Breckinridge CAPITAL ADVISORS

INVESTING | NOVEMBER 9, 2026

October 2026 Market Commentary



SUMMARY

- **U.S. Treasury Curve:** Treasury yields declined in October, as investors reassessed equity valuations and the Federal Reserve (Fed) paused its tightening cycle.
- **Municipal Market:** Municipal bonds rebounded in October, with the Bloomberg Managed Money Short/Intermediate Index returning 3.79 percent.
- **Corporate Market:** Investment grade (IG) corporate option-adjusted spreads (OAS) widened 10 basis points (bps) to 90bps in October, while new issuance declined to $135.1 billion.
- **Securitized Market:** Agency mortgage-backed securities (MBS) generated a 3.07 percent total return and 48bps of excess return, supported by spread tightening.
- **Equity Market:** The S&P 500 declined 0.87 percent in October, as weakness in Communication Services and Information Technology (IT) offset positive performance across the remaining sectors.

The following commentary is a summary of discussions among members of the Breckinridge Capital Advisors Investment Committee as they reviewed monthly activity in the markets and investment returns. All data is as of October 30, 2026, sourced from Bloomberg unless otherwise noted. The members of the Investment Committee, under the leadership of Co-Chief Investment Officers Matthew Buscone and Jeffrey Glenn, CFA, are Co-Heads of Research Nicholas Elfner and Adam Stern, J.D., M.P.A., and Portfolio Manager and Director, Corporate Research Josh Perez, CFA.

Market Review

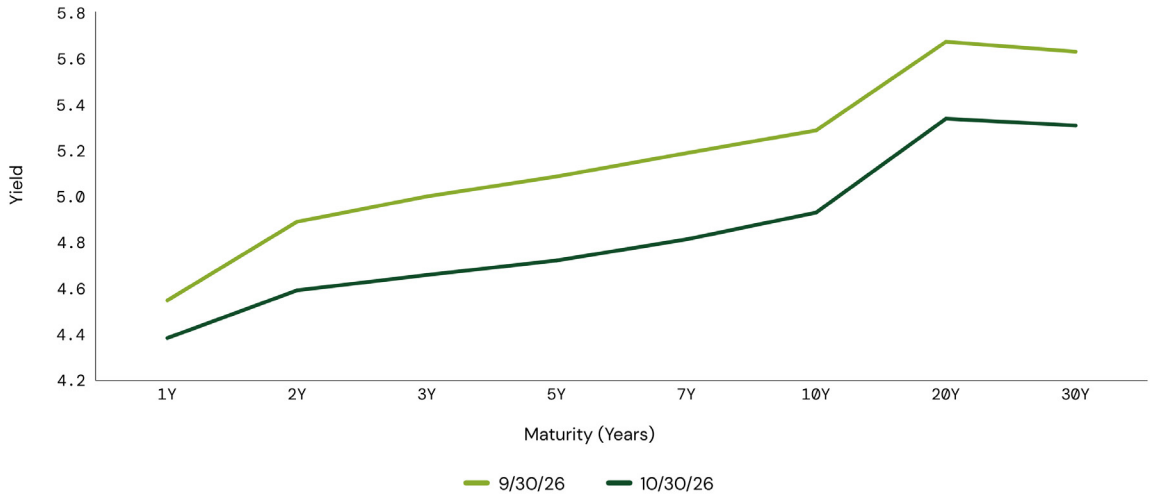
U.S. financial markets saw increased volatility in October, as investors reassessed artificial intelligence (AI)-related investment, geopolitical developments, and the monetary policy outlook. The Nasdaq Composite declined 5.3 percent, while the S&P 500 fell 0.87 percent. Given the rally in Treasury yields, municipal and corporate bonds earned positive returns, per Bloomberg (BBG) indices.

Economic activity remained resilient. U.S. real gross domestic product (GDP) expanded at a 3.4 percent annualized pace in the third quarter, exceeding consensus expectations. Personal consumption and AI-related business investment accounted for nearly all of the reported growth, with government expenditures contributing to a lesser extent. Despite the above-trend pace of economic activity, the Breckinridge Investment Committee (IC) expects growth to moderate toward 2 percent, as higher interest rates weigh on demand and the pace of AI-related investment eventually slows.

Following September's 25bps increase, the Fed maintained its policy rate in October. Inflation remained above the Fed's target but continued to moderate, leading market participants to price in another 25bps increase by the January meeting. The combination of resilient economic activity and persistent inflation reinforced uncertainty surrounding the future path of monetary policy.

The U.S. Treasury yield curve bull flattened during October, as declining equity markets and a pause in Fed tightening supported demand for government bonds (See Figure 1). The 2-year Treasury yield declined 30bps, the 5-year fell 37bps, the 10-year decreased 36bps and the 30-year declined 32bps. The Bloomberg U.S. Treasury Index returned 2.36 percent for the month.

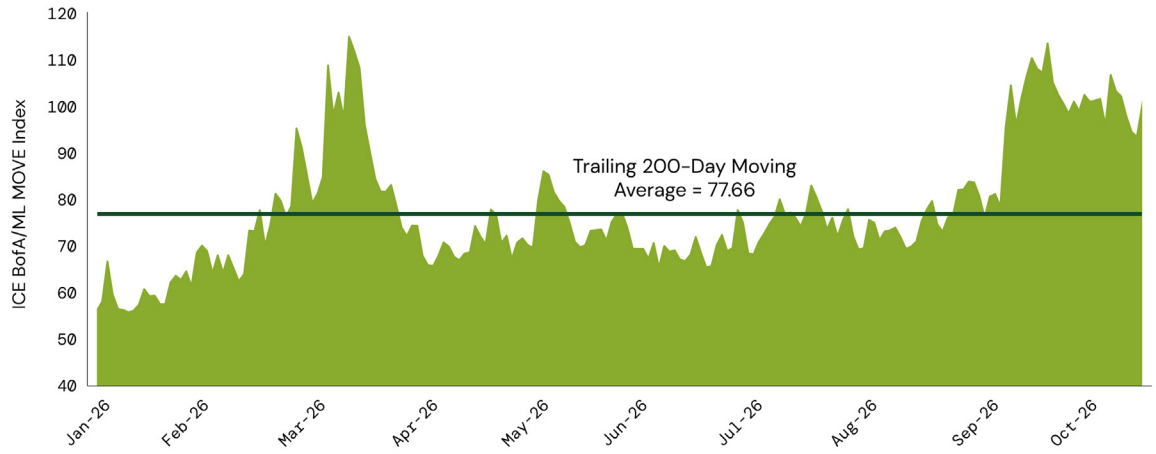
FIGURE 1: TREASURY YIELDS BULL FLATTENED



Source: U.S. Department of the Treasury, as of October 30, 2026.

The ICE Bank of America MOVE Index ended the month at approximately 100, above its trailing 200-day moving average (See Figure 2). Elevated interest rate volatility continued to influence fixed income valuations and investor positioning.

FIGURE 2: BOND MARKET VOLATILITY STAYED ELEVATED IN OCTOBER



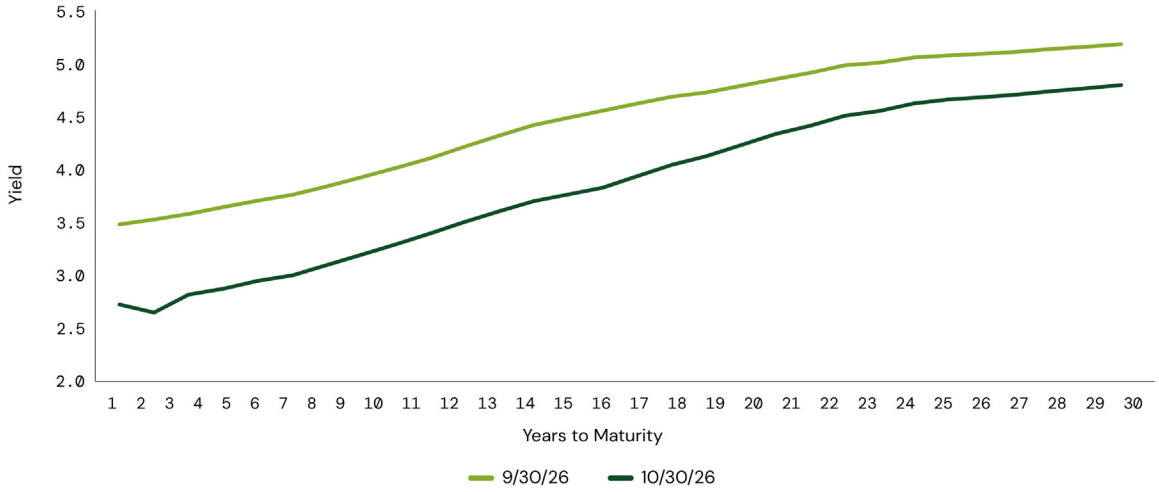
Source: Bloomberg, as of October 30, 2026.

Municipal Market Review

The municipal bond market rebounded in October, reversing much of September's weakness, as yields declined across the curve. The Bloomberg Managed Money Short/ Intermediate Index returned 3.79 percent for the month, while the broader Bloomberg tax-exempt index returned 3.85 percent, its strongest October performance since 1985.

Municipal yields declined across maturities, with the 2-year yield falling 88bps, the 5-year declining 76bps, the 10-year decreasing 71bps, and the 30-year falling 32bps (See Figure 3). The larger declines at shorter maturities resulted in a bull steepening of the municipal yield curve.

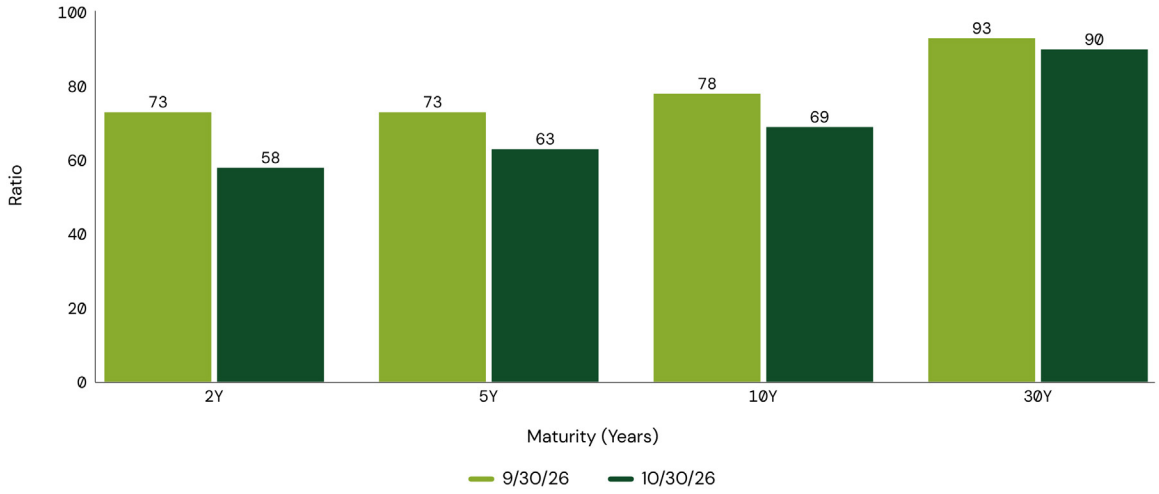
FIGURE 3: MUNICIPAL YIELDS FELL ACROSS THE CURVE



Source: Bloomberg, as of October 30, 2026.

At month-end, Municipal/Treasury (M/T)[1] ratios stood at 58 percent for 2-year bonds, 63 percent for 5-year bonds, 69 percent for 10-year bonds and 90 percent for 30-year bonds (See Figure 4).

FIGURE 4: M/T RATIOS FELL SHARPLY IN THE SHORT END



Source: Bloomberg, as of October 30, 2026.

New issue supply remained elevated but moderated from recent months. Municipal issuance totaled $55.21 billion in October, compared with $58.96 billion in September and approximately $66 billion in August. Lower issuance and higher demand for munis given attractive nominal and tax-equivalent yields contributed to the rally.

Fund flows were mixed. Investment Company Institute data showed municipal fund outflows totaling $16.79 billion. Open-end mutual fund redemptions and bids-wanted associated with tax-loss harvesting were offset in part by strong ETF inflows, supporting the performance of index-eligible municipal bonds.

Municipal credit fundamentals remained stable despite elevated interest rates and rising infrastructure costs. The IC noted that year-over-year economic growth through the second quarter placed California and New York among the 10 strongest states, suggesting continued economic resilience in these higher-tax jurisdictions.

Looking forward, the IC expects attractive tax-equivalent yields and favorable seasonal technicals to support municipal demand. New issuance could increase following the U.S. midterm elections, as borrowing conditions stabilize. The potential for changes in federal tax policy also remains an important consideration for municipal investors.

Corporate Market Review

The Bloomberg U.S. IG Corporate Index OAS widened in October, with substantial dispersion across sectors. Despite wider spreads, declining Treasury yields supported a positive total return of 2.16 percent, while excess return was negative 59bps.

Spread widening was most pronounced in sectors with exposure to AI-related investment and financing activity. Communications spreads widened 34bps, Technology widened 21bps, and Finance widened 14bps. Energy, Health Care, and Banks experienced comparatively modest widening of 3bps, 5bps, and 7bps, respectively. According to Bloomberg sector performance data, Supranationals, Foreign Agencies, Environmental, and Independent and Oil Field Services were among the strongest performers, while Cable Satellite, Wirelines, Media Entertainment, Technology, and Wireless were among the weakest.

1. The Municipal/Treasury (M/T) ratio compares yields of municipal bonds with those of U.S. Treasury bonds of the same maturity. M/T ratios can show the relative value of municipal bonds compared with taxable bonds, by indicating when yields for municipal bonds exceed the after-tax yields on taxable bonds.

Corporate bond issuance declined amid increased market volatility. Gross IG issuance totaled $135.1 billion in October, compared with $229.1 billion in September and $177.1 billion in August. October issuance was approximately 10 percent lower than a year earlier. Redemptions totaled $115.9 billion, resulting in approximately $19.3 billion of net issuance. Investor demand remained supportive despite widening spreads. Investment Company Institute data indicated corporate fund inflows of $32.7 billion during the reported period.

Corporate fundamentals continued to benefit from resilient earnings and margins, although the scale of AI-related capex and associated debt financing presented emerging risks. The IC noted that AI-related debt outstanding has become the third-largest sector exposure by market value within the U.S. IG corporate market and could approach the Banking sector's market value within the next two years. Elevated investment spending, negative free cash flow among some hyperscalers,[2] and uncertainty surrounding AI business models contributed to spread dispersion.

Following October's widening, the IC estimated that IG spreads and yields stood at the 17th and 90th percentiles, respectively, relative to their 20-year histories. While absolute yields remained attractive, valuations and issuer-specific risks warranted continued selectivity.

Securitized Market Review

MONTH-TO-DATE (MTD) & YEAR-TO-DATE (YTD) RETURNS THROUGH OCTOBER 30, 2026:

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index	3.07	0.48	-0.34	-0.29
BBG Agency CMBS Index	1.69	-0.13	0.02	0.28
BBG Non-Agency CMBS Index	1.26	-0.31	0.86	0.68
BBG ABS Auto Loan Index	0.75	-0.13	2.11	0.48
BBG ABS Credit Card Index	0.93	-0.28	1.14	0.13

Source: Bloomberg, as of October 30, 2026.

Agency mortgage-backed securities (MBS) performed well in October, benefiting from declining Treasury yields and tighter spreads. The Bloomberg MBS Index generated a 3.07 percent total return and 48bps of excess return. Spreads on intermediate coupons in the 3.5 percent to 5 percent range tightened approximately 15bps, outperforming both lower- and higher-coupon securities.

The IC continues to view mortgage-related securities through the lens of interest rate volatility, spread valuations, and collateral fundamentals. Agency MBS performance remains sensitive to changes in rate volatility, while differentiated credit and structural characteristics across ABS and CMBS sectors support a selective approach.

Equity Market Review

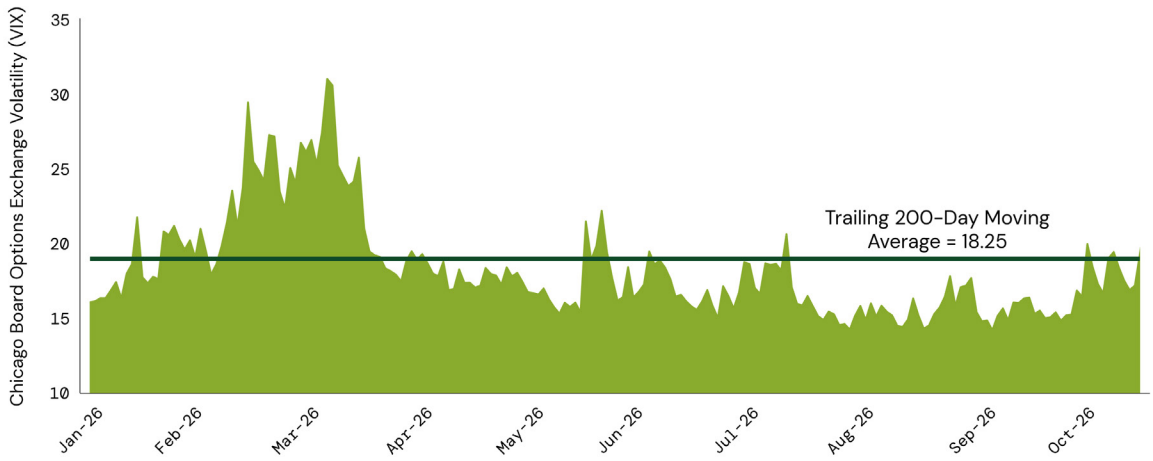
The S&P 500 declined 0.87 percent in October, as losses among several large-cap Technology and Communication Services companies outweighed positive returns across other sectors. More than 70 percent of index constituents generated positive returns, highlighting the influence of index concentration on headline performance.

Communication Services was the weakest-performing sector, declining 15.11 percent, followed by Information Technology, which fell 6.80 percent. Energy led performance with a 14 percent gain, supported by higher oil prices and earnings growth. Consumer Staples rose 11.62 percent, while Utilities and Health Care advanced 10.17 percent and 9.87 percent, respectively.

2. Hyperscalers are large cloud service providers that own and operate outsized global data centers that offer on-demand computing, storage, and networking resources.

Equity market volatility rose modestly in October, as investors reassessed Technology sector valuations and AI-related investment expectations. The Chicago Board Options Exchange Volatility Index (VIX) ended the month near 19, compared with its trailing 200-day moving average of 18.25 (See Figure 5).

FIGURE 5: EQUITY MARKET VOLATILITY ROSE SLIGHTLY



Source: Bloomberg, as of October 30, 2026.

Equity style performance diverged significantly during the month. The Russell 1000 Value Index returned 4.38 percent, while the Russell 1000 Growth Index declined 6.09 percent. Bloomberg factor data identified Value as an outperforming factor and Growth as an underperforming factor, consistent with a rotation away from growth-oriented equities.

Third-quarter earnings reports continued to indicate strong corporate profitability. With approximately 300 S&P 500 companies having reported, Bloomberg data showed sales growth of 13 percent and earnings growth of 29 percent. Energy recorded the strongest earnings growth, followed by Information Technology and Industrials. Nevertheless, elevated earnings expectations and the concentration of index performance in a relatively small number of companies remained important considerations for investors.

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