

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist



Peter Leonteos
Market Strategist

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Real Rate of the 10-Year Treasury Note

Historical Real Rates Of Return On 10-Yr. Treasury Note (T-Note)

Year	10-Yr. T-Note (Year-End & 5/5/26)	CPI YoY (Year-End & 3/31/26)	Real Rate (Yield-CPI)
2026	4.4%	3.3%	1.1%
2025	4.2%	2.7%	1.5%
2024	4.6%	2.9%	1.7%
2023	3.9%	3.4%	0.5%
2022	3.9%	6.5%	-2.6%
2021	1.5%	7.0%	-5.5%
2020	0.9%	1.4%	-0.5%
2019	1.9%	2.3%	-0.4%
2018	2.7%	1.9%	0.8%
2017	2.4%	2.1%	0.3%
2016	2.5%	2.1%	0.4%
2015	2.3%	0.7%	1.6%
2014	2.2%	0.8%	1.4%
2013	3.0%	1.5%	1.5%
2012	1.8%	1.7%	0.1%
2011	1.9%	3.0%	-1.1%
2010	3.3%	1.5%	1.8%
2009	3.8%	2.7%	1.1%

Source: Bloomberg. Past performance is no guarantee of future results.

10-Yr. T-Note yields are rounded. The 5/5/26 yield is as of 4:00PM CST. CPI rates are measured year-over-year (YoY) and NSA.

View from the Observation Deck

We update this table from time to time to monitor the impact of interest rate policy on the longer-term fixed income market, as represented by the U.S. 10-Year Treasury Note (T-note). At a minimum, bond investors typically seek to generate a yield that outpaces the rate of inflation over time, allowing them to maintain a base level of purchasing power. A bond's real yield - calculated by subtracting the most recent inflation rate, such as the Consumer Price Index (CPI), from the bond's current yield - is a simple way to measure this.

The yield on the benchmark 10-year T-note was 4.43% (4.4% rounded) on 5/5/26, above the 3.3% trailing 12-month rate on the CPI in March 2026. That equates to a real rate of 1.1%.

For comparative purposes, over the 30-year period ended 4/30/26, the average monthly yield on the 10-year T-note was 3.63% (3.6% rounded), while the CPI averaged 2.5% between 3/31/96 and 3/31/26, according to data from Bloomberg. Those figures translate into an average real yield of 1.1%, on par with the current real rate offered by the T-note. For continued comparison, the S&P 500 Index experienced an average annual total return of 10.3% for the 30-year period ended 4/30/26.

As of 4/30/26, the federal funds target rate (upper bound) stood at 3.75%, down from its most recent high of 5.50% on 8/30/24.

As the table shows, the trailing 12-month rate of change in the CPI was 3.3% at the end of March 2026, significantly lower than its most recent peak of 9.1% in June 2022, but up substantially from 2.4% in February 2026. As we see it, recent increases in the pace of rising prices may explain, in part, the recent policy inaction at the Federal Reserve ("Fed"). The federal funds target rate has been unchanged since 12/11/25 when it declined from 4.00% to 3.75%.

Takeaway

At 1.1%, the real yield offered by the 10-year T-note currently matches its long-term historical average. Recent energy price shocks resulting from the closure of the Strait of Hormuz and persistent war in Iran pushed the pace of consumer price increases to their highest level since May 2024. Central bank policy rate expectations adjusted in lockstep, with the futures market implying zero interest rate cuts in 2026, down from more than two cuts at the start of the year. As always, these estimates are likely to change with new information. We suspect energy prices will plummet at the resolution of the Iranian war, which could put rate reductions back on the table as the rate of change in the CPI declines. Stay tuned!