

NEUBERGER | BERMAN

# Solving for 2026

# Keynote 2: Fixed Income

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Chief Investment Officer—Fixed Income

# 2026 At a Glance

How we are navigating macro, rates, credit, and portfolio positioning

# Solving for 2026

## Macro

- Solid U.S. growth with disinflation. Watch labor market related risks.
- Fed continues on a path to neutral and possibly accommodative
- 2026 starts from tighter valuations and higher macro/"tail risk" than 2025
- Fixed Income markets should see inflows in 2026 because of ongoing structural changes in asset allocation and ongoing attractive yields/income and return potential as compared to other assets classes

## Rates

- Modestly long duration and curve neutral
- TIPS are less attractive given benign inflation outlook
- Non-US rate opportunities look comparatively attractive
- Watch risks to positioning (sovereign debt fears/bear steepening)

## Credit

- Macro is supportive, but cross-currents such as K shaped consumer, tariffs, and AI introduce idiosyncratic risks and potential for greater dispersion
- Security selection alpha continues to be front and center in 2026
- Mantra of selectivity and thoughtfulness in generating carry from credit

Source: Neuberger Berman views as of December 31, 2025.

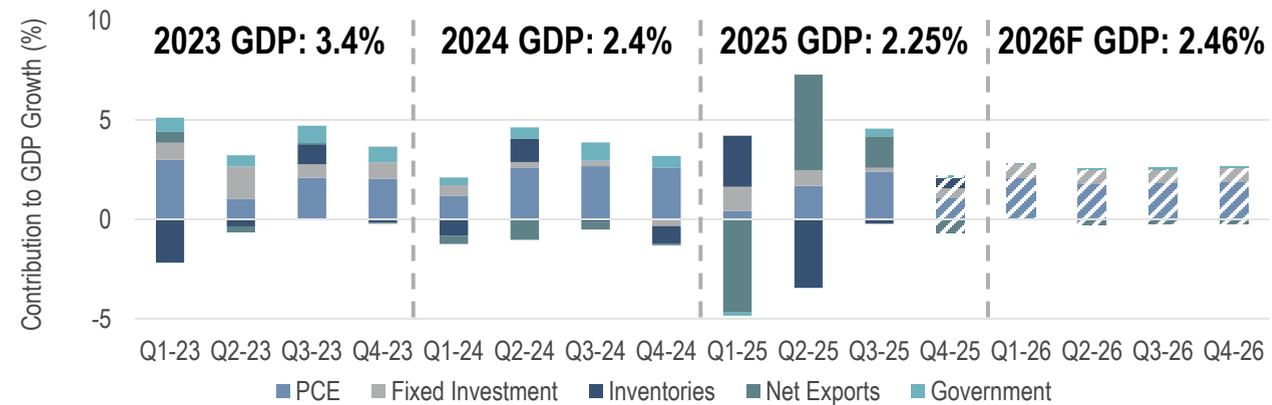
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# U.S. Macro And Fed

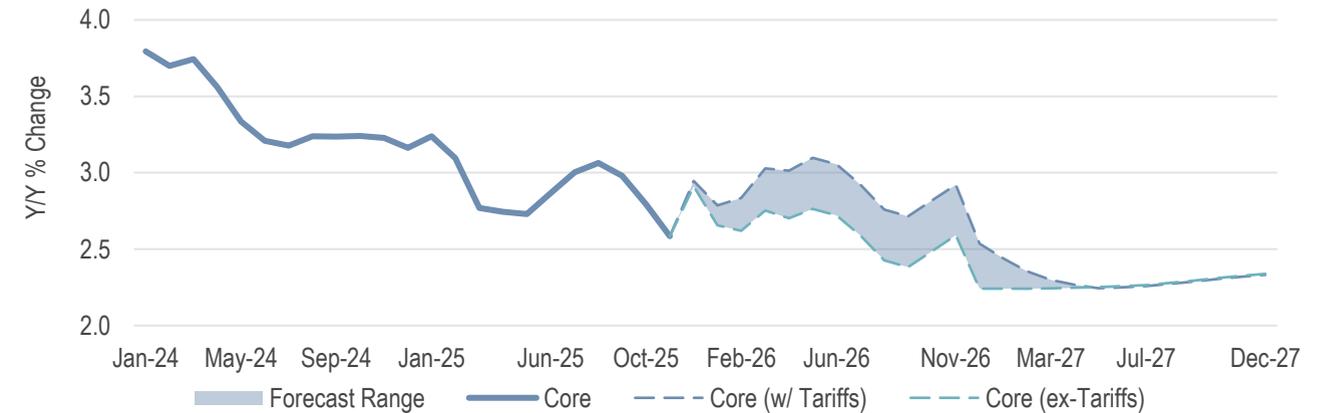
Increasing growth, declining inflation, Softening labor markets and an accommodative Fed

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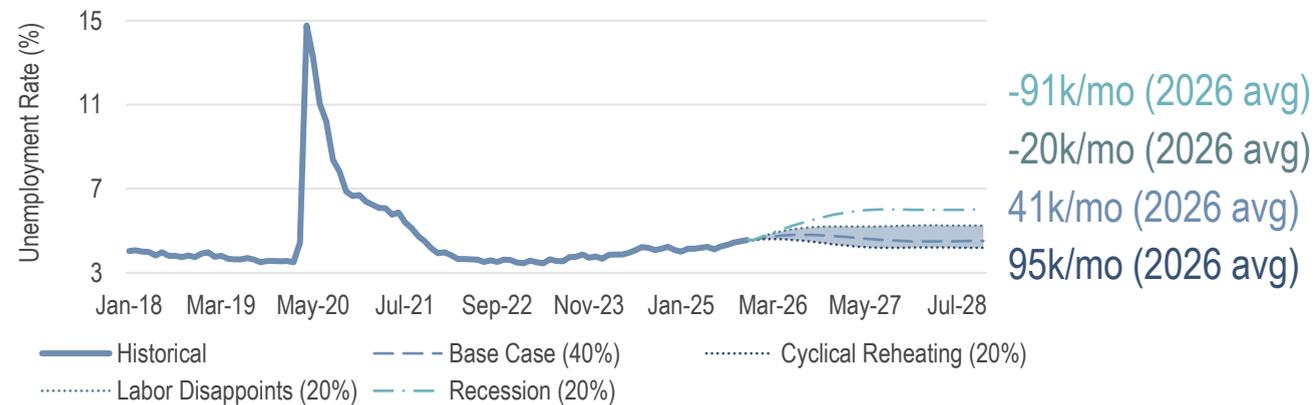
## Real GDP Growth Outlook



## Core CPI Inflation



## Unemployment Rate Forecast



## Fed Scenario Analysis (2026)

	Probabilities	# Cuts	NR
<b>Base Case</b>	40%	1	3.50%
<b>Unemployment Rate Increases</b>	20%	3	3.00%
<b>Dovish Fed Chair Appointed</b>	20%	4	2.75%
<b>Recession</b>	20%	6	2.25%
<b>Market Expectations</b>	-	2	3.25%

Historical trends do not imply, forecast or guarantee future results.

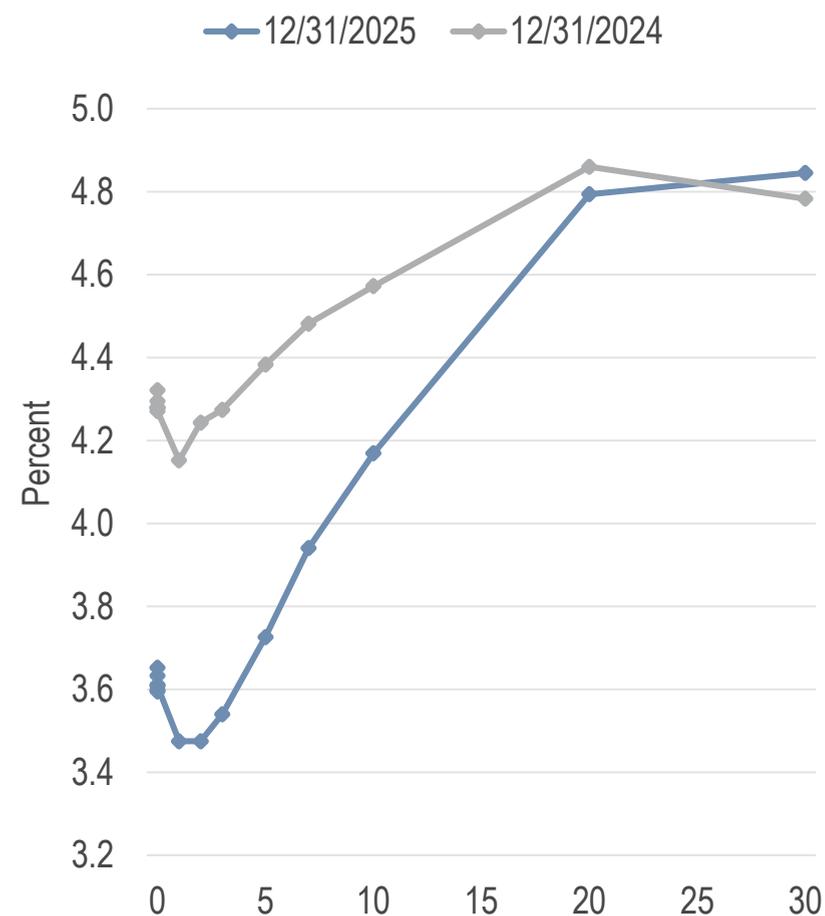
Source: Neuberger Berman, BLS data. Growth and inflation forecasts generated by relating relevant drivers – e.g. incomes, expectations, supply chain disruptions – to growth and inflation measures in each sector and category. Aggregate projections generated by combining individual sector forecasts and their corresponding weights. Unemployment projections generated from modeling different paths of worker flows into and out of unemployment and computing an estimate of the underlying job growth that corresponds to each path. Data as of December 31, 2025.

# Supportive Environment to Add Duration

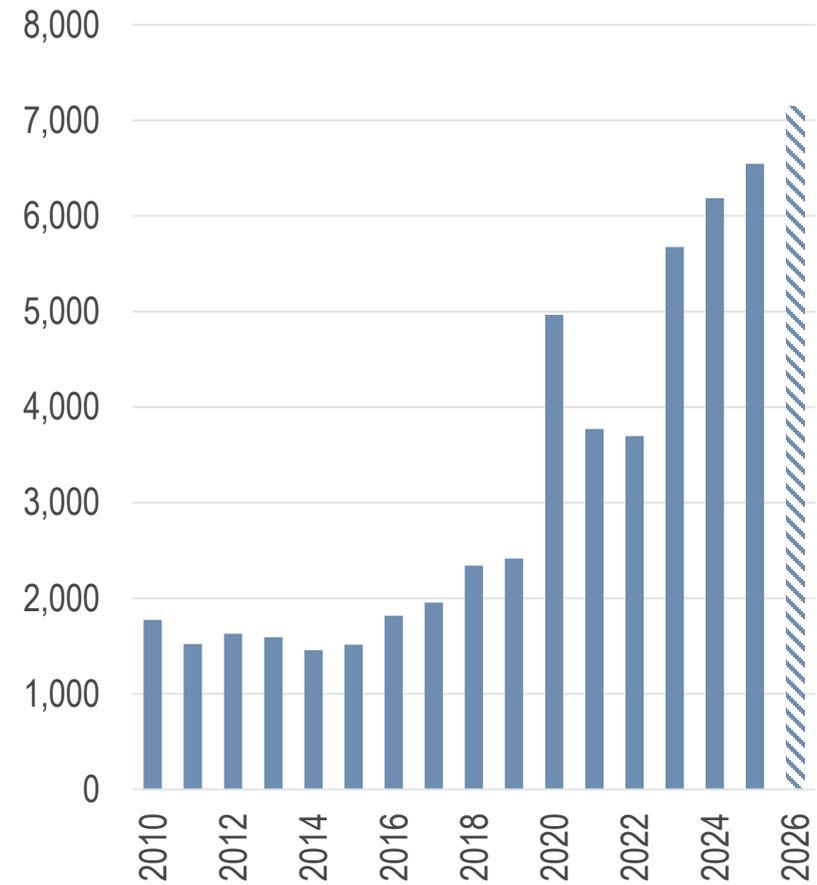
We believe a steeper yield curve and stability in the primary deficit should help keep term premium rangebound

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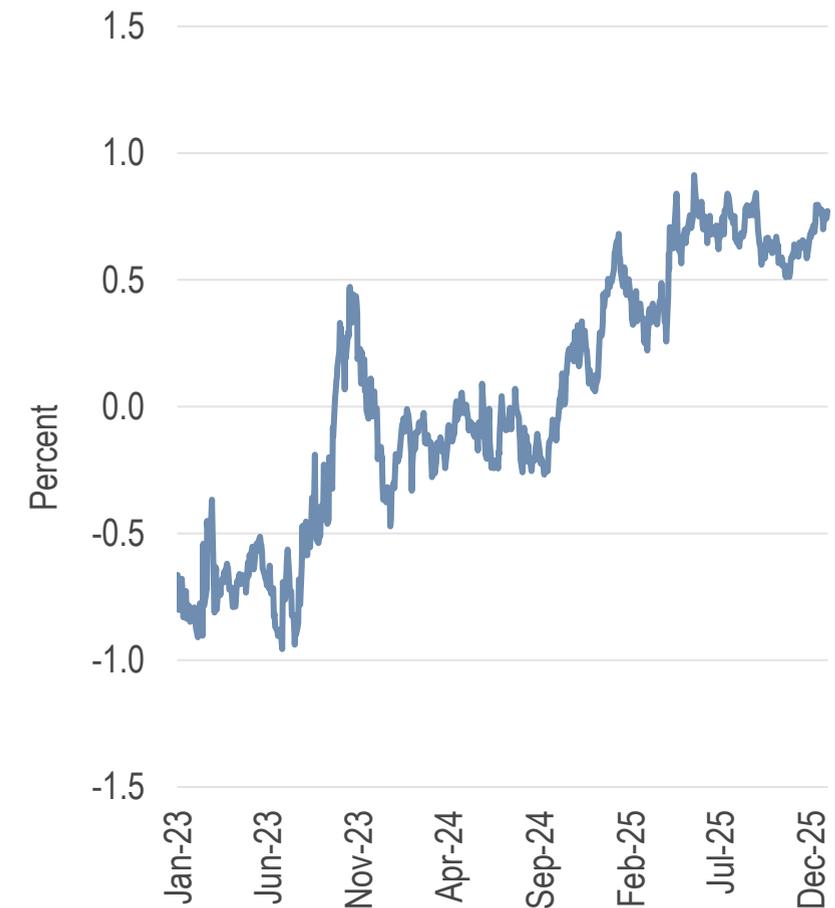
### Yield curve has steepened in 2025<sup>1</sup>



### Bills Outstanding (millions)



### Term premium appears to be rangebound<sup>2</sup>



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<sup>1</sup> Source: Bloomberg. Data as of December 18, 2025. <sup>2</sup> Source: U.S. Treasury, Neuberger Berman estimates (NB based 2026 Treasury Bills outstanding estimates on the median Primary Dealer 2026 deficit projection, the 2025 year-end SOMA portfolio and current Treasury coupon issuance assuming coupon increase in the November 2026 refunding meeting). <sup>3</sup> Source: Bloomberg. Data as of December 31, 2025. Information is as of the date indicated and subject to change without notice. Nothing herein constitutes a prediction or projection of future events or future market behavior. For illustrative and discussion purposes only.

# Developed Markets Central Banks Policy Rates Outlook

Central banks retain easing bias, but tariff impact makes timing uncertain

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Central Bank	FED 	ECB 	BOE 	BOJ 	RBA 
Neuberger Expectations	<ul style="list-style-type: none"> <li>• 2026: 1 to 4 Cut(s)</li> <li>• 2027: 0 Cuts</li> <li>• 2028: 0 Cuts</li> <li>• NR<sup>1</sup>: 2.75 – 3.50%</li> </ul>	<ul style="list-style-type: none"> <li>• 2026: 2 Cuts</li> <li>• 2027: 0 Hikes</li> <li>• 2028: 1 Hike</li> <li>• NR<sup>1</sup>: 2.00%</li> </ul>	<ul style="list-style-type: none"> <li>• 2026: 2-3 Cuts</li> <li>• 2027: 0 Cuts</li> <li>• 2028: 0 Cuts</li> <li>• NR<sup>1</sup>: 3.00 – 3.25%</li> </ul>	<ul style="list-style-type: none"> <li>• 2026: 0 Hikes</li> <li>• 2027: 0 Hikes</li> <li>• 2028: 0 Hikes</li> <li>• NR<sup>1</sup>: 0.75%</li> </ul>	<ul style="list-style-type: none"> <li>• 2026: 0 Cuts</li> <li>• 2027: 0 Cuts</li> <li>• 2028: 0 Cuts</li> <li>• NR<sup>1</sup>: 3.60%</li> </ul>
Neuberger Outlook	<ul style="list-style-type: none"> <li>• Fed remains in the policy adjustment phase of the easing cycle; <b>weakening labor market is expected to dictate committee's near-term reaction function and pace of adjustments.</b></li> <li>• We are operating with a bimodal Fed outlook of <b>delivering one or four cut(s) in 2026 with neutral rate settling between 2.75 – 3.50%</b>. Non-fundamental factors and distorted economic data sets a lower bar for more cuts than prescribed by fundamental drivers of the neutral level of rates.</li> </ul>	<ul style="list-style-type: none"> <li>• Weak potential growth only slightly improved by new German public plan, the U.S. trade tariff 15% cost weighting on the eurozone production and Capex, and core inflation close to the 2% target should lead the ECB to cautiously adopt an <b>accommodative monetary policy.</b></li> <li>• We anticipate the ECB to cut its key rates two (2) more times to this year to 1.5%.</li> </ul>	<ul style="list-style-type: none"> <li>• BoE still points toward a <b>gradual easing path</b> with more inflation data prints needed to assess sustained inflation at target. Labor market starts becoming an area of focus but sustained elevated wage growth and political noise are risks to the forecast.</li> <li>• With inflation ticking lower and inflation expectations continuing the same trajectory, we expect a continuation of the rate cutting cycle at a quarterly pace into Q3 2026, with <b>the policy rate settling at around 3.00 – 3.25%.</b></li> </ul>	<ul style="list-style-type: none"> <li>• The BoJ MPC voted unanimously to raise rates at the December meeting bringing the overnight rate to 0.75%</li> <li>• We expect the BoJ to be on hold for the foreseeable future with risks tilted to further tightening in the event of significant yen deterioration.</li> </ul>	<ul style="list-style-type: none"> <li>• RBA is expected to <b>extend its hold</b> with a hawkish stance. While employment data have shown some weakness, monthly inflation has surprised to the upside and remains above target.</li> <li>• We anticipate the RBA to keep the policy rate on hold at around 3.6% this year, with further direction remaining data dependent.</li> </ul>

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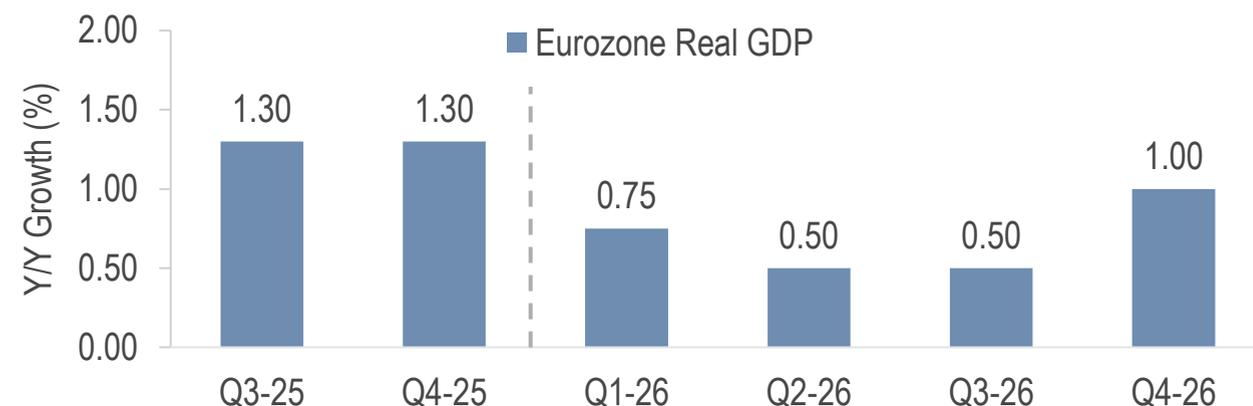
<sup>1</sup> NR = Neutral Rate. Source: Neuberger Berman, Bloomberg. Data as of January 12, 2026. Information is as of the date indicated and subject to change without notice. Nothing herein constitutes a prediction or projection of future events or future market behavior. For illustrative and discussion purposes only.

# Supply Dynamics and Economic Environment Should Provide Strong Backdrop for Europe

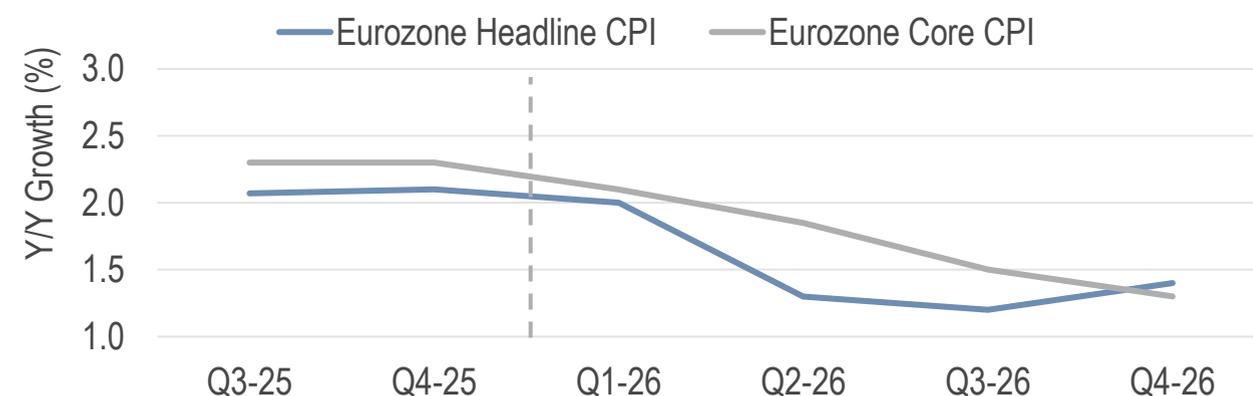
Increasing German issuance is offset by lower issuance from other EU countries, supporting duration and cross-country relative value opportunities

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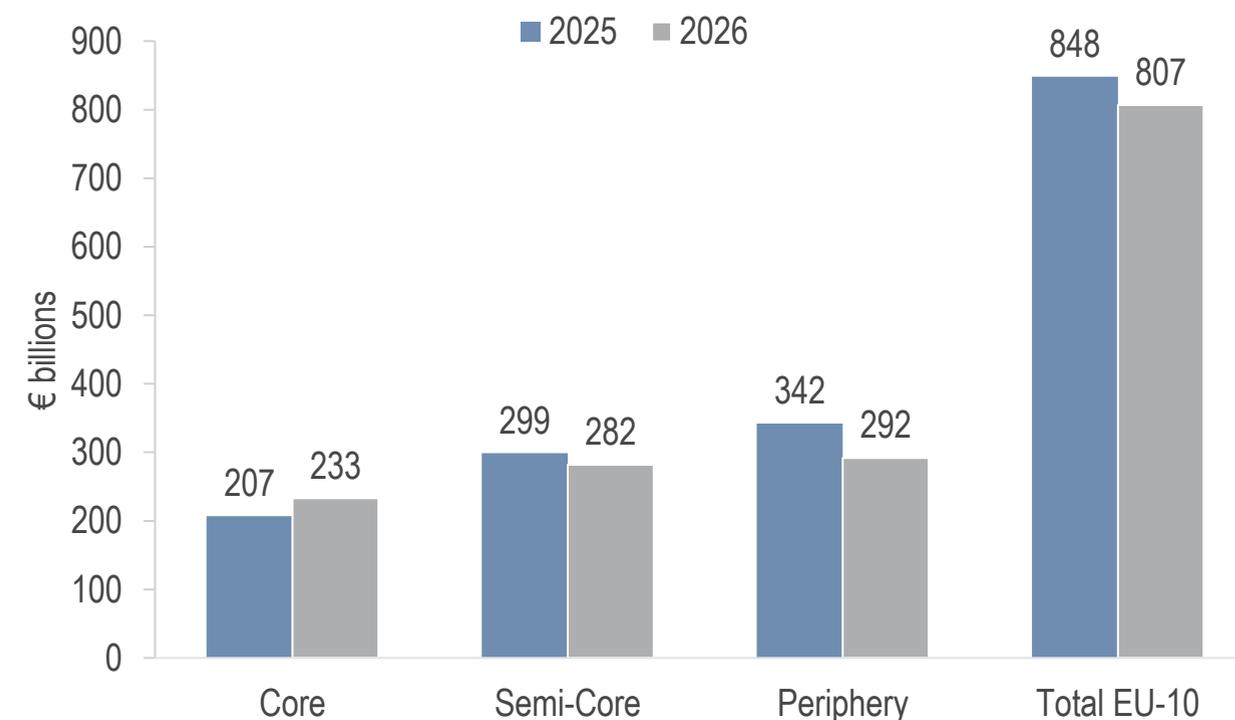
## GDP Growth should accelerate in 4Q26 after a period of softness



## Cooling Inflation should provide further support for duration



## Supply net of redemptions and QT set to decline ~€40bn, driven by fiscal tightening in periphery and semi-core



YoY Change	Core	Semi-Core	Periphery	Total EU-10
	+12.6%	-5.7%	-14.6%	-4.8%

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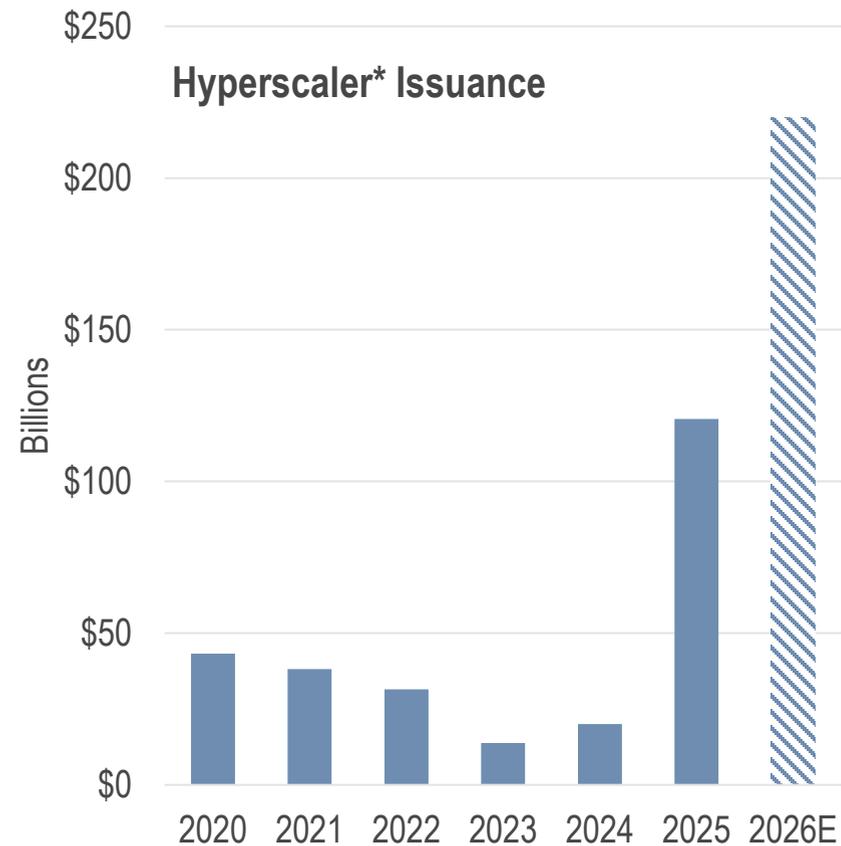
Source: Euro government websites, Neuberger Estimates (For a given EU-10 country, Neuberger estimates its funding needs for the new year based on those of the previous year, to which we apply the year-on-year public deficit evolution expected by the government. Our estimate may include our own deficit forecast where we have differing expectations (e.g. economic growth). Data as of December 12, 2025.

# DM Credit and AI: More Nuanced than A Bubble

Last year's IG hyperscaler issuance 6 times that of 2024 but alternate funding sources exist; HY impact more nuanced

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## GDP Growth should accelerate in 4Q26 after a period of softness



## Non-IG Market: AI Impact Assessment by Industry

Negative / At Risk	Neutral	Positive
<ul style="list-style-type: none"> <li>• IT Services</li> <li>• Interactive Media</li> <li>• Media</li> <li>• Printing / Publishing</li> <li>• Technology (Software Point Solutions)</li> </ul>	<ul style="list-style-type: none"> <li>• Aerospace and Defense</li> <li>• Automotive</li> <li>• Banking / Brokerage</li> <li>• Cable / Satellite</li> <li>• Chemicals</li> <li>• Consumer Finance</li> <li>• Cruise Lines</li> <li>• Energy</li> <li>• Food and Beverage</li> <li>• Gaming</li> <li>• Health Care Providers / Services</li> <li>• Lodging</li> <li>• Midstream</li> <li>• Paper and Packaging</li> <li>• Pharmaceuticals</li> <li>• Retailers</li> <li>• REITs</li> <li>• Technology (Software Integrated, Modernized Solutions)</li> <li>• Transportation Services</li> <li>• Wireless</li> </ul>	<ul style="list-style-type: none"> <li>• Airlines</li> <li>• Commercial Finance (Mortgage Servicers)</li> <li>• Construction Machinery</li> <li>• Diversified Manufacturers (Data Center-Related)</li> <li>• Health Care Services</li> <li>• Metals / Mining</li> <li>• Technology (Hardware)</li> <li>• Technology (Semiconductors)</li> <li>• Utilities</li> <li>• Wirelines</li> </ul>

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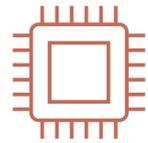
Source: LHS: Bloomberg, J.P. Morgan. Data as of December 2025 Hyperscalers include ORCL, MSFT, AMZN, GOOGL, META, RPLDCI. RHS: Source: Neuberger Berman. Data as of November 30, 2025.

# Securitized Credit: High Quality Fixed Income with Diverse Asset Level Economic Exposure

Attractive yield. Structural protection. Diversification advantages.

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## Data Centers ABS

- Cash flowing, multi-year lease, operational assets
- IG corporate tenants
- A rated tranche
- LTV: 55-65%
- Yield: 5.25% (T+155)
- Duration: 5 Years



## Residential Mortgages

- Non-QM
- Borrower Type: Prime
- Underwrite: Non-traditional documentation
- BBB rated tranche
- LTV: 67-72%
- Yield: 5.70% (T+205)
- Duration: 4 Years



## Commercial Real Estate

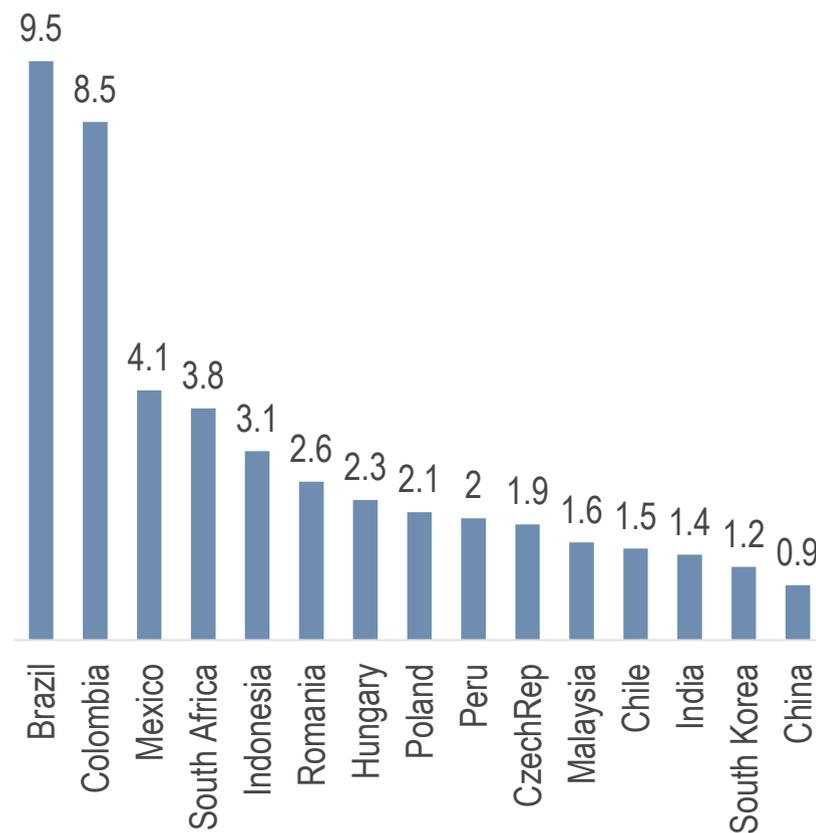
- Conduit CMBS
- Diversified collateral pools
- Nationally diversified
- A rated tranche
- LTV: 50-60%
- Yield: 5.60% (T+190)
- Duration: 5 Years

Source: Neuberger Berman used new issue trading levels for each asset class represented as of December 31, 2025. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. This material is not intended as a formal research report and should not be relied upon as a basis for making an investment decision. Investing entails risks, including possible loss of principal.

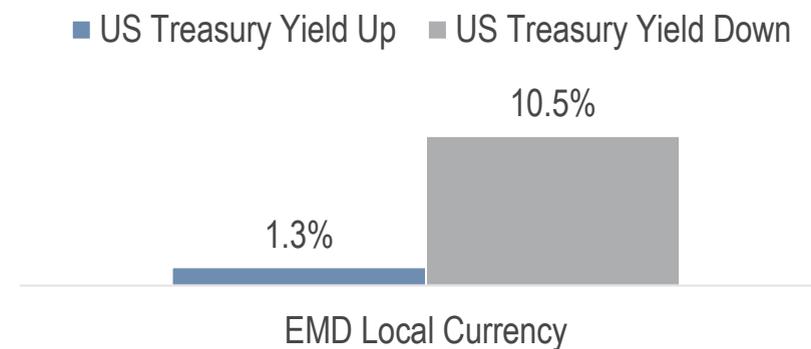
# Stars Aligning for Local Currency EM Debt as Flow Data Adds Technical Tailwind

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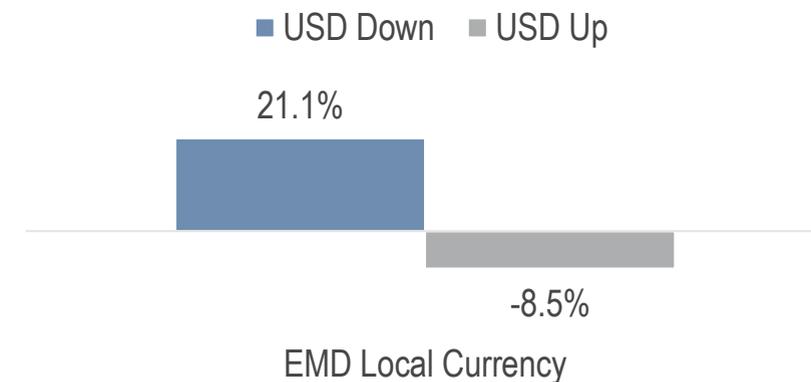
EM Local Bonds Real Rates (%) – based on 1y expected inflation



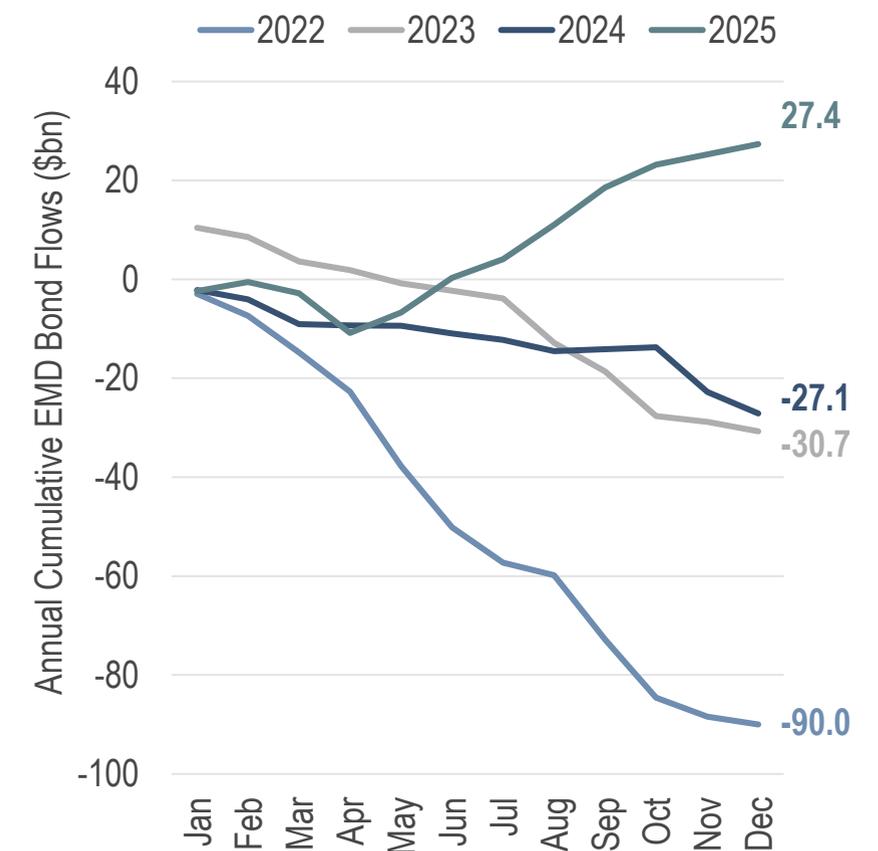
Annualized Total Return – U.S. Treasury Shifts



Annualized Total Return – U.S. Dollar Moves



Fund flows provide positive backdrop: over \$27bn in 2025



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Quarterly data from January 1, 2003 to December 31, 2025. RHS Source: Bloomberg. Based on 5yr nominal rates minus 12month forward CPI. Data as of January 6, 2026.

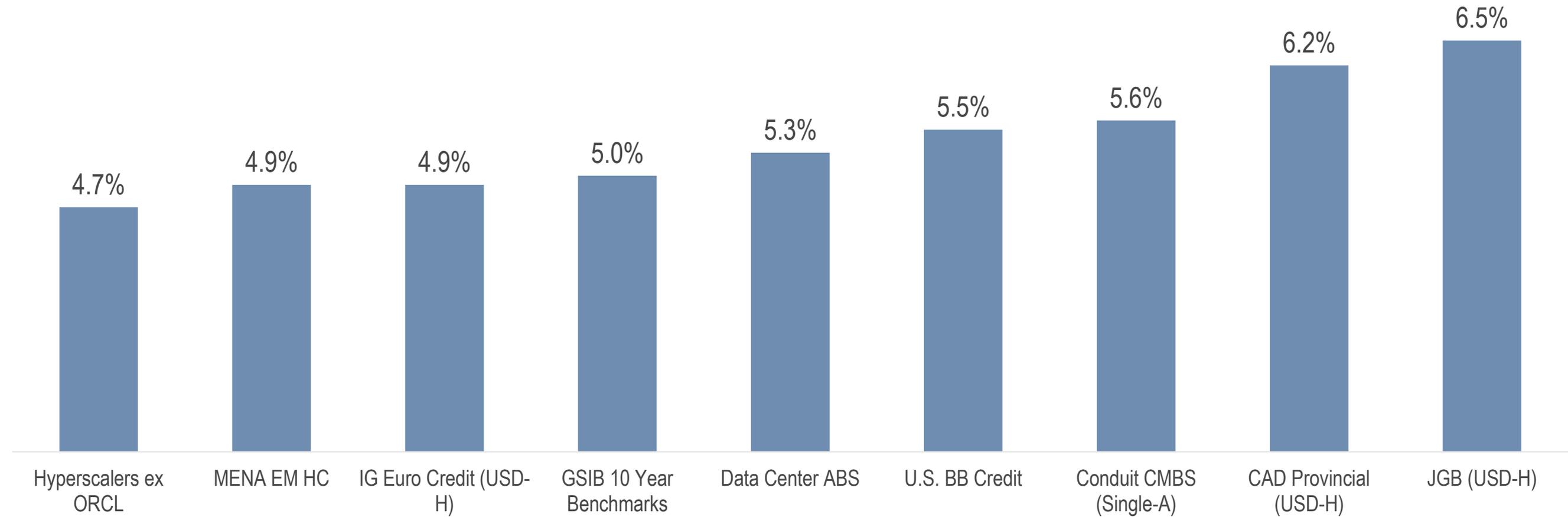
LHS Source: Bloomberg. Based on 5yr nominal rates minus 12month forward CPI. Data as of January 6, 2026. Middle: Bloomberg for US Generic Govt 5-Year Yield and U.S. Dollar Index (DXY). The U.S. Dollar Index (DXY) is an average of the exchange rates between the USD and major world currencies. JP Morgan for EMBI Glob. Div., CEMBI Div., GBI-EM Glob. Div. US Treasury Up and Down regimes are defined by the quarters when US Generic Govt 5-Year Yield increases or decrease. USD Up and Down regimes are defined by the quarters when the U.S. Dollar Index returns increases or decrease. As with any investment, there is the possibility of profit as well as the risk of loss. Right: JPMorgan, EPFR.

# Ideas For Thoughtful Carry in 2026

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## High Quality Carry Opportunities

■ Yield to Worst



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Data as of December 31, 2025. Indices used: Hyperscalers ex ORCL; Includes AMZN, META, GOOG, MSFT; MENA EM HC: ICE BofA Middle East & North Africa Emerging Markets Corporate Plus Index (EMDA); IG Euro Credit (USD-H): Bloomberg Euro-Aggregate: Corporate Index; GSIB 10 Year Benchmarks: U.S. GSIB institutions as defined by Financial Stability Board; Data Center ABS: representative new issue trading levels; U.S. BB Credit: ICE BofA BB US High Yield Index; Conduit CMBS: representative new issue trading levels; CAD Provincial (USD-H): Bloomberg Canada Provincial 10+ Yr Index; JGB (USD-H): On the run 30-year JGB.

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