TD Asset Management

U.S. Fixed Income Talking Points

Commentary

For the month ended October 2026

2026 OCT

Fixed Income Outlook

TD Asset Management ("TDAM", "we", "our"), emphasizes capital preservation in our active fixed income portfolios while seeking to maintain a yield advantage relative to the benchmark. Resilient consumption and a strong global cap-ex backdrop supported by Artificial Intelligence (AI)-related investment are providing an offset to headwinds impacting U.S. growth (real GDP) in 2026 related to disruptions in energy and agricultural supply chains and associated higher costs due to the Middle East conflict. The labor market appears in balance, and inflation should remain above the Federal Open Market Committee's (FOMC) target rate into 2027. We expect modest further upward adjustment to the FOMC's policy rate, as a stable labor market allows the central bank to focus more on sticky above target inflation; however, we see scope for policy adjustments to fall short of aggressive market expectations for future tightening. 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 3.4% on a SAAR basis in Q3 2026, vs 2.2% in the prior quarter. Consumer spending remained strong, consistent with the prior quarter, and business investment remained robust amidst significant AI investment in the U.S. economy. Federal government spending expanded modestly versus the prior quarter.
- The FOMC left the federal funds target range unchanged at 3.75%-4.00%. The October statement and press conference focused on the need for additional information prior to further adjustments to the policy rate, though there were two hawkish dissents in favor of an increase.
- Treasury yields decreased meaningfully with the belly of the curve declining most as the market assessed risks to the AI buildout alongside sticky inflation, resilient economic activity, continued high oil prices due to Middle East conflict developments, and FOMC commitment to combatting inflation.
- Corporate bond spreads widened modestly in October. The market continues to digest persistent conflict in the Middle East, concerns around AI-related financing and significant issuance related to hyperscalers and data centers, and potential weakness in certain sectors of private credit.

Investment Professionals:

Dennis Woessner, CFA, CAIA
Vice President & Director

Russell Wald, CFA
Vice President

Source: TD Asset Management, TD Economics & Bloomberg Financial L.P.; October 31, 2026

Macro Update

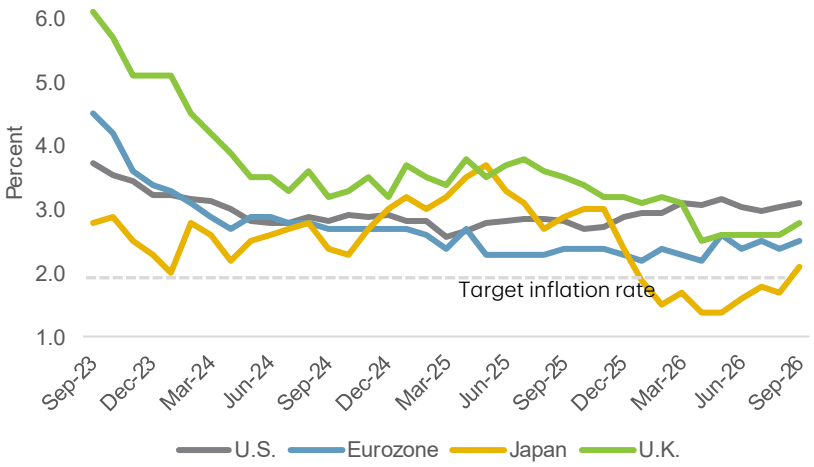
- Headline U.S. GDP expanded 3.4% on a SAAR basis in Q3 2026, vs 2.2% in the prior quarter. Consumer spending remained strong in line with the prior quarter while fixed investment remained robust amidst significant AI investment in the U.S. economy.
- Consumers have continued to provide support to the U.S. economy throughout the year against the offsetting impacts of positive fiscal impulse of the One Big Beautiful Bill Act and higher energy prices from the prolonged Middle East conflict. Higher energy costs have increased inflation, led central banks to tighten policy rates, and increased longer-term interest rates. The net result is tighter financial conditions.

Source: TD Economics & Bloomberg Financial L.P.; October 31, 2026

Our Long-Term Views:

- U.S. economic growth is expected to outpace other developed economies, especially in the Eurozone. Short-term interest rates globally likely remain in a higher for longer environment amidst resilient global growth and commodity and supply chain disruptions.
- U.S. Federal Reserve (the Fed) policy is challenged by a second successive supply shock putting upward pressure on inflation. 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.; October 31, 2026

Headline inflation in the U.S. and most major economies remain above target levels. Recent U.S. inflation data has shown mixed signs of disinflation and remains well above the FOMC's target. We expect inflation to remain elevated over the next twelve months due to tariffs, geopolitical energy shocks (Iran/Strait of Hormuz), and AI-related buildout.

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

U.S. Central Bank Update

- The FOMC kept its policy rate unchanged at 3.75%-4.00%. Modest further increases to the policy rate are expected as labor market stability allows the FOMC to focus on bringing inflation to target.
- October's FOMC meeting emphasized the Fed's measured approach to policy increases. While the language of the statement and press conference continues to indicate that a policy increase in December remains possible, the Fed would like to gauge incoming data in the intervening period before adjustments to the policy rate.
- Chair Warsh continued to describe inflation as too high, while also noting that the economy has strengthened, led by consumer spending and business investment.

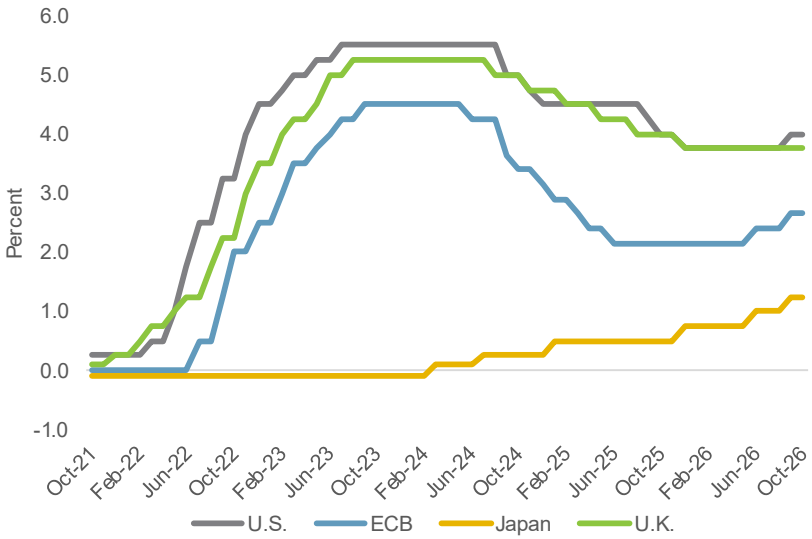
Source: TD Economics & Bloomberg Financial L.P.; October 31, 2026

Our Long-Term Views:

- The federal funds effective rate is shifting higher as the Fed pivoted to increasing the policy rate. We expect modest further increases to the policy rate in 2026 and 2027; however, Trump administration trade and fiscal policies, and uncertainty around the duration and magnitude of impact from the Middle East conflict are contributing to a higher for longer interest rate environment outlook and increasing the need for near-term monetary tightening.
- The FOMC is committed to its monetary framework and market facilities to support price stability, labor markets, and financial market liquidity.

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Central Bank Policy Rates



Source: Bloomberg Financial L.P.; October 31, 2026

Major Central Bank policies are converging once again towards a higher for longer backdrop as global growth and inflation conditions are impacted by geopolitical events and the AI buildout. Central banks remain data-dependent when determining future policy decisions.

The Fed left the policy rate unchanged in October. The trajectory of the policy rate through 2026 and 2027 is biased modestly higher as the U.S. economy continues to expand and inflation remains above the Fed's target amidst supply shocks.

The upper bound of FOMC's policy range is 4% (as shown in graph).

Cash/Short-term Market Update

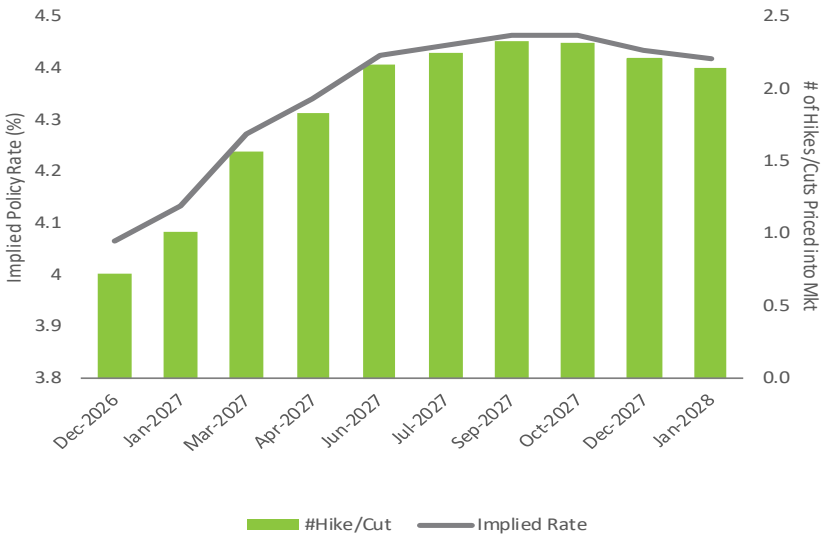
- Short-term yields moved lower in October as the market assessed concerns around the AI buildout alongside sticky inflation, a stable labor market, and resilient growth supporting the case for modest additional future policy tightening.
- During October, short-term credit spreads widened 8 basis points (bps), to 59 bps, as the market continued to assess risks to the AI buildout. The all-in yield on this cohort decreased 21 bps during the month to 5.19%. Yields remain attractive and corporate fundamentals are solid.
- Prime money fund assets increased $4.5 billion during the 3-month period ending October 2026. Total assets are $1.23 trillion (up 1.9% year-over-year (YoY)).

Source: Bloomberg Financial L.P.; October 31, 2026

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



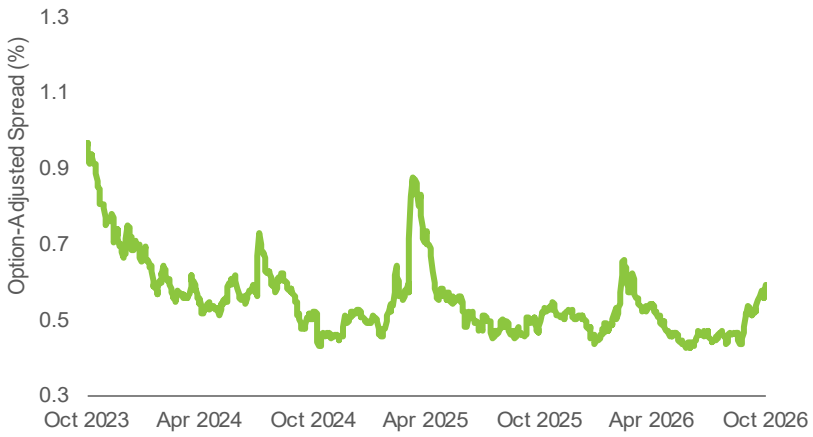
Source: Bloomberg Financial L.P.; October 31, 2026

The market now expects 2-3 rate increases by the end of 2027. 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 2029.

The implied policy rate reached a peak rate of 5.3% in 2024. This rate is expected to increase from 3.875% to 4.5% by year-end 2027. The FOMC expects elevated inflation, a stable 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.

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



Source: Bloomberg Financial L.P.; October 31, 2026

At 59 bps, the index OAS widened 8 bps from last month end. YoY, the index OAS is 10 bps wider. Factors that may benefit future spreads include trend or higher GDP growth outlook, solid fundamentals, and attractive yields. Uncertainty pertaining to the Middle East conflict and monetary policy, trade and fiscal policies, increasing expectations for debt-financed capex from hyperscalers, and uncertainty around the potential return on investment from AI implementation are contributing to spread volatility.

Corporate fundamentals are expected to remain solid as economic growth remains supportive during the latter part of 2026 and into 2027. Financial conditions have tightened but are not overly restrictive as the FOMC's policy rate is close to its neutral rate.

U.S. Treasury Market Update

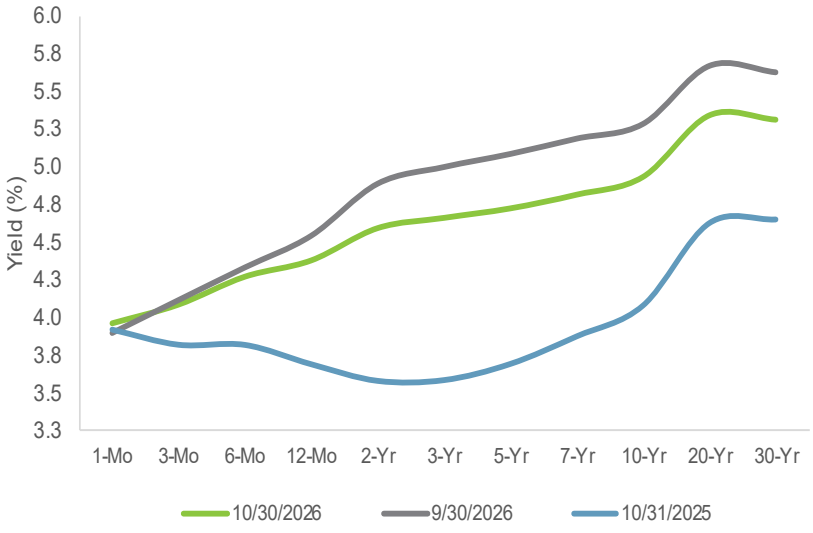
- Treasury yields decreased in October as the market assessed concerns around AI investment amidst sticky elevated inflation and a stable labor market. Treasuries with short and long maturities decreased less than intermediate maturities as the market continues to assess the potential future path for monetary policy.
- The impact of the Trump administration's trade, tax, immigration, and regulatory policies on expected real economic growth, inflation, and fiscal deficits remains uncertain.

Source: Bloomberg Financial L.P.; October 31, 2026

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

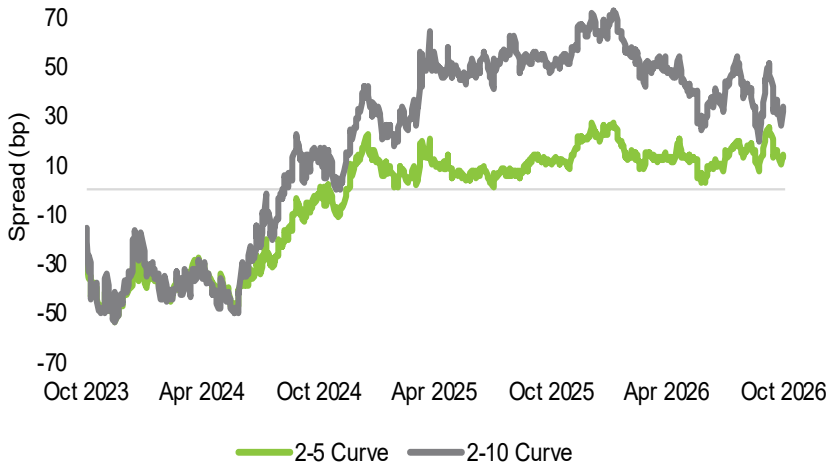


Source: Bloomberg Financial L.P.; October 31, 2026

Treasury yields decreased during October. The yield spread between 2- and 30-year maturities decreased 2 bps, to 72 bps. The yield gap between the 3-month T-Bill and 10-year Treasury, at 84 bps, is 32 bps flatter since last month end.

We expect yields to be range-bound with some scope to move lower from current levels as slack in the labor market remains alongside sticky inflation. Economic growth, while solid, may not be able to support the rapid rise in yields. Cyclical uplift from AI investment is contributing to growth in 2026 supporting higher longer-tenor yields. Prolonged supply disruptions and a restrictive shift in monetary policy could bias Treasury curves flatter. 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 would help ease the recent spike in interest rate volatility.

Treasury Curves



Source: Bloomberg Financial L.P.; October 31, 2026

Yields in the belly of the Treasury curve decreased most during the month as the sharp rise in yields took a breather. The market assessed concerns around AI monetization alongside sticky inflation, continued high oil prices from prolonged conflict in the Middle East, and strong economic activity. The 2s10s curve flattened 5 bps, to 34 bps. The 2s5s curve, at 13 bps, was 6 bps flatter.

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

Investment Grade Credit Market Update

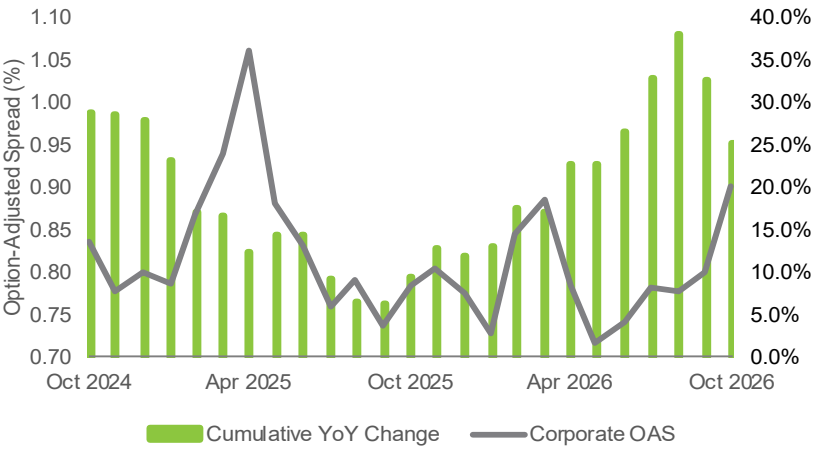
- Corporate bond spreads increased 10 bps to 90 bps, and the credit curve steepened over the month as investors weighed concerns around AI monetization alongside prolonged conflict in the Middle East and record corporate bond issuance. The yield on the Corporate Index declined 25 bps to 5.79% during the month.
- Financing expectations and profitability for AI-related investment continue to be topical, as the financing burden broadens beyond the hyperscalers. Potential sector-specific impacts of AI-driven creative destruction have also increased volatility.
- Looking forward, corporate fundamentals should remain solid, supported by a resilient economic growth outlook. The U.S. economy has effectively weathered the trade-policy uncertainty so far.

Source: Bloomberg Financial L.P.; October 31, 2026

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



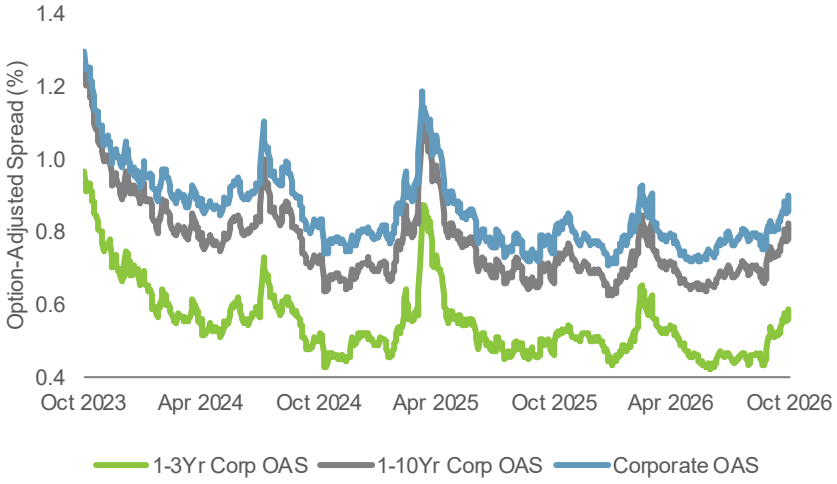
Source: Bloomberg Financial L.P.; October 31, 2026

For the month, corporate bond issuance was $120 billion, 25% lower from the same period last year. Year-to-date issuance is 24% higher than the same period last year. The cumulative 12-month change is 25%. The spread on the corporate bond index, at 90 bps is 10 bps wider on the month.

YTD corporate bond issuance is a record $1.92 trillion. Expected issuance for 2026 is ~$2.1 trillion with the YoY increase fueled by AI-related investment from hyperscalers such as Google, Amazon, Meta, Microsoft and Oracle.

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Corporate Spreads by Maturity



Source: Bloomberg Financial L.P.; October 31, 2026

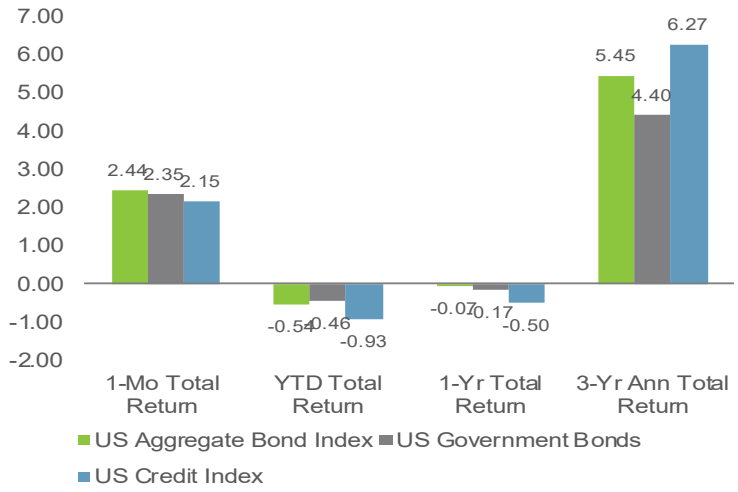
The Bloomberg U.S. Corporate Bond Index spread is 12 bps wider during the past 12 months. Relatively attractive yields and record issuance continue to be two key themes within this sector. Factors that may benefit future spreads include trend or higher GDP growth outlook, solid fundamentals, and attractive, elevated yields.

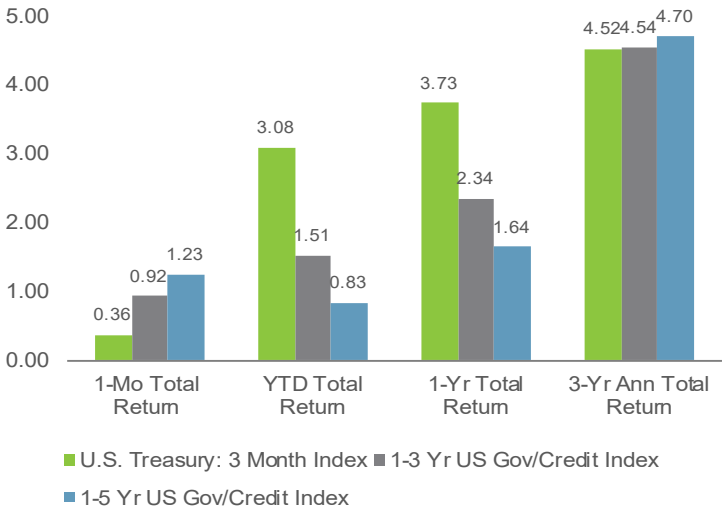
Large-scale debt issuance from hyperscalers, sustainability and magnitude of AI-related investment, and uncertainty around areas affected by creative destruction from AI technology continue to be areas of focus for investors.

The corporate bond index OAS is 10 bps wider since last month end, currently 90 bps. The 1-10-year corporate bond index OAS, at 82 bps, is 10 bps wider, while the 1-3-year corporate bond index is 8 bps wider, now 59 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 (%)	4.00	3.75	4.00	12/9/2026
CPI (YoY %)	3.70	3.50	3.00	12/10/2026
PCE (YoY %)	3.60	3.50	2.80	11/25/2026
Unemployment Rate (%)	4.20	4.20	4.40	11/6/2026
GDP (YoY %)	2.10	2.20	2.60	11/25/2026
Retail Sales (YoY %)	6.30	5.90	3.70	11/17/2026
Leading Indicators (YoY %)	-0.50	-1.10	-3.20	11/19/2026
Housing Starts (000s)	1,221	1,439	1,319	11/18/2026

Description	Current	3-mo Ago	1-yr Ago
Fed Funds (%)	4.00	3.75	4.00
3-Mo U.S. Treasury Bill	4.08	3.76	3.82
6-Mo U.S. Treasury Bill	4.27	3.95	3.82
USD O/N Govt. Repo	3.98	3.70	4.21
U.S. 30-Day Comm Paper*	3.96	3.67	3.84
U.S. 90-Day Comm Paper*	4.21	3.83	3.95

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

Source for all charts and tables: Bloomberg Financial L.P.; October 31, 2026

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Charts & Tables - continued

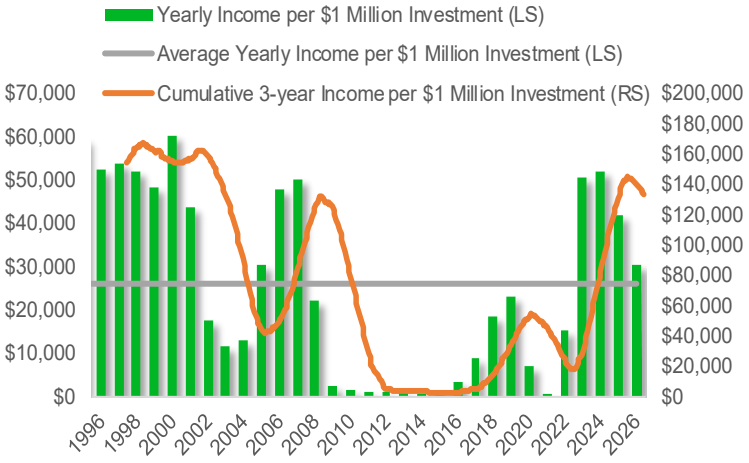
Treasury Market



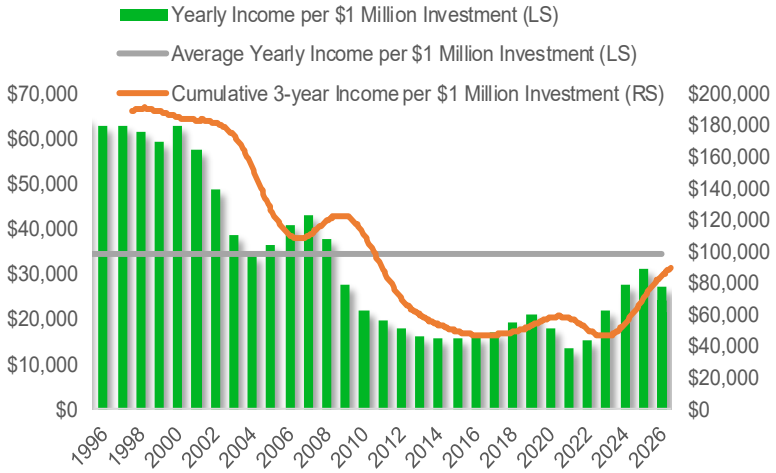
Change in Yield Curve (basis points)				
Maturity	Yield Curve (%)	1-Mo Ago	3-Mo Ago	1-Yr Ago
1-Mo	3.96	6	28	4
3-Mo	4.08	-3	32	27
6-Mo	4.27	-6	32	45
12-Mo	4.38	-17	33	69
2-Yr	4.59	-30	30	102
3-Yr	4.66	-34	30	108
5-Yr	4.72	-37	27	103
7-Yr	4.81	-38	22	94
10-Yr	4.93	-36	19	85
20-Yr	5.34	-34	5	71
30-Yr	5.31	-32	4	66

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

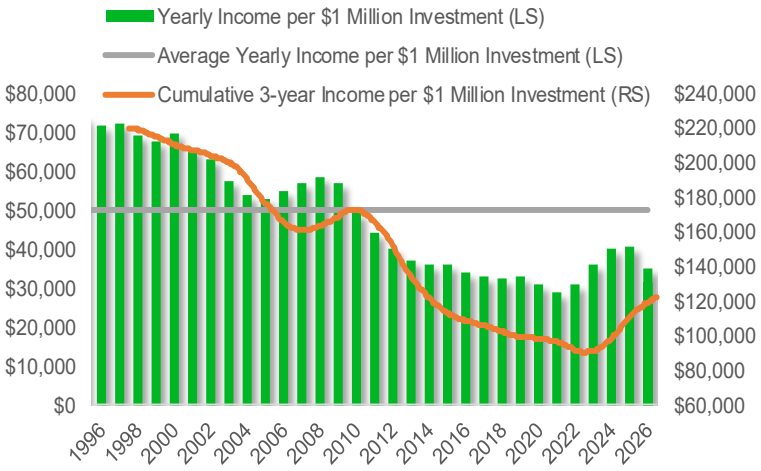
Bloomberg U.S. 3 Month Treasury Bill Index



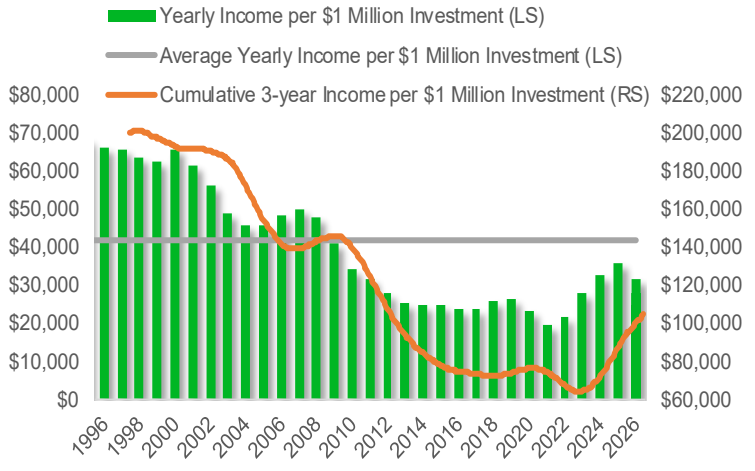
Bloomberg U.S. Treasury 1-5 Year Index



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.; October 31, 2026

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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	4.55%	4.57%	4.60%	4.62%	5.08%	5.34%	5.24%	5.34%
YEARS TO MATURITY	1.8	1.9	2.8	2.8	2.8	2.9	2.8	2.9
DURATION	1.7	1.8	2.6	2.5	2.5	2.7	2.5	2.7
QUALITY	AA1	AA1	AA1	AA1	A2	A3	BAA1	A3
NUMBER OF HOLDINGS	8	96	17	153	46	3,420	49	3,420

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	4.73%	4.67%	5.29%	5.55%	5.49%	5.55%
YEARS TO MATURITY	5.4	3.9	5.4	4.8	5.4	4.8
DURATION	4.6	3.5	4.5	4.0	4.5	4.0
QUALITY	AA1	AA1	A2	A3	BAA1	A3
NUMBER OF HOLDINGS	36	198	49	5,814	49	5,814

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	4.76%	4.56%	4.61%	4.60%	4.80%	4.67%	4.71%	4.68%
YEARS TO MATURITY	2.0	2.0	2.7	2.7	2.8	2.8	2.8	2.7
DURATION	1.8	1.8	2.5	2.5	2.6	2.5	2.6	2.5
QUALITY	AA3	AA2	AA1	AA1	AA3	AA2	AA2	AA2
NUMBER OF HOLDINGS	52	1,859	34	432	77	3,376	53	2,058

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	4.66%	4.67%	4.85%	4.81%	5.01%	4.95%	5.25%	5.14%
YEARS TO MATURITY	3.9	3.9	4.2	4.1	4.3	4.2	8.1	8.5
DURATION	3.5	3.5	3.6	3.6	3.7	3.7	5.9	5.9
QUALITY	AA1	AA1	AA2	AA1	A1	AA2	A1	AA2
NUMBER OF HOLDINGS	65	474	101	3,616	139	6,804	161	10,385

Institutional Model	TD Core Bond Managed Account Institutional	Bloomberg U.S. Aggregate Bond Index
MINIMUM ACCOUNT SIZE	$10,000,000	-
YIELD TO WORST	5.38%	5.24%
YEARS TO MATURITY	7.9	8.2
DURATION	5.9	5.8
QUALITY	A1	AA2
NUMBER OF HOLDINGS	146	14,299

Source for all charts and tables: Bloomberg Financial L.P.; October 31, 2026

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Talking Points

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