	\$65.21 Jan. 30	\$57.42 Dec. 31	\$72.53 Jan. 31
Consumer Price Index (YoY)	2.40% Jan. 30	2.70% Dec. 31	3.00% Jan. 31
Producer Price Index (YoY)	2.00% Dec. 31	2.70% Nov. 30	2.80% Dec. 31
Euro/Dollar	1.19 Jan. 30	1.17 Dec. 31	1.04 Jan. 31

Source: Bloomberg

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