



March 2026 Bond Market Review

Market Summary

February economic data continued to reflect the measured disinflationary progression that has characterized conditions throughout the post-pandemic normalization cycle, with price pressures maintaining a trajectory toward the Federal Reserve longer-run objective while remaining modestly above the 2.0% target. The unemployment rate edged up to 4.4%, remaining in a historically lower range and affirming that the labor market has shown recent stability following an extended sequence of gradual softening. With no Federal Open Market Committee (FOMC) meeting scheduled for February, the target range of 3.50% to 3.75% remained unchanged throughout the month, and market participants continued to assign meaningful probability to at least one additional 25-basis point rate reduction in 2026. U.S. trade and fiscal policy continue to represent important sources of elevated market uncertainty, while escalating geopolitical tensions contributed to a notable flight-to-quality bid in Treasury securities that drove yields sharply lower across the curve.

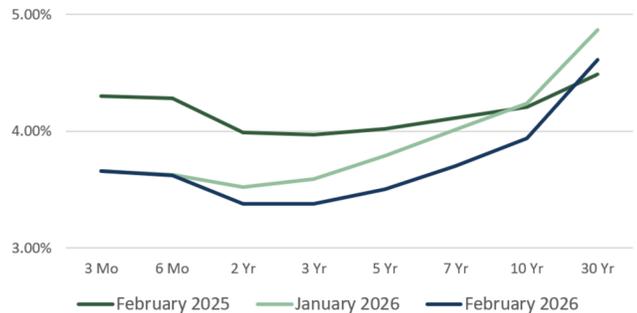
The Federal Reserve did not convene in February, consistent with its scheduled meeting calendar, with the next policy decision anticipated at the March Federal Open Market Committee meeting. The target range remains at 3.50% to 3.75%, following three consecutive 25-basis-point reductions at the end of 2025. Senate confirmation proceedings for Kevin Warsh, President Trump nominee to succeed Chair Jerome Powell as Federal Reserve Chair, advanced during February, introducing a consequential dimension of institutional uncertainty into an already divided policy outlook. Market-implied probabilities for a rate reduction at the March FOMC meeting remained subdued, while the Chandler team continues to expect a 25 basis point cut in the second half of 2026. Although the February outcome represented a temporary departure from this view and a steeper term structure, the medium-term expectation for yield curve steepening remains intact, supported by ongoing Federal Reserve policy normalization.

The US Treasury yield curve flattened in February as yields fell across all maturities, driven by escalating trade policy uncertainty, emerging stagflation concerns, and intensifying geopolitical risk that collectively prompted investors to seek the relative safety of U.S. Treasuries.

The 10-year Treasury yield declined 30 basis points to close the month at 3.94%, crossing below the psychologically significant 4.0% threshold for the first time in several months, while the 2-year yield fell 15 basis points to 3.38%, its lowest closing level since August 2022. The 5-year Treasury was down 29 basis points to 3.50%.

The spread between the 2-year and 10-year Treasury yield points on the curve was 15 basis points tighter from January at +56 basis points at February month-end. The spread between the 2-year Treasury and 10-year Treasury yield one year ago was +22 basis points. The spread between the 3-month and 10-year Treasury yield points on the curve was +28 basis points in February versus +58 basis points in January.

U.S. Treasury Yields



Source: Bloomberg

Credit Spreads

Credit spreads were wider in February

	Spread to Treasuries	One Month Ago	Change
3-month top rated commercial paper	0.01	0.00	0.01
2-year A corporate note	0.38	0.30	0.08
5-year A corporate note	0.60	0.47	0.13
5-year Agency note	0.05	0.04	0.01

Source: Bloomberg; data as of 2/27/2026

Treasury Yields

Yields drop in the U.S. Treasury market

Treasury Yields	Trend	2/27/2026	1/30/2026	Change
3 month	-	3.66	3.66	0.00
2 year	▼	3.38	3.52	-0.15
3 year	▼	3.38	3.59	-0.21
5 year	▼	3.50	3.79	-0.29
7 year	▼	3.70	4.01	-0.31
10 year	▼	3.94	4.24	-0.30
30 year	▼	4.61	4.87	-0.26

Source: Bloomberg

Market Data

Data as of 2/27/2026 unless otherwise noted

	I-Mo Chg	% Chg
S&P 500		
6878.88	(60.15)	-0.87%
NASDAQ		
22,668.21	(793.61)	-3.38%
Dow Jones		
48,977.92	85.45	0.17%
FTSE (UK)		
10,910.55	687.01	6.72%
DAX (Germany)		
25,284.26	793.85	3.24%
Hang Seng (Hong Kong)		
26,630.54	(756.57)	-2.76%
Nikkei (Japan)		
58,850.27	8,510.79	16.91%

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

Inflation firmed slightly in February on a headline basis, with the Consumer Price Index (CPI) rising 0.3% for the month, following a 0.2% increase in January. On an annual basis, headline CPI rose 2.4%, unchanged from January. Core CPI, which excludes volatile food and energy prices, increased 0.2% in February, down from January's 0.3% pace, while the annual rate held steady at 2.5%. The Personal Consumption Expenditures (PCE) Index rose 0.3% in January, easing from a 0.4% gain in December. On a year-over-year basis, headline PCE also edged down to 2.8% from 2.9% the prior month. Core PCE held steady at 0.4% on the month but ticked up to 3.1% annually from 3.0% in December, driven largely by higher healthcare services costs.

Retail Sales

Retail sales edged down 0.2% in January from December, driven by a decline in vehicle sales, but were up 3.2% on a seasonally adjusted annual basis. The control group measure, which feeds directly into GDP calculations, rose 0.3% from the prior month, matching expectations. Adverse winter weather continued to restrain retail activity during the month. The Conference Board's Consumer Confidence Index rose to 91.2 in February from an upwardly revised 89.0 in January. Confidence improved amid signs of labor market stability and moderating inflation. However, the survey noted an increase in respondents citing concerns about the overall cost of goods as well as political and trade uncertainties.

Labor Market

The February Nonfarm Payrolls report showed an unexpected decline of 92,000 jobs, contrasting with expectations for a 55,000 increase. The loss partly reflected a month-long strike involving more than 30,000 Kaiser Permanente employees, while severe winter weather further weighed on hiring. Even so, payroll declines were broad-based across several industries. The unemployment rate rose to 4.4% in February, according to the Bureau of Labor Statistics. The unexpectedly weak jobs report may prompt renewed concerns about the labor market's recent stability.

Housing Starts

Housing starts rose 7.2% in January to an annualized pace of 1.487 million units, including 935,000 single-family and 552,000 multifamily starts. The December S&P Cotality Case-Shiller 20-City Composite Home Price Index posted a 1.3% year-over-year gain in 2025 on a non-seasonally adjusted basis—the weakest annual increase since 2011. Notably, inflation outpaced home price appreciation in the second half of the year, ending a 10-year trend of positive real returns. Over the same period, the Freddie Mac 30-year fixed mortgage rate continued to edge lower, reaching 5.98 percent by the end of February.

Economic Indicator	Current Release	Prior Release	One Year Ago
Trade Balance	(54.56) \$B Jan. 30	(70.31) \$B Dec. 31	(131.40) \$B Jan. 31
Gross Domestic Product	2.0% Dec. 31	4.30% Sep. 30	2.40% Dec. 31
Unemployment Rate	4.40% Feb. 28	4.30% Jan. 31	4.20% Feb. 28
Prime Rate	6.75% Feb. 27	6.75% Jan. 30	7.50% Feb. 28
Refinitiv/CoreCommodity CRB Index	312.67 Feb. 27	320.09 Jan. 30	301.83 Feb. 28
Oil (West Texas Int.)	\$67.02 Feb. 27	\$65.21 Jan. 30	\$69.76 Feb. 28
Consumer Price Index (YoY)	2.40% Jan. 30	2.40% Jan. 30	3.00% Jan. 31
Producer Price Index (YoY)	1.70% Feb. 28	2.00% Dec. 31	2.14% Feb. 28
Euro/Dollar	1.18 Feb. 27	1.19 Jan. 30	1.04 Feb. 28

Source: Bloomberg

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