DoubleLine Market Commentary

June 2026

Overview

The second quarter of 2026 was marked by the continuation of the Iran war and contentious negotiations to resolve the conflict. Capital markets looked through the risk of a prolonged impasse and pushed AI and semiconductor stocks to record highs. Investors also digested Federal Reserve Chairman Kevin Warsh's first Federal Open Market Committee (FOMC) meeting, where he emphasized his commitment to price stability and revealed five task forces to examine how the Fed communicates and handles key central bank operations. As tensions eased in the Middle East, the price of WTI crude oil retreated from the highs of the quarter, declining 38.5% to $69.50 by quarter-end. While the impact of the Iran war might not yet have been fully reflected in economic data, domestic economic activity continued at a steady pace, with the third release of the first quarter gross domestic product (GDP) growth rate increasing to 2.1%, above the consensus estimate and the prior release of 1.6%.

The U.S. dollar strengthened 1.23% during the quarter, as measured by the U.S. Dollar Index, which rose to 101.19 from 99.96 in the period. The S&P 500 Index returned negative 0.95% for June and 15.20% for the quarter. *(Figure 1)* Non-U.S. equities, as measured by the MSCI All Country World Index ex U.S., returned negative 0.56% month-over-month (MoM) but was still up 14.69% quarter-over-quarter (QoQ). U.S. fixed income, as measured by the Bloomberg US Aggregate Bond Index, returned 0.24% MoM and 0.67% QoQ as carry and credit spread tightening outweighed an increase in U.S. Treasury yields across the curve in the quarter. The two-, five-, 10- and 30-year yields increased 38 basis points (bps), 29 bps, 15 bps and 4 bps, respectively. *(Figure 2)*

U.S. Treasury Curve | As of June 30, 2026

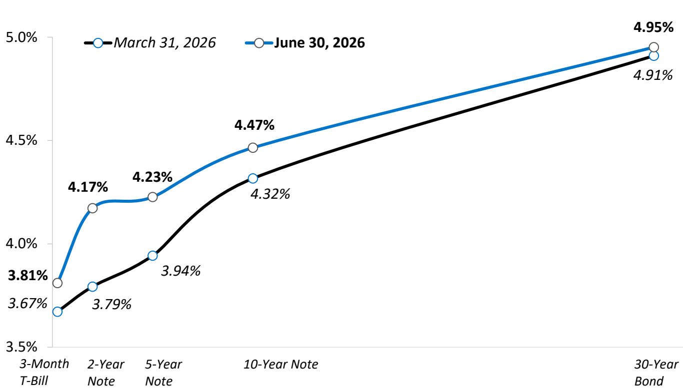


Figure 2
Source: DoubleLine, Bloomberg

Total Return by Asset Class | As of June 30, 2026
Denominated in U.S. Dollars

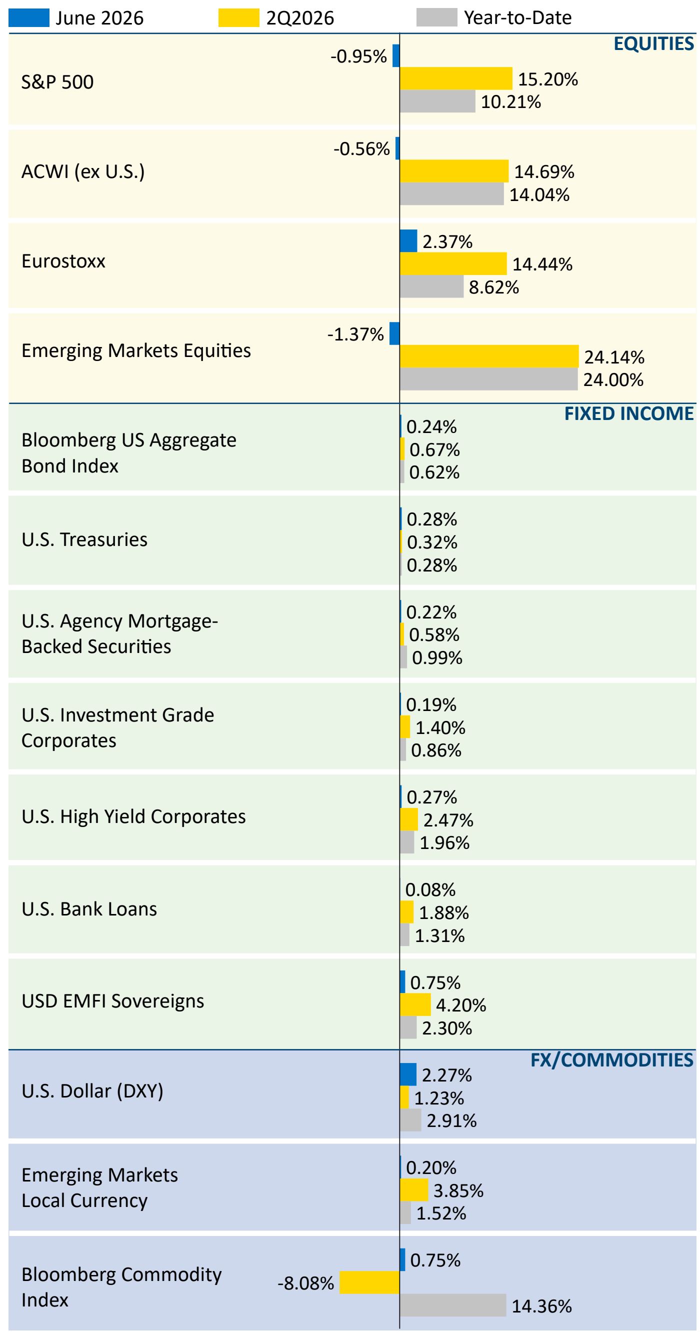


Figure 1
Source: DoubleLine, Bloomberg

Indices used in this chart: S&P 500 Index, MSCI ACWI ex U.S., Euro Stoxx 50, Emerging Markets Equities - MSCI EM Index, Bloomberg US Aggregate Bond Index, U.S. Treasuries - Bloomberg US Treasury Index, U.S. Agency MBS - Bloomberg US MBS Index, U.S. Corporate IG - Bloomberg US Corporate Index, U.S. Corporate HY - Bloomberg US Corporate High Yield Index, U.S. Bank Loans - Morningstar LSTA US Leveraged Loan TR USD, USD EMFI Sovereign - Bloomberg EM USD Aggregate Sovereign Index, U.S. Dollar Index, Emerging Markets Local Currency - J.P. Morgan Government Bond Index Emerging Markets Global Diversified, Bloomberg Commodity Index.

The FOMC did not change policy at its April or June meeting. The federal funds rate remained at a range of 3.50% to 3.75%, with the next meeting scheduled for July 28 and 29. The June meeting was the first for Fed Chairman Warsh, and he quickly put his mark on the agency. Chairman Warsh revealed plans to create five task forces to review how the Fed approaches several key areas: communication, balance sheet policy, data sources, productivity and jobs, and inflation framework. Breaking with precedent, he did not submit economic forecasts in his first Summary of Economic Projections (SEP), signaling to investors that reforms to the communication framework are forthcoming. Additionally, the June FOMC statement was reduced to 130 words from 341 at the April meeting. The June SEP indicates that members anticipate higher inflation and expect one 25-bp hike by the end of the year. Reinforcing the hawkish tone during his press conference, Chairman Warsh noted, "I am pleased to report that members of the FOMC are unambiguous and unanimous: This committee will deliver price stability." As of June 30, the market was pricing in one 25-bp hike in October and a strong probability of another by year-end, according to Bloomberg's World Interest Rate Probability (WIRP) function.

The U.S. economy added 57,000 jobs in June, according to the nonfarm payrolls report, below consensus estimates of 113,000 jobs, bringing the three-month moving average of private payroll gains to 99,000 jobs. The U-3 unemployment rate declined MoM in June to 4.2% from 4.3%. The Job Openings and Labor Turnover Survey data for May came in above expectations, as job openings registered 7.6 million, in line with April and above consensus estimates of 7.3 million. The ratio of the number of vacancies per unemployed job seeker ticked up to 1.04x, and the quits rate was unchanged at 1.9%. Overall, the labor market continued to exhibit a low-hire, low-fire dynamic. The ISM Manufacturing PMI decreased MoM in June to 53.3 from 54.0; the ISM Services PMI decreased to 54.0 from 54.5. Notably, May headline Consumer Price Index inflation registered a 4.2% year-over-year increase, in line with expectations, and likely a near-term peak barring a resumption of the Iran conflict.

Eurozone inflation came in at 2.8% in June, according to Eurostat's initial flash estimate, down MoM from 3.2% but still above the 2.0% target of the European Central Bank (ECB). The region's economy contracted 0.2% QoQ in the first quarter, as net exports and inventories continued to weigh on growth. The S&P Global Eurozone Manufacturing Purchasing Managers' Index (PMI) fell MoM to 51.4 in June from 51.6; while the services PMI rose to 49.4 from 47.7. The ECB met twice in the second quarter, keeping its deposit rate on hold in April but hiking it 25 bps to 2.25% in June. Following the June meeting, ECB President Christine Lagarde stated, "The outlook remains uncertain, with upside risks for inflation and downside risks for economic growth." The ECB is scheduled to convene in July, with market participants expecting one rate hike by the first quarter of 2027, according to WIRP.

In China, first quarter GDP registered 1.3% QoQ, as reported by China's National Bureau of Statistics, in line with expectations and ahead of a 1.2% gain the previous quarter. The China Manufacturing PMI increased MoM in June to 50.3 from 50.0; the services PMI ticked up to 50.2 from 50.1. In June, top Chinese financial regulators met at the annual Lujiazui Forum in Shanghai, where they vowed to further open the country's financial markets. At the event, Pan Gongsheng, governor of the People's Bank of China, discussed plans to enable overseas central banks and sovereign wealth funds to obtain yuan liquidity more easily.

In Japan, first quarter GDP was revised lower to 1.8%, according to the Cabinet Office's June revision. Manufacturing PMI increased to 54.8 from 54.5, according to S&P Global, while services PMI increased to 52.2 from 50.0. Headline CPI inflation in Japan moved higher in May to 1.5% from 1.4% in April, with May marking the fourth straight month below the 2.0% target of the Bank of Japan (BOJ) after 44 consecutive monthly readings higher than 2.0%. The BOJ met twice during the quarter, keeping the policy rate on hold at the April meeting but hiking it 25 bps in June to 1.00%, a 31-year high. After the June meeting, BOJ Deputy Governor Shinichi Uchida indicated the bank would continue to raise rates, stating, "With underlying inflation approaching 2%, we need to be mindful of upward price risks. We will guide policy so that we won't fall behind the curve."

Risk assets rallied aggressively in the second quarter of 2026 after the first quarter slump from the onset of the Iran war. Finding an off-ramp to the conflict was the second quarter's major headline, though the war's downstream effects led to elevated inflation reports. The elevated inflation, combined with investors reading Fed Chairman Warsh's first press conference as hawkish, led to a major repricing of short-term rates. Despite the hawkish data, the Fed remained on hold as Chairman Warsh waits for input from his new task forces and for inflation data to moderate in a potentially cheaper energy environment. Looking ahead, markets have refocused on Fed policy, AI-disintermediation risk and global fiscal policy.

U.S. Government Securities

The Bloomberg US Treasury Index returned 0.28% in June, bringing second quarter performance to 0.32% and year-to-date (YTD) performance to 0.28%. U.S. Treasury Inflation-Protected Securities (TIPS) declined 0.47% in the month and underperformed nominal Treasuries by 76 basis points (bps), though TIPS remained ahead by 57 bps for the quarter and 88 bps YTD. Treasury yields moved modestly higher across most maturities in June while the yield curve flattened further, with the spread between the two- and 10-year yield (2s10s) narrowing to 30 bps and the five- and 30-year spread (5s30s) compressing to 72 bps, reflecting a repricing of the potential Federal Reserve rate path.

U.S. Treasury Yield Curve (%)

	Mar. 31, 2026 (%)	May 29, 2026 (%)	Jun. 30, 2026 (%)	Monthly Change (bps)	Quarterly Change (bps)
3 Month	3.67	3.67	3.81	14	14
2 Year	3.79	4.00	4.17	17	38
5 Year	3.94	4.14	4.23	9	29
10 Year	4.32	4.44	4.47	3	15
30 Year	4.91	4.97	4.95	-2	4

Source: Bloomberg

Early in the quarter, the closure of the Strait of Hormuz and a surge in crude oil prices pushed markets to focus on the inflationary consequences of the conflict. By late June, an interim U.S.-Iran agreement to reopen the strait and subsequent decline in oil prices helped remove some of the energy risk premium that had weighed on duration earlier in the quarter. However, the market response remained cautious, with investors still assessing whether lower oil prices would be enough to offset earlier inflation pressure and supply-driven stickiness in services inflation.

Economic data releases also contributed to yields remaining above prewar levels. Labor prints were consistently resilient, highlighted by a stronger-than-expected May payroll report, while business activity data continued to show support from investment and AI-related capital spending. Inflation data was mixed. May's core Personal Consumption Expenditures Price Index was broadly in line with expectations and better than feared, but the strength in core services ex housing remained uncomfortable for the Fed.

Against this mixed backdrop, the Fed held rates steady at the June Federal Open Market Committee meeting, the first overseen by new Chairman Kevin Warsh. The FOMC removed easing bias from its language, and updated projections showed a larger number of FOMC members penciling in rate hikes for 2026.

At a postmeeting press conference, Chairman Warsh emphasized establishing credibility by recommitting to price stability. His communication style marked a clear shift from his predecessor, with less forward guidance and greater emphasis on data dependence. This contributed to a sharp repricing of the front end of the yield curve after the meeting, although markets would later scale back hike expectations as oil prices fell and inflation expectations moderated. The quarter ended with the Fed still on hold but with a materially wider distribution of possible policy outcomes given reduced guidance and the market's perception that the new Fed chairman might have higher tolerance for front-end volatility. Investors are also waiting to learn more about the task forces Chairman Warsh is forming for signals on potential shifts in policy priorities.

Agency Residential and Agency Commercial Mortgage-Backed Securities

Agency residential mortgage-backed securities (RMBS) fared well in June and the second quarter as the U.S. Treasury yield curve bear flattened, with long-term yields remaining largely unchanged in both periods. The Bloomberg US MBS Index returned 0.22% in the month and 0.58% in the quarter. The Bloomberg US Agency Commercial MBS (CMBS) Index returned 0.20% and 0.26%, respectively.

Agency RMBS spreads were largely unchanged in the month and quarter as option-adjusted spreads (OAS) tightened 2 basis points (bps) in June and were flat for the quarter at 24 bps, according to the Bloomberg US MBS Index. Agency CMBS OAS, as measured by the Bloomberg US Agency CMBS Index, widened 3 bps for the month and tightened 4 bps for the quarter to 71 bps. Spreads for current-coupon Agency RMBS, according to the AGNC ICE UMBS 30-Year Current Coupon Index, widened 5 bps and roughly 1 bp, respectively, to 25 bps.

Aggregate prepays for 30-year Agency RMBS increased 1% to 2% in June, driven by one additional day count and positive housing seasonal factors, partly offset by a 15-bp increase in mortgage rates. The Freddie Mac U.S. Mortgage Market Survey 30-Year Homeowner Commitment National Index fell 4 bps month-over-month (MoM) and rose 15 bps quarter-over-quarter to 6.49% at the end of June.

Agency RMBS gross issuance decreased MoM to $119 billion from $122 billion, and net issuance decreased to $20 billion from $23 billion. Ginnie Mae net issuance totaled $20 billion while Fannie Mae and Freddie Mac net issuance totaled $500 million. Paydowns on the Federal Reserve's MBS portfolio increased MoM to $17.5 billion from $16 billion.

Non-Agency Residential MBS

Performance of non-Agency residential mortgage-backed securities (RMBS) was positive across subsectors in June, largely driven by a broader rally in risk assets in the month and further supported by strong housing fundamentals. Non-Agency RMBS performance was also positive across subsectors in the second quarter despite a rise in interest rates as resilient housing fundamentals and a favorable supply-demand dynamic buoyed credit spreads over the period.

Credit fundamentals were mixed versus May remittances as delinquencies increased, and prepayments and mortgage rates decreased. The Freddie Mac U.S. Mortgage Market Survey 30-Year Homeowner Commitment National Index fell 4 basis points (bps) month-over-month (MoM) and rose 15 bps quarter-over-quarter (QoQ) to 6.49% at the end of June.

The month marked $21.0 billion in new issuance, up approximately $600 million MoM, according to BofA Global Research, with activity concentrated in non-qualified mortgages (non-QMs). New issuance decreased approximately $15.3 billion QoQ to $60.3 billion, with activity also largely concentrated in non-QMs.

Housing activity has picked up in recent months, primarily due to seasonality. Home prices rose 1.03% MoM and 1.14% year-over-year (YoY) in April, the most recent month for which data was available for the S&P Cotality Case-Shiller 20-City Composite Home Price NSA Index. Existing-home sales increased 3.2% in May, the most recent month for which data was available as measured by the National Association of Realtors Existing-Home Sales Report. YoY sales increased in the Midwest, South and West but declined in the Northeast.

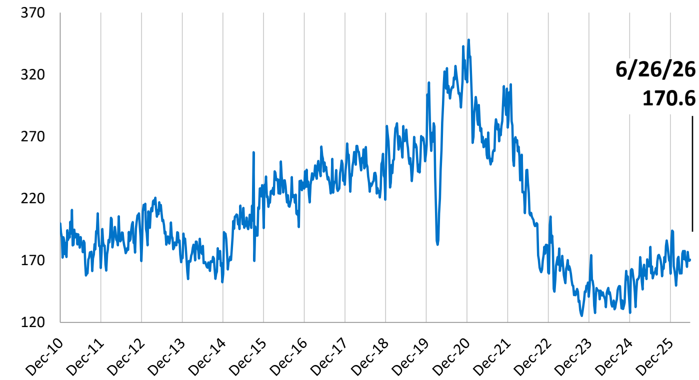
For more on mortgage market activity, please see the following page.

Mortgage Market Activity

MBA U.S. Refinancing Index | As of June 26, 2026

Source: Bloomberg
Base = 100 on 3/16/1990, Seasonally Adjusted

MBA Purchase Index | As of June 26, 2026



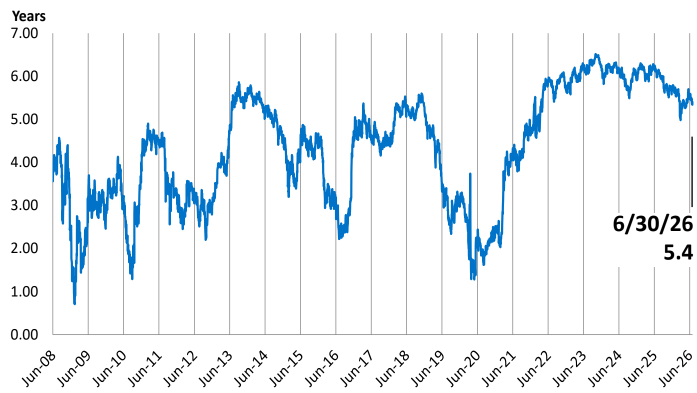
Source: Bloomberg
Base = 100 on 1/14/2011. Seasonally Adjusted

Freddie Mac Commitment Rate - 30 Year | As of June 25, 2026

Source: Bloomberg, DoubleLine

As of 1/4/2024, new methodology for gathering this data was implemented. Instead of surveying lenders, the Primary Mortgage Market Survey® results are now based on actual applications from lenders across the country submitted to Freddie Mac when a borrower applies for a mortgage.

Duration of Bloomberg US MBS Bond Index | As of June 30, 2026



Source: Bloomberg
Base = 100 on 1/14/2011, Seasonally Adjusted

Conditional Prepayment Rates (CPR)

2025 - 2026	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Fannie Mae (FNMA)	7.4	7.2	7.8	10.1	8.1	8.6	7.5	8.7	10.5	9.0	8.1	8.4
Ginnie Mae (GNMA)	9.1	9.7	11.2	14.4	11.9	12.4	10.7	12.1	14.6	13.2	11.7	11.0
Freddie Mac (FHLMC)	7.6	7.4	8.2	11.1	8.8	9.2	8.0	9.5	11.5	9.6	8.5	8.6

Bloomberg U.S. MBS Index	Apr. 30, 2026	May 29, 2026	Jun. 30, 2026	Change
Average Dollar Price ($)	91.48	91.46	91.37	-0.09
Duration (Years)	5.37	5.47	5.40	-0.07

Source: eMBS, Barclays Capital
FHLMC Commitment Rate Source: Bloomberg
As of June 30, 2026

Bloomberg U.S. Index Returns (%)	Apr. 30, 2026	May 29, 2026	Jun. 30, 2026
Aggregate	0.11	0.31	0.24
MBS	0.07	0.30	0.22
Corporate	0.45	0.76	0.19
Treasury	-0.07	0.11	0.28

Non-Agency Commercial Mortgage-Backed Securities

In June, the primary non-Agency commercial mortgage-backed securities (CMBS) market priced $13.64 billion of deals across 19 transactions, pushing second quarter totals to $45.72 billion and 59, respectively. *(Figure 3)* Conduit benchmark last-cash-flow bonds rated AAA tightened 1 basis point (bp) month-over-month (MoM) to 0.72% compared to duration-matched U.S. Treasuries. Bonds rated BBB- widened 6 bps to 4.71% compared to duration-matched Treasuries.

Private-Label New Issuance ($ Billions)	Monthly		Quarter-to-Date	
	Deals	Volume	Deals	Volume
Conduit	4	$2.55	10	$6.72
Floating SASB	9	$4.69	24	$15.12
Fixed SASB	3	$3.19	15	$12.20
Commercial Real Estate CLO	3	$3.21	10	$11.68
Private-Label Total	19	$13.64	59	$45.72

Private-Label New Issuance ($ Billions)	Year-to-Date		Comparable to YTD 2025	
	Deals	Volume	Volume	% of YTD 2025
Conduit	20	$14.92	$15.44	97%
Floating SASB	45	$33.89	$26.59	127%
Fixed SASB	26	$18.18	$17.09	106%
Commercial Real Estate CLO	26	$26.71	$17.26	155%
Private-Label Total	117	$93.70	$76.38	123%

Figure 3
Source: DoubleLine, J.P. Morgan, as of June 30, 2026

The commercial real estate (CRE) market experienced increased price activity MoM in May, the latest month for which data was available from Real Capital Analytics, particularly among office properties. *(Figure 4)* Central business district office marked the biggest decline (-1.74%), while suburban office marked the biggest increase (+1.80%). The RCA U.S. All-Property Commercial Property Price Index was up 0.48% MoM and 1.66% year-over-year (YoY). *(Figure 5)* CRE transaction volume was up 15% YoY to $42.0 billion.

Property Type	MoM Price Change (%)	YoY Price Change (%)
Apartment	-0.74%	-1.57%
Retail	1.16%	-2.17%
Industrial	-0.94%	1.66%
Office - Central Business District	-1.74%	4.37%
Office - Suburban	1.80%	2.84%
National All-Property	0.48%	1.66%

Figure 4
Source: Real Capital Analytics, as of May 31, 2026

RCA U.S. CPPI Indexes | As of May 31, 2026

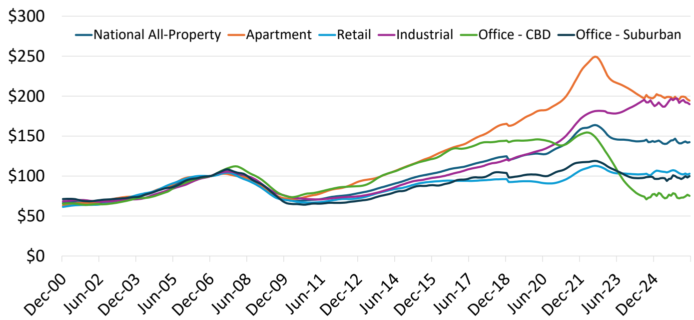


Figure 5
Source: Real Capital Analytics

The 30-day-plus delinquency rate for non-Agency CMBS ticked down 20 bps MoM and quarter-over-quarter to end June at 7.35%. *(Figure 6)* The percentage of loans that were seriously delinquent (60 days or longer, in foreclosure, real estate owned or non-performing) was down 14 bps MoM to 7.16%. Delinquencies in the heavily watched office segment were up 4 bps to 11.57%. While industrial and lodging delinquencies decreased, retail and multifamily delinquencies increased.

30-Day-Plus Delinquency Rates | As of June 30, 2026

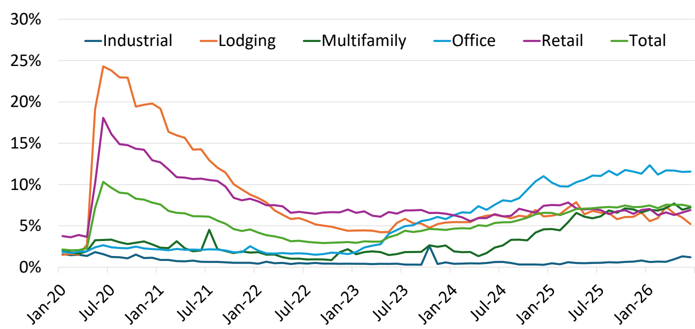


Figure 6
Source: Trepp

Asset-Backed Securities

The asset-backed securities (ABS) market delivered positive returns in June and mostly positive returns in the second quarter. In the month, the asset class was helped by its relatively short duration, while improving risk sentiment supported ABS in the quarter. Short-duration and high-credit quality ABS, such as those held in the Bloomberg US ABS Index, returned 0.21% and 0.75% in the month and quarter, respectively, while more off-the-run sectors, such as those held in the ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index, returned 0.31% and 0.94%. The broader fixed-income market, as measured by the Bloomberg US Aggregate Bond Index, returned 0.24% and 0.67, respectively.

Primary market activity totaled $30.5 billion in June, bringing the year-to-date total to $192.4 billion. Spreads were modestly tighter across ABS subsectors for the month. The best-performing subsectors for the month were data infrastructure, supported by a positive supply-demand dynamic despite idiosyncratic issuer risk. While delivering positive returns, the worst performers were shorter-duration ABS such as consumer-related securitizations. For the quarter, the best performers were aircraft securitizations, supported by falling energy prices and optimism over resolution of the U.S.-Iran war. The worst performers were railcar securitizations, impacted by duration-related price declines.

Investment Grade Credit

In June, the U.S. investment grade (IG) credit market was impacted by dampened risk appetite and high supply. The Bloomberg US Corporate Index was up 0.19% in the month and 1.40% in the second quarter. U.S. IG corporate spreads, as measured by the index, widened 2 basis points (bps) to 74 bps over the month, underperforming duration-matched U.S. Treasuries by 18 bps. For the quarter, spreads tightened 15 bps, outperforming duration-matched Treasuries by 117 bps.

Long-duration corporates were up 0.29% month-over-month (MoM), outperforming the broader index, while intermediate- and short-duration corporates returned 0.14% and negative 0.16%, respectively. For the quarter, long-duration corporates outperformed the index once again, rising 2.31% versus 0.98% and 0.86% for intermediate- and short-duration corporates, respectively.

The best-performing subsectors in the month were other industrial, transportation and natural gas. The worst performers were communications, technology and brokerage/asset managers/exchanges. For the quarter, the best performers were insurance, transportation and finance companies. The worst performers were communications, technology and consumer cyclical.

U.S. dollar-denominated IG new issuance in June was $219.6 billion on a gross basis and $105.5 billion on a net basis, as reported by Barclays, up 47% and 170% year-over-year (YoY), respectively. For the quarter, gross issuance was $605 billion, and net new issuance was $254 billion, up 42% and 701% YoY, respectively.

IG fund inflows were $66.8 billion for the month and $110.6 billion for the quarter, according to EPFR Global as reported by J.P. Morgan, up 123% and 2,707% YoY, respectively.

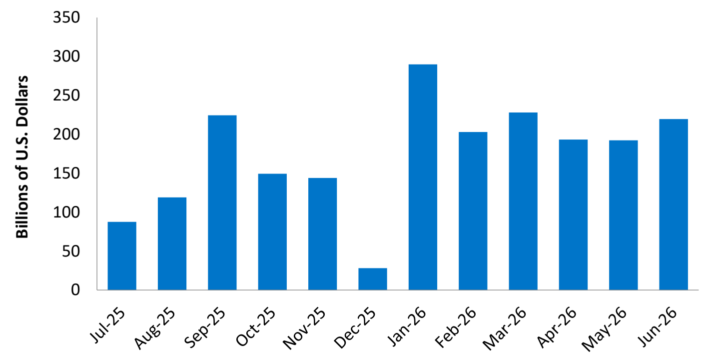
Bloomberg US Corporate Index

As of June 30, 2026

Total Return by Rating Category (%)	One Month	Quarter-to-Date	Year-to-Date	Last 12 Months
US IG Corporate Index	0.19	1.40	0.86	4.34
AAA	-0.09	0.75	0.04	2.77
AA	-0.02	0.73	0.28	3.06
A	0.22	1.27	0.72	4.21
BBB	0.20	1.67	1.12	4.73

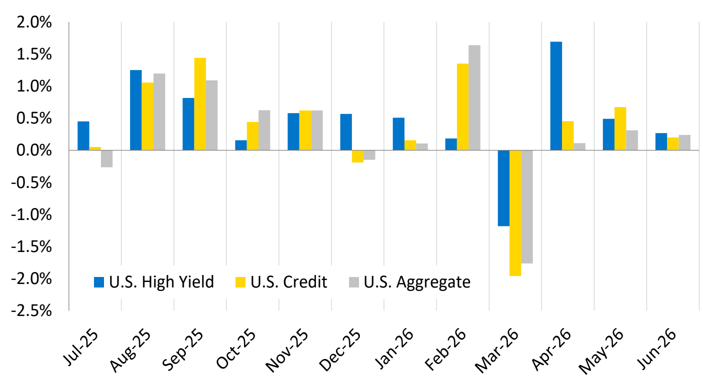
Source: Barclays Live

Total Fixed-Rate Investment Grade Supply
As of June 30, 2026



Source: Barclays Live

Performance of Select Barclays Indices
July 2025 through June 2026

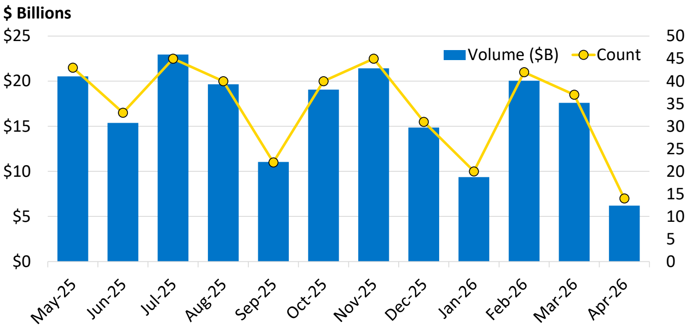


Source: Barclays Live

Collateralized Loan Obligations

Collateralized loan obligation (CLO) spreads inched wider across the capital stack in June as investor optimism gave way to a more cautious tone due to renewed geopolitical tensions, persistent inflation concerns and a more hawkish Federal Reserve outlook. The J.P. Morgan CLO Total Return Index rose 0.37% in the month, bringing second quarter return to 1.68%.

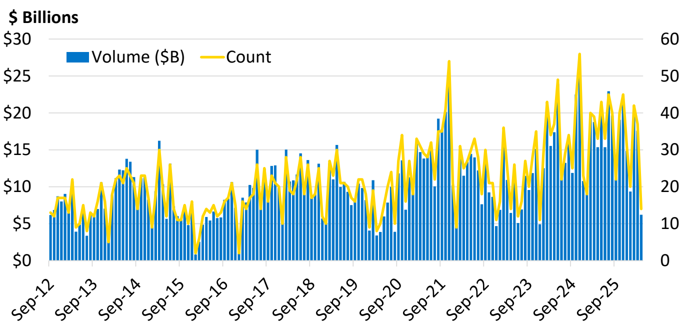
Last 12 Months Issuance | July 2025 to June 2026



Source: LCD-CLO Global Databank

U.S. CLO issuance slowed in the month, with $10.3 billion pricing across 23 deals. Primary supply for the quarter totaled $33.3 billion via 72 deals. However, refinancing (refi) and reset activity remained relatively elevated with 30 refi and 46 reset transactions pricing in June, totaling $12.0 billion and $23.8 billion, respectively.

CLO New Issuance | September 2012 to June 2026



Source: LCD-CLO Global Databank

CLO secondary market activity also slowed in the month, with trading volume of $29.5 billion. Per Trade Reporting and Compliance Engine data, investment grade (IG) volume constituted 83% of total CLO secondary volume, at $24.5 billion, while below-IG trading volume totaled $5.0 billion. The monthly supply of CLO bids wanted in competition decreased 40% to $2.7 billion from $4.5 billion month-over-month (MoM).

CLO credit fundamentals were mixed in the month. The three-month ratio of downgrades to upgrades increased MoM to 1.25x from 1.18x but was down from 1.63x at the start of the quarter. The trailing 12-month default rate dipped below 1% in June, ending at 0.97% after declining MoM from 1.35% and 1.44% at the start of the quarter.

The Morningstar LSTA US Leveraged Loan PR USD Index ended the month at $94.96, down from $95.33 at the start of the month but up from $94.63 at the start of the quarter. Meanwhile, the distressed ratio, defined as loans trading below $80, ended the month at 6.87%, up slightly MoM from 6.53% but down from 7.23% at the start of the quarter.

Bank Loans

The bank loan market posted a marginally positive return in June, with the Morningstar LSTA US Leveraged Loan TR USD Index rising 0.08% as interest income offset a 0.51% decline in market prices. For the second quarter, bank loans returned 1.88% while the year-to-date (YTD) return stood at 1.31%. The weighted average bid price of the Morningstar LSTA US Leveraged Loan PR USD Index ended the month at $94.96, down from $95.33 at the start of the month but up from $94.63 at the start of the quarter, when the market was in the throes of a software-driven sell-off. Software loans continued to lag, ending June at a weighted average bid price of $85.65 to mark a new month-end low. Nonsoftware loans were at $96.67, down slightly in the month but up from $96.08 at the start of the quarter.

The market ended the month with a spread to maturity of 437 basis points (bps), with wide dispersion between software (810 bps) and nonsoftware (391 bps) loans. The yield to maturity was 8.21%, down slightly from 8.31% at the start of the quarter. Bank loans continue to offer an elevated yield relative to other areas of fixed income, which positions them well as market expectations shift to potential federal funds rate hikes in the quarters ahead.

Returns by ratings class were mixed in June, with loans rated B declining 0.02% and underperforming loans rated BB and CCC, which returned 0.27% and 0.29%, respectively. Toward the end of the month, a beta-driven sell-off ensnared some large capital structures in the B cohort, including software loans that experienced renewed selling pressure. Software was the worst-performing subsector, declining 1.66% and taking the YTD return to negative 6.31%, dramatically underperforming the broader index. The other negative subsectors for the month were insurance, and construction and engineering, which declined 1.21% and 0.22%, respectively. The best performers were building products, household durables, and containers and packaging, which rose 1.76%, 1.17% and 0.86%, respectively.

The trailing 12-month default rate dipped below 1% in June, ending at 0.97% after declining from 1.35% month-over-month (MoM) and 1.44% at the start of the quarter. *(Figure 7)* There were no new defaults in June and no discounted debt exchanges. Including liability management exercises, the default rate would have been 2.77%. The market distressed ratio, defined as loans trading below $80, ended the month at 6.87%, up slightly MoM from 6.53% but down from 7.23% at the start of the quarter. *(Figure 8)* The percentage of loans trading at par or above was 21.72%. The three-month ratio of downgrades to upgrades was 1.25x in June, up slightly MoM from 1.18x and down from 1.63x at the start of the quarter.

Distressed Ratio | January 2024 to June 2026

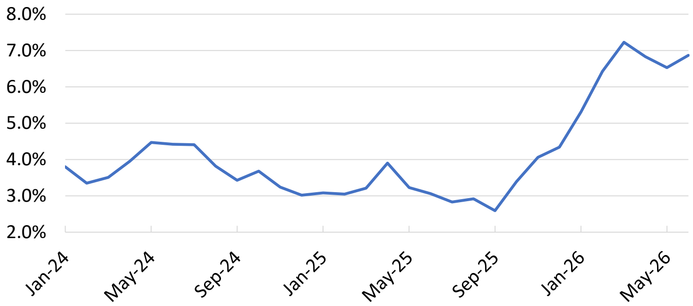


Figure 7
Source: DoubleLine, Morningstar LSTA US Liquid Leveraged Loan Index

Bank Loan Default Rate | January 2023 to June 2026

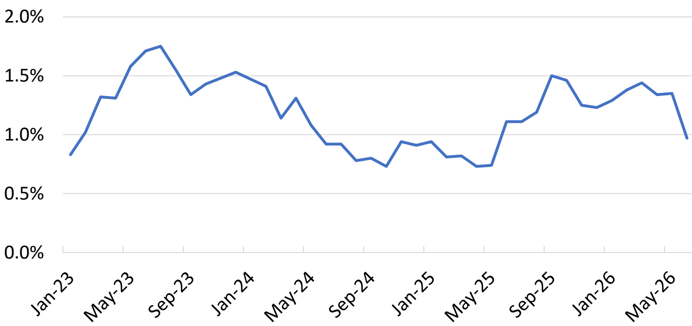


Figure 8
Source: DoubleLine, Morningstar LSTA US Liquid Leveraged Loan Index

Primary market activity slowed in June, with $80.4 billion of new issuance, down MoM from $111.6 billion but up slightly from $75.8 billion a year ago. The monthly decline was due to a drop in repricing transactions given that fewer names were trading above par. New-issue volume in the second quarter was $224.0 billion, down from $241.0 billion in the first quarter but up from $115.7 billion in the same period a year ago.

High Yield

The high yield (HY) corporate credit market was supported in June by progress on ending the U.S.-Iran conflict, resilient macroeconomic data, sliding oil prices and positive inflows. This dynamic was partially offset by a more hawkish-than-expected tone at the month's Federal Open Market Committee meeting. The Bloomberg US HY Corporate Index returned 0.27% in June, with yields rising 20 basis points (bps) to 7.16%, while spreads widened 12 bps to 270 bps. The index was up 2.47% in the second quarter, with index yields and spreads declining 24 bps and 47 bps, respectively.

Bloomberg US Corporate High Yield Index
As of June 30, 2026

	Total Return by Rating Category (%)			
	One Month	Quarter-to-Date	Year-to-Date	Last 12 Months
US High Yield Index	0.27	2.47	1.96	5.91
BB	0.31	2.26	1.98	5.90
B	0.27	2.84	2.18	6.15
CCC	-0.11	2.98	1.69	6.32

Source: Bloomberg, DoubleLine

The HY 12-month, par-weighted default rate increased 70 bps month-over-month to 1.89%, as reported by J.P. Morgan, up from 0.99% at the end of 2025. For reference, the 25-year average is 2.90%. When including distressed exchanges, the default rate increased 64 bps to a 29-month high of 2.67%, compared to 1.88% at the end of 2025. The 25-year default average including distressed exchanges is 3.25%.

Monthly upgrade volume ($24.3 billion) outpaced downgrade volume ($20.3 billion), as reported by J.P. Morgan, bringing the year-to-date (YTD) ratio to 1.5x compared to 1.3x for full-year 2025. Quarter-to-date upgrade volume ($127.1 billion) similarly outpaced downgrade volume ($78.6 billion), resulting in a quarterly ratio of 1.6x. By number, June upgrades (20) slightly outpaced downgrades (16), bringing the YTD number ratio to 1.0x, the same as for full-year 2025. The quarterly upgrade number (66) also slightly outpaced the downgrade number (61), bringing the ratio to 1.1x, slightly higher than the first quarter's 0.9x.

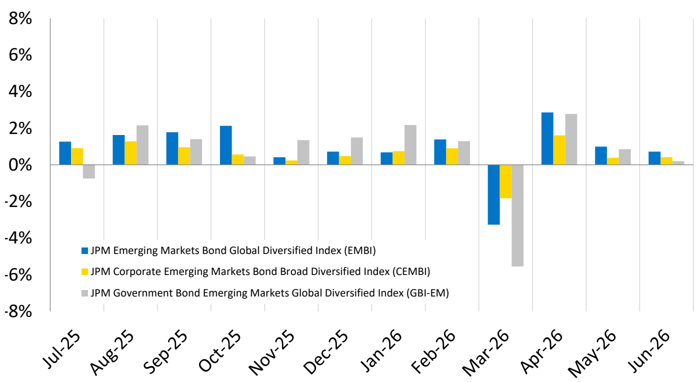
HY new-issue volume remained robust in June with $35.0 billion, as reported by J.P. Morgan, pushing quarterly volume to $106.0 billion. This compares to $27.0 billion in May and a 2025 monthly average of $27.7 billion. Refinancings were responsible for 59% of proceeds in June and 56% YTD.

HY reported its third consecutive month of inflows in June, totaling $2.3 billion, according to Lipper as reported by J.P. Morgan. Quarterly inflows reached $8.9 billion.

Emerging Markets Fixed Income

Emerging markets (EM) sovereign and corporate bonds posted positive returns in June and over the second quarter. The J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD), which tracks sovereign bonds, returned 0.72% in the month and 4.63% in the quarter. The J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI BD), which tracks corporate bonds, returned 0.42% and 2.42%, respectively. The credit spread for the EMBI GD tightened 2 basis points (bps) in the month and 54 bps in the quarter. The credit spread for the CEMBI BD tightened 6 bps and 36 bps, respectively.

J.P. Morgan Emerging Markets Bond Index Performance
July 31, 2025 to June 30, 2026



Source: J.P. Morgan

Performance across all regions was positive in the month except for the Middle East, and performance was positive across all regions in the quarter. For the month, Latin America was the best performer in both indices. The Middle East was the worst performer in the EMBI GD; Asia was the laggard in the CEMBI BD. Over the quarter, Africa was the best performer in the EMBI GD; Latin America was the best performer in the CEMBI BD. Asia was the laggard in both indices. The high yield subindex outperformed the investment grade subindex in both indices over the month and quarter.

The outlook for 2026 remains uncertain and may likely be shaped by the trajectory and duration of the Middle East conflict and its impact on global oil prices, growth and inflation. Central banks will need to balance monetary policy with the potential for second-round inflationary impulse from higher commodity prices and the potential for a consumption-led global growth slowdown. Additional drivers for the 2026 outlook could include uncertainty around U.S. tariff, trade and immigration policy; risks of an AI hyperscaler capital expenditure overbuild; China's fiscal stimulus measures; and tighter global monetary policy.

International Sovereign

Global government bonds, as measured by the FTSE World Government Bond Index, returned negative 0.75% in June and 0.68% for the second quarter as geopolitical developments and shifting monetary policy expectations drove volatility across global rates and currencies.

The U.S. dollar, as measured by the U.S. Dollar Index, strengthened against most G-10 peers over the month and quarter. Although an April 7 ceasefire agreed upon by the U.S., Israel and Iran initially reduced safe-haven demand, the dollar quickly recovered as renewed hostilities and stalled negotiations raised doubts about a lasting peace. Disruptions to shipping through the Strait of Hormuz kept energy prices elevated, fueling inflation concerns and lifting U.S. Treasury yields. Although an agreement to reopen the strait was reached in June, investor focus had shifted to the Federal Reserve. Markets interpreted the tone of that month's Federal Open Market Committee meeting as hawkish, reinforcing expectations for additional policy tightening and supporting the dollar.

The euro weakened against the stronger dollar despite the European Central Bank raising its policy rate 25 basis points (bps) to 2.25% in June. While policymakers cited risks from higher energy prices, expectations for further tightening faded, as oil prices declined following the U.S.-Iran agreement to restore shipping through the strait and eurozone growth softened.

The Japanese yen also weakened, reversing gains from a late-April intervention by Japanese authorities. Persistent U.S.-Japan interest-rate differentials, ongoing fiscal concerns and elevated energy prices continued to weigh on the currency. Although the Bank of Japan resumed policy normalization with a 25-bp rate hike in June, the move provided only limited support for the yen.

Emerging Markets Local Currency

Emerging markets (EM) local currency government bonds, as measured by the J.P. Morgan Government Bond Index EM Global Diversified (GBI-EM GD), returned 0.20% in June and 3.85% for the second quarter. Price gains contributed 1.89% to quarterly returns, interest income added 1.42%, and foreign exchange contributed 0.54%. (Returns are rounded).

EM currencies rallied broadly in April as a ceasefire agreed upon by the U.S., Israel and Iran improved global risk sentiment. Performance became more volatile over the remainder of the quarter as renewed hostilities and stalled negotiations cast doubt on the ceasefire's durability, while uncertainty surrounding the reopening of the Strait of Hormuz also weighed on investor sentiment.

Within the GBI-EM GD, Hungary and Colombia were the strongest performers, supported by election outcomes that ushered in more market-friendly governments. Indonesia was the weakest performer, as persistent concerns over deteriorating fiscal and external balances, compounded by elevated oil prices, continued to pressure the rupiah.

Commodities

Commodity markets weakened further in June, capping a challenging second quarter as easing geopolitical tensions, a stronger U.S. dollar and shifting expectations for U.S. monetary policy weighed broadly across the asset class. The S&P GSCI declined 10.16% in the month and finished the quarter down 12.19%, while the Bloomberg Commodity (BCOM) Index fell 8.83% and 8.92%, respectively. Despite the sharp quarterly correction, both benchmarks remained positive year-to-date (YTD), with the S&P GSCI up 21.85% and the BCOM advancing 12.30%, reflecting strong gains earlier in the year. June's sell-off was driven primarily by the reopening of the Strait of Hormuz under the U.S.-Iran agreement, which accelerated the normalization of Middle Eastern oil exports and removed much of the geopolitical risk premium that had supported commodity prices. Investors also reduced exposure to metals as stronger U.S. economic data supported a firmer U.S. dollar and reinforced expectations that Federal Reserve rate cuts would be delayed.

Energy was the weakest-performing sector in the month (-14.26%) and quarter (-17.78%), although it remained the strongest major commodity sector YTD with a gain of 48.93%. Brent and WTI crude declined 18.41% and 18.73%, respectively, during June as Persian Gulf export flows recovered, physical market conditions softened, and speculative positioning turned increasingly bearish. Precious metals also came under significant pressure, falling 13.19% during the month and 15.11% over the quarter, as investors unwound safe-haven positions amid higher U.S. Treasury yields, a stronger dollar and fading geopolitical risks, with silver substantially underperforming gold. Industrial metals declined during the month (-8.11%) but were nearly flat for the quarter (-0.10%), as copper (+8.37%) and zinc (+10.04%) offset weakness in aluminum (-11.01%) and nickel (-6.04%) in the three-month period. Confidence that Middle Eastern supply chains would normalize, together with uncertainty surrounding U.S. copper tariffs, drove much of the sector's performance.

Agricultural commodities also produced mixed results, with the sector declining 3.04% in the month and 5.79% in the quarter, leaving it down 2.38% YTD. Performance diverged sharply between the soft commodities and grains. Cocoa surged 26.72% in the month and 46.98% in the quarter as concerns surrounding El Niño, adverse weather in West Africa and next-season supply risks intensified, while coffee climbed 13.41% in June as delayed Brazilian harvests tightened near-term supplies. In contrast, grains remained under pressure as favorable growing conditions, abundant global supplies and weak export demand weighed on prices. Corn fell 8.61% during the month, while wheat and soybeans declined 5.43% and 5.13%, respectively, reflecting comfortable global inventories and subdued demand despite ongoing geopolitical uncertainty.

Infrastructure

Infrastructure assets delivered positive returns in June in line with the broader fixed-income market, while the asset class delivered positive returns and outperformed the broader fixed-income market in the second quarter. The broader fixed-income market, as measured by the Bloomberg US Aggregate Bond Index, returned 0.24% and 0.67 in the month and quarter, respectively.

In June, the best-performing infrastructure subsector was aircraft asset-backed securities (ABS), benefiting from falling energy prices due to optimism over resolution of the U.S.-Iran conflict. The worst performers were industrial corporate bonds, hurt by their long duration profiles in a period when U.S. Treasury yields rose across the curve. In the quarter, the best performers were industrial corporate bonds due to corporate spreads tightening over the period. The worst performers were railcar and equipment-related ABS.

U.S. Equities

The U.S. equities rally stalled in June after a powerful two-month rally as investors balanced solid corporate earnings and resilient economic data against elevated valuations and uncertainty surrounding the outlook for monetary policy. The S&P 500 Index declined 0.95% during the month but still delivered a strong 15.20% return for the second quarter. The technology-led rally lost some momentum, with the Nasdaq Composite Index falling 2.75% after its exceptional gains in April and May but still finishing the quarter up 21.60%. In contrast, market leadership broadened during June, with the Russell 2000 Index advancing 3.74%, the S&P 500 Equal Weight Index gaining 2.37% and the S&P 400 MidCap Index rising 3.59%, suggesting investors rotated toward smaller and more cyclically sensitive companies as confidence in the economy improved.

The broadening of market leadership was evident at the sector level during the month. Industrials led all sectors with a 7.29% gain, followed by health care (+6.62%) and financials (+4.37%), reflecting investor preference for economically sensitive and value-oriented sectors. In contrast, communication services (-7.10%), energy (-4.87%) and consumer discretionary (-2.78%) were the weakest performers. While June leadership became more diversified, quarterly performance remained overwhelmingly driven by technology. The sector surged 43.49%, fueled by continued enthusiasm surrounding AI, semiconductor demand and cloud infrastructure spending. The next strongest sectors were energy (+12.54%), supported by strong gains earlier in the quarter before June's pullback, and industrials (+14.85%), which benefited from resilient capital spending and infrastructure-related investment. At the other end of the spectrum, communication services (-3.04%), utilities (-0.53%) and consumer staples (+2.12%) were the weakest sectors.

Global Equities*

Global equities paused in June following a strong rally experienced across April and May as investors balanced continued strength in corporate earnings against heightened geopolitical uncertainty, elevated valuations in technology stocks and shifting expectations for monetary policy. The MSCI All Country World Index declined 0.77% in June but still delivered a robust 15.06% return for the second quarter. U.S. equities similarly eased, with the S&P 500 Index falling 0.95% in June after posting consecutive strong monthly gains, while the technology-heavy Nasdaq Composite Index declined 2.75% as investors took profits following its exceptional performance earlier in the quarter. Despite the June pullback, the Nasdaq returned 21.60% during the quarter, underscoring the continued leadership of large-capitalization tech stocks. Broader market participation improved in June, with the Russell 2000 and S&P 500 Equal Weight indices gaining 3.74% and 2.37%, respectively.

European equities delivered mixed results in the month but remained positive overall for the quarter. The STOXX Europe 600 edged 0.41% higher, bringing its quarterly gain to 10.65%. Spain's IBEX 35 was the strongest major European market during the month, rising 3.95%, while Italy's FTSE MIB gained 1.22%. In contrast, Germany's DAX fell 2.63%, while England's FTSE 100 declined 0.65% amid weakness in energy and commodity-related stocks.

Performance across Asia and emerging markets was similarly mixed in June. Japan's Nikkei 225 advanced 3.46%, extending its exceptional quarterly gain to 34.17%, while Taiwan continued to benefit from strong semiconductor demand, rising 1.93% in the month and 46.91% during the quarter. In contrast, Hong Kong declined 8.55% in June and 6.46% in the quarter. South Korea retreated 2.87% in the month following its outsized gains in April and May but was up an outstanding 88.26% year-to-date. The MSCI Emerging Markets Index slipped 1.37% in the month but still returned 24.14% in the quarter.

	June 2026	May 2026	2Q 2026
Global and U.S. Equities (%)			
MSCI All Country World Index	-0.77	5.21	15.06
S&P 500 Index	-0.95	5.26	15.20
S&P 500 Equal Weight Index	2.37	2.68	11.39
Nasdaq Composite Index	-2.75	8.43	21.60
Dow Jones Industrial Average	2.71	2.93	13.38
Russell 2000 Index	3.74	4.37	21.57
Eurozone (%)			
Stoxx Europe 600 (Eurozone)	0.41	2.75	10.65
DAX (Germany)	-2.63	2.87	9.00
CAC 40 (France)	0.71	1.89	8.88
FTSE MIB (Italy)	1.22	4.81	18.09
IBEX 35 (Spain)	3.95	2.88	14.62
FTSE 100 Index (U.K.)	-0.65	-0.11	4.29
Asia Pacific (%)			
Nikkei 225 (Japan)	3.46	10.04	34.17
Shanghai Stock Exchange Composite (China)	0.86	0.10	7.75
Hang Seng Index (Hong Kong)	-8.55	-1.78	-6.46
KOSPI (South Korea)	-2.87	26.21	64.35
TAIEX (Taiwan)	1.93	16.03	46.91
AORD (Australia)	-3.49	1.43	4.53
Other Emerging Markets (%)			
MSCI Emerging Markets Index	-1.37	9.71	24.14
Ibovespa (Brazil)	-3.24	-8.59	-7.75
MSCI India Index	1.54	-0.44	9.81

Source: Bloomberg

*Non-U.S. equities are reported in U.S. dollar terms.

Agency – Refers to mortgage-backed securities (MBS) whose principal and interest are guaranteed by a U.S. government agency such as Fannie Mae (FNMA) or Freddie Mac (FHLMC).

AGNC ICE GNMA 30-Year Current Coupon Index – This index tracks the performance of the 30-year, fixed-rate residential mortgage-backed securities (MBS) guaranteed by Ginnie Mae that are trading closest to par value.

Asset-Backed Securities (ABS) – Investment securities, such as bond or notes, that are collateralized by a pool of assets, such as loans, leases, credit card debt, royalties or receivables.

Australia All Ordinaries (AORD) Index – This index tracks the share prices of the 500 largest companies listed on the Australian Securities Exchange (ASX). The market capitalization of the AORD companies amounts to more than 95% of the value of all shares listed on the ASX.

Basis Points (bps) – Basis points (or basis point (bp)) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points; 0.01% = 1 basis point.

Beta – Measure of the volatility – or systematic risk – of a security or portfolio compared to the market as a whole.

Bid Wanted in Competition (BWIC) – Formal request for bids on a package of securities that is submitted by an institutional investor to a number of securities dealers. The dealers are being invited to submit bids on the listed securities.

Bloomberg Commodity (BCOM) Index – This index is calculated on an excess return basis and reflects the price movements of commodity futures. It rebalances annually, weighted two-thirds by trading volume and one-third by world production, and weight caps are applied at the commodity, sector and group levels for diversification. The roll period typically occurs from the sixth to 10th business day based on the roll schedule.

Bloomberg Emerging Markets (EM) USD Aggregate Sovereign Index – This index tracks fixed- and floating-rate, U.S. dollar-denominated debt issued by EM governments. Country eligibility and classification as an emerging market is rules based and reviewed annually using World Bank income group and International Monetary Fund country classifications.

Bloomberg US Agency Commercial Mortgage-Backed Securities (CMBS) Index – This index measures the U.S. market of Agency conduit and fusion CMBS deals.

Bloomberg US Aggregate Bond Index – This index (the "Agg") represents securities that are SEC registered, taxable and U.S. dollar denominated. It covers the U.S. investment grade, fixed-rate bond market, with components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Bloomberg US Asset-Backed Securities (ABS) Index – This index is the ABS component of the Bloomberg US Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos and utility.

Bloomberg US Corporate High Yield (HY) Index – This index measures the U.S. dollar-denominated, HY, fixed-rate corporate bond market. Securities are classified as HY if the respective middle ratings of Moody's, Fitch and S&P are Ba1, BB+ or BB+ or below. The Bloomberg US HY Long Bond Index, including bonds with maturities of 10 years or greater, and the Bloomberg US HY Intermediate Bond Index, including bonds with maturities of 1 to 9.999 years, are subindices of the Bloomberg US Corporate HY Bond Index.

Bloomberg US Corporate Index – This index measures the investment grade, fixed-rate taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg US Mortgage-Backed Securities (MBS) Index – This index measures the performance of investment grade, fixed-rate mortgage-backed pass-through securities of the government-sponsored enterprises (GSEs): Federal Home Loan Mortgage Corp. (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae).

Bloomberg US Treasury Index – This index measures U.S. dollar-denominated, fixed-rate nominal debt issued by the U.S. Treasury with a remaining maturity of one year or more. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Bloomberg World Interest Rate Probability (WIRP) – Statistical function developed by Bloomberg that uses fed funds futures and options to assess the probability of future Federal Open Market Committee (FOMC) decisions. It seeks to calculate the chances of a rate hike at each of the FOMC meetings using futures trading data.

Brent Crude Oil – Major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. Brent is known as a light, sweet oil because it contains 0.24% sulfur, making it "sweet," and has a low density, making it "light."

China Manufacturing Purchasing Managers Index (PMI) – This index, compiled by the China Federation of Logistics & Purchasing (CFLP) and China Logistics Information Center (CLIC), provides an early indication each month of economic activities in the Chinese manufacturing sector. Every month, the index is based on responses drawn from 3,200 samples from 31 divisions of the manufacturing industry across China. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

China Services Purchasing Managers Index (PMI) – This index, compiled by the China Federation of Logistics & Purchasing (CFLP) and China Logistics Information Center (CLIC), provides an early indication each month of economic activities in the Chinese services sector. Every month, the index is based on responses drawn from 4,300 samples from 43 divisions of the manufacturing industry across China.

Collateralized Loan Obligation (CLO) – Single security backed by a pool of debt.

Conduit Loans – Type of loans, also known as commercial mortgage-backed securities (CMBS) loans, that are commercial real estate loans pooled together with similar commercial mortgages and sold on the secondary market. On the secondary market, conduit loans are divided into tranches based on risk, return and loan maturity.

Consumer Price Index (CPI) – This index, compiled by the U.S. Bureau of Labor Statistics, examines the weighted average of the prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by averaging price changes for each item in the basket. Changes in the CPI are used to assess price changes associated with the cost of living. The CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.

Core Personal Consumption Expenditures (PCE) Price Index – This index, published by the U.S. Bureau of Economic Analysis, measures prices paid by consumers for goods and services, excluding the volatility of food and energy prices, to gauge underlying inflation trends. It is the Federal Reserve's preferred index for tracking inflation.

Cotation Assistee en Continu (CAC) 40 – This stock market index tracks the 40 largest French stocks on the Euronext Paris based on market capitalization, trading activity, size of balance sheet and liquidity.

Deutscher Aktien Index (DAX) – This blue-chip stock market index comprises the 40 major German companies trading on the Frankfurt Stock Exchange.

Distressed Exchange – A bank loan distressed exchange is an out-of-court negotiation where a company facing financial difficulties proposes to exchange existing debt for new debt, often with a reduced principal amount or modified terms, to avoid bankruptcy.

Dow Jones Industrial Average (DJIA) – This index tracks 30 large publicly owned companies trading on the New York Stock Exchange and the Nasdaq. It is price-weighted, unlike stock indices, which use market capitalization. Furthermore, the DJIA does not use a weighted arithmetic mean.

Duration – A commonly used measure of the potential volatility of the price of debt securities in response to a change in interest rates prior to maturity. Securities with longer duration generally have more volatile prices than securities of comparable quality with shorter duration.

Euro Stoxx 50 Index – This index of 50 eurozone stocks provides a blue-chip representation of supersector leaders in the eurozone.

Fannie Mae (FNMA) – The Federal National Mortgage Association (Fannie Mae) is a government-sponsored enterprise (GSE) chartered by Congress in 1938 during the Depression to stimulate home ownership and provide liquidity to the mortgage market. Its purpose is to help moderate- to low-income borrowers obtain financing for a home.

Federal Funds Rate – Target interest rate, set by the Federal Reserve at its Federal Open Market Committee (FOMC) meetings, at which commercial banks borrow and lend their excess reserves to each other overnight. The Fed sets a target federal funds rate eight times a year, based on prevailing economic conditions.

Federal Open Market Committee (FOMC) – Branch of the Federal Reserve System that determines the direction of monetary policy specifically by directing open market operations. The FOMC comprises the seven board governors and five (out of 12) Federal Reserve Bank presidents.

5s30s – Shorthand term used in tracking the spread between the five-year U.S. Treasury note (5s) and 30-year Treasury bond (30s). A steep 5s30s curve means long-term rates are much higher than short-term rates, signaling growth. A flat or inverted curve often signals economic slowdown or recession.

Freddie Mac (FHLMC) – The Federal Home Loan Mortgage Corp. (Freddie Mac) is a stockholder-owned, government-sponsored enterprise (GSE) chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle-income Americans. Freddie Mac purchases, guarantees and securitizes mortgages to form mortgage-backed securities (MBS).

Freddie Mac U.S. Mortgage Market Survey 30-Year Homeowner Commitment National Index – This index tracks the 30-year fixed-rate mortgages component of the Freddie Mac Primary Mortgage Market Survey (PMMS), which tracks the most-popular 30- and 15-year fixed-rate mortgages, and 5-1 hybrid amortizing adjustable-rate mortgage products among a mix of lender types.

FTSE Milano Indice di Borsa (FTSE MIB) – This benchmark index for the Borsa Italian, the Italian stock exchange, comprises the 40 largest and most-liquid stocks on the exchange.

FTSE 100 Index – This index tracks the 100 companies with the highest market capitalization on the London Stock Exchange.

FTSE World Government Bond Index (FTSE WGBI) – This broad index measures the performance of fixed-rate, local-currency, investment grade sovereign bonds. It is a widely used benchmark that comprises sovereign debt from more than 20 countries that is denominated in a variety of currencies.

G-10 (Group of Ten) – The G-10 comprises 11 industrialized nations that meet on an annual basis, or more frequently as needed, to consult each other, debate and cooperate on international financial matters. The member countries are: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

Ginnie Mae (GNMA) – The Government National Mortgage Association (Ginnie Mae) is a federal government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities (MBS) issued by approved lenders. Ginnie Mae's guarantee allows mortgage lenders to obtain a better price for MBS in the capital markets.

Global Industry Classification Standard (GICS) – Hierarchical industry classification system, created by Morgan Stanley Capital International and S&P Dow Jones Indices in 1999, comprising four tiers going from broadest to narrowest to classify companies by industry: sectors, industry groups, industries and subindustries. The 11 GICS sectors are: energy, materials, industrials, consumer discretionary, consumer staples, health care, financials, information technology, real estate, communication services and utilities.

Gross Domestic Product (GDP) – Market value of all final goods and services produced within a country in a given period. GDP is considered an indicator of a country's standard of living.

Hang Seng Index – This free-float-capitalization-weighted index tracks a selection of companies on the Stock Exchange of Hong Kong. The index has four subindices: finance, utilities, properties, finance, and commerce and industry.

High Yield (HY) – Bonds that pay higher interest rates because they have lower credit ratings than investment grade (IG) bonds. HY bonds are more likely to default, so they must pay a higher yield than IG bonds to compensate investors.

Ibovespa Index – This gross return index is weighted by trade volume and comprises the most-liquid stocks on Brazil's Sao Paulo Stock, Commodities and Futures Exchange (known as "B3").

ICE BofA U.S. Fixed-Rate Miscellaneous Asset-Backed Securities (ABS) Index – A subset of the ICE BofA U.S. Fixed-Rate ABS Index, including all ABS collateralized by anything other than auto loans, home equity loans, manufactured housing, credit card receivables and utility assets. The ICE BofA U.S. Fixed-Rate ABS Index tracks the performance of U.S. dollar-denominated, investment grade (IG), asset-backed securities publicly issued in the U.S. domestic market. Qualifying securities must have an IG rating based on an average of Moody's, S&P and Fitch.

Indice Bursatil Espanol (IBEX) – This official index of the Spanish Continuous Market comprises the 35 most-liquid stocks traded on the market.

Investment Grade (IG) – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as high yield (HY) or "junk bonds." The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.

ISM Manufacturing PMI – This index (which used to be called the ISM Manufacturing Purchasing Managers Index) is compiled by the Institute for Supply Management and tracks the economic health of the manufacturing sector. The index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and employment environment. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

ISM Services PMI – This index (which used to be called the ISM Non-Manufacturing Purchasing Managers Index) is compiled by the Institute for Supply Management and tracks the economic health of the services (formerly nonmanufacturing) sector. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

Job Openings and Labor Turnover Survey (JOLTS) – Conducted by the U.S. Bureau of Labor Statistics, JOLTS involves the monthly collection, processing and dissemination of job openings and labor turnover data. The data, collected from sampled establishments on a voluntary basis, includes employment, job openings, hires, quits, layoffs, discharges and other separations. The number of unfilled jobs – used to calculate the job openings rate – is an important measure of the unmet demand for labor, providing a more complete picture of the U.S. labor market than by looking solely at the unemployment rate.

J.P. Morgan Collateralized Loan Obligation (CLO) Total Return Index – This index is a total return subindex of the J.P. Morgan Collateralized Loan Obligation Index (CLOIE), which is a market value-weighted index consisting of U.S. dollar-denominated CLOs.

J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI BD) – This index is a uniquely weighted version of the CEMBI, which is a market capitalization-weighted index consisting of U.S. dollar-denominated emerging markets corporate bonds. It limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) – This index is a uniquely weighted version of the EMBI, which tracks emerging markets (EM) bonds and comprises sovereign debt and EM corporate bonds. It limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

J.P. Morgan Government Bond Index Emerging Markets Global Diversified (GBI-EM GD) – This custom-weighted index tracks local currency bonds issued by emerging markets governments, excluding China and India, and has a broader roster of countries than the base GBI-EM, which limits inclusion to countries that are readily accessible and where no impediments exist for foreign investors.

Korea Composite Stock Price Index (KOSPI) – This index comprises all common stocks traded on the stock market division of the Korea Exchange. It is the representative stock market index in South Korea, like the S&P 500 Index in the U.S.

Last Cash Flow (LCF) – Last revenue stream paid to a bond over a given period.

Liability Management Exercise (LME) – Strategic process used by companies to manage, modify or optimize outstanding debt, often as an alternative to bankruptcy or traditional restructuring. LMEs involve techniques such as debt exchanges, maturity extensions, tender offers and covenant modifications.

Morningstar LSTA US Leveraged Loan Index – This market capitalization-weighted index tracks the U.S. leveraged loan market.

Morningstar LSTA US Leveraged Loan PR USD Index – This index (formerly the S&P/LSTA Leveraged Loan Price Index) tracks the prices of institutional weighted loans based on market weightings, spreads and interest payments.

Morningstar LSTA US Leveraged Loan TR USD Index – This index (formerly the S&P/LSTA Leveraged Loan Index) tracks the market-weighted performance of institutional weighted loans based on market weightings, spreads and interest payments.

MSCI All Country World Index (MSCI ACWI) – This market capitalization-weighted index is designed to provide a broad measure of stock performance throughout the world. It comprises stocks from 23 developed countries and 24 emerging markets.

MSCI All Country World Index (MSCI ACWI) ex U.S. – This market capitalization-weighted index is designed to provide a broad measure of stock performance throughout the world. It comprises stocks from 22 of 23 developed countries and 24 emerging markets.

MSCI Emerging Markets Index (MSCI EMI) – This index captures large- and midcapitalization representation across 24 emerging markets countries. With 1,440 constituents, the index covers approximately 85% of the free-float-adjusted market cap in each country.

MSCI India Index – This index measures the performance of the mid- and large-capitalization segments of the Indian market. With 131 constituents, the index covers approximately 85% of the Indian equity universe.

Nasdaq Composite Index – This index ("the Nasdaq") comprises the more than 3,400 common stocks and similar securities (e.g., American depository receipts (ADRs), tracking stocks, limited-partnership interests) listed on the Nasdaq exchange. The index, which includes U.S. and non-U.S. companies, is highly followed in the U.S. as an indicator of the stock performance of technology companies and growth companies.

National Association of Realtors Existing-Home Sales Report – This report tracks sales and prices of existing single-family homes for the nation overall, and gives breakdowns for the West, Midwest, South and Northeast regions of the country. These figures include condos and co-ops in addition to single-family homes.

Nikkei 225 Index – This price-weighted index ("the Nikkei") comprises Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the U.S.

Non-Performing Loan (NPL) – Loan in which the borrower is in default due to the fact that they have not made the scheduled payments for a specified period. Although the exact elements of non-performing status can vary depending on the specific loan's terms, "no payment" is usually defined as zero payments of either principal or interest.

Non-Qualified Mortgage (Non-QM) – Any home loan that doesn't comply with the Consumer Financial Protection Bureau's existing rules on qualified mortgages (QM). Usually this type of alternative mortgage loan accommodates people who are not able to prove they are capable of making the mortgage payments. Just because it is a non-QM mortgage loan does not necessarily mean high risk or subprime mortgage risk, and in many cases these non-QM mortgage loans require a high FICO score but simply do not check all the boxes associated with a QM loan. Non-QM loans for mortgages are protected by the lender against any type of lawsuit should the borrower become unable to afford the loan.

Option-Adjusted Spread (OAS) – Measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses U.S. Treasury yields for the risk-free rate. The spread is added to the fixed-income security price to make the risk-free bond price the same as the bond.

Par – Short for "par value," par can refer to bonds, preferred stock, common stock or currencies, with different meanings depending on the context. Par most commonly refers to bonds, in which case, it means the face value, or value at which the bond will be redeemed at maturity.

Private Label – Refers to debt-issued securities that are not issued by the government-sponsored enterprises (GSEs). "Agency" refers to debt-issued securities that are issued by the GSEs.

Quits Rate – Number of quits during the entire month as a percentage of employment. This metric is tracked in the U.S. Bureau of Labor Statistics' monthly Job Opening and Labor Turnover Survey (JOLTS). A trending increase is a sign of an expanding job market while a trending decrease is a sign of a tightening job market.

RCA Commercial Property Price Index (CPPI) – This index describes various nonresidential property types for the U.S. (10 monthly series from 2000). It is a periodic same-property, round-trip investment, price-change index of the U.S. commercial investment property market. The dataset contains 20 monthly indicators.

RCA U.S. All-Property Commercial Property Price Index (CPPI) – This index is a component of the suite of price indices that comprise the RCA CPPI.

Real Estate Owned (REO) – Property owned by a lender, such as a bank, that has not been successfully sold at a foreclosure auction. A lender – often a bank or quasi-governmental entity such as Fannie Mae or Freddie Mac – takes ownership of a foreclosed property when it fails to sell at the amount sought to cover the loan.

Russell 2000 Index – This market capitalization-weighted index comprises 2,000 small-cap U.S. companies and is considered a bellwether index for small-cap investing.

S&P Cotality Case-Shiller 20-City Composite Home Price Not Seasonally Adjusted (NSA) Index – This index measures the value of residential real estate in 20 major U.S. metropolitan areas: Atlanta; Boston; Charlotte; Chicago; Cleveland; Dallas; Denver; Detroit; Las Vegas; Los Angeles; Miami; Minneapolis; New York City; Phoenix; Portland, Oregon; San Diego; San Francisco; Seattle; Tampa; and Washington, D.C.

S&P 500 Equal Weight Index (EWI) – This index is the equal-weight version of the widely used S&P 500 Index. The S&P 500 EWI includes the same constituents as the capitalization-weighted parent index, but each company in the S&P 500 EWI is allocated a fixed weight, or 0.2% of the index, at each quarterly rebalance.

S&P 500 Index – This unmanaged capitalization-weighted index of the stocks of the 500 largest publicly traded U.S. companies is designed to measure performance of the broad domestic economy through changes in the aggregate market value of the 500 stocks, which represent all major industries.

S&P Global Eurozone Manufacturing Purchasing Managers' Index (PMI) – This index measures the performance of the manufacturing sector derived from a survey of 3,000 manufacturing firms and includes national data for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. The PMI is based on five individual indices: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stock of items purchased (10%), with the delivery times index inverted to move in a comparable direction. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

S&P Global Eurozone Services Purchasing Managers' Index (PMI) – This index is based on original survey data from a representative panel of around 2,000 private service sector firms. National data is included for Germany, France, Italy, Spain and the Republic of Ireland. These countries account for an estimated 78% of eurozone private-sector services output. A reading above 50 indicates an expansion of the sector, a reading below 50 represents a contraction, and 50 indicates no change.

S&P Global Japan Manufacturing PMI – This index is a monthly indicator of manufacturing sector performance, based on survey responses from a panel of approximately 400 manufacturers. Survey participants report changes compared to the previous month across several business variables. A reading above 50 signals expansion while below 50 indicates contraction. The headline figure is a weighted composite of five key components: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stocks of purchases (10%).

S&P Global Japan Services PMI – This index is a monthly indicator of economic activity in Japan's services sector, based on survey responses from around 400 companies across industries. A reading above 50 signals expansion while below 50 indicates contraction. The main metric is the Services Business Activity Index, reflecting changes in business activity volume and serving as the headline figure.

S&P GSCI ER – This index (formerly the Goldman Sachs Commodity Index) measures investment in the commodity markets and commodity market performance over time on an excess return basis.

S&P MidCap 400 Index – This index, distinct from the large-capitalization company-tracking S&P 500 Index, measures the performance of 400 midcap companies, reflecting the distinctive risk and return characteristics of this market segment. Midcap companies are companies with capitalizations between $2 billion and $10 billion.

Shanghai Stock Exchange Composite Index – This capitalization-weighted index, developed in December 1990 with a base value of 100, tracks the daily performance of all A shares and B shares listed on the Shanghai Stock Exchange.

Spread – Difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings or risk.

Spread to Maturity (STM) – Measure of return from a floating-rate note relative to that from its index or reference rate, such as the Secured Overnight Financing Rate (SOFR), calculated by discounting future cash flows on a bond basis.

Stoxx Europe 600 Index – This index has a fixed number of 600 components representing large, mid- and small-capitalization companies among 17 European countries, covering approximately 90% of the free-float market cap of the European stock market (not limited to the eurozone).

Summary of Economic Projections (SEP) – Four times a year, the Federal Reserve releases a summary of Federal Open Market Committee (FOMC) participants' projections for gross domestic product (GDP) growth, the unemployment rate, inflation and the appropriate policy interest rate. The summary also provides information regarding policymakers' views on the uncertainty and risks attending the outlook. The projections provide information on the values that participants view as the most likely to prevail in the current year and the subsequent two years as well as over the longer run. The FOMC chair presents information about these projections in the press conference following the FOMC meeting for which they were prepared.

TAIEX Index – This index tracks companies traded on the Taiwan Stock Exchange. The index covers all listed stocks excluding preferred, full-delivery and newly listed stocks, which are listed for less than one calendar month.

Trade Reporting and Compliance Engine (TRACE) – Financial Industry Regulatory Authority (FINRA)-developed vehicle that facilitates the mandatory reporting of over-the-counter secondary market transactions in eligible fixed-income securities.

Treasury Inflation-Protected Securities (TIPS) – Type of Treasury security issued by the U.S. government that is indexed to inflation in order to protect investors from a decline in the purchasing power of their money. As inflation rises, TIPS adjust in price to maintain their real value.

2s10s – Shorthand term used in tracking the spread between the two-year U.S. Treasury note (2s) and the 10-year Treasury bond (10s). The inversion of the yields, when the two-year is higher than the 10-year, is seen by some economists as an indicator of impending recession, which has historically happened after the yields de-invert.

U-3 Unemployment Rate – Officially recognized rate of unemployment, compiled and released monthly by the U.S. Bureau of Labor Statistics, measuring the number of unemployed people as a percentage of the labor force.

U.S. Dollar Index (DXY) – A weighted geometric mean of the U.S. dollar's value relative to a basket of six major foreign currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

West Texas Intermediate (WTI) Crude Oil– Specific grade of crude oil and one of the main three benchmarks, along with Brent and Dubai Crude, in oil pricing. WTI is known as a light sweet oil because it contains 0.24% sulfur, making it "sweet," and has a low density, making it "light." It is the underlying commodity of the New York Mercantile Exchange's (NYMEX) oil futures contract and is considered a high-quality oil that is easily refined.

Yield to Maturity (YTM) – The total return anticipated on a bond if the bond is held until it matures. Yield to maturity is considered a long-term bond yield but is expressed as an annual rate.

You cannot invest directly in an index.

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