PGIM

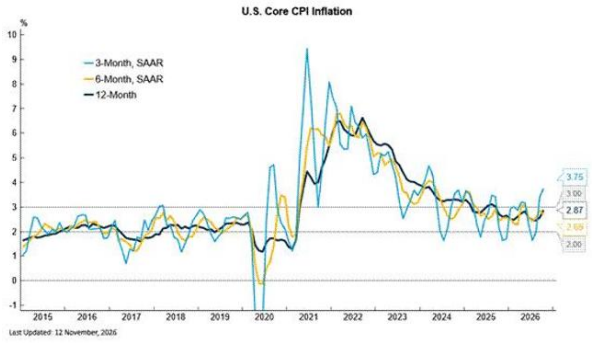
Rate Swings Highlight Ongoing Macro Volatility

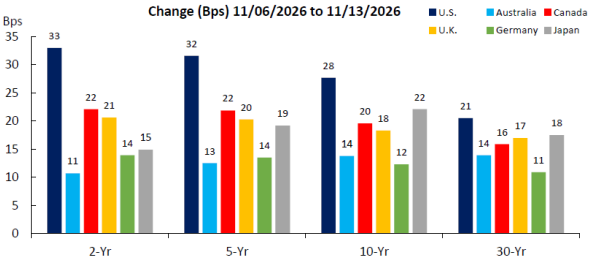
WEEKLY VIEW FROM THE DESK | November 16, 2026

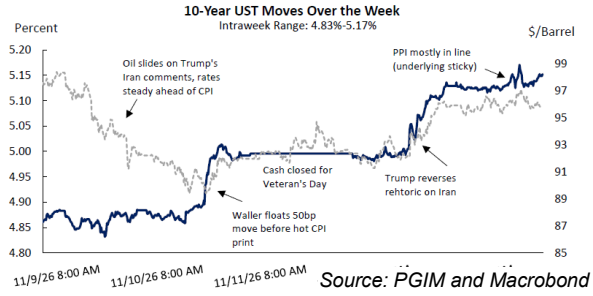
LINK TO WEEKLY RETURNS TABLE

MACRO

- The abrupt swings in U.S. monetary policy expectations and interest-rate conditions underscore the ongoing volatility in macro conditions, and our Year Ahead Outlook on PGIM.com touches upon several recent economic developments. One of our investment themes for the Year Ahead is that elevated interest rates need not derail risk assets, and—with the exception of housing—we continue to see resiliency across rate-sensitive economic sectors. Indeed, small-business indicators have improved, while lower- and middle-income consumers are showing limited signs of additional strain.
- Furthermore, inflation is elevated and expanding in breadth. Recent trends suggest inflation is moving sideways at more than 3%, with producer-price pressures and higher energy costs creating additional upside risk. We estimate a core PCE reading of 2.6% by the end of 2027, higher than the consensus reading of 2.4%.
- Fed speakers also emerged following the U.S. midterms and the hotter-than-expected October CPI, which printed 0.3% m/m versus estimates for 0.2%. The three-month measure is now at 3.75%, its highest level since early 2024 (see top chart). While some officials floated the concept of a 50 bps rate hike, a larger policy move is not part of our base case. We continue to expect four 25 bp rate hikes to start in December and proceed quarterly thereafter.







Source: PGIM and Macrobond

DEVELOPED MARKET RATES

- Treasuries experienced an unusually sharp selloff following the elevated October CPI report. The move was led by the front end, with the 2-year yield rising about 33 bps and the 30-year about 21 bps (see middle chart). The 2-year move was the largest weekly selloff in roughly two years.
- Core services inflation is no longer moving smoothly toward 2%, reducing confidence that inflation will quickly return to target and challenging the prior assumption that the Fed could soon move back toward a materially lower neutral rate. Forward rates have converged around roughly 4.5% to 5%, a significant contrast with prior hiking cycles when markets expected policy rates to fall relatively quickly after reaching their peak.
- Consistently elevated inflation prompted the markets to abruptly reprice the Fed's policy path into 2027. Slightly more than one 25 bp hike is now priced for December, with a second full hike priced by March and a third by June. Prior to U.S. midterms, the market priced in a Fed funds rate of 4.32% by March 2027, and that pricing climbed to 4.49% late last week.
- MBS OAS bounced wider given the duration move and risk-off sentiment. The sector will take its cue from the macro environment as MBS supply remains light.

IG CORPORATES

- Last week saw new issuance of about $42B, with deals 3.9x oversubscribed and coming with a 6.8 bps concession. IG overall was surprisingly strong despite the rates shock. Corporate spreads finished the week 5 bps tighter at 86 bps, even with hot CPI, the Treasury selloff, and generally volatile macro conditions. Strength was broad-based, led by higher-beta TMT, technology, and financials.
- Technology rebounded but remains the key source of dispersion. NVIDIA credit recovered from its midweek widening and finished roughly 15 bps off the wides, while Broadcom/Avago and AMD tightened roughly 10–20 bps. SpaceX tightened approximately 15–20 bps.
- In Europe, supply in primary markets remained strong last week, with a further €28B of issuance coming to market. New issue premiums continued to compress, with the majority of transactions landing around 3-7 bps above fair value. Supply is expected to remain elevated this week, with syndicate desks calling for a further €30B of issuance.

LEVERAGED FINANCE

- The U.S. high-yield market posted a negative total return for the week, as a sharp rise in Treasury yields overwhelmed spread tightening and left the asset class meaningfully underperforming equities on a total return basis. Spreads tightened sharply to start the week amid a rally in risk assets. That early momentum reversed after the hotter-than-expected October CPI print and hawkish Fed commentary. The rate selloff resumed later in the week, as traders priced in a higher probability of a December Fed rate hike. Index spreads were 19 bps tighter on the week. All credit tiers saw negative total returns with higher quality outperforming.

- Total returns were mixed across sectors. The best performers were cable, telecom, and gaming, while paper, media, and food/beverage/tobacco lagged. Despite the rate-driven total return headwind, the technical backdrop for high yield remained broadly supported, with fund flows positive (+$1.4B last week) and spread tightening intact on a week-over-week basis.
- Primary market activity was light. The high-yield primary market priced approximately $2.3B across three deals, compared to $9.7B priced the prior week. Notable transactions were Nielsen (Brookfield/Elliott; $1.4B), Peloton ($700M), and Phoenix Aviation ($175M).
- U.S. bank loans were 3 bps tighter last week. The index is broad in terms of quality (even including some defaulted names), so it's worth differentiating on performance across the spectrum. For instance, higher quality has been a relative outperformer, while CCCs are down 3.3% year-to-date. Idiosyncratic dispersion has thus been on the rise. Meanwhile, light new issuance is technically supportive.
- European high-yield and bank loan spreads were 23 bps and 10 bps tighter last week, respectively. In high yield, we improved our short-term outlook for Bs to positive from negative and remain positive on BBs. Market participants appear generally less concerned with more immediate risks, with recent attention focusing on France and its growth prospects.

EMERGING MARKETS

- In a week with considerable global macro volatility (core rates, AI cycle concerns, geopolitics), EM hard currency sovereign spreads held up well. Some of this was the market's willingness to see the "counterbalance" of the top-down backdrop with lower oil, healthy earnings, and U.S. data considerations. EMD sovereign spreads were characterized by spread rating compression, after about a month of decompression.
- Index spreads were 10 bps tighter on the week, but still 9 bps wider on the month. Single Bs were 29 bps tighter, primarily from Latin American issuers that had been underperformers (Argentina/Ecuador/Venezuela). The spread recovery is fundamentally based, but there remain lingering idiosyncratic and positioning concerns, which makes these issuers, and other single-B names and below, potential drivers for 2027. Despite more EM HC retail outflows, supply remains well absorbed. This includes $4.5B of IG-rated Peru and $2.5B of Ecopetrol.
- EM corporate spreads tightened 18 bps last week. Some beaten-up names in Turkey, Ukraine, and others rebounded. The broader market narrative has shifted with participants signaling that U.S. inflation remains a concern, warranting central bank action. The new Ecopet tightened around 15 bps and has traded well. CSN bonds were lower on slightly weaker results.
- EM local rates outperformed Treasuries last week. The relative resilience was notable given the hotter U.S. CPI print and hawkish FOMC commentary. Lower oil prices and light positioning likely helped EM outperform. We used this outperformance as an opportunity to reduce risk aggressively, including overweight positions in Korea, Poland, Colombia, Brazil, and Hungary. While we entered the week moderately constructive, a potentially hawkish shift from the FOMC has made us more cautious. With oil finding support near $90 per barrel and the broad dollar at a 20-month high, the external backdrop for EM rates has once again turned less favorable.
- The EMFX index lost 36 bps last week with U.S. inflation, hawkish Fedspeak, and bear-flattening Treasury rates in focus. Regionally, Europe underperformed, followed by Latam and Asia. Only five currencies (KRW, EGP, PEN, MXN, TRY) showed positive weekly returns. We think against a backdrop where U.S. inflationary pressures remain elevated and the bias for financial conditions is to tighten, the path of least resistance continues to be for USD to strengthen. However, we also remain cognizant that more volatility and downside in U.S. equities can produce a backdrop where the Fed will not need to hike as much as our internal forecasts or current market pricing. Should the market again move in this direction, we will be reducing our long USD position, particularly versus Europe (EUR, CZK, PLN) and Asia (THB, SGD, IDR).

SECURITIZED PRODUCTS

- Securitized spreads have held up well despite significant rate volatility. Stronger investor demand has absorbed elevated issuance, leaving supply/demand technicals relatively balanced and limiting spread pressure. Securitized markets are proving resilient despite the higher-rate backdrop. Strong demand is balancing heavy supply, leading us to expect generally range-bound spreads in the near term, with opportunities varying meaningfully by subsector.
- ABS Senior spreads tightened modestly, while mezzanine spreads were broadly unchanged. Fundamentals remain stable, but we remain cautious on lower-quality consumer ABS because of affordability pressures and higher rates, favoring higher-quality commercial ABS.
- CMBS outlook improved from negative to positive. The upgrade reflects slower issuance, attractive relative value versus IG corporates, and strong secondary-market demand. We expect some near-term firming, though material spread tightening appears limited. Data-center CMBS remains an exception. AAA data-center bonds continue to price particularly wide, around 200-225 bps, roughly 50-75 bps wider than other SASB AAA securities.
- RMBS spreads were roughly unchanged at around Treasury +145 bps, but issuance remains strong despite higher rates. Persistent supply and rate volatility continue to weigh on the sector.
- CLO spreads have firmed across the capital structure and demand remains strong, particularly for benchmark issuers. However, greater differentiation is emerging based on manager quality and underlying portfolio composition.

MUNICIPALS

- Munis sold off throughout last week, leading to negative returns (-0.78%), but they managed to outperform Treasuries (-1.45%) and corporates (-1.35%). The broad muni index is modestly negative again (-0.35%), but MTD returns remain positive (0.13%) due to the Oct./Nov. rebound.
- Supply came in somewhat above expectations. November reinvestment has fallen substantially, and fund flows posted their first weekly outflow in six weeks. Open-end fund outflows are being partly offset by ETF inflows, with tax-loss swapping contributing to the rotation.
- The market no longer has the backdrop of lower supply this week as supply increases to nearly $15B for one of the last times this year, which could continue to be a headwind.
- Prepay gas issuance has accelerated as hyperscaler financing crosses into the muni market. A $1.6B Google-related deal came the prior week, and another potential $3B Google deal was announced for this week. November is tracking toward the second-highest month of the year for prepay gas issuance, behind June.

THE RETURNS TABLE AS OF NOVEMBER 13, 2026

				Yield / OAS change (bps)					Total return (%)				
	Duration	YTM	OAS	WTD	MTD	QTD	YTD	Prior year	WTD	MTD	QTD	YTD	Prior year
Sovereign rates													
U.S. 2-Year	1.84	4.84	---	33	25	-4	137	125	-0.57	-0.40	0.52	0.78	1.42
U.S. 5-Year	4.35	4.96	---	32	24	-13	124	126	-1.39	-1.09	0.88	-2.01	-1.64
U.S. 10-Year	7.77	5.14	---	28	21	-15	97	102	-2.13	-1.69	1.54	-3.68	-3.68
U.S. 10-Year Breakeven	--	2.25	---	0	-10	-12	0	-5	---	---	---	---	---
U.S. 10-Year TIPS	4.23	2.89	---	27	30	-3	99	108	-2.23	-2.44	0.94	-3.04	-3.05
U.S. 20-Year	11.96	5.52	---	22	18	-16	72	83	-2.69	-2.33	2.31	-4.79	-5.70
U.S. 30-Year	14.70	5.47	---	20	16	-16	62	76	-3.10	-2.59	2.73	-5.25	-6.89
U.S. SOFR	---	---	---	1	-5	0	3	-10	0.08	0.15	0.48	3.30	3.83
UK 10-Year	7.49	5.33	---	18	5	-9	86	90	-1.11	-0.14	1.03	-1.03	-0.77
Germany 10-Year	8.20	3.38	---	12	5	-21	52	69	-0.81	-0.29	1.76	-1.06	-2.06
Switzerland 10-Year	8.33	0.54	---	14	9	-2	26	39	-1.05	-0.72	0.06	-1.79	-2.82
Japan 10-Year	7.63	2.87	---	23	9	-18	81	118	-1.48	-0.30	1.65	-2.96	-5.32
Australia 10-Year	7.89	5.12	---	14	1	-23	38	70	-0.75	0.24	1.94	1.78	0.17
Canada 10-Year	7.96	3.85	---	20	6	-14	42	67	-1.25	-0.23	1.41	0.18	-0.97
Major fixed income multi-sector indices		**YTW**											
Global Aggregate Unhedged	6.18	4.37	35	-1	-2	2	7	5	-1.46	-1.11	0.28	-2.40	-2.00
Global Aggregate Hedged	6.18	4.37	35	-1	-2	2	7	5	-1.01	-0.46	1.26	-0.17	-0.07
U.S. Aggregate	5.88	5.49	32	0	0	1	5	2	-1.50	-1.11	1.31	-1.64	-1.12
Euro-Aggregate (Unhedged)	6.12	3.90	64	-2	-7	6	21	17	-0.62	0.11	1.07	-1.47	-1.86
Japanese Aggregate	7.74	2.63	1	1	0	1	1	1	-1.24	-0.48	1.29	-3.39	-5.26
Major fixed income credit indices		**YTW**											
Mortgage-Backed (Agency)	5.74	5.78	36	6	2	-7	14	7	-1.84	-1.28	1.75	-1.62	-0.81
Global IG Corporate Bonds	5.76	5.50	91	-5	-5	7	12	7	-1.35	-1.03	0.25	-2.96	-2.14
U.S. IG Corporate Bonds	6.58	6.01	86	-4	-4	6	9	3	-1.35	-0.95	1.19	-1.96	-1.26
European IG Corporate	4.51	4.20	99	-5	-6	8	20	17	-0.31	0.09	0.85	-0.37	-0.43
U.S. High Yield Bonds	3.46	8.33	316	-20	-24	5	50	25	-0.26	0.14	0.44	0.54	1.89
European High Yield Bonds	3.22	7.03	356	-25	-29	34	74	62	0.44	0.93	-0.13	0.18	0.87
U.S. Leveraged Loans	0.3	10.02	493	-3	-17	11	38	34	0.21	0.58	0.33	3.75	4.51
European Leveraged Loans	0.3	8.86	508	-9	-16	36	34	29	0.36	0.63	-0.41	2.42	2.92
EM Hard Currency Sovereigns	6.02	7.20	196	-8	-4	11	3	17	-0.72	-0.36	0.99	0.63	1.56
EM Corporates	3.95	7.01	191	-2	-1	2	3	6	-0.43	-0.15	0.36	0.71	1.39
EM Currencies	---	5.89	---	0	0	0	0	0	-0.36	-0.26	-0.83	2.42	3.73
EM Local Rates	5.21	6.50	7	0	0	0	1	1	-0.33	0.48	0.79	1.75	2.59
CMBS	3.57	5.70	71	-2	-4	5	-4	-4	-1.04	-0.66	0.82	-0.25	0.43
ABS	2.88	5.42	49	-3	-3	8	-4	-5	-0.73	-0.49	0.63	0.89	1.63
CLOs	3.88	5.90	126	0	0	-1	-5	-6	0.11	0.20	0.60	4.23	4.91
Municipal Bonds	6.92	4.23	---	14	2	-55	63	66	-0.78	0.13	3.99	-0.35	-0.20

		Total return (%)						Change (%)					
	Level	WTD	MTD	QTD	YTD	Prior year		Spot	WTD	MTD	QTD	YTD	Prior year
Equity / volatility indices							**FX / commodities**						
S&P 500 Index	7,562	2.5	-0.2	-1.1	11.5	13.5	EUR / USD	1.1	-1.1	-1.2	-2.7	-6.2	-5.2
DAX	26,750	3.6	3.6	6.2	9.2	11.3	USD / JPY	159.7	0.8	1.4	1.5	1.9	3.3
Stoxx 600	664	2.5	2.8	4.8	15.5	18.0	GBP / USD	1.3	-1.0	-1.3	-0.4	-1.9	0.2
Nikkei 225	61,142	6.5	-3.4	-8.4	23.4	21.2	EUR / CHF	0.9	1.2	0.5	-2.3	-0.7	0.2
Shanghai Composite	3,634	-0.4	1.0	-5.1	-6.5	-7.6	USD / CHF	0.8	2.2	1.7	0.4	5.8	5.8
MSCI ACWI Index	1,112	2.5	-0.2	-1.9	11.3	13.1	USD (DXY)	103.4	1.1	1.5	1.9	5.2	4.3
FTSE 100	10,903	2.3	1.8	3.2	13.0	14.6	Oil	88.6	-2.5	-14.9	-2.1	54.2	50.9
MOVE Index	99	6.5	-1.4	-10.6	54.5	24.9	Gold	3884.5	-4.6	0.3	-6.6	-10.1	-6.9
VIX Index	19	-24.7	-0.6	18.1	29.1	-3.5							

Past performance is not a guarantee or a reliable indicator of future results. Sources: Bloomberg except EMD (J.P. Morgan), HY (ICE BofAML), Bank Loans (S&P), and CLOs (Palmer Square). European returns are unhedged in euros unless otherwise indicated. An investment cannot be made directly in an index.

NOTICE: IMPORTANT INFORMATION

Source(s) of data (unless otherwise noted): PGIM as of November 16, 2026.

The information contained herein is provided by PGIM, the principal asset management business of Prudential Financial, Inc. (PFI), and a trading name of PGIM, Inc. and its global subsidiaries and affiliates.

Please visit Important Disclosures on www.PGIM.com for additional information, including details on non-U.S. jurisdictions. This information is for informational purposes only and does not constitute investment advice, a recommendation, or a solicitation where prohibited. Certain information has been obtained from sources that PGIM believes to be reliable as of the date presented; however, PGIM does not guarantee its accuracy or completeness. Information may be changed without notice, and PGIM has no obligation to update it.

PGIM is the principal asset management business of Prudential Financial, Inc. (PFI), and a trading name of PGIM, Inc. and its global subsidiaries and affiliates. PGIM, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission (SEC). Registration with the SEC does not imply a certain level of skill or training. This material is provided for informational purposes only and is not intended as investment advice or a recommendation, nor is it a solicitation. Views and opinions expressed may not reflect PGIM's and are subject to change. Any forecasts or forward-looking statements are subject to uncertainty and are not guarantees of future results. Past performance is not a reliable indicator of future results. An investment cannot be made directly in an index. References to specific trades or positions reflect PGIM's portfolio management activity and are not recommendations for individual investors. Please refer to the Terms and Conditions on www.pgim.com for important information.

PGIM and its affiliates may develop and publish research that is independent of and different from the information contained herein. Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom, or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom. © 2026 Prudential Financial, Inc. (PFI) and its related entities. All rights reserved.

6123159_PGIM