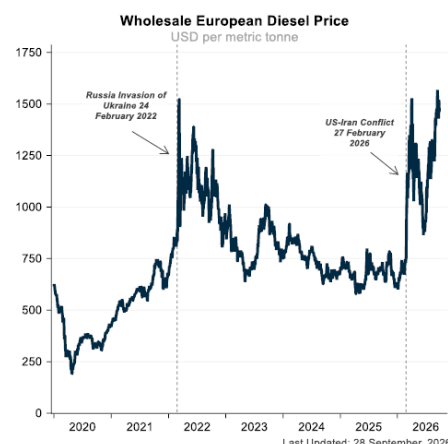
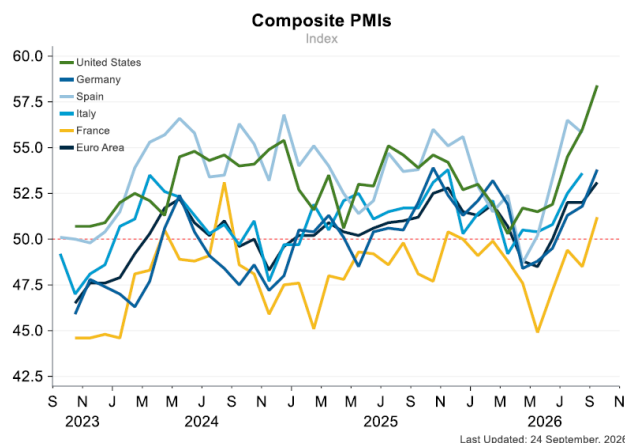


[LINK TO WEEKLY RETURNS TABLE](#)

MACRO

- The U.S. interest-rate dynamics that we explored last week are occurring globally and resurfacing debt sustainability concerns, particularly in Europe. The continent is experiencing a combination of economic resilience and elevated energy prices, which is pushing expectations for central bank policy rates higher and contributing to the debt sustainability concerns. Broad-based economic resilience is especially evident amongst economies recently considered relatively sluggish, such as France and Germany (see accompanying PMI chart).
 - The economic consistency is coming through even with Europe experiencing its second major energy shock in four years. While natural gas prices remain below their peaks from Russia's invasion of Ukraine in 2022, diesel prices remain near record highs (see middle chart). The U.S. supplies about 50% of Europe's imported diesel—with France and the UK most exposed—and a partial ban on U.S. diesel exports could add about 0.10 of a percentage point to European inflation readings.
 - As global central banks become more active against inflation, we anticipate further policy tightening ahead. We expect the ECB to hike by 25 bps in December, the Bank of England to hike in November and February, and the Bank of Japan to continuing lifting its policy rate toward 1.75%, which is the midpoint of its estimated neutral range of 1.0-2.5%. As previously mentioned, we see another 50 bps in rate hikes from the Federal Reserve this year—with the risks toward additional increases—followed by a pause next year.
 - The seemingly relentless increase in long developed market interest rates is another factor pushing several DM economies toward unsustainable debt trajectories with the situations in France and the UK appearing the most acute (see bottom chart).
-
- | Month | United States | Germany | Spain | Italy | France | Euro Area |
|----------|---------------|---------|-------|-------|--------|-----------|
| Sep 2022 | 50.0 | 50.0 | 50.0 | 50.0 | 49.0 | 50.0 |
| Oct 2022 | 49.5 | 47.0 | 49.0 | 48.0 | 44.5 | 47.0 |
| Nov 2022 | 50.0 | 48.0 | 50.0 | 49.0 | 45.0 | 48.0 |
| Dec 2022 | 51.0 | 49.0 | 51.0 | 50.0 | 46.0 | 49.0 |
| Jan 2023 | 51.5 | 50.0 | 51.5 | 51.0 | 47.0 | 50.0 |
| Feb 2023 | 52.0 | 51.0 | 52.0 | 51.5 | 48.0 | 51.0 |
| Mar 2023 | 52.5 | 52.5 | 54.0 | 52.0 | 50.0 | 50.0 |

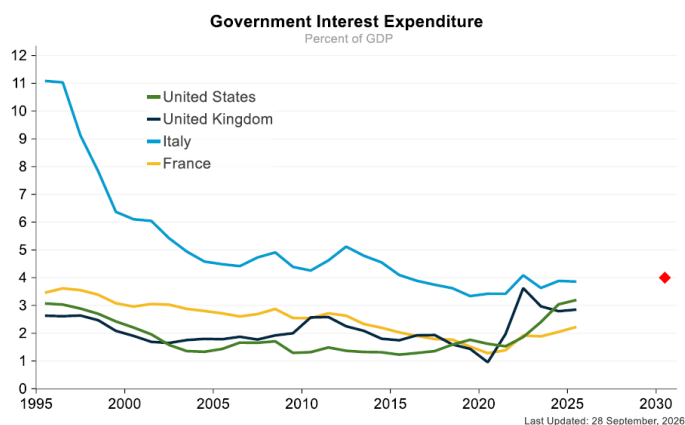


DEVELOPED MARKET RATES

- At this point, our rates view is segmented into contrasting different short- and long-term expectations. In the short term, conditions appear potentially oversold and a bout of short covering could introduce a consolidation phase, particularly if the Fed moves at a gradual tightening pace.
 - However, we are more cautious over the long run when viewing the recent increase in rates in the context of elevated, nominal GDP.
 - In the MBS market, we're also relatively positive in the short term as spreads have widened recently and appear attractive amid dwindling supply that is essentially comprised of purchase loans only.
- 
- The chart displays a price index over time in 2020. The y-axis ranges from 0 to 750 in increments of 250. The x-axis is labeled '2020'. The line starts at approximately 650, drops sharply to a low of about 250, then rises to around 500, dips slightly, and finally trends upwards towards 600 by the end of the period shown.

IG CORPORATES

- Last week saw new issuance of about \$38B, with deals 4.3x oversubscribed and coming with a -0.1 bps concession.
- The \$50B-plus financing deal from Paramount Skydance is expected to hit the market this week, with the largest portion of the deal expected to be done in the IG market. The mammoth offering will be watched closely as an indicator of broader market health depending on how the deal is priced.
- In Europe, IG corporate spreads remain very resilient to the macro noise. The stability of EUR IG spreads is all the more noticeable given the big move wider in peripheral sovereign debt to bunds. The primary market remained active last week with €11B of supply split evenly between financials and corporates, and syndicates are guiding for between €10-15B of supply this week, with Meta's much anticipated EUR deal a big swing factor.



LEVERAGED FINANCE

- High-yield credit markets posted their worst weekly loss since April 2025, as a sharp and broad-based selloff in Treasuries overwhelmed an early-week risk-on rally. The surge in Treasury yields — driven by surging oil prices, AI-related concerns, stronger-than-expected U.S.

Sources for charts: PGIM and Macrobond

business activity data, and mounting inflation fears — reversed the positive sentiment to start the week from Tuesday evening onward. This triggered three consecutive sessions of losses through Thursday.

- Buyers stepped in on weakness in the HY ETF complex, suggesting dip-buying demand remained present even as the broader market sold off. The technical backdrop deteriorated over the course of the week, with the combination of rate volatility, rising oil, and widening CCC spreads representing a meaningful shift in tone from the prior week's constructive conditions.
- The high-yield primary market priced approximately \$17.6B across 13 deals, compared to \$6.4B during the prior week. Notable transactions came from SoftBank (\$11B of issuance), AMC Entertainment, Solans Energy, and Digital Drive. U.S. bank loans outperformed the broader market amid higher inflows. One highlight in new issuance last week came from Crusoe, the latest data center deal to enter the market.
- European HY spreads widened by 14 bps on the week, while loan spreads also widened albeit by a smaller margin (2 bps). A lack of net supply continues to support market technicals, and defaults are expected to remain manageable. An elevated cost of capital remains problematic for the tail of the market. Overall, we're maintaining risk levels at this point.

EMERGING MARKETS

- EM hard currency sovereign spreads were pressured wider amid underperformance (and decompression) among issuers in Africa and Latin America. There were a few common themes, including concerns of how a potential pullback in the AI investment cycle could debt global growth. We have reduced risk, as we think that spreads are likely to widen. However, we still believe the yield/carry in some segments provides for good relative value opportunities. We are closely watching fundamentals to help differentiate the opportunity set.
- The EM corporate market had a weaker tone, but we did see a few new issues. We played in the Camebo (BB-rated Guatemalan bottler) 10-year, which priced at 7.1% and traded well on the break. CSN bonds were lower on some sell-side reports with the market still waiting for news on the cement assets sale.
- A bear steepening of the UST curve and the weakening of high-carry EMFX put pressure on EM rates across the board. Only Brazilian local rates were lower last week.
- The SARB hiked 25 bps last week, while the BI, Banxico and NBH kept rates on hold. Their communication was varied: The SARB was hawkish, the BI leaned towards non-rate tools, the Banxico was dovish, and the NBH lowered its inflation target. We did not make any big change to our portfolio last week; however, we increased our underweight in the belly of the India curve on the back of rising oil, UST yields and the RBI starting a hiking cycle in October.
- From a top-down perspective, a bear market in global rates is getting more entrenched, and no EM country is immune from this selloff. So far this month, an overweight in EM hedged with an underweight in the U.S. has shielded us from global rate volatility, but we must monitor how EMFX trades. Coming up, the U.S. jobs report and the outcome of first-round elections in Brazil will be key drivers for our positioning.
- In EMFX, Latin America was the standout underperformer, while Asia bucked the trend and was higher thanks to some relief from lower oil prices. De-risking was evident in Latin American, as the three worst-performing currencies were COP, MXN, and PEN. CEE3 currencies were also among the worst performers, given worries about a tough winter from elevated prices in refined products and natural gas. Top performers included KRW and some oil importers. With nearly four more hikes priced for the Fed, the U.S. dollar may consolidate in the near-term as arguably more strong data and more hawkish Fed rhetoric are needed for another bout of USD strength. A nagging headwind for oil-importing EMFX could come from oil prices if they remain elevated.
- EMFX de-risking could be tied to concerns that the next few quarters could turn out to be closer to 2022 than not. We think we are positioned well for such a backdrop, with the long USD bias likely more than offsetting any potential drawdown in RV high carry versus low carry.

SECURITIZED PRODUCTS

- CMBS conduit AAA spreads widened 2-3 bps into the mid-high +70's in the secondary market last week. Subordinate tranches were framed wider with single-A in the +180's context and BBB- in the high +400's or wider. SASB spreads widened. Top tier AAA floaters are clearing at +130a. Fixed rate seniors are trading into the mid-high +80's. Spread curves remain flat.
- Non-QM spreads widened across the stack, with IG tranches out ~5 bp and below-IG classes 10-20 bp wider. Despite elevated rate volatility, the new-issue market remained resilient, particularly for AAAs, though shelf-tier differentiation widened to roughly 10-15 bp.
- Spreads for benchmark issuers had a firmer tone throughout the week, ~3MSOFR+118/140/160/215/450 for AAA/AA/A/BBB/BB, respectively. Pace of tightening at the senior level has slowed. Investors began pushing back on the tightest possible spread levels. Mezzanine spreads continued to be well supported, particularly for benchmark and cleaner profiles. Demand across the capital continued to be supported, with investors willing to pay up for new or cleaner portfolios.
- EUR CLO spreads for benchmark issuers largely rangebound across tranches on the week at ~3E+124/175/190/280/500 for AAA/AA/A/BBB/BB, respectively. Spreads have found some resistance across the capital structure. Issuance is easing but will remain persistent in the coming weeks. We continue to add selectively to European IG mezzanine tranches, where relative value remains attractive versus comparable US CLO debt.
- ABS spreads held in last week, trading largely unchanged single A and above, while 0-5bps wider for BBB/BB ABS basis to IG corps is 29bps, outperforming corporates and on the richer end of range due to lag in ABS Supply will be on the modest side for the week, though we are mindful of continued elevated supply into 4th quarter as issuers look to take advantage of attractive funding levels.

MUNICIPALS

- Munis endured another difficult week, riding the tails of the Treasury market narrative: a hotter economy, re-escalation in Iran/UN comments, inflation, a Fed hike, and weak auctions.
- Weekly flows turned positive, with \$680M in inflows led by open-end and longer duration. Supply this week is anticipated to be about \$10B, with technicals expected to begin to shift to headwinds as supply picks up and reinvestment falls.
- While the weeks leading up to midterms may be challenging for municipal markets with negative technicals and a deteriorating demand profile, we believe the higher rate environment will ultimately attract retail buyers to the market.

THE RETURNS TABLE AS OF SEPTEMBER 25, 2026

	Duration	YTM	OAS	WTD	Yield / OAS change (bps)				Prior year	WTD	MTD	Total return (%)		
					MTD	QTD	YTD	QTD				YTD	Prior year	
Sovereign rates														
U.S. 2-Year	1.89	4.85	---	11	51	68	138	120	-0.05	-0.60	-0.26	0.24	1.48	
U.S. 5-Year	4.37	4.99	---	13	49	76	126	123	-0.41	-1.80	-2.40	-2.57	-1.49	
U.S. 10-Year	7.74	5.16	---	17	41	70	99	99	-1.10	-2.86	-4.39	-4.37	-3.34	
U.S. 10-Year Breakeven	--	2.34	---	2	2	10	9	-5	---	---	---	---	---	
U.S. 10-Year TIPS	4.30	2.82	---	15	39	60	92	104	-1.12	-3.24	-4.37	-3.31	-2.85	
U.S. 20-Year	12.05	5.55	---	18	31	59	76	83	-1.91	-3.39	-6.12	-5.70	-5.55	
U.S. 30-Year	14.66	5.49	---	17	25	54	65	75	-2.18	-3.34	-7.00	-6.00	-6.52	
U.S. SOFR	---	---	---	5	22	22	3	-28	0.08	0.26	0.89	2.75	3.86	
UK 10-Year	7.62	5.37	---	7	30	61	89	61	-0.27	-1.25	-2.40	-1.66	1.37	
Germany 10-Year	8.30	3.60	---	8	28	74	75	83	-0.48	-1.91	-4.41	-3.04	-3.05	
Switzerland 10-Year	8.45	0.64	---	9	22	37	37	46	-0.76	-1.90	-3.08	-2.58	-3.35	
Japan 10-Year	7.42	3.07	---	10	13	39	101	143	-0.68	-0.73	-2.13	-4.65	-6.97	
Australia 10-Year	7.81	5.37	---	10	28	65	63	102	-0.48	-1.55	-2.89	-0.47	-1.89	
Canada 10-Year	8.08	3.92	---	5	19	54	49	70	-0.25	-1.13	-2.93	-0.78	-1.27	
Major fixed income multi-sector indices		YTW												
Global Aggregate Unhedged	6.16	4.40	31	1	2	4	3	2	-0.76	-1.98	-2.07	-2.27	-1.52	
Global Aggregate Hedged	6.16	4.40	31	1	2	4	3	2	-0.52	-1.36	-2.26	-1.14	-0.15	
U.S. Aggregate	5.86	5.46	30	2	2	4	4	3	-0.82	-1.98	-2.88	-2.28	-1.00	
Euro-Aggregate (Unhedged)	6.07	3.97	52	2	7	8	9	4	-0.43	-1.82	-3.72	-2.47	-1.90	
Japanese Aggregate	7.83	2.76	1	0	0	1	0	0	-0.63	-0.57	-2.02	-4.75	-6.87	
Major fixed income credit indices		YTW												
Mortgage-Backed (Agency)	5.70	5.77	37	3	8	13	15	9	-0.96	-2.43	-3.32	-2.36	-0.63	
Global IG Corporate Bonds	5.78	5.45	83	4	3	6	4	5	-0.97	-2.37	-2.89	-2.72	-1.49	
U.S. IG Corporate Bonds	6.63	5.93	80	4	2	5	2	4	-1.07	-2.05	-3.27	-2.44	-1.30	
European IG Corporate	4.50	4.27	87	3	8	7	9	9	-0.33	-1.53	-2.70	-1.41	-0.92	
U.S. High Yield Bonds	3.55	8.10	294	26	32	24	27	27	-0.92	-1.84	-1.14	0.80	2.26	
European High Yield Bonds	3.29	6.63	300	14	23	17	19	27	-0.53	-1.50	-1.24	0.61	1.29	
U.S. Leveraged Loans	0.3	9.81	473	5	-4	-27	18	24	-0.01	0.40	2.17	3.56	4.83	
European Leveraged Loans	0.3	8.53	463	2	-11	-18	-11	-3	0.04	0.45	1.25	3.03	3.70	
EM Hard Currency Sovereigns	6.09	7.05	180	-15	-26	-32	4	38	-1.34	-2.33	-2.87	0.76	3.59	
EM Corporates	3.88	6.73	162	-3	-6	-5	4	10	-0.61	-1.29	-1.16	1.02	2.30	
EM Currencies	---	5.93	---	0	0	0	0	0	-0.26	-0.80	2.17	3.40	5.45	
EM Local Rates	5.20	6.48	6	0	0	0	1	1	-0.12	-0.38	-0.65	1.03	2.75	
CMBS	3.60	5.60	63	1	-2	-1	-12	-12	-0.30	-1.28	-1.44	-0.69	0.84	
ABS	2.92	5.28	39	-1	-5	-5	-13	-10	-0.21	-0.77	-0.60	0.46	1.87	
CLOs	3.84	5.92	126	1	0	-2	-6	-7	0.07	0.31	1.15	3.58	4.92	
Municipal Bonds	7.53	4.69	---	32	71	112	110	105	-1.81	-3.82	-5.82	-3.63	-2.05	

	Level	Total return (%)						Change (%)					
		WTD	MTD	QTD	YTD	Prior year		Spot	WTD	MTD	QTD	YTD	Prior year
Equity / volatility indices							FX / commodities						
S&P 500 Index	7,743	1.2	0.8	3.5	14.1	18.6	EUR / USD	1.1	-0.8	-2.0	-0.3	-3.0	-2.4
DAX	25,409	0.4	-3.2	1.7	3.7	8.0	USD / JPY	157.3	0.3	-1.5	-3.2	0.4	5.0
Stoxx 600	639	0.5	-1.8	-0.1	10.9	19.8	GBP / USD	1.3	-1.1	-2.2	-0.1	-1.7	-0.7
Nikkei 225	66,364	2.1	0.1	-5.2	33.0	47.5	EUR / CHF	0.9	-0.1	0.5	2.2	1.4	1.2
Shanghai Composite	3,888	-0.6	-2.3	-4.2	-0.3	3.2	USD / CHF	0.8	0.7	2.5	2.5	4.5	3.6
MSCI ACWI Index	1,148	1.0	0.0	2.8	14.7	20.0	USD (DXY)	101.0	0.7	1.6	-0.2	2.7	2.5
FTSE 100	10,695	0.3	-1.1	2.7	10.4	19.8	Oil	99.1	-1.2	15.6	42.6	72.6	50.8
MOVE Index	96	19.0	27.5	33.4	50.1	27.3	Gold	4284.8	-2.1	-3.4	6.9	-0.8	14.3
VIX Index	15	0.4	-0.3	-9.6	-0.5	-11.2							

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 September 28, 2026.

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