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Investment Institute

Market Commentary

Weekly perspective on current market sentiment **June 24, 2026**

Luis Alvarado
Co-Head of Global Fixed Income

Last week's S&P 500 Index: +0.9%

The new fixed-income regime

Key takeaways

- The era of central banks driving bond markets is giving way to a more market-driven investment landscape.
- For investors, elevated yields are creating opportunities, but navigating volatility will require greater selectivity.

For much of the past 15 years, bond investors relied on a simple and consistent playbook. Long-term interest rates were low, inflation was quiet, and major central banks, especially the Federal Reserve (Fed), were major buyers of bonds through quantitative easing (QE). Fixed-income markets became accustomed to relatively low volatility and the belief that central banks would step in whenever financial conditions tightened too much. Also, investors became comfortable with the idea that bond sell-offs would be temporary and rates would remain relatively stable.

That world is changing. Today's fixed-income market is influenced less by QE and more by inflation uncertainty, government borrowing needs, and shifting investor demand. In other words, the old playbook may no longer work as well as it once did.

In many ways, last week's Fed meeting reflected the broader shift taking place across bond markets. Although Fed Chair Kevin Warsh emphasized that the Fed remains fully committed to its 2% inflation target, he signaled that the Fed may be rethinking how it communicates with markets. Warsh announced five task forces to review areas ranging from communications and inflation frameworks to balance-sheet policy and economic data.

The message was subtle but important. Rather than telling markets where rates are headed, Chair Warsh appears comfortable letting investors interpret the data for themselves and allowing market signals to play a larger role in policymaking. That approach fits naturally within the new fixed-income regime. Just as investors are adjusting to a world with less central-bank support and more uncertainty, markets may also need to become more comfortable forming their own views about the direction of interest rates and the economy.

So what does this mean for investors?

First, expect more volatility than we saw during much of the QE era. Second, the "income" inside fixed income matters again. With bond yields still well above the levels investors experienced for much of the 2010s, simply collecting income can be a meaningful contributor to total returns. Third, not all bond sectors are created equal. Active allocations across high-quality investment-grade corporates, securitized assets, and municipal bonds may matter more than broad exposure to the market as dispersion is increasing. Finally, yield-curve positioning may become increasingly important with the intermediate part of the curve offering the most attractive balance of income and interest-rate risk, in our view.

For years, investors operated in a world where central banks did much of the heavy lifting. In the new fixed-income regime, markets may be on their own a little more, and that makes income, selectivity, and active decision-making increasingly important.

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