MILL CREEK

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Market Commentary

A Bond Market Rebellion? Not Quite.

By Michael Crook, CAIA, Chief Investment Officer

Bond yields moved higher in May as market participants priced in persistently higher inflation and resilient economic growth. However, we believe alarmist concerns about substantially higher interest rates are premature and unfounded at this time.

- US Treasury yields remain range bound (Fig. 1) between 4 and 5%,
- Inflation remains well above the Fed's 2% target, but that's old news. It has been over 5 years since inflation was at 2% or lower in the US (Fig. 2), and
- Market participants are no longer expecting a Fed rate cut this year.

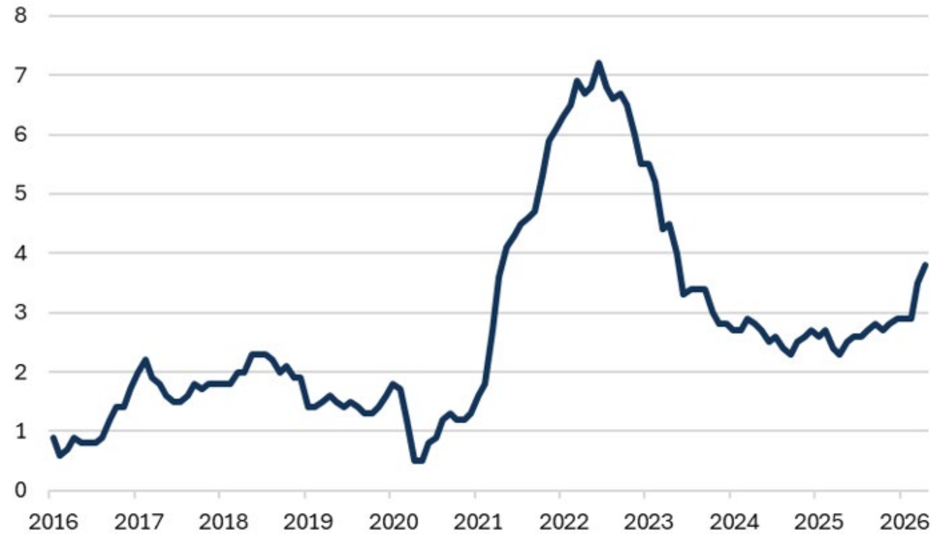
The US economy can still be characterized as having reasonably strong growth and too-high inflation. Those conditions are commensurate with the current level of interest rates.

Sustained higher bond yields are a boon for investors. Starting yield is the primary determinant of a bond portfolio's eventual return, and investors can currently lock in high quality taxable bond yields of 4.5-5.5%.

Fig. 1: US 10-Year Treasury Yield (%)

Source: Bloomberg, Mill Creek. As of 5/28/2026.

Fig. 2: Core Personal Consumption Expenditure Price Index



Source: Bloomberg, Mill Creek. As of 5/28/2026.

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