TD Global Investment Solutions

Talking Points

Commentary

2026 APR

For the month ended April 2026

Fixed Income Outlook

TD Epoch emphasizes capital preservation in our active fixed income portfolios while seeking to maintain a yield advantage relative to the benchmark. Positive fiscal and monetary impulses, along with Artificial Intelligence (AI)-related business investment should lead to a slight uptick in U.S. growth (real GDP) in 2026. However, the Middle East Conflict increases the uncertainty related to future U.S. and global growth expectations; with increasing risk that higher costs trigger slower consumption and growth due to supply chain disruptions within the energy and agriculture sectors. The labour market will remain weak, and inflation should remain above the FOMC's target rate in 2026. We expect no change to the FOMC's policy rate during this heightened period of uncertainty; even with inflation well above the FOMC's target level of two percent. Based on valuations and fundamentals, we remain constructive toward corporate credit and are comfortable with our strategic credit positioning. We maintain our preference for high-quality investment grade corporates and continue to be positioned with an emphasis on liquidity and quality.

Focal Points

- Headline U.S. GDP expanded 2.0% on a SAAR basis in Q1 2026, vs 0.7% in the prior quarter. Consumer spending ebbed modestly compared to prior quarters while fixed investment remained robust amidst significant AI investment in the U.S. economy. Government spending contributed mechanically due to the reversal of shutdown effects from the prior quarter.
- The FOMC's federal funds target range is 3.50%-3.75%. Its April statement noted continued stabilization in the unemployment rate and the impact to the U.S. economy from the Middle East Conflict is uncertain. The FOMC retained an easing bias in the statement, though several members of the committee dissented due to its continued inclusion reflecting division among members.
- Treasury yields increased in April amid elevated oil prices and geopolitical uncertainty stemming from the Middle East Conflict. The yield curve continued to bear flatten over the month, with a lack of a terminal point to the conflict enforcing the market expectation for no Fed rate reductions in 2026.
- Corporate bond spreads tightened in April as markets reacted favorably to de-escalation of the Middle East Conflict and strong corporate earnings. Concerns around AI-related disruption, potential weakness in certain sectors of private credit, and supply disruptions from the Middle East Conflict remain a focus.

Investment Professionals:

Dennis Woessner, CFA, CAIA
Vice President & Director

Russell Wald, CFA
Vice President

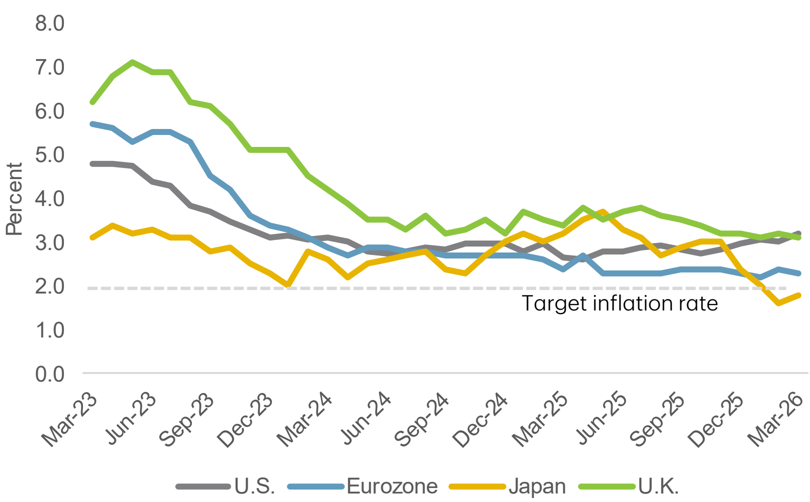
Macro Update

- Headline U.S. GDP expanded 2.0% on a SAAR basis in Q1 2026, vs 0.7% in the prior quarter. Consumer spending ebbed modestly compared to prior quarters while fixed investment remained robust amidst significant AI investment in the U.S. economy. Government spending contributed mechanically due to the reversal of shutdown effects from the prior quarter.
- The impact of the Middle East Conflict appears likely to be a significant offset to positive fiscal impulse of the One Big Beautiful Bill Act as higher energy prices feed through the economy. Significantly higher energy-related costs have increased inflation, lowered economic growth projections, paused or removed central bank rate cuts and increased interest rates. The net result being tighter financial conditions.

Long-Term Views:

- U.S. economic growth is expected to outpace other developed economies, especially in the Eurozone. Short-term interest rates can continue to diverge in developed markets as growth and inflation paths deviate globally amidst commodity and supply chain disruptions.
- Federal Reserve policy is challenged by a second successive supply shock putting both the inflation and growth mandates in tension. Nominal and real interest rates may remain elevated as U.S. economic growth remains positive.
- Additional disinflation in developed markets may find some resistance due to higher wages, higher food prices, and elevated geopolitical risks.

Inflation



Source: Bloomberg Financial L.P.; April 30, 2026

Headline inflation in the U.S. and other major economies remains above target levels. US inflation is consolidating above the FOMC's target. We expect inflation to remain elevated over the next twelve months due to tariffs and higher energy-related costs related to the Middle East Conflict.

Attaining and remaining at the FOMC's two-percent target rate on a sustained basis may be a challenge.

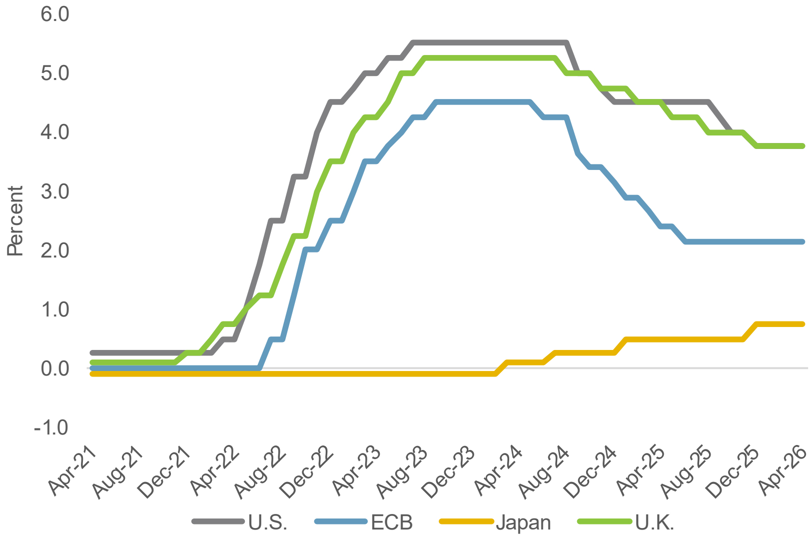
U.S. Central Bank Update

- In its April meeting, the FOMC maintained its policy rate range at 3.50%-3.75%. The statement cites "elevated" inflation and an unemployment rate that "has been little changed in recent months." The Middle East Conflict has contributed to a "high level of uncertainty about the economic outlook."
- The committee saw four dissents with the April statement release, with disagreement stemming from the statement retaining language of an easing bias that several committee members no longer felt was appropriate given the inflationary pressures. The divided committee is reflective of the economic uncertainty.
- Chair Powell in the press conference announced his intention to remain on the board of governors after Kevin Warsh is confirmed as Fed chair.

Long-Term Views:

- The federal funds effective rate is less restrictive as the FOMC has reduced interest rates. We expect a shallower federal funds rate cut path through 2026 and into 2027; however, this outcome is highly uncertain due to the Trump administration's trade and fiscal policies, and uncertainty around the duration and magnitude of impact from the Middle East Conflict.
- The FOMC is committed to its monetary framework and market facilities to support price stability, labor markets, and financial market liquidity.

Central Bank Policy Rates



Source: Bloomberg Financial L.P.; April 30, 2026

Major Central Bank policies are diverging as global economic conditions deviate around growth, geopolitical events, and inflation conditions. Central Banks remain data dependent when determining future policy decisions.

The Federal Reserve held the federal funds steady in April. The trajectory of rate cuts through 2026 and 2027 will likely be shallower as the U.S. economy continues to expand and inflation remains above the Fed target amidst supply shocks.

The upper bound of FOMC's policy range is 3.75% (as shown in graph).

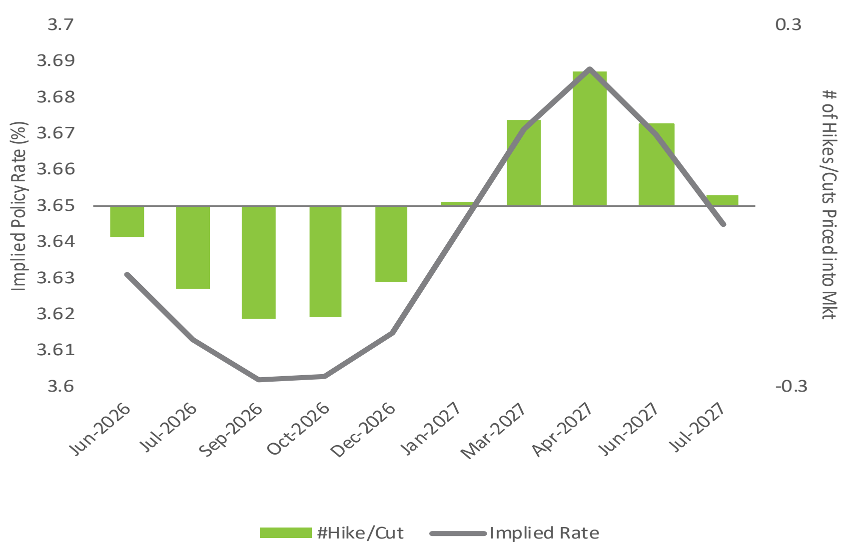
Cash/Short-term Market Update

- The short end of the yield curve twist steepened in April as investors recalibrated their inflation outlook (higher inflation) and FOMC policy outlooks (no rate cuts in 2026) due to the Middle East Conflict.
- During April, short-term credit spreads tightened 7 basis points (bps), to 53 bps, primarily due to a de-escalation in Middle East tail risk and strong technical demand. The all-in yield on this cohort was unchanged on the month at 4.45%. Yields remain attractive and corporate fundamentals are solid.
- Prime money fund assets decreased $19.0 billion during the 3-month period ending April 2026. Total assets are $1.22 trillion (up 7.9% Year-over-Year (YoY)).

Current Positioning:

- Short and Short/Intermediate Government/ Credit models prefer high-quality investment grade corporate bonds and have a longer duration profile relative to their respective benchmark.

Number of Hikes/Cuts Priced into Market



Source: Bloomberg Financial L.P.; April 30, 2026

No rate cuts are expected in 2026. The FOMC's economic projections indicate inflation will remain higher for longer. It expects the PCE price index to reach the 2.0% target by year-end 2028.

The implied policy rate reached a peak rate of 5.3% in 2024. This rate is expected to decline from 3.65% to 3.62% by year end 2026. The FOMC expects elevated inflation, a soft labor market, and above-trend economic growth. Uncertainty around this economic outlook remains elevated due to the Trump administration's trade policy and the Middle East Conflict.

1-3 Year Corporate Option-Adjusted Spread (OAS)

Source: Bloomberg Financial L.P.; April 30, 2026

At 53 bps, the index OAS tightened 7 bps from last month end. Year-over-year, the index OAS is 20 bps tighter. Factors which may benefit spreads are trend GDP growth outlook, solid fundamentals, attractive yields, and an FOMC policy framework with some easing bias. Uncertainty pertaining to the Middle East Conflict, trade and fiscal policies, increasing expectations for debt-financed capex from hyperscalers, and uncertainty around the creative destruction potential from AI implementation are contributing to spread volatility.

Corporate fundamentals are expected to slightly weaken from a strong base as economic growth slows to trend during the latter part of 2026 and into 2027. Financial conditions are not overly restrictive as the FOMC's policy rate is close to its neutral rate.

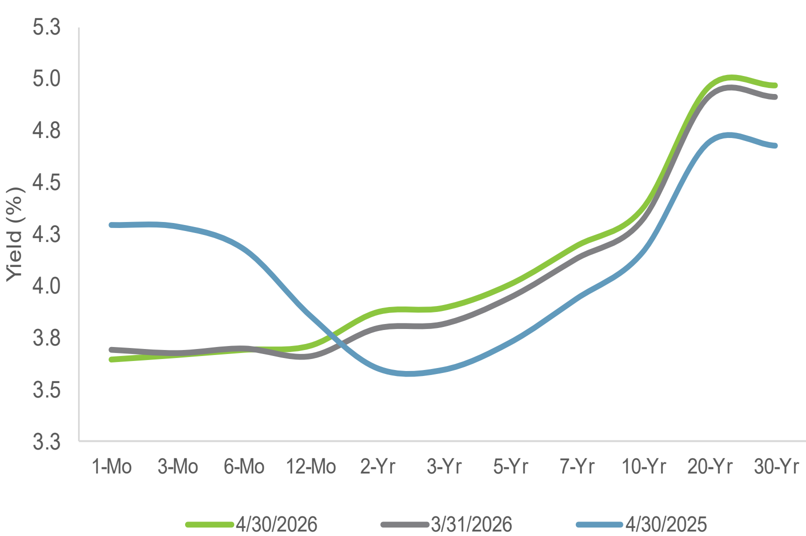
U.S. Treasury Market Update

- Treasury yields increased in April amid surging oil prices and geopolitical uncertainty stemming from the Middle East Conflict. The market has shifted from two interest rate cuts in 2026 by the FOMC to a higher-for-longer outlook. This change caused the yield curve to bear flatten – short-end yields increased more than long-end yields
- The impact of the Trump administration's trade, tax, immigration, and regulatory policies on expected real economic growth, inflation, and fiscal deficits remains uncertain.

Current Positioning:

- Government models have longer duration profiles relative to their respective benchmark. We expect interest rates to be more volatile during this period of uncertain fiscal- and trade-related policies.

Treasury Yields



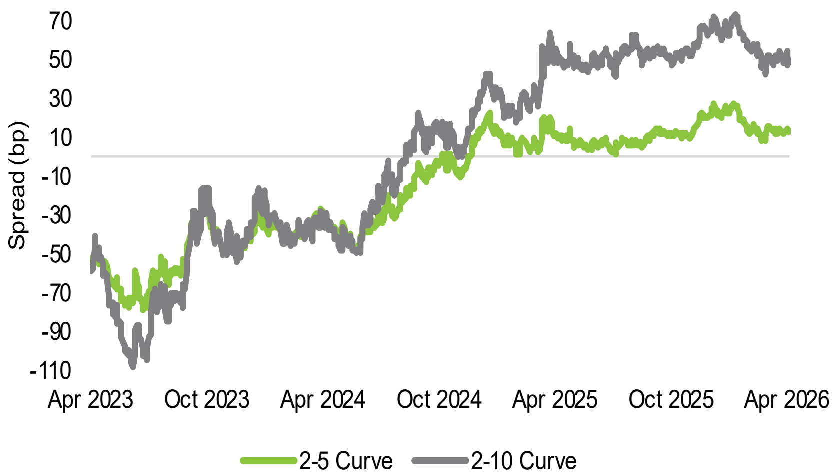
Source: Bloomberg Financial L.P.; April 30, 2026

Treasury yields increased during April. The yield spread between 2- and 30-year maturities decreased 3 bps, to 109 bps. The yield gap between the 3-month T-Bill and 10-year Treasury at 70 bps, is 6 bps steeper since last month end.

We expect yields to be range-bound at current levels as labor demand remains weak while economic growth remains solid and inflation sticky. Stimulative fiscal policy and less restrictive monetary policy will contribute to growth in 2026 which may push longer-tenor yields higher. The potential for tariffs to raise fiscal revenues and dampen consumption could constrain long term yields. We expect interest rates to be more volatile during this period of uncertain fiscal- and trade-related policies.

A resolution to the Middle East Conflict should help ease the recent spike in interest rate volatility.

Treasury Curves



Source: Bloomberg Financial L.P.; April 30, 2026

Yields in the belly of the Treasury curve increased during the month as the FOMC left its policy rate unchanged in April, but leaned modestly hawkish with debate around retaining the easing bias increasing. Additionally, surging oil prices and geopolitical uncertainty stemming from the Middle East Conflict are impacting Treasury curves. The 2s10s curve decreased 3 bps, to 50 bps. The 2s5s curve, at 13 bps, decreased 2 bp.

Greater fiscal deficits may pressure term premiums higher over the medium and longer term.

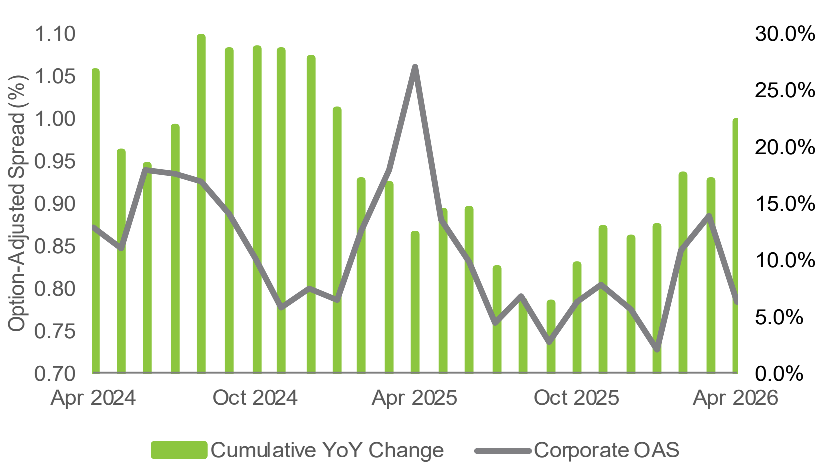
Investment Grade Credit Market Update

- Corporate bond spreads decreased 10 bps, to 78 bps, and the credit curve flattened relative to last month as investors remained wary of risks from the Middle East Conflict alongside record corporate bond issuance. The yield on the Corporate Index was unchanged at 5.14% during the month.
- AI remains an area of focus for investors. Financing expectations and profitability for AI-related investment as it relates to economic growth and corporate earnings continues to be topical. Potential sector specific impacts of AI driven creative destruction has also increased volatility.
- Looking forward, corporate fundamentals should remain solid but will continue to weaken from very strong levels. The U.S. economy has effectively weathered the trade-policy uncertainty so far.

Current Positioning:

- Government/Credit models remain overweight the corporate sector, mostly in the banking industry, and have longer duration profiles relative to their respective benchmark.

Corporate Spread & Issuance

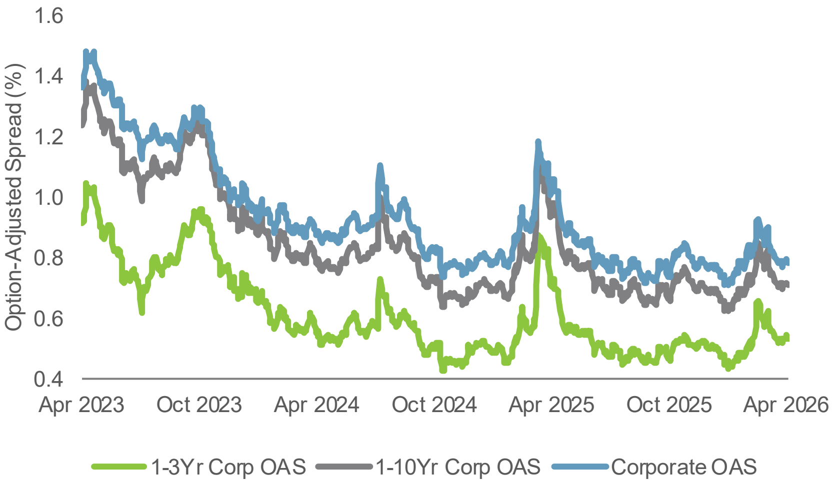


Source: Bloomberg Financial L.P.; April 30, 2026

For the month, corporate bond issuance was $184 billion, 70% higher from the same period last year. Year-to-date (YTD) issuance is 27% higher than the same period last year. The cumulative 12-month change is 22%. The spread on the corporate bond index, at 78 bps, is 10 bps tighter for the month.

YTD corporate bond issuance is $853 billion – a record for the first 4 months. Expected issuance for 2026 is ~$1.85 trillion with the YoY increase fueled by AI-related investment from hyperscalers such as Google, Amazon, Meta, Microsoft and Oracle while bank issuance is expected to decline.

Corporate Spreads by Maturity



Source: Bloomberg Financial L.P.; April 30, 2026

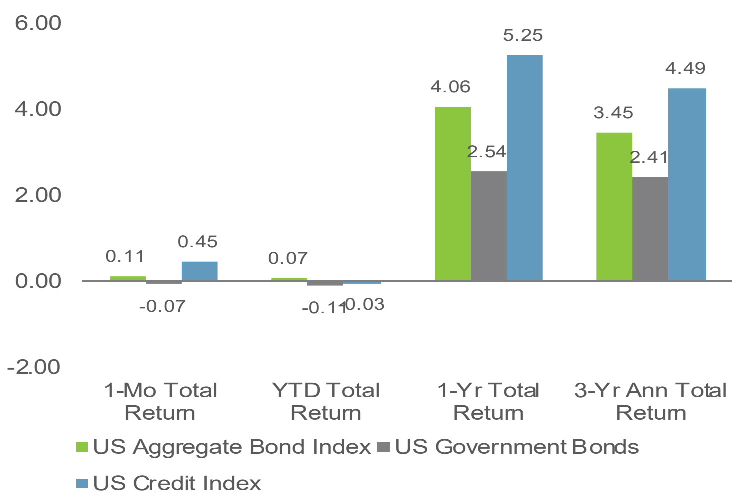
The Bloomberg U.S. Corporate Bond Index spread is 28 bps tighter during the past 12-months. Relatively attractive yields and record issuance continue to be two key themes within this sector. Factors which may benefit future spreads are trend GDP growth outlook, solid fundamentals, and an easing FOMC policy framework.

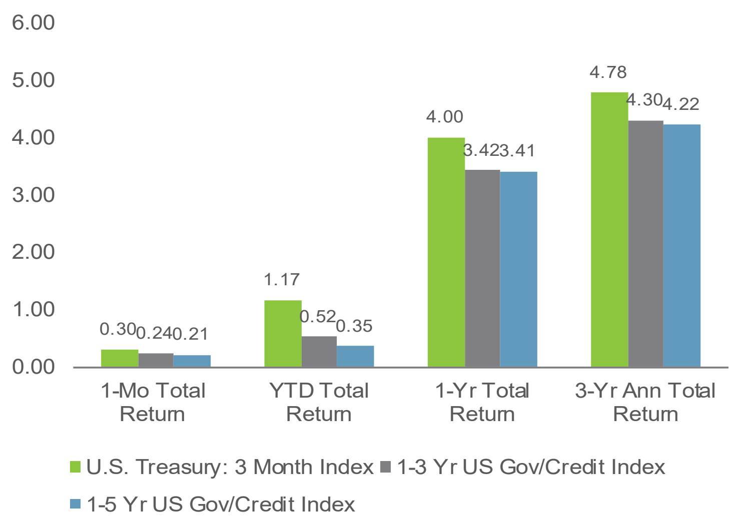
Large scale debt issuance from hyperscalers, sustainability and magnitude of AI related investment, and uncertainty around areas affected by creative destruction from AI technology continue to be areas of focus for investors.

The corporate bond index OAS is 10 bps tighter since last month end, currently 78 bps. The 1-10-year corporate bond index OAS, at 71 bps, is 10 bps tighter while the 1-3-year corporate bond index is 7 bps tighter, now 53 bps, for the month.

Charts & Tables

Fixed Income Indices





Economic Figures & Short-term Rates

Description	Current	3-mo Ago	1-yr Ago	Next Release
Fed Funds (%)	3.75	3.75	4.50	6/17/2026
CPI (YoY %)	3.30	2.70	2.40	5/12/2026
PCE (YoY %)	3.50	2.90	2.40	5/28/2026
Unemployment Rate (%)	4.30	4.40	4.20	5/8/2026
GDP (YoY %)	2.70	2.00	2.00	5/28/2026
Retail Sales (YoY %)	4.00	2.40	5.20	5/14/2026
Leading Indicators (YoY %)	-3.10	-3.90	-3.60	6/18/2026
Housing Starts (000s)	1,502	1,373	1,355	5/21/2026

Description	Current	3-mo Ago	1-yr Ago
Fed Funds (%)	3.75	3.75	4.50
3-Mo U.S. Treasury Bill	3.67	3.66	4.29
6-Mo U.S. Treasury Bill	3.69	3.63	4.18
USD O/N Govt. Repo	3.71	3.72	4.52
U.S. 30-Day Comm Paper*	3.69	3.62	4.37
U.S. 90-Day Comm Paper*	3.81	3.70	4.38

*A1/P1/F1 rated U.S. Commercial Paper

Source for all charts and tables: Bloomberg Financial L.P.; April 30, 2026

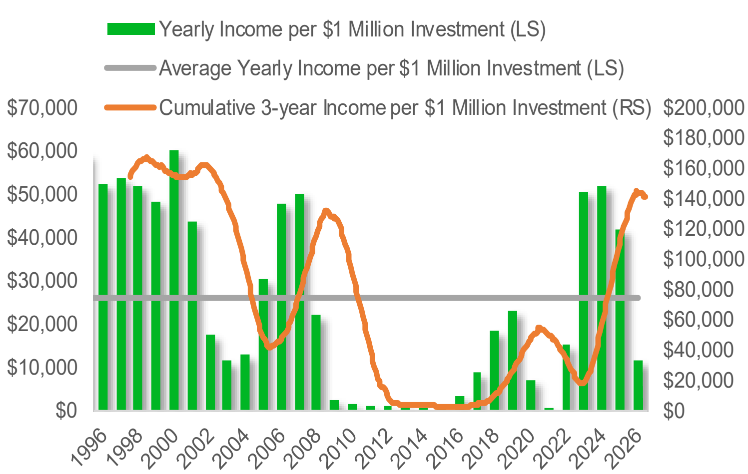
Charts & Tables - continued

Treasury Market

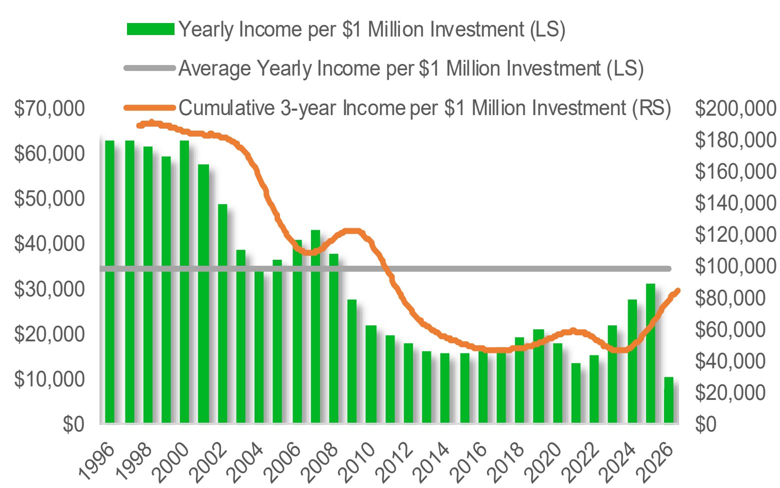
Change in Yield Curve (basis points)				
Maturity	Yield Curve (%)	1-Mo Ago	3-Mo Ago	1-Yr Ago
1-Mo	3.64	-5	-3	-65
3-Mo	3.67	-1	1	-62
6-Mo	3.69	-1	6	-49
12-Mo	3.71	5	24	-15
2-Yr	3.87	8	35	27
3-Yr	3.89	8	30	30
5-Yr	4.01	6	22	28
7-Yr	4.19	6	18	25
10-Yr	4.37	5	14	21
20-Yr	4.96	5	14	27
30-Yr	4.97	5	9	29

Investment Income per $1 Million Invested in Index (No reinvestment of income)

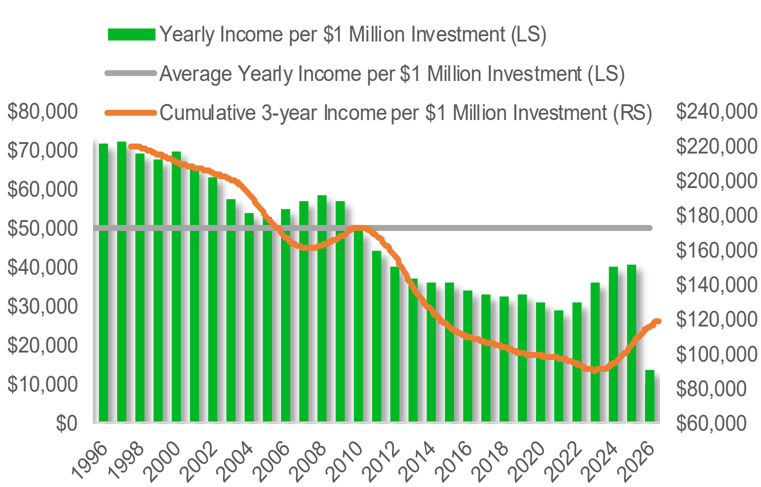
Bloomberg U.S. 3 Month Treasury Bill Index



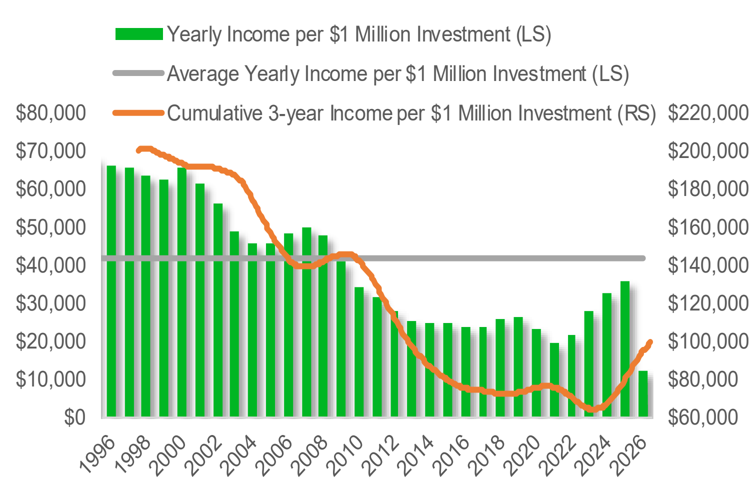
Bloomberg U.S. Treasury 1-5 Year Index



Bloomberg U.S. Corporate Bond 1-5 Year Index



Bloomberg U.S. Intermediate Government/Credit Index



Source for all charts and tables: Bloomberg Financial L.P.; April 30, 2026

Charts & Tables - continued

Fixed Income Model Characteristics – Summary Level

Ladder Models	TD 1-3 Year Treasury Bond Ladder Managed Account	Bloomberg US Treasury 1-3 Year Index	TD 1-5 Year Treasury Bond Ladder Managed Account	Bloomberg US Treasury 1-5 Year Index	TD 1-5 Year A Minimum Corporate Bond Ladder Managed Account	Bloomberg US Corporate Bond 1-5 Year Index	TD 1-5 Year BBB Minimum Corporate Bond Ladder Managed Account	Bloomberg US Corporate Bond 1-5 Year Index
MINIMUM ACCOUNT SIZE	$100,000	-	$100,000	-	$100,000	-	$100,000	-
YIELD TO WORST	3.89%	3.88%	3.91%	3.92%	4.34%	4.58%	4.47%	4.58%
YEARS TO MATURITY	2.1	2.0	2.8	2.8	3.0	3.0	2.8	3.0
DURATION	1.9	1.9	2.6	2.6	2.7	2.7	2.5	2.7
QUALITY	AA1	AA1	AA1	AA1	A2	A3	BAA1	A3
NUMBER OF HOLDINGS	8	96	17	154	46	3,287	49	3,287

Ladder Models	TD 1-10 Year Treasury Bond Ladder Managed Account	Bloomberg US Treasury 1-10 Year Index	TD 1-10 Year A Minimum Corporate Bond Ladder Managed Account	Bloomberg US Intermediate Corporate Bond Index	TD 1-10 Year BBB Minimum Corporate Bond Ladder Managed Account	Bloomberg US Intermediate Corporate Bond Index
MINIMUM ACCOUNT SIZE	$100,000	-	$100,000	-	$100,000	-
YIELD TO WORST	4.09%	4.00%	4.58%	4.80%	4.75%	4.80%
YEARS TO MATURITY	5.3	4.0	5.5	4.9	5.5	4.9
DURATION	4.6	3.6	4.7	4.1	4.6	4.1
QUALITY	AA1	AA1	A2	A3	BAA1	A3
NUMBER OF HOLDINGS	36	199	49	5,570	49	5,570

Active Models	TD Short Government/Corporate Bond (A Min) Managed Account Institutional	ICE BofA 1-3 Year AAA-A US Corporate & Government Index	TD Short/Intermediate Government Bond Managed Account	ICE BofA 1-5 Year US Treasury & Agency Index	TD Short/Intermediate Government/Corporate Bond Managed Account	ICE BofA 1-5 Year AAA-A US Corporate & Government Index	TD Short/Intermediate Government/Corporate Bond A2 Min No Foreign Restricted Managed Account	ICE BofA US Issuers 1-5 AAA-A US Corporate & Government Index
MINIMUM ACCOUNT SIZE	$250,000	-	$250,000	-	$250,000	-	$250,000	-
YIELD TO WORST	4.06%	3.96%	3.91%	3.91%	4.08%	4.02%	4.00%	3.98%
YEARS TO MATURITY	2.0	2.0	2.8	2.7	2.8	2.8	2.8	2.8
DURATION	1.9	1.8	2.6	2.5	2.6	2.6	2.6	2.6
QUALITY	AA3	AA2	AA1	AA1	AA3	AA2	AA2	AA1
NUMBER OF HOLDINGS	57	1,773	30	436	77	3,249	51	1,974

Active Models	TD Intermediate Government Bond Managed Account	Bloomberg U.S. Government Intermediate Bond Index	TD Intermediate Government/Credit A-Min Bond Managed Account	Bloomberg U.S. Intermediate Government/Credit A or Higher Bond Index	TD Intermediate Government/Corporate Bond Managed Account	Bloomberg U.S. Intermediate Government/Credit Bond Index	TD Long Government/Corporate Bond Managed Account	Bloomberg U.S. Government/Credit Bond Index
MINIMUM ACCOUNT SIZE	$250,000	-	$250,000	-	$250,000	-	$250,000	-
YIELD TO WORST	3.99%	4.00%	4.15%	4.13%	4.29%	4.25%	4.58%	4.53%
YEARS TO MATURITY	4.0	4.0	4.2	4.2	4.3	4.3	8.1	8.6
DURATION	3.6	3.6	3.7	3.7	3.8	3.7	6.0	6.1
QUALITY	AA1	AA1	AA2	AA1	A1	AA2	A1	AA2
NUMBER OF HOLDINGS	61	479	98	3,496	136	6,569	157	10,141

Institutional Model	TD Core Bond Managed Account Institutional	Bloomberg U.S. Aggregate Bond Index
MINIMUM ACCOUNT SIZE	$10,000,000	-
YIELD TO WORST	4.72%	4.61%
YEARS TO MATURITY	7.6	8.2
DURATION	5.9	5.9
QUALITY	A1	AA2
NUMBER OF HOLDINGS	148	14,071

Source for all charts and tables: Bloomberg Financial L.P.; April 30, 2026

Talking Points

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