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Global Fixed Income Perspectives

July 2026

Market Review

Global fixed income markets generated negative returns in July, as rising global yields more than offset carry amid relatively stable spread conditions. Geopolitical tensions in the Middle East and higher oil prices added to headline inflation concerns, putting upward pressure on global sovereign yields amid a more hawkish Fed repricing and persistent fiscal and term-premium considerations; overall, the rates-driven weakness outweighed carry and spread income across most sectors. U.S. and global investment grade fixed income returned -1.30% and -1.02%, respectively, as measured by the Bloomberg U.S. Aggregate Index and Bloomberg Global Aggregate Index (USD hedged). Year to date, returns were modestly positive for Global Aggregate Fixed Income (+0.12%, USD hedged) but negative for the U.S. Aggregate (-0.69% USD hedged), reflecting the drag from higher U.S. rates. July returns were negative across most sectors, with duration-sensitive areas such as U.S. Investment Grade Corporates, U.S. Agency MBS, Hard Currency Emerging Markets Debt and Global Investment Grade Corporates under pressure. U.S. Senior Floating Rate Loans were a notable exception with positive total returns, supported by carry and limited rate sensitivity.

Performance leadership in the month (as measured by the indices below) reflected the benefit of floating-rate exposure and selective spread resilience amid a broader rate-driven selloff. In July, U.S. Senior Floating Rate Loans returned +0.79%, while Pan-European High Yield saw a modest decline, returning -0.18% and U.S. High Yield was down just -0.25%. In contrast, U.S. investment grade corporates had a return of -1.67%, hard currency emerging markets debt returned -1.43%, U.S. Agency MBS -1.42% and Global Investment Grade Corporates -1.30%. Year to date, Pan-European High Yield, U.S. Senior Floating Rate Loans, Hard Currency Emerging Markets Debt, U.S. High Yield and Local Currency Emerging Markets Debt remained in positive territory, while U.S. Investment Grade Corporates, U.S. Treasuries and U.S. Agency MBS were had modestly negative returns year-to-date.

Bloomberg Index (Total Return)	July	YTD
U.S. Senior Floating Rate Loans	0.79%	2.12%
Pan-European High Yield (USD hedged)	-0.18%	2.43%
U.S. High Yield	-0.25%	1.59%
Local Currency EM Debt (USD hedged)	-0.34%	1.34%
U.S. CMBS	-0.37%	0.44%
U.S. TIPS	-0.68%	0.46%
Pan-European IG Corporates (USD hedged)	-0.89%	1.18%
Global IG Corporates	-1.30%	-0.03%
Hard Currency Emerging Markets Debt	-1.43%	1.84%
U.S. Agency MBS	-1.42%	-0.45%
U.S. IG Corporates	-1.67%	-0.83%

Rates were a headwind in July as U.S. Treasury yields rose across the curve. The 2-year yield increased 11 bps to 4.29%, the 5-year rose 22 bps to 4.45%, the 10-year rose 27 bps to 4.74% and the 30-year rose 32 bps to 5.27%. The rise in real yields was also meaningful, with the 10-year TIPS yield up 27 bps to 2.47%, while the Fed funds target range was unchanged at 3.50%–3.75%. Outside the U.S., developed-market 10-year yields also moved higher, led by Italy, Germany and Spain, while Japan, Australia, New Zealand, Canada and the U.K. also rose. Year to date, 10-year yields were higher across most major markets, with Japan, the U.S., the U.K. and Italy among the larger moves.

Macro and policy developments remained central to market pricing. The Fed held rates unchanged for a fifth consecutive meeting, though a notable bloc of dissents favoring a hike signals building concern over above-target inflation, consistent with our view that the policy path is becoming less clearly settled even as the base case remains "on hold." Outside the U.S., the yield backdrop reversed from June. European yields rose broadly as markets priced additional ECB hikes, with peripheral markets underperforming on energy-cost sensitivity. Japan was no longer an isolated outlier — JGB yields rose alongside a broader global back-up in yields, consistent with ongoing policy normalization but part of a shared move across regions rather than a standalone story.

Overall, July marked a pivot from the constructive second-quarter tone. Rising sovereign yields across most developed markets weighed on duration-sensitive segments, while shorter-duration and lower-rate-sensitivity exposures held up better. Credit carry remained a secondary support, but the strength of returns varied more by duration positioning than by sector selection. With yields higher across regions and policy paths repricing in a more hawkish direction, performance remained dependent on country-level duration exposure, spread-sector selection and disciplined risk allocation.

Credit Markets and Spreads

Spread moves were mixed in July, with higher-quality credit modestly wider, higher-beta credit generally wider and loans tighter. In July, Global Aggregate Corporate spreads widened 2 bps to 80 bps, while U.S. Investment Grade Corporate spreads widened 4 bps to 78 bps and Pan-European Investment Grade Corporate spreads were unchanged at 80 bps. Higher-beta markets were mixed month over month, with U.S. High Yield widening 10 bps to 285 bps, Pan-European High Yield widening 3 bps to 287 bps and Fard Currency Emerging Markets Debt widening 9 bps to 244 bps. U.S. Senior Floating Rate Loan spreads tightened 12 bps to 483 bps. Year to date, spread performance remained varied: Hard Currency Emerging Markets Debt tightened 9 bps and U.S. CMBS tightened 9 bps, while U.S. Investment Grade Corporate and Global Aggregate Corporate spreads were unchanged, Pan-European High Yield and U.S. High Yield widened 6 bps and 4 bps, respectively, and U.S. Senior Floating Rate Loan spreads widened 54 bps.

Credit fundamentals remain broadly supportive but increasingly differentiated by region, sector and quality. U.S. Investment Grade issuers generally maintain stable balance sheets, contained leverage and healthy interest coverage, while High Yield remains supported by market access, manageable near-term maturities and low default rates; however, weakness is more concentrated among CCC-rated and lower-quality issuers, and Leveraged Loans remain exposed to floating-rate coupons, higher interest expense and liability management activity. In Europe, fundamentals remain resilient but more closely tied to softer growth, sector dispersion and less supportive financing conditions, with higher-quality issuers benefiting from conservative balance sheets and lower-rated borrowers more sensitive to earnings pressure and refinancing windows. Overall, fundamentals continue to support carry-oriented credit exposure, but tight spreads and greater dispersion — particularly at the lower end of the quality spectrum — argue for a selective, quality-biased approach.

Global Economic Conditions

Global economic conditions in July 2026 grew more divergent, with U.S. disinflation and a softening labor market contrasting against firmer growth and modestly re-accelerating prices in Europe and the U.K. In the U.S., June CPI decelerated sharply to 3.5% YoY (core 2.6%) from May's 4.2% (core 2.9%), while payrolls rose just 57k and unemployment ticked down to 4.2%; downward revisions cut April and May job gains by roughly 74k combined, reinforcing the Fed's difficult inflation/labor balance. The Eurozone saw flash headline CPI tick up to 2.9% in July from 2.8% in June (core 2.5% vs. 2.4%), even as manufacturing PMI rose to a three-month high near 51.9 and input-cost pressures eased to a five-month low, pointing to firmer activity alongside cooling cost-push risk. In the U.K., the Bank of England held Bank Rate at 3.75% on July 30 in a 6-3 vote, with three dissenters favoring a hike to 4.0% on renewed energy-driven inflation risk. UK services PMI rebounded sharply to 51.8 in July from June's 48.8, ending a two-month contraction and lifting the composite PMI to 52.1, even as the BoE projected inflation returning to the low-3% area later this year. Japan's manufacturing PMI eased slightly to 54.5 in July from June's 54.8 but extended a seventh straight month of expansion, with output growing at its fastest pace since 2014 on AI- and semiconductor-related demand; core CPI rose to 1.6% YoY in June from 1.4% in May, still below the BoJ's 2% target for a fifth straight month. In China, the official NBS manufacturing PMI slipped back into contraction at 49.2 in July from 50.3 in June, with the composite output index falling to 49.3 — its lowest since December 2022 — while producer prices rose 4.1% YoY in June, the fastest pace since 2022, underscoring persistent upstream cost pressure even as activity softened.

Overall, global conditions became more divergent in July. The U.S. combined faster disinflation with a cooling labor market, while the Eurozone and U.K. paired firmer growth with modestly re-accelerating prices. Japan's manufacturing expansion extended to a twelve-year output high, and China's activity data turned negative alongside still-elevated producer-price inflation, widening the cross-regional gap heading into August.

Review of Interest Rates and Currencies

U.S. Treasury yields moved higher across the curve in July, with the 2-year yield rising 11 bps to 4.29%, the 5-year yield increasing 22 bps to 4.45%, the 10-year yield climbing 27 bps to 4.74% and the 30-year yield rising 32 bps to 5.27%; the 10-year TIPS yield rose 27 bps to 2.47%. Outside the U.S., 10-year sovereign yields also increased broadly, led by Italy, Germany and Spain, while the U.K., Canada, New Zealand, Australia, Mexico and Japan also moved higher. Year to date, 10-year yields were higher across most major markets, with Japan, the U.S., the U.K. and Italy among the larger moves.

In currency markets, the U.S. dollar weakened in July versus the euro (-0.91%), pound (-1.64%) and yen (-3.17%). The dollar reversal followed June’s strength and coincided with the broader back-up in global sovereign yields.

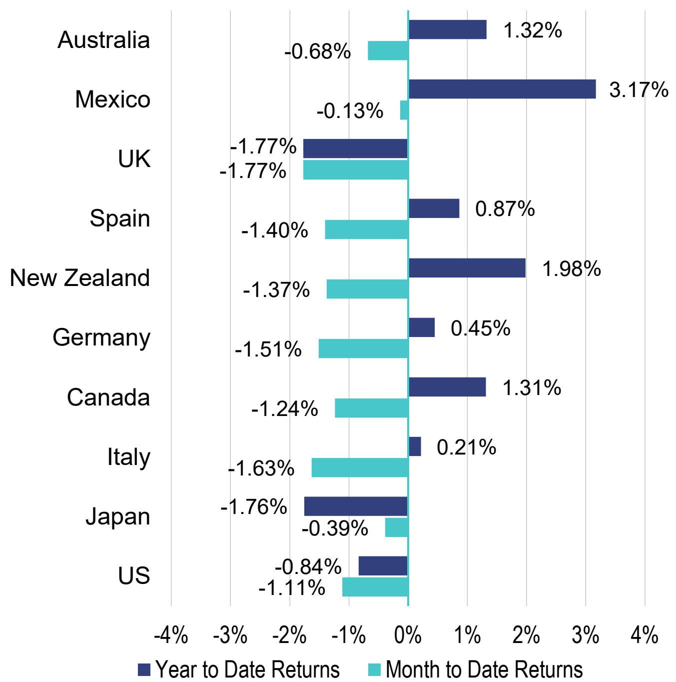
Maturity	6/30/2026	7/31/2026	MoM Change (bps)
Fed Funds Target	3.75 - 3.50%	3.75 - 3.50%	0%
2 year	4.18	4.29	11
5 year	4.23	4.45	22
10 year	4.47	4.74	27
30 year	4.95	5.27	32
10 Year TIPS	2.20	2.47	27

FX	6/30/2026	7/31/2026
EUR/USD	1.1422	1.1527
GBP/USD	1.3262	1.3483
USD/JPY	162.55	157.40

Source: Bloomberg

Global Fixed Income Market Performance – Month & YTD

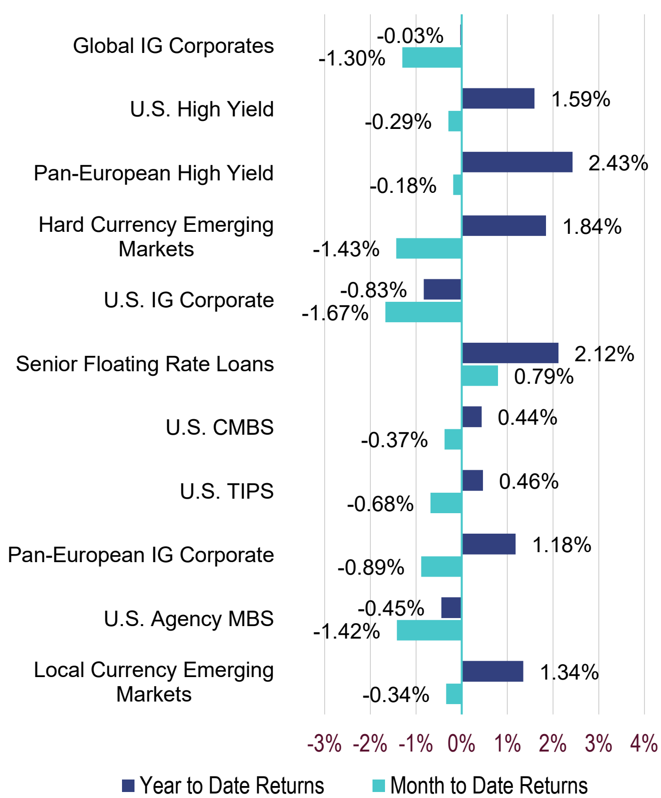
Global Sovereign Performance – USD Hedged



Global Sovereigns – 10-Year Yield Levels and Changes (%)

Country	12/31/2025	6/30/2026	7/31/2026	MoM Change	YTD Change
Japan	2.06	2.67	2.79	0.12	0.73
Canada	3.43	3.38	3.66	0.28	0.23
U.K.	4.48	4.76	5.05	0.29	0.57
Germany	2.85	2.86	3.21	0.35	0.36
U.S.	4.17	4.47	4.74	0.27	0.57
Spain	3.29	3.34	3.65	0.31	0.36
New Zealand	4.40	4.36	4.67	0.31	0.27
Australia	4.74	4.72	4.93	0.21	0.19
Mexico	9.11	9.03	9.19	0.16	0.08
Italy	3.55	3.63	4.02	0.39	0.47

Spread Sectors Performance – USD Hedged



Spread Sectors – Spread Levels and Changes (bps)

Sector	12/31/2025	6/30/2026	7/31/2026	MoM Change	YTD Change
Global Aggregate Corporates	80	78	80	2	0
U.S. Agency MBS	22	24	31	7	9
U.S. Senior Floating Rate Loans	429	495	483	-12	54
U.S. CMBS	81	71	72	1	-9
U.S. IG Corporate	78	74	78	4	0
Pan-European IG Corporate	79	80	80	0	1
Hard Currency Emerging Markets	253	235	244	9	-9
Pan-Euro High Yield	281	284	287	3	6
U.S. High Yield	281	275	285	10	4
U.S. TIPS (BE Rate)	2.27	2.24	2.29	0.05	0.02

Source: Bloomberg, J.P. Morgan. As of July 31, 2026. “Global Sovereign Performance” uses each country’s aggregate return from the Bloomberg Global Aggregate Index. All returns are hedged to USD. Components are rounded and may incorporate immaterial rounding differences as a result.

Looking Ahead

The outlook remains constructive, though increasingly differentiated across regions and sectors. In the U.S., growth remains resilient, supported by AI-related capital spending and fiscal tailwinds, but a labor market that has stabilized rather than cooled, still-elevated core inflation and moderating consumer activity argue for a measured assessment of the cycle. Outside the U.S., growth and inflation trends continue to diverge: Europe faces softer activity and uneven price pressures, the U.K. is making gradual disinflation progress, Japan is normalizing policy incrementally and China's recovery remains uneven.

For the Fed, the central question is whether recent headline inflation volatility remains largely energy-led or broadens into underlying price pressures. Core inflation has eased modestly, but the improvement has been shallow and not yet broad-based, while unemployment remains low and job openings continue to exceed the number of unemployed workers. Our base case is that the Fed, now under Chair Warsh, remains on hold through the balance of 2026, with easing deferred to 2027. We do not view the current backdrop as calling for a rate hike, but we recognize the possibility of a rate hike although not our base case. Disinflation remains a high-conviction view of our fixed income team, with core inflation still expected to grind toward the mid-2% area over time as shelter normalizes and inflation expectations remain anchored. Recent price pressures have not, in our view, materially altered that trajectory, supporting continued Fed patience.

The repricing in rates has improved the opportunity set, particularly at the front end and belly of the curve, where yields appear to discount a more extended period of restrictive policy. We remain more cautious on broad long-duration exposure, where fiscal, supply and volatility risks continue to matter. This supports a preference for shorter to intermediate duration, disciplined curve positioning and selective risk deployment where carry and roll remain attractive without adding unnecessary term-premium exposure.

Credit markets continue to be supported by attractive all-in yields and broadly resilient fundamentals, but headline spreads are tight and new issue supply has become a less supportive technical factor. As a result, we favor a constructive but selective approach, emphasizing higher-quality credit, securitized opportunities with attractive structural features and active security selection in areas where issuer, sector and structural dispersion are creating value.

Country and sector differentiation should remain an important source of return. Europe's fiscal and growth dynamics, elevated sovereign spread dispersion, the divide between commodity exporters and importers in emerging markets and China's uneven recovery all reinforce the importance of selectivity. Across global fixed income, we believe valuation discipline, a quality bias and careful deployment into dislocations remain appropriate as policy divergence, fiscal pressures, supply dynamics and geopolitical risks continue to shape markets.

We remain focused on delivering attractive risk-adjusted returns by drawing on the diverse alpha sources available across our investible universe and investment process. We thank you for your continued support and confidence.

INDEX DEFINITIONS – GLOBAL FIXED INCOME MARKET PERFORMANCE

Senior Floating Rate Loans – The Morningstar LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

U.S. CMBS – The Bloomberg U.S. CMBS Investment Grade Index measures the market of U.S. Agency and U.S. Non-Agency conduit and fusion CMBS deals with a minimum current deal size of $300M. Index is further subdivided into two components: The U.S. Aggregate-eligible component that contains bonds that are ERISA-eligible under the underwriter's exemption and the non-U.S. Aggregate-eligible component that consists of bonds that are not ERISA-eligible. The CMBS Indices were launched on January 1, 1997.

U.S. Investment Grade Corporate – The Bloomberg U.S. Corporate Index includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be rated investment grade and SEC-registered.

Pan-European Investment Grade Corporate – The Bloomberg Pan-European Aggregate Corporate Index covers eligible investment grade securities from the entire European continent. The corporate sector consists of financial, industrial, and utility issues.

High Yield – The ICE BofA U.S. High Yield Constrained Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index excludes Emerging Markets debt. The index was created in 1986, with index history backfilled to January 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.

Global High Yield – The ICE BofA Global High Yield Constrained Index is a benchmark index that tracks the performance of below-investment-grade corporate debt issued in global markets, primarily in the US, Europe and some Emerging Market countries.

U.S. TIPS – The Bloomberg U.S. Treasury Inflation-Protected Securities ("TIPS") Index measures the performance of intermediate (1- to 10-year) U.S. Treasury Inflation-Protected Securities.

Local Currency EM – The J.P. Morgan GBI Emerging Markets Global Diversified Index is designed to measure the total returns for local currency bonds issued by Emerging Market governments. The benchmark is calculated on a total return basis and is market cap weighted and unmanaged.

Hard Currency EM – The J.P. Morgan Emerging Markets Bond Index Global Diversified Index (EMBI Global Diversified—formerly known as the EMBI Global Constrained) includes USD-denominated Brady bonds, Eurobonds and traded loans issued by sovereign and quasi-sovereign entities. The index defines country eligibility rules with a combination of income-based criteria and sovereign long-term credit-rating criteria.

Pan-European High Yield – The Bloomberg Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona and Swiss franc.

U.S. Agency MBS – The Bloomberg U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

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