

Monthly Market Review

Fixed Income | April 2026

Information provided by VA SNAP's Program Administrator PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc.



Markets reflect on conflict in Iran.

Economic Highlights

- Geopolitics dominated markets in March amid the escalating Middle East conflict and near-closure of the Strait of Hormuz, a critical energy chokepoint which handles roughly 20% of global seaborne oil trade. Brent crude ended March at \$118 per barrel, up more than 60% for the month. Volatility also spiked across energy, fixed-income, and global equity markets.
- The initial market reaction focused on the potential inflationary impact of higher energy prices. While still too early to assess the full economic impact, sustained energy cost pressures could weigh on consumer sentiment and discretionary spending if the conflict persists.
- The Federal Open Market Committee (Fed or FOMC) met in March and held the target rate unchanged at 3.50%–3.75%, as expected. Policymakers acknowledged heightened uncertainty stemming from the conflict and communicated a patient, data-dependent approach. The “dot plot” showed several individual projections shifting toward fewer or no rate cuts, though the median expectation remained for one additional 25 basis point (bps) cut in 2026.
- Market expectations for Fed policy fluctuated wildly in March. The month began with markets pricing two or three cuts in 2026 but ended the month pushing the next expected rate cut into 2027. Fed Chair Jerome Powell’s measured “wait and see” commentary tempered these hawkish expectations, leaving the market priced for a prolonged hold.
- While too early to reflect the cascading impact of higher oil prices, consumer price inflation data for February was broadly in line with recent readings. Notably, producer prices jumped significantly more than expected, rising 0.7% month-over-month and highlighting renewed upstream price pressures.
- The labor market showed renewed resilience in March with payrolls rebounding after contracting in February. Other labor indicators such as initial jobless claims held near historically low levels and continuing claims declined. The unemployment rate edged down to 4.3%, reinforcing the persistence of a “low-hire, low-fire” environment. However, elevated energy prices pose potential risks to hiring momentum ahead.

Interest Rates

- U.S. Treasury yields increased and the yield curve steepened as investors repriced their Fed policy outlook driven by geopolitical turmoil and renewed inflation concerns. The yield on 3-month, 2-year, and 10-year U.S. Treasuries ended the month at 3.67%, 3.79%, and 4.32%, representing increases of +2 bps, +42 bps, and +38 bps, respectively.

- Longer duration bond indices bore the brunt of rising yields as higher rates pressured market values. The ICE BofA 3-month, 2-year, and 10-year U.S. Treasury indices returned +0.29%, -0.49%, and -2.52%, respectively.

Equity Markets

- Equity market volatility jumped to its highest level since April 2025 amid de-risking sentiment. For the month, the Dow Jones Industrial Average fell by -5.2%, the S&P 500 Index was down -5.0%, and the Nasdaq dipped -4.7%.
- After strong relative performance over the prior 12 months, international equities underperformed domestic counterparts in March as the MSCI ACWI ex U.S. Net Index declined -10.8%.

PFMAM Strategy Recap & Outlook

- While future Fed policy remains uncertain amid the ongoing conflict, we view the meaningful rise in interest rates and the steeper curve as an opportunity, particularly for strategies inside five years. As a result, we will look to target portfolio durations at 101-105% of benchmarks. For longer-duration strategies beyond five years, we believe the risk profile is less favorable relative to shorter strategies. As such, we expect to maintain durations near 100% of benchmarks.
- Spreads on federal agencies and supranationals remain narrow, although callable spreads have widened modestly due to increased market volatility. New supply is expected to be focused in the money market space and likely to remain limited beyond one year.
- In response to geopolitical tensions, heightened issuance, and concerns over private debt capital, investment-grade (IG) corporate bond spreads widened noticeably in March and pushed excess returns firmly negative. Despite these factors, fundamentals remain solid and the technical backdrop is supportive. Combined with cheaper valuations, we find the sector more attractive and anticipate adding via both new issues and secondary markets.
- Spreads on asset-backed securities (ABS) widened marginally over the month despite the negative market sentiment. Solid consumer fundamentals and credit enhancements are expected to insulate the sector from meaningful downturns.
- Mortgage-backed securities (MBS) generated negative excess returns over the month as higher yields and a spike in bond volatility weighed on the sector. Conversely, the less interest-rate sensitive agency CMBS sector largely broke even over the month.
- Credit spreads on the short end of the curve widened significantly over the month. Maturities in the 9-12 month range offer attractive all-in yields, particularly for investors anticipating the next Fed policy move will be a rate cut.

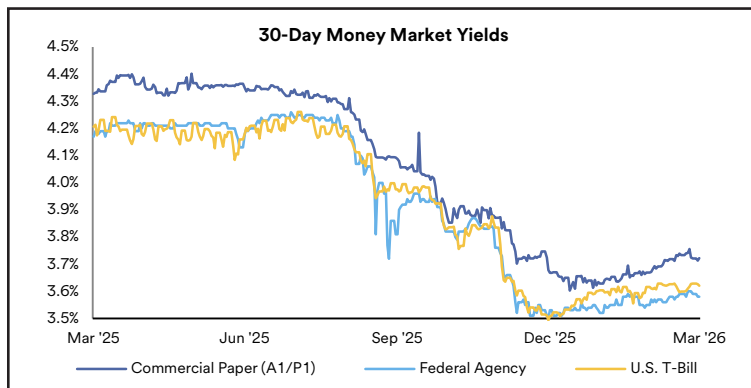
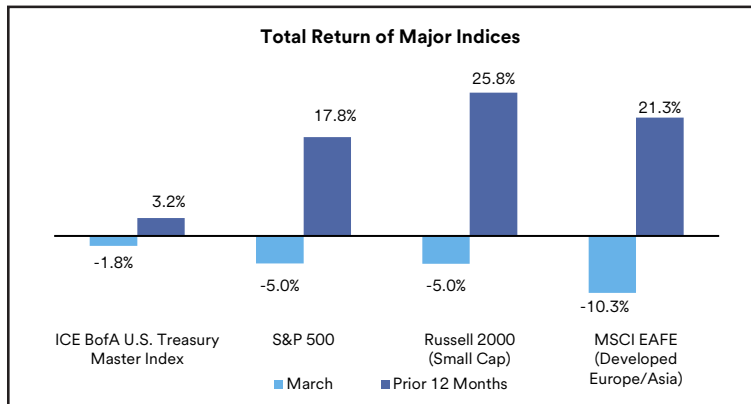
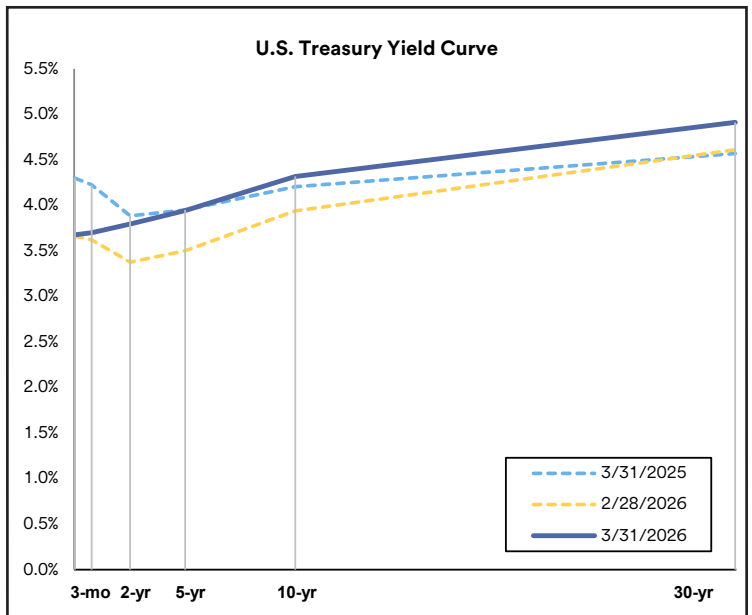
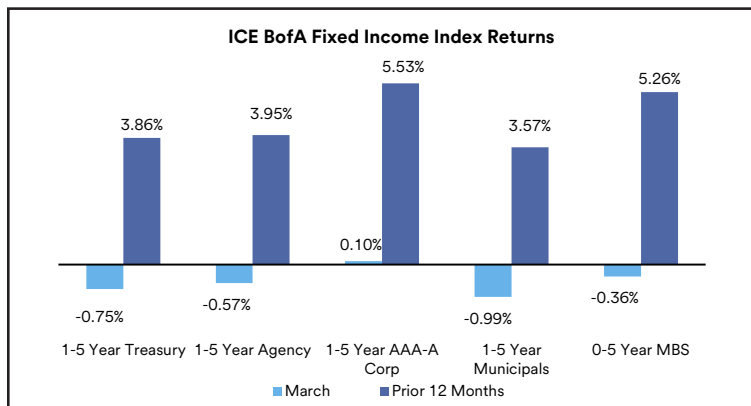
This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the investment objectives, risks, charges and expenses before investing in the Virginia State Non-Arbitrage Program (“SNAP®” or the “Program”). This and other information about the Program is available in the SNAP® Information Statement, which should be read carefully before investing. A copy of the SNAP® Information Statement may be obtained by calling 1-800-570-SNAP (7627) or is available on the Program’s website at www.vasnap.com. While the SNAP® Fund Portfolio seeks to maintain a stable net asset value of \$1.00 per share, it is possible to lose money investing in the Program. An investment in the Program is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the SNAP® Fund Portfolio are distributed by U.S. Bancorp Investments, Inc., member FINRA (www.finra.org) and SIPC (www.sipc.org). PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc., which serves as administrator and investment adviser to the Program. U.S. Bancorp Asset Management, Inc. is a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bancorp Investments, Inc. is a subsidiary of U.S. Bancorp and affiliate of U.S. Bank N.A.

| U.S. Treasury Yields | | | | |
|----------------------|--------------|--------------|--------------|----------------|
| Maturity | Mar 31, 2025 | Feb 28, 2026 | Mar 31, 2026 | Monthly Change |
| 3-Month | 4.30% | 3.66% | 3.68% | 0.02% |
| 6-Month | 4.23% | 3.62% | 3.70% | 0.08% |
| 2-Year | 3.89% | 3.38% | 3.80% | 0.42% |
| 5-Year | 3.95% | 3.50% | 3.94% | 0.44% |
| 10-Year | 4.21% | 3.94% | 4.32% | 0.38% |
| 30-Year | 4.57% | 4.61% | 4.91% | 0.30% |

| Yields by Sector and Maturity | | | | |
|-------------------------------|---------------|----------------|-----------------------------|----------------|
| Maturity | U.S. Treasury | Federal Agency | Corporates-AA-A Industrials | AAA Municipals |
| 3-Month | 3.68% | 3.69% | 4.14% | - |
| 6-Month | 3.70% | 3.70% | 4.15% | - |
| 2-Year | 3.80% | 3.81% | 4.18% | 2.10% |
| 5-Year | 3.94% | 3.95% | 4.55% | 2.19% |
| 10-Year | 4.32% | 4.38% | 5.04% | 2.66% |
| 30-Year | 4.91% | - | 5.79% | 3.87% |

| Spot Prices and Benchmark Rates | | | | |
|---------------------------------|--------------|--------------|--------------|----------------|
| Index | Mar 31, 2025 | Feb 28, 2026 | Mar 31, 2026 | Monthly Change |
| 1-Month SOFR | 4.32% | 3.67% | 3.66% | -0.01% |
| 3-Month SOFR | 4.29% | 3.67% | 3.68% | 0.01% |
| 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) | \$3,123 | \$5,248 | \$4,648 | -\$600 |
| Crude Oil (\$/Barrel) | \$71.48 | \$67.02 | \$101.38 | \$34.36 |
| U.S. Dollars per Euro | \$1.08 | \$1.18 | \$1.16 | -\$0.02 |

| Economic Indicators | | | | |
|--------------------------------|--------------|--------|--------|-----------------|
| Indicator | Release Date | Period | Actual | Survey (Median) |
| Existing Home Sales MoM | 10-Mar | Feb | 1.70% | -0.80% |
| CPI YoY | 11-Mar | Feb | 2.40% | 2.40% |
| GDP Annualized QoQ | 13-Mar | 4Q S | 0.70% | 1.40% |
| PCE YoY | 13-Mar | Jan | 2.80% | 2.90% |
| FOMC Rate Decision | 18-Mar | Mar | 3.75% | 3.75% |
| U. of Mich. Consumer Sentiment | 27-Mar | Mar F | 53.3 | 54 |
| Change in Nonfarm Payrolls | 3-Apr | Mar | 178k | 65k |



Source: Bloomberg. Data as of March 31, 2026, unless otherwise noted.

Indices shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connections with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE