

September 2026 Market Commentary



SUMMARY

- **U.S. Treasury Curve:** Treasury yields rose sharply, as stronger growth expectations and a Federal Reserve (Fed) rate increase pressured bonds, with 2- through 10-year yields rising approximately 50 to 60 basis points (bps) and the 30-year yield rising approximately 40bps.
- **Municipal Market:** Municipal issuance totaled \$58.96 billion. The Bloomberg Managed Money Short/Intermediate Index declined 3.68 percent.
- **Corporate Market:** The Bloomberg U.S. Corporate Investment Grade (IG) Index option-adjusted spread (OAS) widened 2bps to 80bps, while monthly issuance reached \$227.9 billion.
- **Securitized Market:** Mortgage-backed securities (MBS) and asset-backed securities (ABS) declined 3.38 percent and 0.96 percent, respectively, although ABS generated a positive excess return
- **Equity Market:** The S&P 500 declined 0.35 percent, as gains in Information Technology and Communication Services offset much of the weakness across the remaining sectors.

The following commentary is a summary of discussions among members of the Breckinridge Capital Advisors Investment Committee (IC) as they reviewed monthly activity in the markets and investment returns. All data is as of September 30, 2026, sourced from Bloomberg unless otherwise noted. The members of the IC, 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.



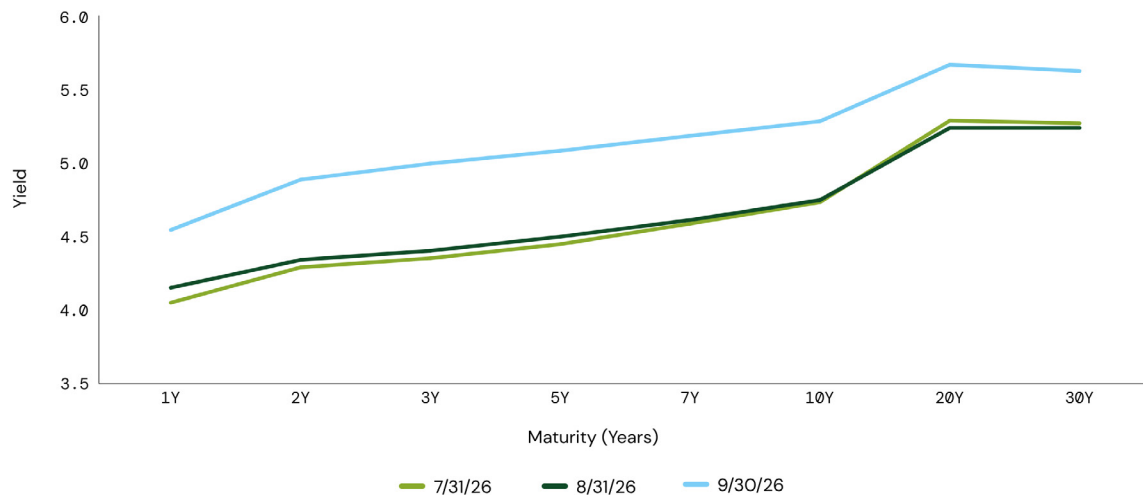
Market Review

Treasury yields rose sharply in September, as stronger economic data and higher oil prices supported expectations for additional rate hikes. Strong purchasing managers' surveys and an above-consensus August labor report contributed to the move. Second-quarter U.S. gross domestic product (GDP) growth was revised higher to 2.2 percent, per the Bureau of Economic Analysis, while the Atlanta Fed reported a trailing 30-day third-quarter GDPNow¹ estimate of 4.4 percent. Consumer spending and artificial intelligence (AI)-related capex remained important drivers of economic activity.

The Fed raised rates by 25bps at its September meeting. Market pricing shifted from expectations for three rate cuts in February to three additional increases by mid-2027. Inflation break-evens² remained stable despite concerns about fiscal conditions and oil prices, leaving higher real yields as a significant component of the rise in Treasury yields.

Treasury yields increased approximately 50 to 60bps across 2- through 10-year maturities and approximately 40bps at 30 years (See Figure 1). The Bloomberg U.S. Treasury Index declined 2.24 percent.

FIGURE 1: TREASURY YIELDS ROSE SHARPLY IN SEPTEMBER



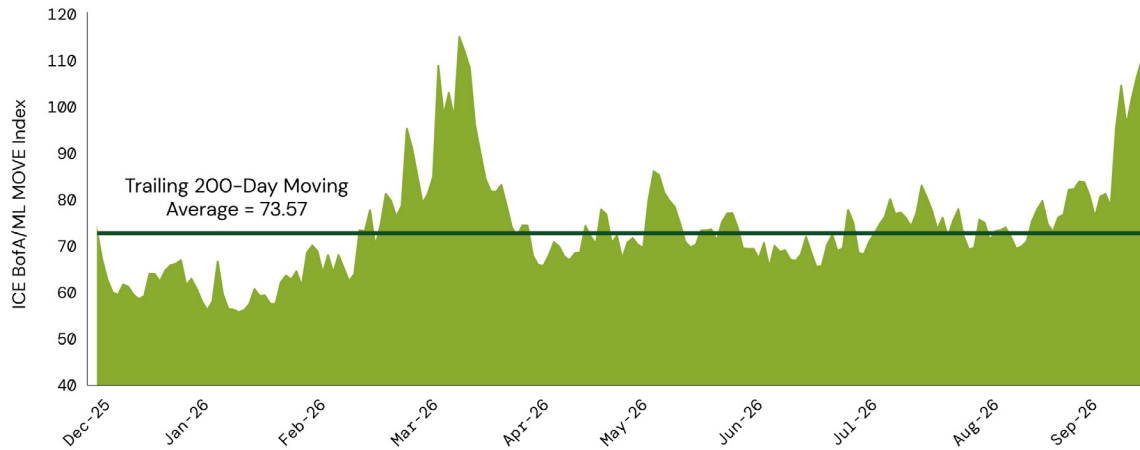
Source: U.S. Department of the Treasury, as of September 30, 2026.

1. The Federal Reserve Bank of Atlanta calculates the GDPNow estimate. While it is not an official forecast of the Atlanta Fed, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. No subjective adjustments made to GDPNow. The estimate is based solely on the mathematical results of the model.
2. The break-even inflation rate is the difference between the yield on a standard nominal Treasury bond and a Treasury Inflation-Protected Security (TIPS) of the same maturity. It represents the average rate of inflation over a specific period (such as 5 years or 10 years) where an investor would earn the same return from either a standard Treasury or a TIPS.



Bond market volatility rose sharply late in the month, with the ICE Bank of America MOVE Index finishing above its trailing 200-day moving average of 73.57 (See Figure 2).

FIGURE 2: BOND MARKET VOLATILITY ROSE SHARPLY AT THE END OF SEPTEMBER



Source: Bloomberg, as of September 30, 2026.

The IC expects growth to moderate toward 2 percent, as higher rates restrain activity and AI-related capex eventually slows. Muted wage growth, narrow equity market breadth and a negative equity risk premium also inform its outlook. With inflation still above target, the IC revised its 10-year Treasury yield range to 4.50 percent to 5.25 percent.

Municipal Market Review

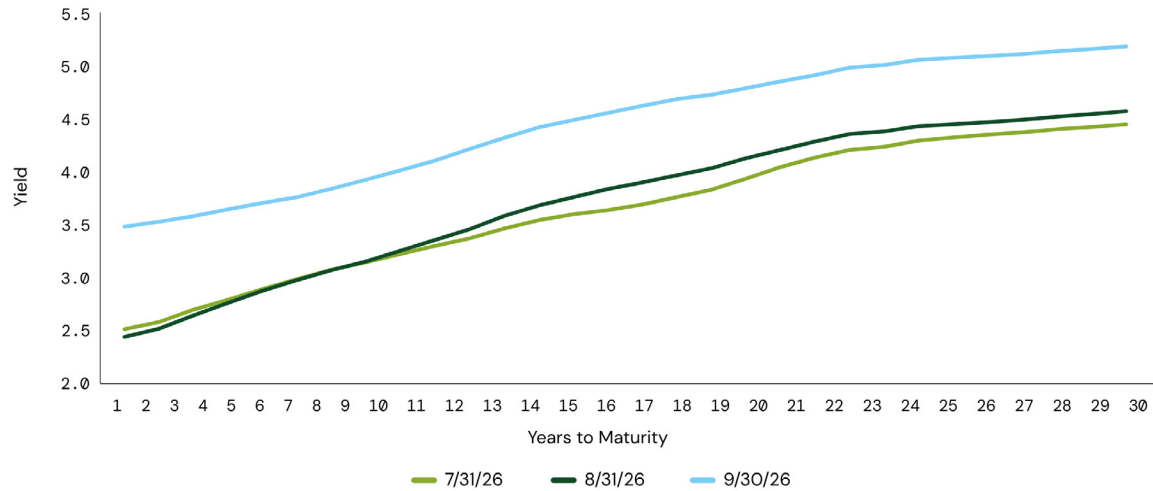
Municipal issuance totaled \$58.96 billion in September, down from approximately \$66 billion in August but above July's \$50 billion. Elevated new issuance and record levels of bid-wanted activity associated with tax-loss harvesting overwhelmed demand.

The Bloomberg Managed Money Short/Intermediate Index declined 3.68 percent. The broader Bloomberg investment grade (IG) tax-exempt index declined 4.36 percent, its weakest monthly return since September 2008. Longer maturities underperformed, while differences across credit ratings were relatively limited: BBB-rated bonds declined 4.77 percent, compared with a 4.36 percent decline for AAA-rated bonds.



The municipal yield curve flattened, as shorter-maturity yields rose more than longer-maturity yields with increases of 95bps, 84bps, and 45bps at 2-, 5-, and 30-year maturities, respectively (See Figure 3).

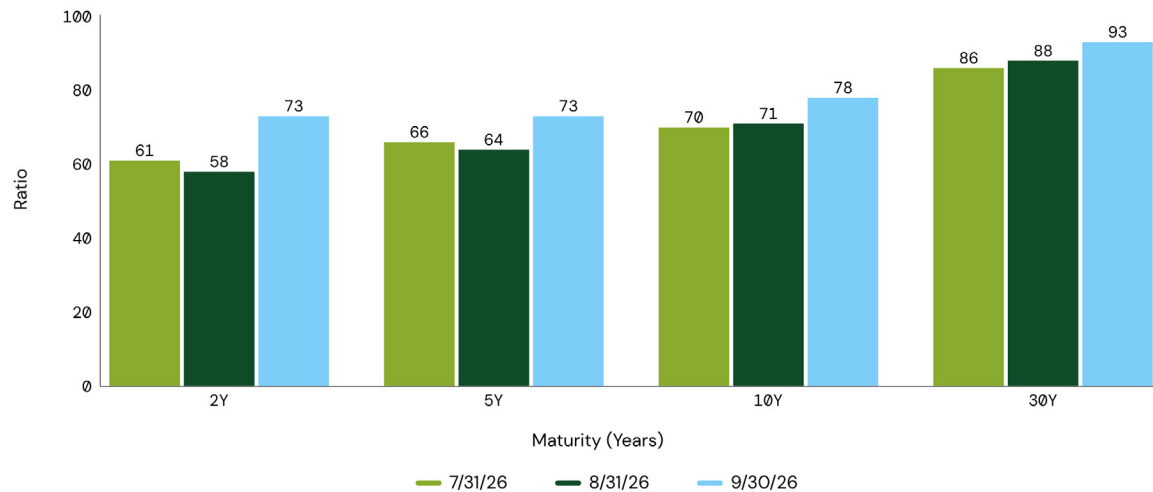
FIGURE 3: THE MUNICIPAL YIELD CURVE FLATTENED OVER THE MONTH



Source: Bloomberg, as of September 30, 2026.

Municipal/Treasury (M/T)³ ratios ended the month at 73 percent for both 2- and 5-year maturities, 78 percent at 10 years and 93 percent at 30 years (See Figure 4).

FIGURE 4: M/T RATIOS ROSE IN SEPTEMBER



Source: Bloomberg, as of September 30, 2026.

The IC views higher nominal and tax-equivalent yields⁴ as attractive to income-oriented investors, while recognizing that Treasury volatility could lead to outflows and additional selling. It expects October net supply of approximately \$21 billion to remain a headwind. Municipal credit fundamentals remain stable, although private higher education and rising infrastructure costs warrant attention.

3. 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.
4. Tax equivalent yield assumes the highest federal tax rate of 37% plus an additional 3.8% net investment income tax for a combined rate of 40.8%. TEY for investors in lower tax brackets will be less than what is presented. Breckinridge is not a tax advisor and does not provide personal tax advice.



Corporate Market Review

The Bloomberg U.S. Corporate IG Index OAS widened 2bps to 80bps in September. The Index declined 2.72 percent, with a flat excess return, as higher Treasury yields weighed on total return.

Credit curves flattened. Short-maturity corporate spreads widened 7bps, compared with 4bps for intermediate maturities, while long-maturity spreads tightened 1bp. Excess returns favored bonds rated AAA and AA over bonds rated A and BBB. Media Entertainment, Pharmaceuticals, and Oil Production issues (Independent, Midstream and Integrated) were the strongest-performing sectors; Cable Satellite, Leisure, Sovereigns, Automotive and Brokers & Asset Managers were the weakest.

Gross issuance totaled \$227.9 billion, approximately 2 percent above the prior-year period, compared with \$170.7 billion in August. Redemptions of \$124.7 billion left net issuance of \$103.2 billion. AI-related capex contributed to financing needs among large technology companies. The IC views credit fundamentals as stable to improving, supported by strong earnings growth and record margins.

At about \$38.4 billion, taxable bond mutual fund and exchange-traded fund flows for the four-week period through September 30 were notably slower when compared to August's \$68.9 billion in flows.

Securitized Market Review

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

BBG Index	MTD Total Return (%)	MTD Excess Return (%)	YTD Total Return (%)	YTD Excess Return (%)
BBG MBS Index	-3.38	-0.96	-3.31	-0.73
BBG Agency CMBS Index	-1.85	-0.09	-1.64	0.40
BBG Non-Agency CMBS Index	-1.42	0.01	-0.40	0.97
BBG ABS Auto Loan Index	-0.43	0.05	1.35	0.60
BBG ABS Credit Card Index	-0.88	0.06	0.21	0.40

Source: Bloomberg, as of September 30, 2026.

MBS came under pressure, as Treasury yields and interest rate volatility rose. Bloomberg data show total and excess returns declined 3.38 percent and 0.96 percent, respectively.

ABS declined 0.96 percent but generated a positive excess return of 0.09 percent. Auto loan ABS declined 0.43 percent, with an excess return of 0.05 percent, while credit card ABS declined 0.88 percent, with an excess return of 0.06 percent. Bloomberg reported 3bps of tightening in AAA-rated ABS spreads and generally resilient fundamentals outside a few subprime sectors.

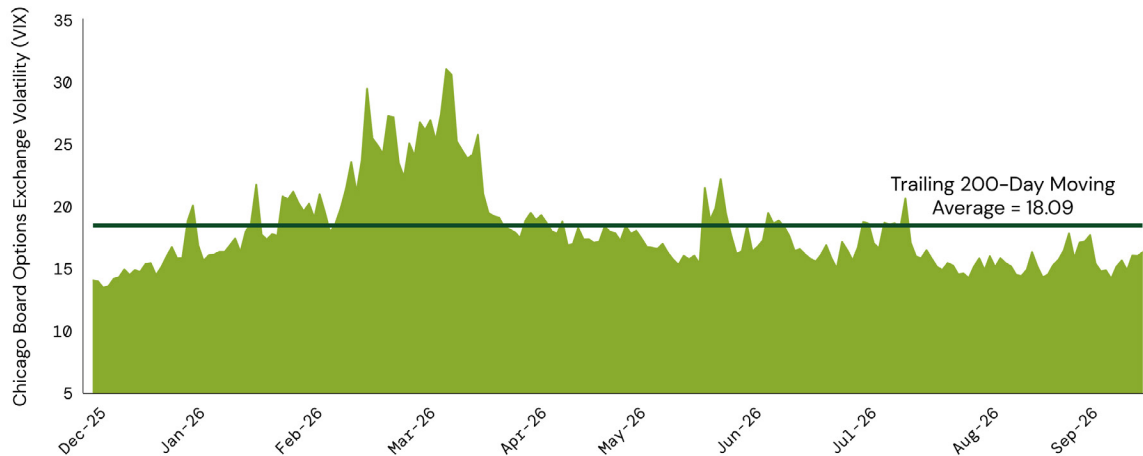
Commercial mortgage-backed securities (CMBS) declined 1.65 percent, with an excess return decline of 0.04 percent. Non-agency CMBS generated a positive excess return of 0.01 percent, compared with an excess return decline of 0.09 percent for agency CMBS. The IC views CMBS spreads as broadly stable, with healthy issuance supported by single-asset, single-borrower, datacenter and agency transactions.



Equity Market Review

The S&P 500 declined 0.35 percent in September, masking substantial differences across sectors and investment styles. The Chicago Board Options Exchange Volatility Index (VIX) increased modestly during September but ended below its 200-day moving average of 18.09 (See Figure 5).

FIGURE 5: EQUITY MARKET VOLATILITY TRAILING AVERAGE WAS STEADY



Source: Bloomberg, as of September 30, 2026.

Information Technology and Communication Services gained 4.47 percent and 4.33 percent, respectively, while the remaining nine sectors declined. Financials and Materials had the weakest returns, falling 7.16 percent and 6.74 percent, respectively. Real Estate and Utilities also faced pressure, declining 6.14 percent and 5.90 percent.

Growth outperformed value. The Russell 1000 Growth gained 2.16 percent, compared with a 3.13 percent decline for the Russell 1000 Value. The IC noted that momentum and size outperformed from a factor perspective, while value lagged. Looking over the quarter, market breadth was weak, with approximately 63 percent of S&P 500 companies posting negative returns, the highest proportion of negative returns since 3Q2023.

Higher Treasury yields increased equity valuation concerns with the forward P/E declining towards ~19x from 20.6x at the end of 2Q26. The equity risk premium based on forward earnings yield turned negative at the end of the quarter. The IC cautioned that the pace of further rate increases could further pressure equities but in the short term the market is being buoyed by AI and related beneficiaries.



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#497862 (10/8/2026)

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