



Commentary

For the month ended September 2026

**20
26** **SEP**

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. 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 FOMC's 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 2.2% on a SAAR basis in Q2 2026, vs 2.6% in the prior quarter. Real final sales to private domestic purchasers was revised from 4.2 to 4.6% for Q2, and investment remained robust amidst significant AI investment in the U.S. economy. Federal government spending declined versus the prior quarter.
- The FOMC increased the federal funds target range 25 basis points (bps) to 3.75%-4.00%. U.S. Federal Reserve (the Fed) Chair Warsh used the September press conference to underscore the Fed's commitment to bring inflation to target, citing the labor market as stable and close to full employment.
- Treasury yields increased meaningfully with the belly of the curve rising the most as the market reacted to 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 slightly in September. 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

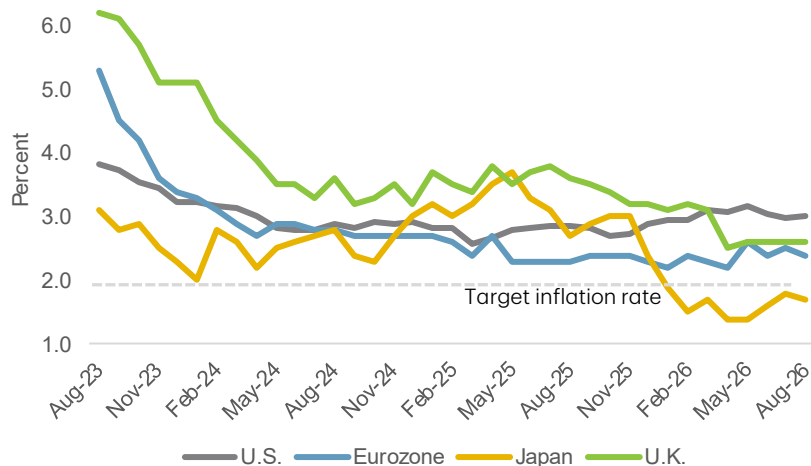
Macro Update

- Headline U.S. GDP expanded 2.2% on a SAAR basis in Q2 2026, vs 2.6% in the prior quarter. Consumer spending was revised higher vs the prior release while fixed investment remained robust and was revised higher 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.

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.
- Federal Reserve 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.; September 30, 2026

Headline inflation in the U.S. and most major economies remain above target levels. Recent U.S. inflation data has shown some signs of disinflation but remains well above the FOMC's target. We expect inflation to remain elevated over the next twelve months due to tariffs and higher energy-related costs due to the Middle East conflict.

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

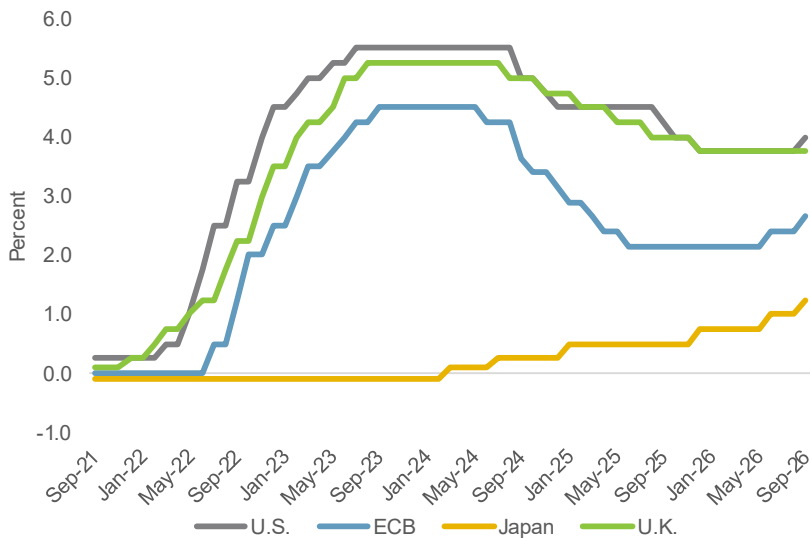
U.S. Central Bank Update

- The FOMC increased its policy rate 25 bps to 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.
- September's FOMC meeting underscored the Fed's commitment to bringing inflation to target. The updated SEP indicated expectations from FOMC members for an additional rate increase in December, and possibly one further increase in 2027.
- Chair Warsh continued his communication focus on the inflation side of the mandate, describing disinflation as occurring at insufficient speed, and characterizing the rate increase as 'removing a dose of accommodation.'

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.

Central Bank Policy Rates



Source: Bloomberg Financial L.P.; September 30, 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 Federal Reserve increased the federal funds rate by 25 bps in September. 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).

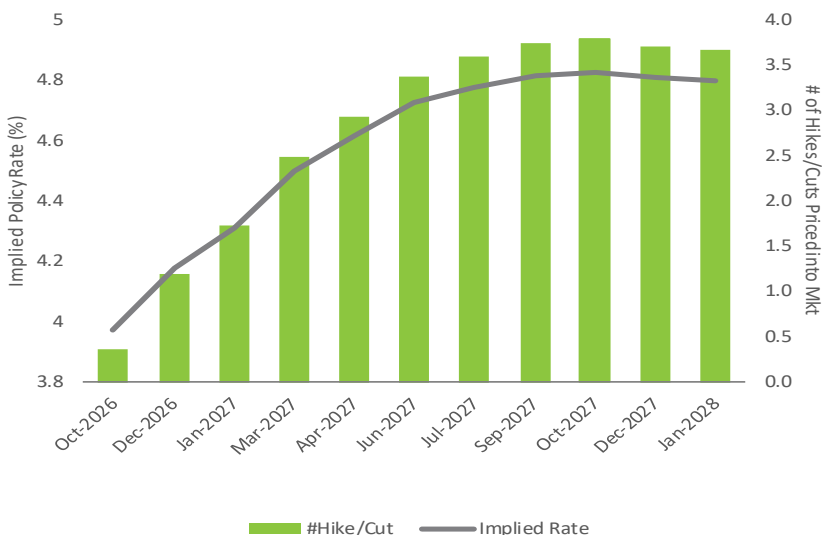
Cash/Short-term Market Update

- Short-term yields moved higher in September with the FOMC increasing the policy rate 25 bps as sticky inflation, a stable labor market, and resilient growth support the case for modest additional future policy tightening.
- During September, short-term credit spreads widened 7 bps, to 51 bps, as the rapid increase in yields created some investor angst. The all-in yield on this cohort increased 60 bps during the month to 5.40%. Yields remain attractive and corporate fundamentals are solid.
- Prime money fund assets increased \$5.8 billion during the 3-month period ending September 2026. Total assets are \$1.23 trillion (up 1.7% 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.; September 30, 2026

The market now expects 3-4 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 4.8% 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.

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



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

At 51 bps, the index OAS widened 7 bps from last month end. Year-over-year, the index OAS is 5 bps wider. Factors which may benefit spreads are 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 creative destruction potential 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 are tightening but not overly restrictive as the FOMC's policy rate is close to its neutral rate.

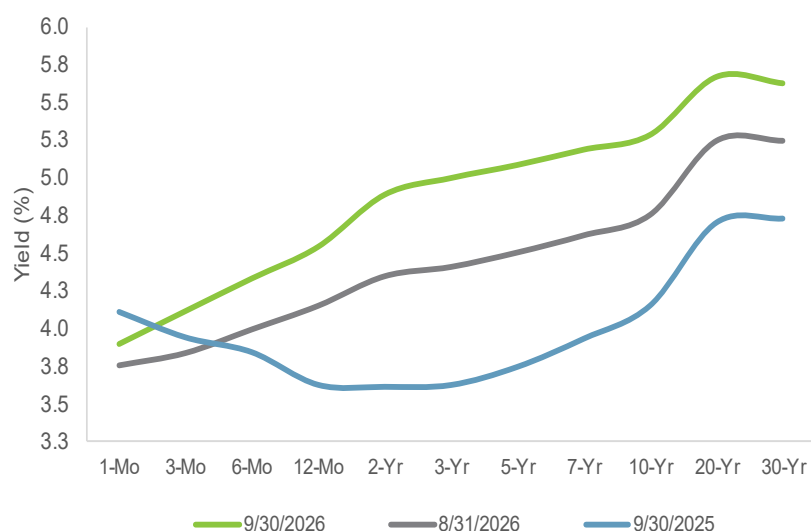
U.S. Treasury Market Update

- Treasury yields increased in September as the FOMC increased the policy rate 25 bps amidst sticky elevated inflation and a stable labor market. Treasuries with 20+ year maturities increased less than intermediate maturities as the market digested changes to the monetary policy outlook and the first round of increased U.S. Treasury liquidity buyback operations in the long end of the Treasury curve.
- 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

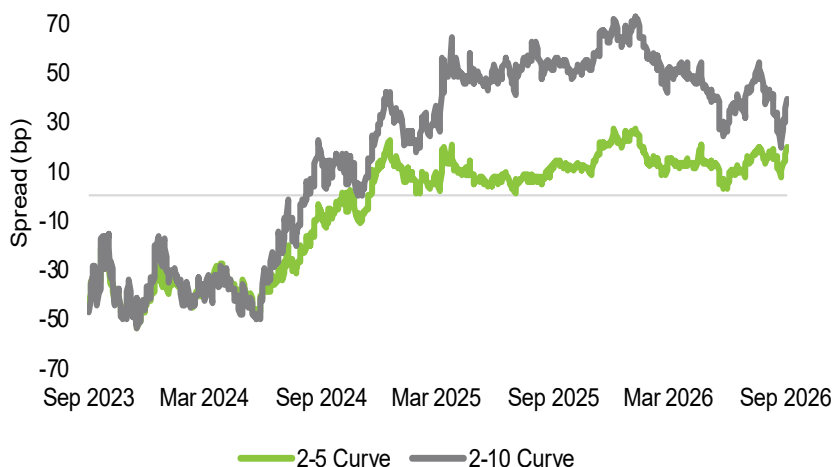


Source: Bloomberg Financial L.P.; September 30, 2026

Treasury yields increased during September. The yield spread between 2- and 30-year maturities decreased 16 bps, to 74 bps. The yield gap between the 3-month T-Bill and 10-year Treasury at 116 bps, is 25 bps steeper 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.; September 30, 2026

Yields in the belly of the Treasury curve increased during the month amidst expectations for a higher for longer interest rate environment. The FOMC decision to increase its policy rate 25 bps alongside continued high oil prices from prolonged conflict in the Middle East contributed. The 2s10s curve flattened 1 bps, to 39 bps. The 2s5s curve, at 19 bps, was 3 bps steeper.

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

Investment Grade Credit Market Update

- Corporate bond spreads increased 2 bps to 80 bps, and the credit curve flattened over the month as investors weighed risks of tighter monetary policy and prolonged conflict in the Middle East alongside record corporate bond issuance. The yield on the Corporate Index rose 51 bps to 6.04% 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 could remain solid and supported by a solid economic growth outlook. 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

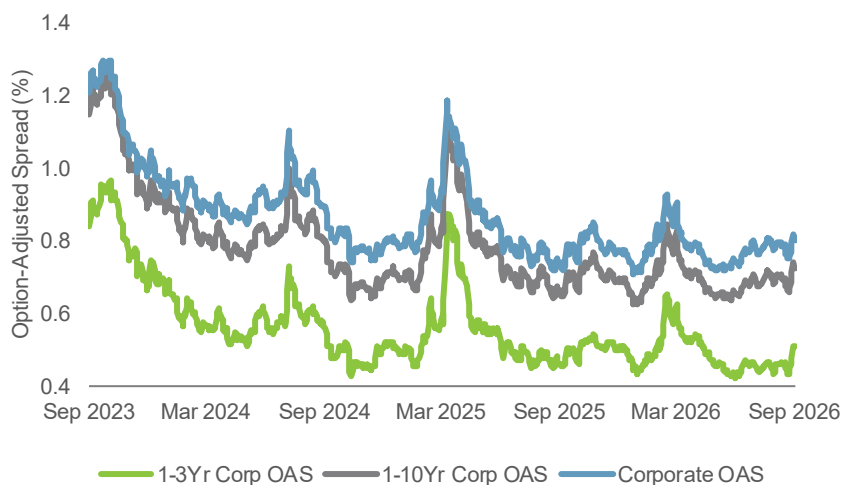


Source: Bloomberg Financial L.P.; September 30, 2026

For the month, corporate bond issuance was \$210 billion, 7% lower from the same period last year. Year-to-date issuance is 30% higher than the same period last year. The cumulative 12-month change is 32%. The spread on the corporate bond index, at 80 bps is 2 bps wider on the month.

YTD corporate bond issuance is \$1.799 trillion – a record for the first nine months of the year. 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.

Corporate Spreads by Maturity



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

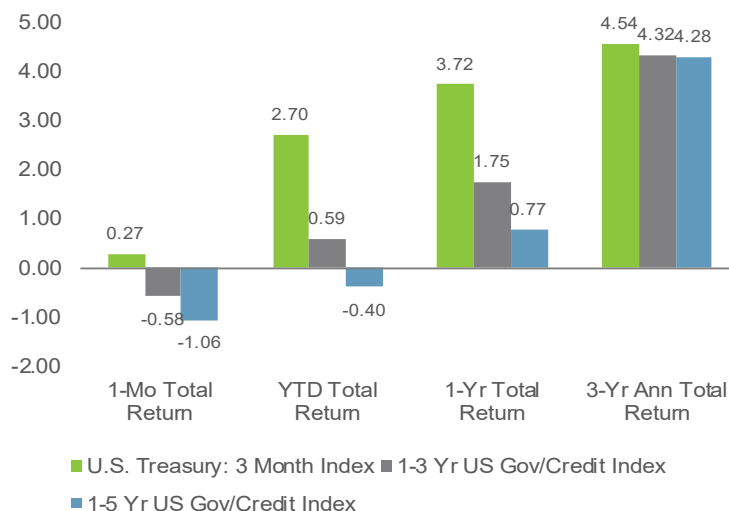
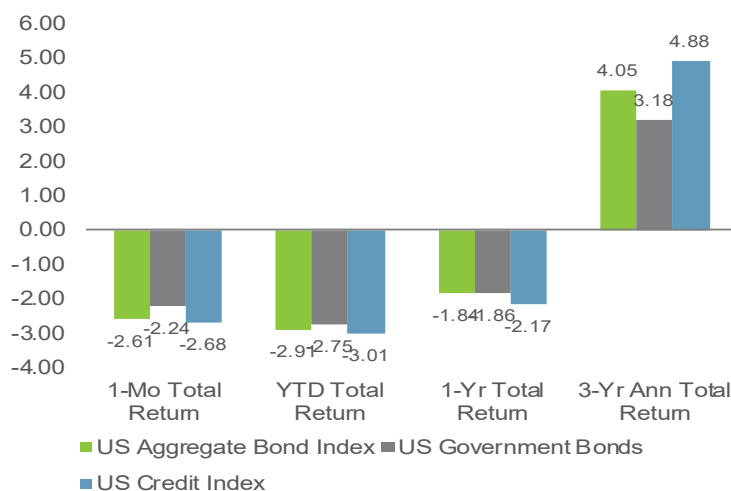
The Bloomberg U.S. Corporate Bond Index spread is 6 bps wider during the past 12 months. Relatively attractive yields and record issuance continue to be two key themes within this sector. Factors which may benefit future spreads are trend or higher GDP growth outlook, solid fundamentals, and attractive, 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 2 bps wider since last month end, currently 80 bps. The 1-10-year corporate bond index OAS, at 73 bps, is 4 bps wider, while the 1-3-year corporate bond index is 7 bps wider, now 51 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	4.25	10/28/2026
CPI (YoY %)	3.40	4.20	2.90	10/14/2026
PCE (YoY %)	3.40	3.80	2.70	10/29/2026
Unemployment Rate (%)	4.10	4.30	4.30	10/2/2026
GDP (YoY %)	2.20	2.60	2.40	10/29/2026
Retail Sales (YoY %)	5.40	6.70	4.40	10/15/2026
Leading Indicators (YoY %)	-0.70	-1.40	-3.50	10/22/2026
Housing Starts (000s)	1,275	1,182	1,291	10/20/2026

Description	Current	3-mo Ago	1-yr Ago
Fed Funds (%)	4.00	3.75	4.25
3-Mo U.S. Treasury Bill	4.12	3.82	3.94
6-Mo U.S. Treasury Bill	4.33	3.97	3.84
USD O/N Govt. Repo	3.88	3.67	4.23
U.S. 30-Day Comm Paper*	3.94	3.71	4.07
U.S. 90-Day Comm Paper*	4.12	3.84	4.03

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

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

Charts & Tables - continued

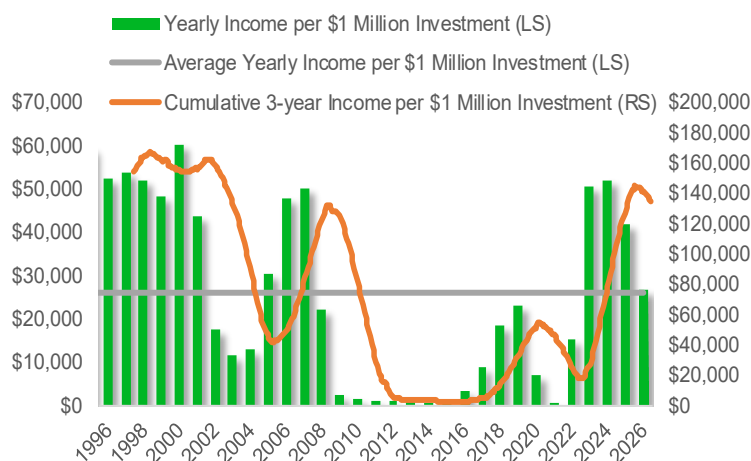
Treasury Market



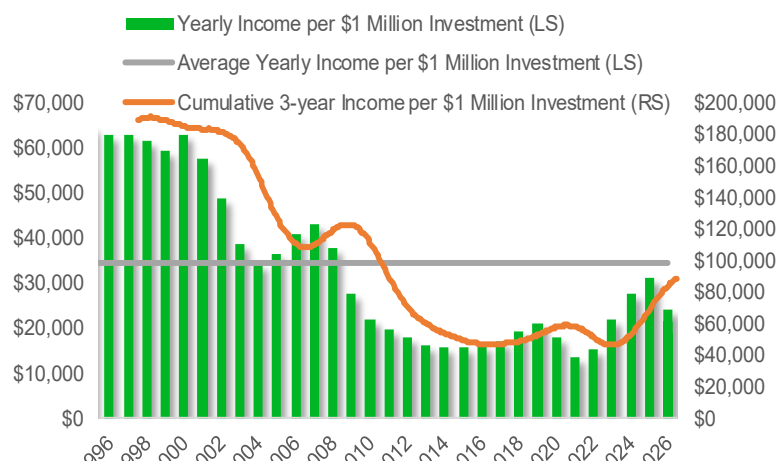
Change in Yield Curve (basis points)				
Maturity	Yield Curve (%)	1-Mo Ago	3-Mo Ago	1-Yr Ago
1-Mo	3.90	15	23	-21
3-Mo	4.12	28	30	18
6-Mo	4.33	34	36	49
12-Mo	4.54	40	56	92
2-Yr	4.89	55	71	128
3-Yr	5.00	60	82	138
5-Yr	5.09	59	86	135
7-Yr	5.19	57	85	126
10-Yr	5.29	54	82	114
20-Yr	5.67	43	71	97
30-Yr	5.63	39	68	90

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

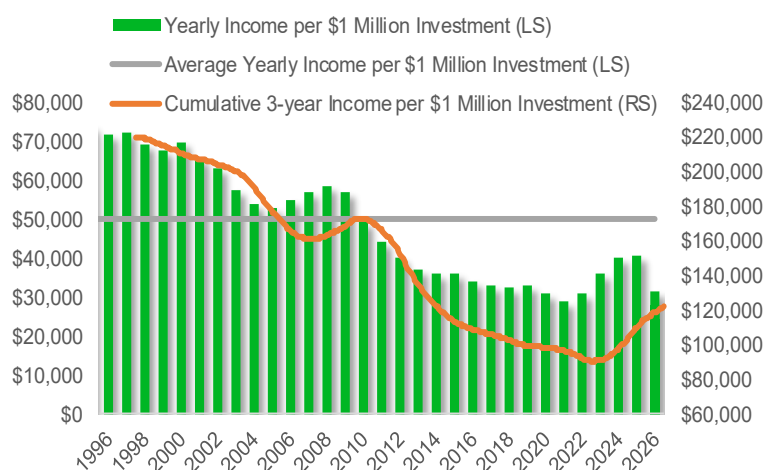
Bloomberg U.S. 3 Month Treasury Bill Index



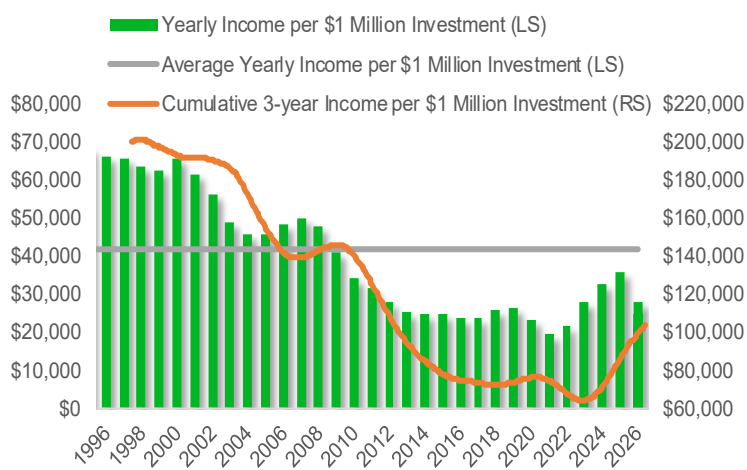
Bloomberg U.S. Treasury 1-5 Year Index



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



Bloomberg U.S. Intermediate Government/Credit Index



Talking Points



Important Disclosures:

For institutional investors only. TD Global Investment Solutions represents TD Asset Management Inc. ("TDAM") and Epoch Investment Partners, Inc. ("TD Epoch"). TDAM and TD Epoch are affiliates and wholly owned subsidiaries of The Toronto-Dominion Bank. ©The TD logo and other TD trademarks are the property of The Toronto-Dominion Bank or its subsidiaries. The information contained herein is distributed for informational purposes only and should not be considered investment advice or a recommendation of any particular security, strategy or investment product. The information is distributed with the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein as well as any risks associated with such proposal or services. Nothing in this presentation constitutes legal, tax, or accounting advice. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Certain information provided herein is based on third-party sources, and although believed to be accurate, has not been independently verified. Except as otherwise specified herein, TD Epoch is the source of all information contained in this document. TD Epoch assumes no liability for errors and omissions in the information contained herein. TD Epoch believes the information contained herein is accurate as of the date produced and submitted, but is subject to change. No assurance is made as to its continued accuracy after such date and TD Epoch has no obligation to any recipient of this document to update any of the information provided herein.

Bloomberg and Bloomberg.com are trademarks and service marks of Bloomberg Finance L.P., a Delaware limited partnership, or its subsidiaries. All rights reserved.

No portion of this material may be copied, reproduced, republished or distributed in any way without the express written consent of TD Epoch.

Past Performance: Any performance information referenced represents past performance and is not indicative of future returns. There is no guarantee that the investment objectives will be achieved.

To the extent the material presented contains information about specific companies or securities including whether they are profitable or not, they are being provided as a means of illustrating our investment thesis. Each security discussed has been selected solely for this purpose and has not been selected on the basis of performance or any performance-related criteria. Past references to specific companies or securities are not a complete list of securities selected for clients and not all securities selected for clients in the past year were profitable. The securities discussed herein may not represent an entire portfolio and in the aggregate may only represent a small percentage of a client's holdings. Clients' portfolios are actively managed and securities discussed may or may not be held in such portfolios at any given time.

Certain charts contained in this presentation illustrate index yields, income characteristics and market data for informational and illustrative purposes only. Estimated income figures are based on the yield characteristics of the referenced indices and assume a hypothetical investment amount. These illustrations do not represent the performance of any TD Asset Management, TD Epoch, or TD Global Investment Solutions portfolio, account or investment product. Actual income and investment results will vary based on market conditions, interest rates, portfolio composition, fees, expenses and other factors. Indexes are unmanaged, their returns do not reflect management fees, transaction costs or expenses, and they are not available for direct investment. Past performance is not indicative of future results.

Projected or Targeted Performance: Any projections, targets, or estimates in this presentation are forward-looking statements and are based on TD Epoch's research, analysis, and its capital markets assumptions. There can be no assurances that such projections, targets, or estimates will occur and the actual results may be materially different. Additional information about capital markets assumptions is available upon request. Other events which were not taken into account in formulating such projections, targets, or estimates may occur and significantly affect the returns or performance of any accounts and/or funds managed by TD Epoch.

Forward-Looking Statements: Certain statements in this presentation may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general business environment. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable and may be incorrect in the future. FLS are not guarantees of future performance and actual events or results could differ materially from those expressed or implied in any FLS. Readers should not place undue reliance on FLS. TD Epoch undertakes no obligation to update any forward-looking statement contained herein.

Non-US Jurisdictions: This information is only intended for use in jurisdictions where its distribution or availability is consistent with local laws or regulations.

Australia: Epoch Investment Partners, Inc. (ABRN: 636409320) holds an Australian Financial Services Licence (AFS Licence No: 530587). The information contained herein is intended for wholesale clients and investors only as defined in the Corporations Act of 2001.

United Kingdom: Epoch Investment Partners UK, LTD is authorized and regulated by the Financial Conduct Authority of the United Kingdom (Firm Reference Number: 715988).