



The U.S. equity markets reversed course in the first quarter as geopolitical and inflation concerns increased during the quarter. The Federal Open Market Committee (FOMC) met in late-January and mid-March and maintained the Fed Funds target range at 3.50% – 3.75%. The March FOMC statement highlighted, “In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.” U.S. Real Gross Domestic Product (GDP) slowed in the fourth quarter to an annualized rate of +0.70%, and 2.1% for 2025. Inflation, as measured by the U.S. Consumer Price Index (CPI), rose by 2.4% for the twelve-month period ending in February, while Core CPI (ex-food and energy) rose 2.5% for the same period. The Bureau of Labor Statistics (BLS) reported that the unemployment rate ticked slightly lower to 4.4% in February, while the U6 measure, which includes the unemployed, underemployed workers, and those marginally attached to the labor force, decreased to 7.9% for the same period. The Conference Board Consumer Confidence Index increased slightly to 91.8 in March. Additionally, the closely followed University of Michigan Consumer Sentiment Survey reported a final March reading of 53.3, down month-over-month, but up from 2025 year-end.

The S&P 500 reversed its positive trajectory from the prior quarter to post a negative first-quarter return of -4.6%, while the tech-heavy NASDAQ 100 returned -5.9% for the quarter. The Bloomberg U.S. Aggregate Index generated a negative return of -0.05%. The 2-10 yield curve flattened by 18 bps, as the 2-year Treasury yield increased 31 bps to 3.79%, while the 10-year Treasury increased by 13 bps to finish the quarter at 4.30%. During the quarter, U.S. Treasuries returned -0.04%, while other major investment grade bond sectors were mixed: Investment Grade (IG) corporate bonds returned -0.54%, U.S. Agency Securities +0.22%, Mortgage-Backed Securities +0.40%, Commercial MBS +0.32% and Asset-Backed Securities +0.31%. U.S. High Yield Corporate Bonds were impacted by the risk-off trade in the quarter, generating a negative return of -0.50%.

At the end of 2025, the PIA Investment Strategy

Group (ISG) was confident that the cyclical risks to the U.S. economy in the 2026 election-year would be largely mitigated by pro-growth fiscal and monetary policy. Likewise, we believed the risk of stagflation was minimal, given the continued strength in the U.S. economy, driven by both consumer and government spending and significant investment in AI-related software and infrastructure. However, we did view inflation as our primary economic concern, largely due to three rate cuts in the back half of 2025 in the face of stubbornly elevated inflation readings and an Administration that wanted the U.S. economy to run “hot”. One quarter into 2026, the labor market remains strong, confounding many prognosticators, as job creation remains well below the historical monthly equilibrium level, albeit congruent with reduced population growth and near-zero immigration policy. The sustained low unemployment, coupled with elevated inflation concerns, supports our expectation for potentially no additional rate cuts in 2026. The historically high productivity trend established over the past couple years has continued into 2026 supported by technology, remote/hybrid work, and the low-hire low-fire environment. AI will likely remain an enigma for the foreseeable future, but PIA leans optimistically towards the productivity-enhancing camp, rather than the job destruction camp. We’re also encouraged by the recent trend away from defensive stocks toward cyclicals and away from precious metals toward industrial metals. Hence, our 2026 fundamental outlook for the U.S. economy and interest rates remains healthy, with a bias toward a steepening yield curve driven by slight downward pressure on the short-end and a potential for modest upward pressure on long-term rates.

All that said, investment management is largely about pricing risks, which involves skillfully calculating probabilities for known outcomes and risks that are quantifiable. Today’s geopolitical climate presents additional challenges with uncertain actors and objectives. Calculating risk premiums commensurate with the current geopolitical risks requires an analysis of the economic impact of the wars in Ukraine and in the Middle East, anti-NATO rhetoric, Central Bank independence, ballooning U.S. debt and deficits, tariff-impaired global supply chains, and a secular decline of the U.S. Dollar. We believe the net impact of these, and other geopolitical factors, will likely lead to continued



uncertainty and ongoing inflation concerns that will favor solid corporate balance sheets and result in a steeper yield curve.

PIA shifted portfolio duration slightly shorter to “true” neutral relative to our respective benchmarks. We maintained our modest credit overweight, with a focus on high quality credits with strong balance sheets. Our Industrial credits provide incremental risk-adjusted yield, and our Financials are senior domestic debt we

believe offer attractive compensation for their sector volatility. We reduced our modest overweight in Agency MBS during the quarter, given recent excess returns. In our Plus strategies, we maintained our modest high yield credit exposure, as these spreads/yields continue to offer incremental income.

PIA Investment Strategy Group



INDEX RETURNS	QTD	YTD	1-Year
<b>Bloomberg</b>			
Universal	-0.15%	-0.15%	4.64%
Aggregate	-0.05	-0.05	4.35
Gov-Credit	-0.20	-0.20	3.86
Int. Gov-Credit	-0.02	-0.02	4.41
IG - Corporate	-0.54	-0.54	4.78
Treasury only	-0.04	-0.04	3.25
1-3 year Gov	0.27	0.27	3.77
High Yield Corporate	-0.50	-0.50	7.01

INDEX RETURNS	QTD	YTD	1-Year
<b>Bloomberg</b>			
Global Aggregate	-1.07%	-1.07%	4.26%
Emerging Markets Debt	-1.35	-1.35	7.11
ICE BofA -1-year T-Note	0.59	0.59	3.67
S&P 500	-4.35	-4.35	17.77
DJIA	-3.19	-3.19	12.28
NASDAQ 100	-5.82	-5.82	23.99
MSCI EAFE	-1.08	-1.08	21.99

SECTOR RETURNS	QTD	QTD (Excess)	YTD	YTD (Excess)
<b>Treasury (actual returns)</b>	-0.04%	—	-0.04%	—
U.S. Agency	0.22	0.05	0.22	0.05
Mortgage Backed Security	0.40	0.16	0.40	0.16
Commercial Mtg Backed Security	0.32	0.33	0.32	0.33
Corporate	-0.54	-0.49	-0.54	-0.49
Financials	-0.67	-0.67	-0.67	-0.67
Industrials	-0.46	-0.41	-0.46	-0.41
Utilities	-0.48	-0.42	-0.48	-0.42
AAA-rated	-0.71	-0.49	-0.71	-0.49
AA-rated	-0.45	-0.39	-0.45	-0.39
A-rated	-0.54	-0.50	-0.54	-0.50
BBB-rated	-0.55	-0.51	-0.55	-0.51
High Yield Corporate	-0.50	-0.73	-0.50	-0.73

Source: Bloomberg  
Excess returns are the return achieved by a security (or portfolio of securities) above the return of a benchmark.

CREDIT SPREADS	3/31/26	12/31/25	12/31/25
<b>All Index Treasuries (yield)</b>	2.2	1.4	1.4
U.S. Agency	20.0	22.2	22.2
Mortgage Backed Security	71.9	71.7	71.7
Commercial Mortgage Backed Security	72.9	76.5	86.5
IG - Corporate	90.3	78.4	78.4
Financials	96.0	78.1	78.1
Industrials	86.3	77.3	77.3
Utilities	94.8	85.7	85.7
AAA-rated	43.4	36.5	36.5
AA-rated	57.0	49.2	49.2
A-rated	75.9	64.6	64.6
BBB-rated	111.8	98.2	98.2
High Yield Corporate	348.4	291.5	291.5

Source: Bloomberg

KEY INDICATORS	3/31/26	12/31/25
U.S. \$ Index (DXY)	99.96	98.32
Oil (CL1)	101.4	57.4
Commodity Research Bureau (CRB)	372.4	298.8
Gross domestic Product (GDP)	0.5	0.5
Consumer Price Index (CPI)	3.3	2.7
Core CPI (Ex - Food & Energy)	2.6	2.6
Consumer Confidence	91.8	94.2
Unemployment Rate	4.3	4.4
S&P/Case Shiller - Comp - 20	1.2	1.4

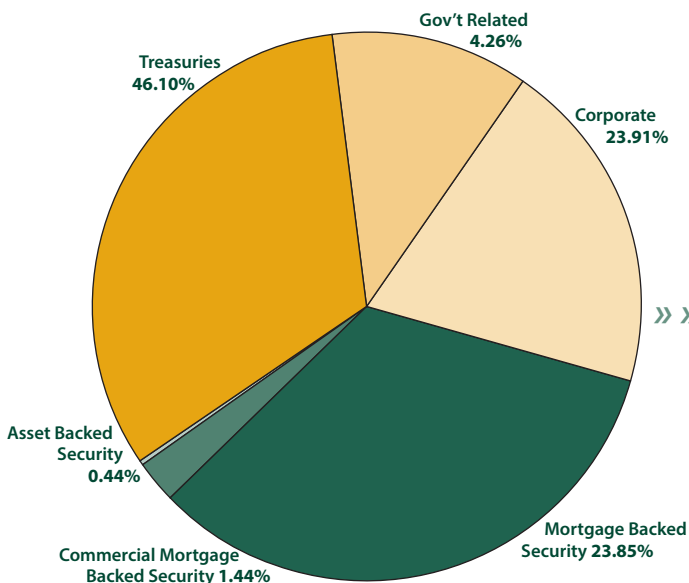
Source: Bloomberg

KEY RATES	1Q26	4Q25	4Q25	QTD Return	YTD Return
Fed Funds	3.75%	3.75%	3.75%	n/a	n/a
<b>On-the-Run's</b>					
3 Months	3.59	3.63	3.63	0.85	0.85
6 Months	3.70	3.61	3.61	0.81	0.81
2 Years	3.80	3.48	3.48	0.23	0.23
5 Years	3.94	3.73	3.73	-0.01	-0.01
10 Years	4.32	4.17	4.17	-0.11	-0.11
30 Years	4.91	4.85	4.85	0.30	0.30

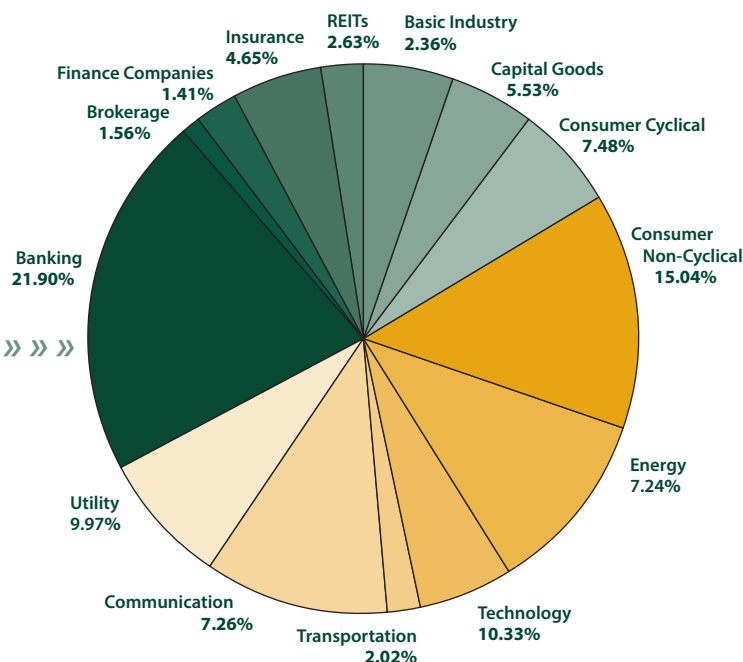
Source: Bloomberg



## BLOOMBERG AGGREGATE



## BLOOMBERG CORPORATE



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### INDEX DESCRIPTION

Bloomberg U.S. Universal Index represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield Index, Investment-Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment-grade or below investment-grade. Some U.S. Universal Index constituents may be eligible for one or more of its contributing subcomponents that are not mutually exclusive. These securities are not double-counted in the index.

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The issues must be rated investment grade, be publicly traded, and meet certain maturity and issue size requirements.

Bloomberg U.S. Government/Credit Bond Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg U.S. Intermediate Government/Credit Bond Index is the Intermediate component of the U.S. Government/Credit index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government).

The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg U.S. Corporate Bond Index covers USD-denominated, investment-grade, fixed-rate, taxable securities sold by industrial, utility, and financial issuers. It includes publicly issued U.S. corporate debentures and secured notes that meet specific maturity, liquidity, and quality requirements. Securities in the index roll up to the U.S. Credit and U.S. Aggregate indices. The U.S. Corporate Index was launched on January 1, 1973.

Bloomberg U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the Index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Bloomberg U.S. 1-3 Year Government Bond Index consist of securities in the U.S. Government Index with a maturity from 1 up to (but not including) 3 years. Securities issued by the U.S. Government (i.e., securities in the Treasury and Agency Indices). Inclusions: Public obligations of the U.S. Treasury with a remaining maturity of one year or more. Publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government.

ICE BofA 1-Year US Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

Bloomberg Corporate U.S. High Yield Index - covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The Yankee sector has been discontinued as of 7/1/00. The bonds in the former Yankee sector have not been removed from the index, but



have been reclassified into other sectors.

*Bloomberg Global Aggregate Index provides a broad-based measure of the global investment-grade fixed-rate debt markets. The Global Aggregate Index contains three major components: the U.S. Aggregate Index (USD 300 million), the Pan-European Aggregate Index (EUR 300 million), and the Asian-Pacific Aggregate Index (JPY 35 billion). In addition to securities from these three benchmarks (94.4% of the overall Global Aggregate market value), the Global Aggregate Index includes Global Treasury, Eurodollar (USD 300 million), Euro-Yen (JPY 35 billion), Canadian (CAD 300 million), and Investment-Grade 144A (USD 300 million) index-eligible securities not already in the three regional aggregate indices. The Global Aggregate Index family includes a wide range of standard and customized subindices by liquidity constraint, sector, quality, and maturity. The Global Aggregate Index is a component of the Multiverse Index.*

*The Bloomberg EM USD Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. The index is broad-based in its coverage by sector and by country, and reflects the evolution of EM benchmarking from traditional sovereign bond indices to Aggregate-style benchmarks that are more representative of the EM investment choice set. Country eligibility and classification as an Emerging Market is rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications. This index was previously called the Barclays US EM Index and history is available back to 1993.*

*S&P 500 Index – The S&P 500 index includes 500 leading companies in leading industries of the U.S. economy.*

*The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*The Dow Jones Industrial Average (DJIA) is an index used to measure the performance of the U.S. financial markets. Introduced on May 26, 1896 by Charles H. Dow, it is the oldest stock price measure in continuous use. Over the past century “the Dow” has become the most widely recognized stock market indication in the U.S. and probably in the entire world. Most of the stocks included in the index are listed on the New York Stock Exchange, and are all large blue-chip companies that reflect the health of the U.S. economy. All but a handful of these have major business operations throughout the world, thus providing some insight into the economic well-being of the global economy.*

*The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No security can have more than a 24% weighting. The index was developed with a base value of 125 as of February 1, 1985. Prior to December 21, 1998 the Nasdaq 100 was a cap-weighted index.*

*MSCI EAFE Index is a capitalization weighted index that monitors the performance of stocks from Europe, Australasia, and the Far East.*

*Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly.*



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