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Solving for 2026

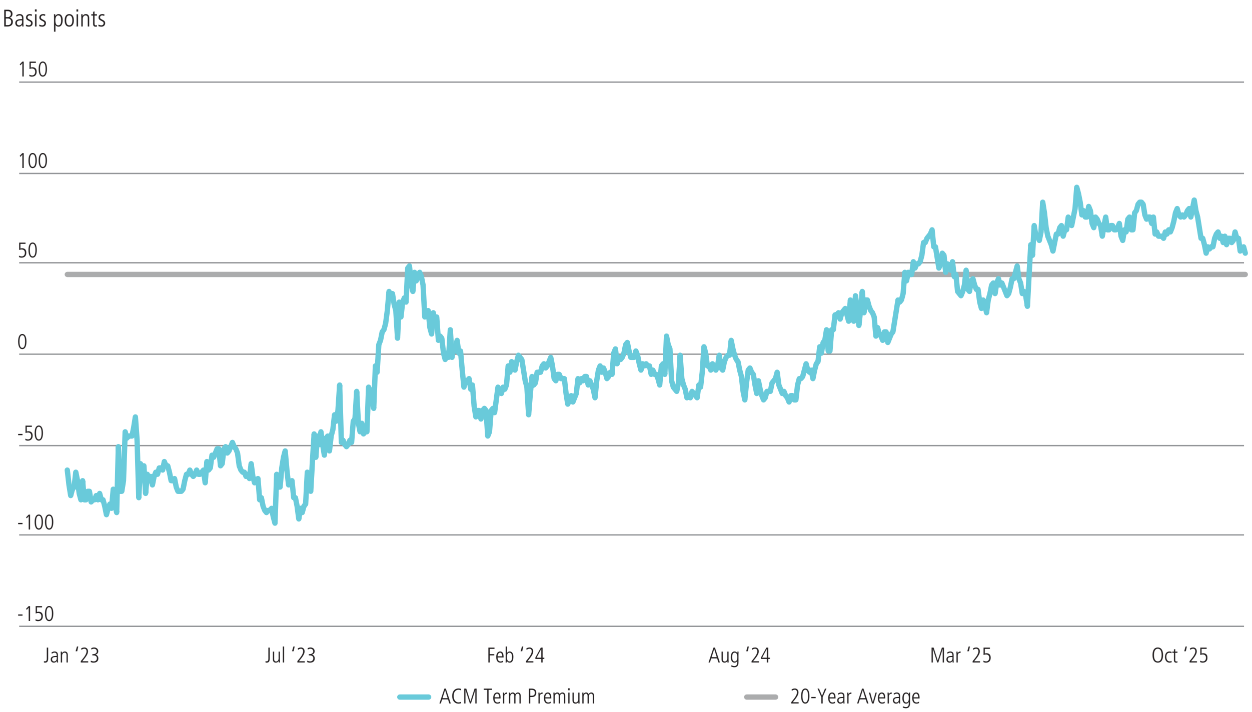
Fixed Income: The Worst Is Over for Long Rates

What it shows:
After a long stretch in negative territory, the term premium has stabilized around its 20-year average.

Why it matters:
The term premium indicates how much extra yield investors require to hold longer-term government debt. The relative stability seen in 2025 indicates that, heading into 2026, investors could be less worried about holding longer-term U.S. debt.

How you can apply it:
The front end of the yield curve was a safe play while the Fed was aggressively hiking rates. Now that the central bank has adopted a more dovish bias, consider opportunities further out on the curve, pairing shorter and longer duration assets and taking selective credit exposure.

The Term Premium Has Stabilized and Is Near Its 20-Year Average



Source: Bloomberg, October 2025. Estimated daily Adrian, Crump and Moench (ACM) term premium on U.S. Treasuries vs. 20-year average.