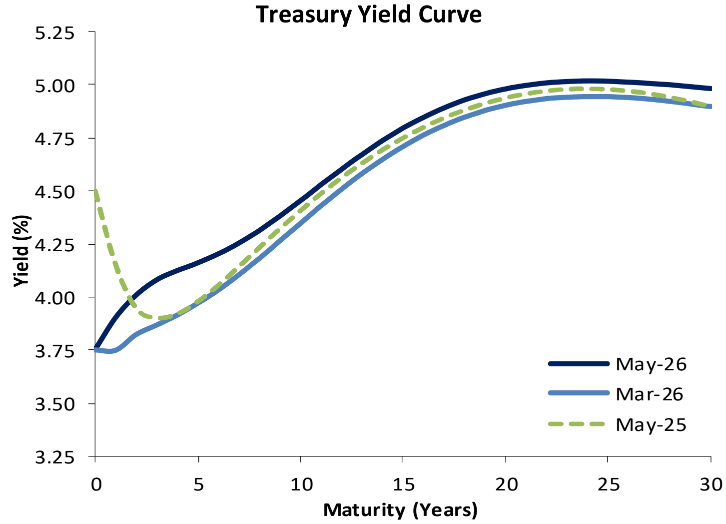
As of May 31, 2026

Monthly Market Summary

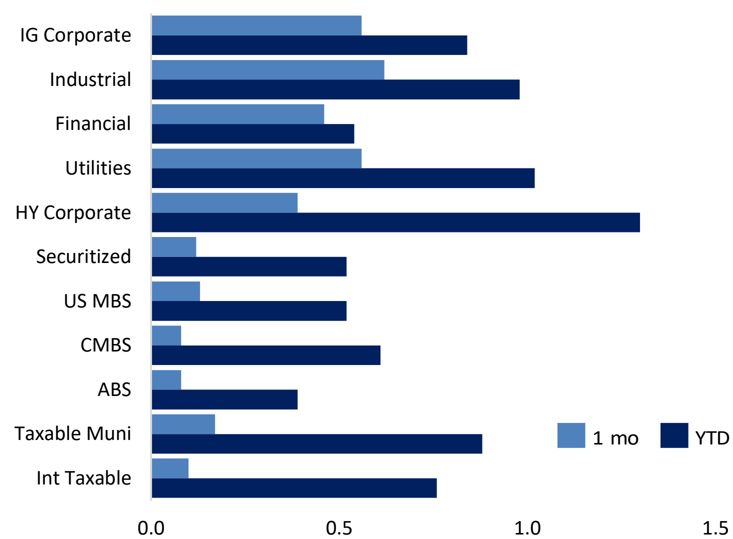
- Despite significant volatility, the 10-year Treasury yield rose only 4 bps to 4.45% in May. Yields reached the highest levels in over a year against hotter-than-expected inflation driven by high gasoline prices due to the ongoing conflict in Iran and the Strait of Hormuz remaining closed. Market expectations of rate cuts by the end of the year have shifted to possible rate hikes, as equity markets reach all-time highs and corporate earnings and investment remain strong. The ECB and BoE have also pivoted on rate guidance, and Kevin Warsh was confirmed as the new Chairman of the Federal Reserve.
- Investment grade spreads tightened to 72 bps, recovering to within 1 bp of year-to-date and multi-year lows. Despite geopolitical concerns and inflationary pressures moving Treasuries higher, spreads reacted to strong earnings, healthy balance sheets, and better economic growth.
  - Every sector had positive excess returns, with autos, energy, finance, telecom, and technology performing well. Retail and cable lagged but still had positive excess returns.
- High yield spreads tightened to 258 bps and are now only 7 bps wide of multi-year tights. Despite higher interest rates, both excess returns and total returns are positive for the month and year.
  - Spreads have tightened modestly and the total yield has more than compensated for the increase in interest rates.
  - From a ratings perspective, CCC-rated bonds once again were the worst performer, as many of those sectors are more sensitive to higher interest rates.
- Securitized spreads tightened across all sectors. Lower quality ABS and CMBS spreads tightened more relative to their AAA counterparts. MBS spreads were roughly unchanged as peace talks kept volatility contained. Despite attempts by the administration earlier this year to improve housing affordability, mortgage rates have risen 50 bps since the start of the Iran conflict.
- Tax-exempt municipals posted a positive total return for the month, outperforming Treasuries as demand continues to keep pace with record supply. Investors have been adding to munis steadily, seeing value in elevated tax-exempt yields and strong credit quality. Taxable municipals spreads widened by 1 bp, underperforming corporates.
- US, EAFE, and EM equity performance were all positive. The Dow, S&P 500, and Nasdaq hit all-time highs as investors assessed a very strong earnings season, AI tailwinds, and a reduction in oil prices. Value and income opportunities remain attractive as seen in the nearby chart.
- Deal activity pulled back in May, but M&A volumes are still up 20% year-over-year due to mega mergers. AI continues to drive US M&A, with technology maintaining the top position by deal value, as investments in AI-focused tech entrants continue to fuel market activity.

Treasury Yield Curve



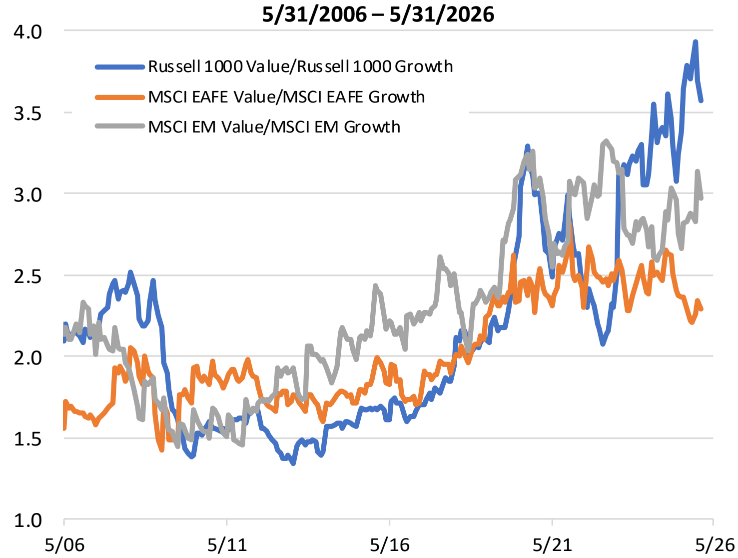
Source: ICE Data Services and LIM

Excess Returns vs. Similar Duration Treasury



Source: Bloomberg and LIM

Value to Growth Dividend Yield Ratios
5/31/2006 – 5/31/2026



Source: FactSet and LIM

See page 2 for additional important disclosures.

Disclosures

The opinions contained herein are those of Longfellow Investment Management Co., LLC (LIM) at time of publication and may vary as market conditions change. They are based on information obtained by LIM from sources deemed to be accurate and reliable. However, accuracy is not guaranteed. It is in the sole discretion of the reader whether to rely upon the opinions contained herein. The information provided does not constitute investment advice, is not a recommendation, offer, or solicitation to buy or sell securities, or to adopt any investment strategy and should not be relied upon as such. It does not take into account an individual investor's particular investment objectives, strategies, tax status, or investment horizon. There is no guarantee that any forecasts, if any contained herein will come to pass. Stock markets are volatile and can fluctuate significantly in response to the company, industry, political, regulatory, market, or economic developments. Investing in stocks and bonds involves risk, including the loss of principal. Fixed income investments involve risks such as interest rate risk, credit risk, and market risk, including the possible loss of principal. Interest rate risk is the risk that interest rates will rise, causing bond prices to fall.

Past performance does not guarantee future results and the opinions presented cannot be viewed as an indicator of future performance.

ICE Data Indices, LLC, make no warranties whatsoever, either express or implied, as to merchantability, fitness for a particular purpose, or any other matter. Without limiting the foregoing, Intercontinental Exchange, Inc. and its affiliates, including ICE Data Indices, LLC or any of its affiliates make no representation or warranty that any data or information (including but not limited to evaluated pricing) supplied to or by it are complete or free from errors, omissions, or defects. In no event shall Intercontinental Exchange, Inc., ICE Data Indices, LLC and/or any of their affiliates be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the content.

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg data. Bloomberg does not approve or endorse this material, nor guarantees the accuracy or completeness of any information herein, nor makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

FactSet Research Systems Inc. ("FactSet" or the "Company") is a global provider of integrated financial information, analytical applications and services for the investment and corporate communities. Since inception, global financial professionals have utilized the Company's content and multi-asset class solutions across each stage of the investment process. Data is provided for informational purposes only.