

The password is: Oil.

Economic Highlights

- Yields remained in an elevated range as the conflict in the Middle East persisted and energy flows through the Strait of Hormuz remained severely restricted. Despite those tensions, risk assets rallied in April with credit spreads narrowing sharply while equity markets surged off their late March lows.
- Oil prices remained a market focus as Brent crude rose above \$110 per barrel by month end fueling concern about wider-ranging inflation pressures and monetary policy implications. Higher gas prices tend to reduce disposable personal income, which may impact discretionary spending and future growth prospects.
- The Federal Open Market Committee (FOMC or Fed) met on April 29 and held the target range for the fed funds rate at 3.50-3.75%. Governor Stephen Miran dissented once again favoring a 25 basis point (bps) rate cut. In addition, three other voting members supported the rate decision but dissented against the “easing bias” in the policy statement. The combined four dissents were the most since 1992. The April meeting also likely marked the final meeting with Jerome Powell as Chair, although he intends to remain as a Fed Governor.
- Chair Powell said the Fed wants to see the “backside” of energy price increases and have more clarity on the pass-through effects of higher energy prices before the Fed will consider cutting rates again.
- Kevin Warsh’s nomination as the next Fed Chair advanced through the Senate Banking Committee, with Warsh reiterating his commitment to the Fed maintaining its political independence.
- Gasoline and other energy prices rose 22% in March, pushing the year-over-year change in the headline personal consumption expenditures (PCE) index to 3.5%, its highest level since May 2023. The pass-through of higher energy prices remains a focus as core PCE, which strips out the volatile food and energy components, rose to its highest level since November 2023 at 3.2%.
- The labor market remained in a “low hire, low fire” environment as initial jobless claims hit its lowest level in over five years and the unemployment rate held steady at 4.3%.
- U.S. real gross domestic product (GDP) for the first quarter of 2026 came in at 2.0%, showing the continued resilience of the economy. Consumer spending and fixed investment in AI-related items such as intellectual property and information processing equipment were significant contributors.

Interest Rates

- U.S. Treasury yields increased modestly in April on expectations the Fed will keep the target rate higher for longer. The yield on 3-month, 2-year, and 10-year U.S. Treasuries ended the month at 3.66%, 3.87%, and 4.37%, representing changes of -1 bps, +8 bps, and +5 bps, respectively.

- Shorter-duration fixed income indexes outperformed in April as the ICE BofA 3-month, 2-year, and 10-year U.S. Treasury indices returned +0.29%, +0.14%, and -0.21%, respectively.

Equity Markets

- U.S. equities continued to rally, with the S&P 500, Nasdaq, and Dow Jones reaching new all-time highs in April. The Dow Jones increased by +7.2%, the S&P 500 Index was up +10.5%, and the Nasdaq rose +15.3%.
- International equities also increased as the MSCI ACWI ex U.S. Net Index increased 9.7%, supported by the modest tailwind of a weaker U.S. dollar. The MSCI Emerging Markets Index rose 14.5%, which was the largest single-month increase since 2009.

PFMAM Strategy Recap & Outlook

- While future Fed policy remains uncertain and tied to geopolitics, we believe yields currently imply a more restrictive, hawkish bias than our base case. As a result, we continue to prefer maintaining portfolio durations slightly longer than benchmarks at 101-105% for shorter-duration strategies. We remain closer to neutral in longer-duration and core strategies.
- Spreads on federal agencies and supnationals remain quite narrow. New supply is expected to be focused on the money market space.
- Investment-grade (IG) corporate bond spreads retraced much of the March widening, generating strong excess returns for the month. Narrower spreads and ongoing uncertainty has lowered our outlook versus last month, though heightened volatility may present future buying opportunities.
- Spreads on asset-backed securities (ABS) widened marginally over the month, diverging from IG corporates. Despite this widening, ABS generated a slightly positive excess return for the month. The difference between ABS and corporate spreads now exceed their two-year average.
- Mortgage-backed securities (MBS) were mixed in April. Securities with 15-year collateral underperformed while 30-year collateral and agency commercial MBS posted strong excess returns for the month. We believe tight valuations and higher future volatility may keep a lid on returns moving forward. We will continue to look for opportunities to selectively reduce holdings in the sector.
- Money market credit spreads have been retraced from mid-March wides but remain attractive. Maturities in the 9-12 month range continue to be the most attractive part of the curve. Treasury Bill paydowns continued in April as tax inflows lifted the U.S. Treasury General Account.

U.S. Treasury Yields

| Maturity | Apr 30, 2025 | Mar 31, 2026 | Apr 30, 2026 | Monthly Change |
|----------|--------------|--------------|--------------|----------------|
| 3-Month | 4.29% | 3.68% | 3.67% | -0.01% |
| 6-Month | 4.18% | 3.70% | 3.69% | -0.01% |
| 2-Year | 3.61% | 3.80% | 3.87% | 0.07% |
| 5-Year | 3.73% | 3.94% | 4.01% | 0.07% |
| 10-Year | 4.16% | 4.32% | 4.37% | 0.05% |
| 30-Year | 4.68% | 4.91% | 4.97% | 0.06% |

Yields by Sector and Maturity

| Maturity | U.S. Treasury | Federal Agency | Corporates-AA-A Industrials | AAA Municipals |
|----------|---------------|----------------|-----------------------------|----------------|
| 3-Month | 3.67% | 3.68% | 4.06% | - |
| 6-Month | 3.69% | 3.69% | 4.07% | - |
| 2-Year | 3.87% | 3.88% | 4.18% | 2.47% |
| 5-Year | 4.01% | 4.02% | 4.56% | 2.68% |
| 10-Year | 4.37% | 4.43% | 5.05% | 3.19% |
| 30-Year | 4.97% | - | 5.80% | 4.04% |

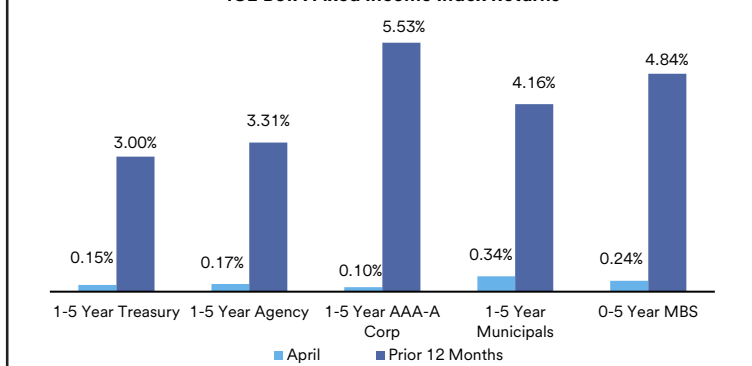
Spot Prices and Benchmark Rates

| Index | Apr 30, 2025 | Mar 31, 2026 | Apr 30, 2026 | Monthly Change |
|--------------------------|--------------|--------------|--------------|----------------|
| 1-Month SOFR | 4.32% | 3.66% | 3.65% | -0.01% |
| 3-Month SOFR | 4.27% | 3.68% | 3.66% | -0.02% |
| 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) | \$3,319 | \$4,648 | \$4,630 | -\$18 |
| Crude Oil (\$/Barrel) | \$58.21 | \$101.38 | \$105.07 | \$3.69 |
| U.S. Dollars per Euro | \$1.13 | \$1.16 | \$1.17 | \$0.01 |

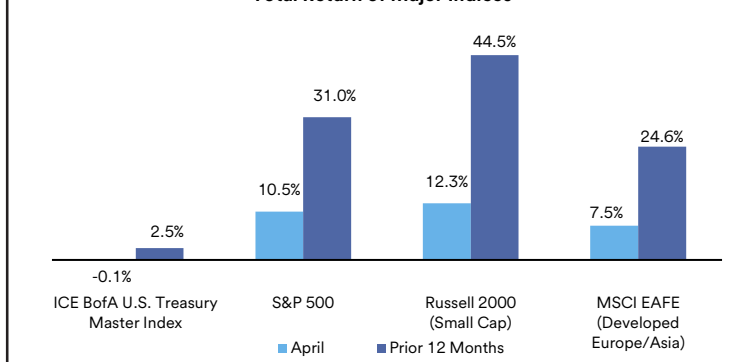
Economic Indicators

| Indicator | Release Date | Period | Actual | Survey (Median) |
|--------------------------------|--------------|--------|--------|-----------------|
| CPI YoY | 10-Apr | Mar | 3.30% | 3.40% |
| Existing Home Sales MoM | 13-Apr | Mar | -3.60% | -0.70% |
| U. of Mich. Consumer Sentiment | 24-Apr | Apr F | 49.8 | 48.5 |
| FOMC Rate Decision | 29-Apr | Apr | 3.75% | 3.75% |
| GDP Annualized QoQ | 30-Apr | 1Q S | 2.00% | 2.30% |
| PCE YoY | 30-Apr | Mar | 3.50% | 3.50% |
| Change in Nonfarm Payrolls | 8-May | Apr | 115k | 65k |

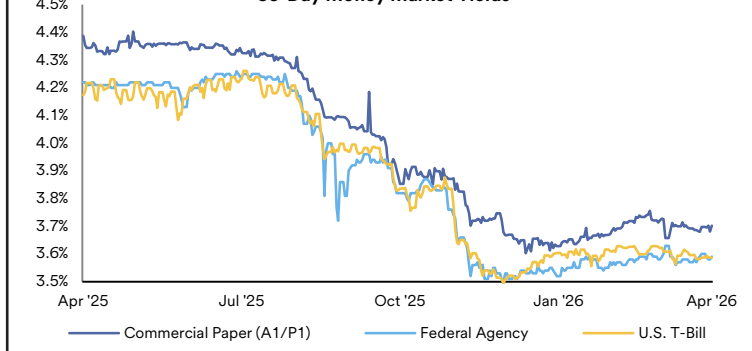
ICE BofA Fixed Income Index Returns



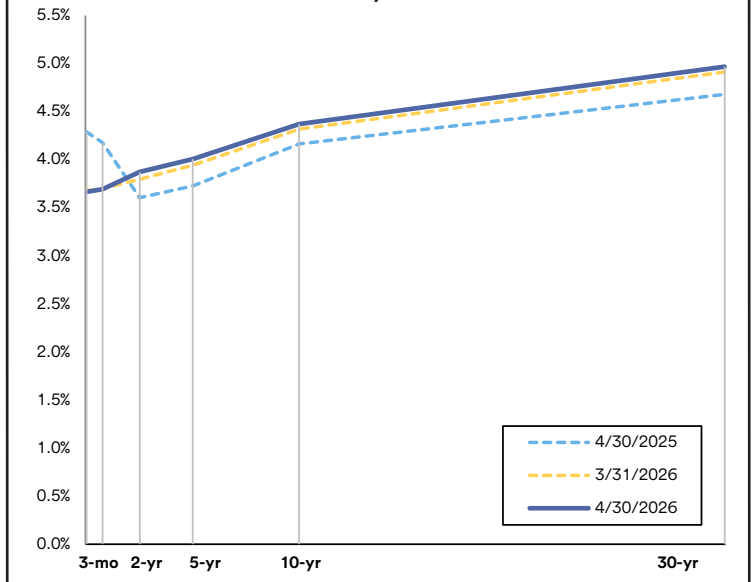
Total Return of Major Indices



30-Day Money Market Yields



U.S. Treasury Yield Curve



Source: Bloomberg. Data as of April 30, 2026, unless otherwise noted.

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