

Cash Flow and Carey



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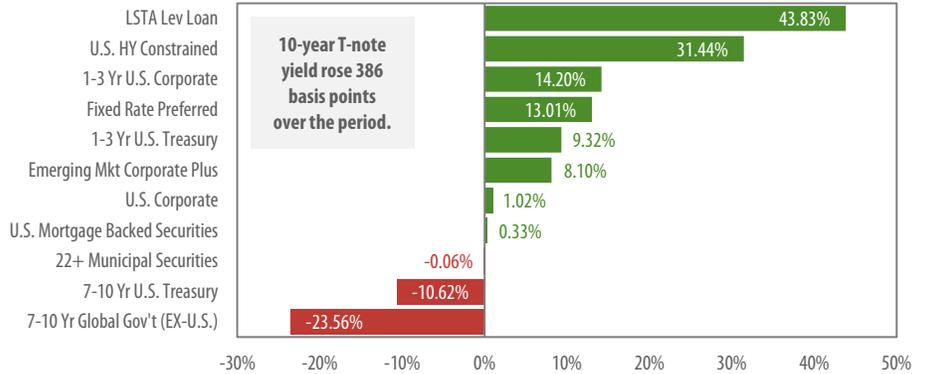
3/26/26

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 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 Morningstar LSTA U.S. Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The ICE BofA Emerging Markets Corporate Plus Index tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. 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 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 1-3 Year U.S. Corporate Index is a subset of the ICE BofA U.S. Corporate Index including all securities with a remaining term to maturity of less than 3 years. The ICE BofA 1-3 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 of less than 3 years. 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 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 7-10 Year Global Government (ex U.S.) Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency with a remaining term to maturity between 7 to 10 years, excluding those denominated in U.S. dollars. 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.

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How Bonds Have Fared Since 8/4/20

Bond Index Total Returns (8/4/20 – 3/24/26)



Source: Bloomberg. Past performance is no guarantee of future results. Index returns reflect the performance of ICE BofA Indices.

View from the Observation Deck

Today's post provides a snapshot of the total returns of 11 major bond indices since 8/4/20. We chose this as the starting date because the yield on the 10-year Treasury note (T-note) closed at an all-time low of 0.51% that day, according to data from Bloomberg. The 10-year T-note's yield increased substantially since then, climbing to 4.99% on 10/19/23 (most-recent high) before settling at 3.62% on 9/16/24 (most-recent low). On 3/24/26, the yield on the 10-year T-note stood at 4.36%, representing an increase of 386 basis points from its all-time low. To view the last post we did on this topic, [click here](#).

Eight of the 11 debt categories presented in today's chart registered positive total returns over the period.

This marks an improvement from our last post on this topic (July 2025) when just six categories were positive but masks the fact that most of these asset classes have generated negative total returns so far in 2026. At just 0.07%, the 1-3 Year U.S. Corporate Bond Index is the only index in today's chart with a positive total return year-to-date (YTD) through 3/24. We suspect some investors will find this surprising given fixed income assets generally act as havens during periods of economic and geopolitical turmoil like those we are currently experiencing.

Expectations regarding upcoming Federal Reserve ("Fed") policy decisions have exhibited significant variance this year, lending context to recent returns among fixed income asset classes.

As of 12/31/25, the federal funds rate futures market implied more than two cuts were expected throughout 2026. In a stunning reversal, the market now implies that the Fed could raise its policy rate by year's end. In our estimation, this rapid reversal is likely the result of surging energy prices (and their subsequent pressure on near-term consumer price index levels) as well as heightened geopolitical risks resulting from the war with Iran.

Let's get real.

Inflation, as measured by the trailing 12-month rate of change in the consumer price index (CPI) stood at 2.4% in February 2026. As we noted in our discussion from Thursday of last week, February's result marks the second month in a row where the CPI was below its 25-year average of 2.5%. By contrast, the 10-year T-note offered a yield of 4.36% on 3/24/26, representing a real yield (yield minus inflation) of 1.96%. While we expect near-term CPI may increase (as energy prices are reflected in the data) we do not expect the return of negative real yields seen in COVID's wake.

Takeaway

Total returns for ten of the eleven fixed income indices tracked in today's chart have improved since our last post on this topic in July 2025. That said, YTD returns reflect mounting headwinds which stifled this momentum. Notably, the 1-3 Year U.S. Corporate Index is the only index in today's chart with a positive total return YTD through 3/24. In a stark reversal from the start of the year, investors now largely expect the Fed may increase interest rates in 2026, pressuring fixed income prices. As the fourth week of the war with Iran ends, we are reminded that there is no way to gauge its duration, and therefore the depth of its impact on global markets. Will energy price shocks lead to restrictive central bank policy in the coming months, or will a cease fire ease these mounting pressures first? We plan to update this discussion as conditions warrant.