

Cash Flow and Carey



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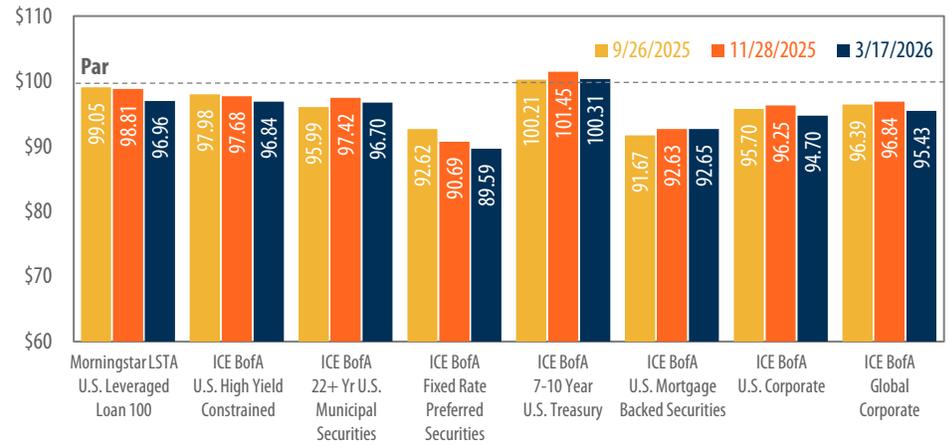
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The Morningstar LSTA U.S. Leveraged Loan 100 Index is a market value-weighted index designed to measure the performance of the largest segment of the U.S. syndicated leveraged loan market. The ICE BofA U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions with a remaining term to maturity greater than or equal to 22 years. The ICE BofA Fixed Rate Preferred Securities Index tracks the performance of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The ICE BofA 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity between 7 to 10 years. The ICE BofA U.S. Mortgage Backed Securities Index tracks the performance of U.S. dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market. The ICE BofA U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets.

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A Snapshot of Bond Valuations

Par Weighted Price of Bond/Income Indices



Source: Bloomberg, Bank of America. **Past Performance is no guarantee of future results.**

View from the Observation Deck

Today's post is intended to provide insight into the movement of bond prices amidst the current investment climate and prevailing interest rate policy. Aside from the most recent data, other dates in the chart are from prior times we've written on this topic. [Click here](#) to view our last update to this series **Since our last update in December 2025, prices have declined for all but one of the indices in today's chart.**

We also note that price observations for five of the eight indices now sit at time series lows, reflecting surging yields and increasing credit spreads amidst weakening jobs data, a downward revision to Q4'25 GDP, and a larger-than-expected increase in February's producer prices. By contrast, prices for long-duration municipal securities and intermediate term U.S. treasuries increased over the time series despite slight weakness since 11/28/25.

Inflation remains above the Federal Reserve's ("Fed") stated goal of 2.0% but currently rests below its long-term average.

Inflation, as measured by the trailing 12-month rate of change in the Consumer Price Index (CPI), stood at 2.4% in February 2026, down from its most recent high of 3.0% in September 2025. This marks the second month in a row where the CPI was below its 25-year average of 2.5%.

Takeaway

At last year's close, the 2026 year-end target rate implied by the federal funds rate futures market stood at 3.05%, representing a decline of 70 basis points over at least two cuts during the year. Much has changed since then, including heightened geopolitical risks from the war in Iran, surging energy prices, higher than expected producer prices, and downward revisions to Q4'25 U.S. GDP. On 3/17/26, the federal funds rate futures market revealed that investors expect fewer rate cuts in 2026 (just one) and a higher year-end target rate (3.38%). As we see it, today's chart reflects these expectations, with prices for all but one of the Indices we track declining since our last review of this topic (fixed income prices and yields typically move in opposite directions). By contrast, prices of long-dated U.S. municipal securities and intermediate U.S. government bonds each increased since our observations on 9/26/25. We don't find the increase in credit spreads revealed by this data overly alarming as spreads often rise during periods of heightened risk like those outlined above. We will keep close watch on the data and report back as necessary.