

Hold all tariff receipts.

Economic Highlights

- The January 27–28 Federal Open Market Committee (FOMC) minutes reinforced a “higher for longer” stance, with rate cuts contingent on clearer inflation progress. Some participants even supported a framework that allows for rate hikes if inflation remains above target. Most viewed the labor markets as stabilizing, though downside risks remain, suggesting the Federal Reserve (Fed) is likely to remain patient as it assesses incoming data.
- The U.S. Supreme Court ruled the President lacks unilateral authority to impose tariffs under the International Emergency Economic Powers Act, striking down the fentanyl-related tariffs and broad reciprocal tariffs. The market reaction was muted as the decision was widely expected.
- In response, the White House implemented a 10% global tariff under Section 122 of the Trade Act for 150 days as it explores alternative legal authorities. Treasury Secretary Scott Bessent signaled an intent to keep tariff revenue “virtually unchanged.”
- The Supreme Court remanded the issue of refunds for over \$130 billion of tariffs to lower courts, setting up the potential for a prolonged legislative battle.
- The Core PCE index, the Fed’s preferred gauge of inflation, rose to 3.0% year over year in December, its highest level since April 2024. Tariff passthroughs continue to pressure prices, with durable core goods posting their fastest monthly price increase in four years.
- The February jobs report surprised to the downside, with payrolls declining by 92,000 and the unemployment rate rising to 4.4%. February’s weak report reverses the strong January report, further complicating the Fed’s path on interest rates. Jobless claims remain historically low and continue to suggest little layoffs.
- U.S. real gross domestic product (GDP) for the fourth quarter of 2025 came in below expectations at 1.4%, with the Bureau of Economic Analysis estimating the government shutdown subtracted about a full percentage point from growth. Consumer spending and private investment remained resilient, signaling continued strength in private sector demand despite the headline miss.

Bond Markets

- The yield on 3-month, 2-year, and 10-year U.S. Treasuries ended the month at 3.66%, 3.37%, and 3.94%, representing a decrease of -1 bps, -15 bps, and -30 bps, respectively.
- As a result of lower yields over the month and a flatter curve, longer duration indices outperformed shorter counterparts. The ICE BofA 3-month, 2-year, and 10-year U.S. Treasury indices returned +0.27%, +0.53%, and +2.75%, respectively.

Equity Markets

- Equity market volatility increased during the month on the combination of policy uncertainty, renewed AI disruption fears, and tariff talk.

- As a result, risk sentiment waned in February and equity momentum stalled. For the month, the Dow Jones Industrial Average rose by +0.31%, the S&P 500 Index was down -0.76%, and the Nasdaq dipped -3.33%.
- The dominant run of international equities continued through February as the MSCI ACWI ex U.S. Net Index delivered a total return of +5.04%.
- Following month-end, U.S. and Israeli strikes in Iran began. The market’s initial reaction was relatively contained; however, concerns over a prolonged conflict drove a larger response through March 5. WTI crude oil rose by \$14 per barrel, while the S&P 500 declined 0.68%. Treasury yields increased roughly 10–20 bps across the curve amid rising inflation concerns.

PFMAM Strategy Recap & Outlook

- We will continue to maintain portfolio durations at or near 100% of benchmarks with yields near fair value. For shorter duration strategies, we prefer a modestly longer duration stance, reflecting additional rate cuts in 2026 that should continue to pull front-end yields lower. For longer duration strategies, we continue to maintain a curve steepening bias by modestly underweighting the long end of the curve.
- Spreads on federal agencies and supnationals remain quite narrow, with limited expectation for meaningful widening. Supranational issuance is expected to pick up after a slow February, which may provide buying opportunities for government-focused accounts.
- Investment-grade (IG) corporate bond spreads have been buoyed by strong technicals and a favorable economic outlook. New issue activity has been robust and continues to meet strong demand. Recent weakening in broader market risk sentiment has pushed spreads off multi-year rock bottoms, resulting in slightly negative excess returns. However, valuations remain extremely tight from a historical perspective.
- Spreads on asset-backed securities (ABS) have remained generally stable over the month. The sector continues to provide elevated value relative to equivalent-duration corporate securities, presenting some opportunities. Consumer fundamentals remain solid and credit enhancements continue to provide adequate protection from potential downturns in the market.
- Mortgage-backed securities (MBS) sold off modestly during the month generating negative excess returns. Despite this, the sector has performed exceptionally well over the past several quarters. As a result of the recent sheer outperformance, we will continue to look for opportunities to trim allocations with an eye towards future opportunities.
- Credit spreads on the short end of the curve continued to narrow in February. Money market credit spreads on maturities inside three months are now near their tightest levels over the past year. Floating rate spreads have widened off their previous floor and continue to provide attractive opportunities to pick up value compared to Treasuries.

U.S. Treasury Yields

Maturity	Feb 28, 2025	Jan 31, 2026	Feb 28, 2026	Monthly Change
3-Month	4.30%	3.66%	3.66%	0.00%
6-Month	4.28%	3.63%	3.62%	-0.01%
2-Year	3.99%	3.52%	3.38%	-0.14%
5-Year	4.02%	3.79%	3.50%	-0.29%
10-Year	4.21%	4.24%	3.94%	-0.30%
30-Year	4.49%	4.87%	4.61%	-0.26%

Yields by Sector and Maturity

Maturity	U.S. Treasury	Federal Agency	Corporates-AA-A Industrials	AAA Municipals
3-Month	3.66%	3.67%	3.84%	-
6-Month	3.62%	3.62%	3.83%	-
2-Year	3.38%	3.39%	3.76%	2.10%
5-Year	3.50%	3.51%	4.10%	2.19%
10-Year	3.94%	4.00%	4.65%	2.66%
30-Year	4.61%	-	5.51%	3.87%

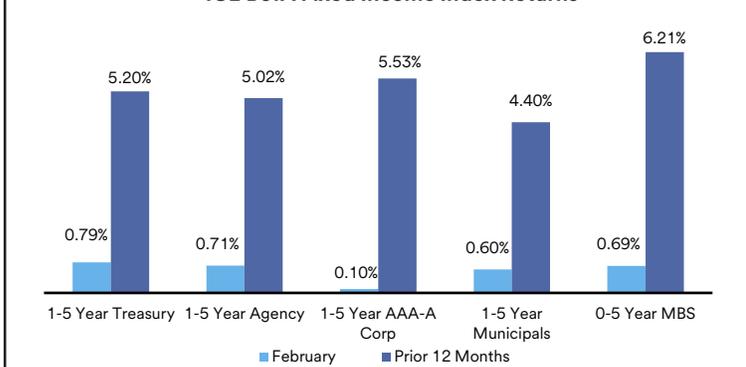
Spot Prices and Benchmark Rates

Index	Feb 28, 2025	Jan 31, 2026	Feb 28, 2026	Monthly Change
1-Month SOFR	4.32%	3.67%	3.67%	0.00%
3-Month SOFR	4.32%	3.66%	3.67%	0.01%
Effective Fed Funds Rate	4.33%	3.64%	3.64%	0.00%
Fed Funds Target Rate	4.50%	3.75%	3.75%	0.00%
Gold (\$/oz)	\$2,849	\$4,714	\$5,248	\$534
Crude Oil (\$/Barrel)	\$69.76	\$65.21	\$67.02	\$1.81
U.S. Dollars per Euro	\$1.04	\$1.19	\$1.18	-\$0.01

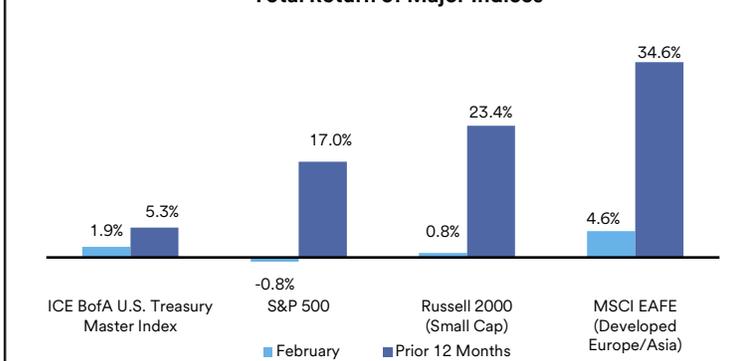
Economic Indicators

Indicator	Release Date	Period	Actual	Survey (Median)
Existing Home Sales MoM	12-Feb	Jan	-8.40%	-4.60%
CPI YoY	13-Feb	Jan	2.40%	2.50%
GDP Annualized QoQ	20-Feb	4Q A	1.40%	2.80%
U. of Mich. Consumer Sentiment	20-Feb	Feb F	56.6	57.3
PCE YoY	20-Feb	Dec	2.90%	2.80%
Change in Non-farm Payrolls	6-Mar	Feb	-92K	55K
Retail Sales Advance MoM	6-Mar	Jan	-0.20%	-0.30%

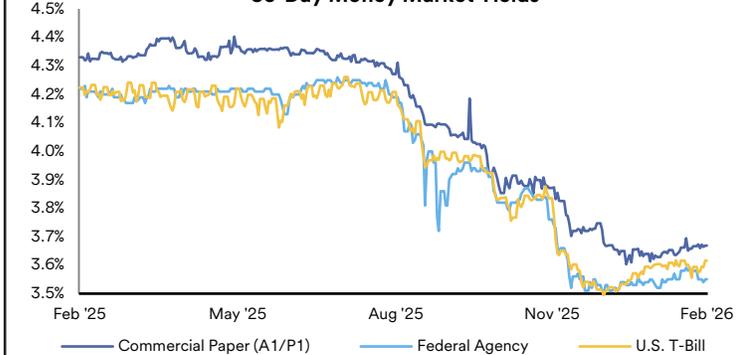
ICE BofA Fixed Income Index Returns



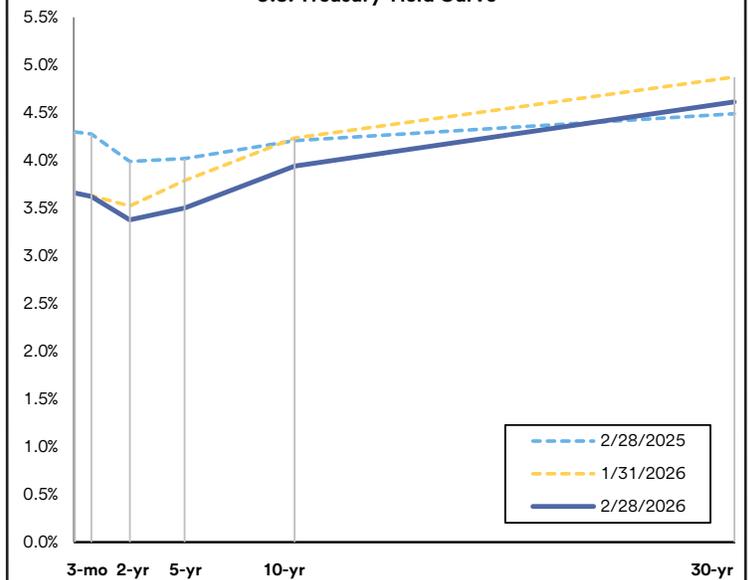
Total Return of Major Indices



30-Day Money Market Yields



U.S. Treasury Yield Curve



Source: Bloomberg. Data as of February 28, 2026, unless otherwise noted.

Indices shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE