BENJAMIN F. EDWARDS®

Investment Insights Monthly

From the Desk of Bill Hornbarger, Chief Investment Officer

November 2026

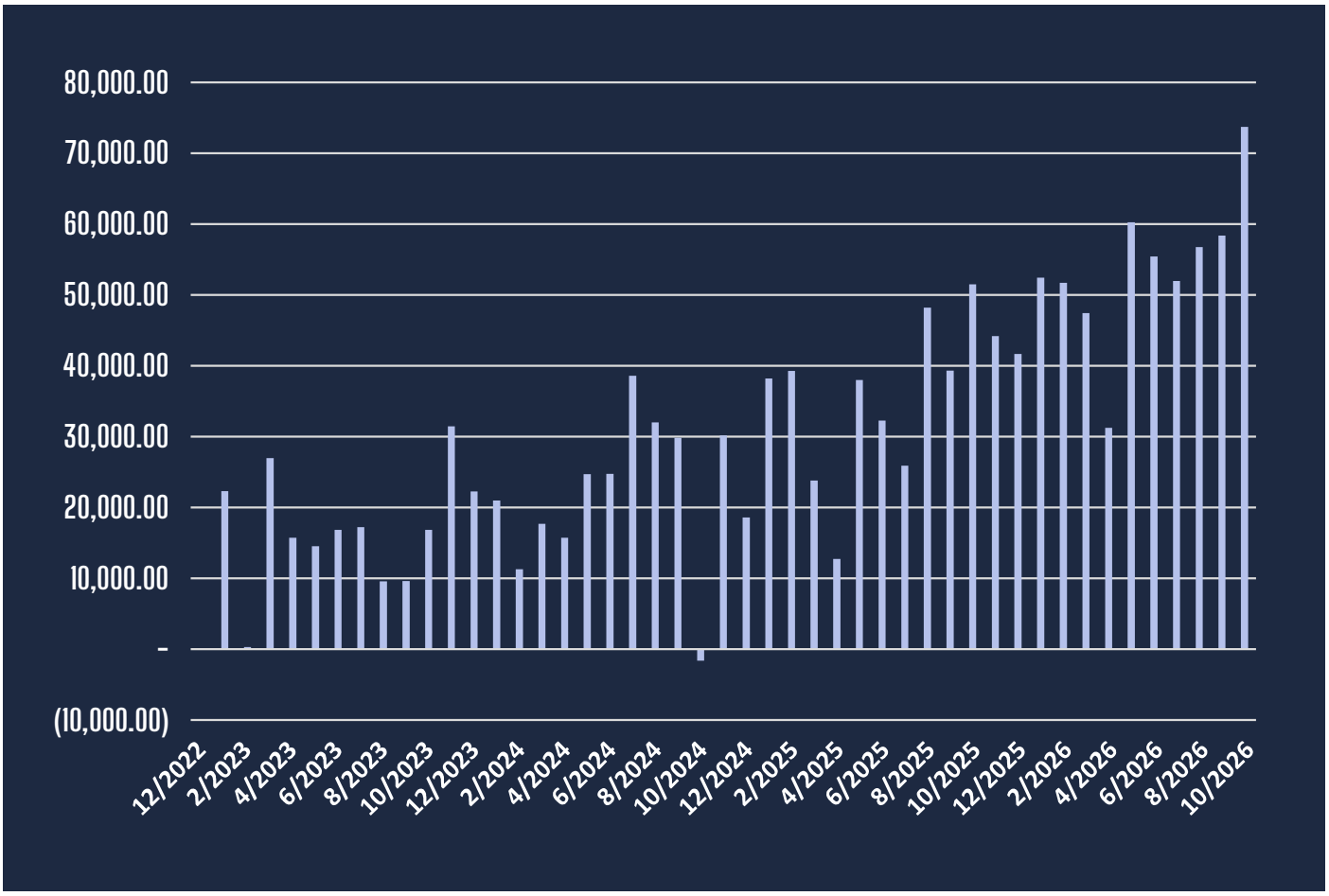


Bonds Are Back

Entering this calendar year, few people thought that the U.S. Federal Reserve (Fed) would be raising rates and bond yields across the globe would be touching levels last seen almost 20 years ago. However, as we write this, futures are priced for another interest rate increase at the December meeting (following one in September), with three to four more in 2027, and the 10-year Treasury yield has risen above 5%.

The increase in yields has not gone unnoticed by investors, as interest in fixed income has increased among all types of investors based on data from the industry (see chart on the following page) as well as our own trading desk. In the early part of this interest rate cycle (2022-2024), investors were taking advantage of the Fed's actions by staying with high-quality bonds and relatively short in terms of maturity (the phrase "T-bill and chill" was used to describe it). More recently, as the Fed cut rates (2024-2025), they lengthened maturities and have continued that trend in 2026.

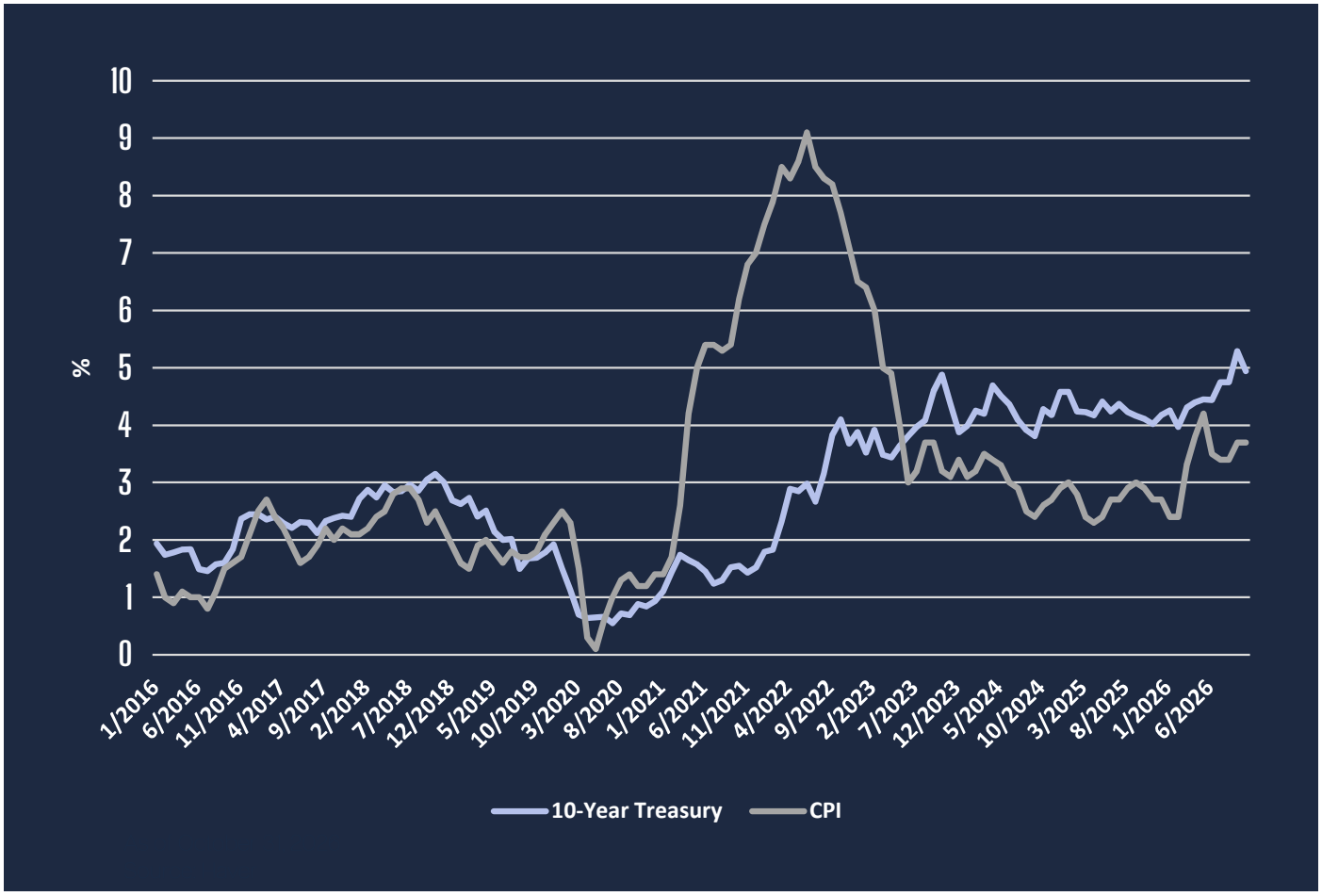
Fixed Income ETF Net Flows
$ Millions



As of October 31, 2026
Source: ETF.com

The increased investor interest in bonds is warranted, in our opinion. Not only are nominal yields higher, but fixed-income valuations are better than they have been at almost any time since the Global Financial Crisis, and going forward, we believe that fixed-income returns will be more competitive with equity returns than they have been for quite some time. Here are a few charts that we find interesting.

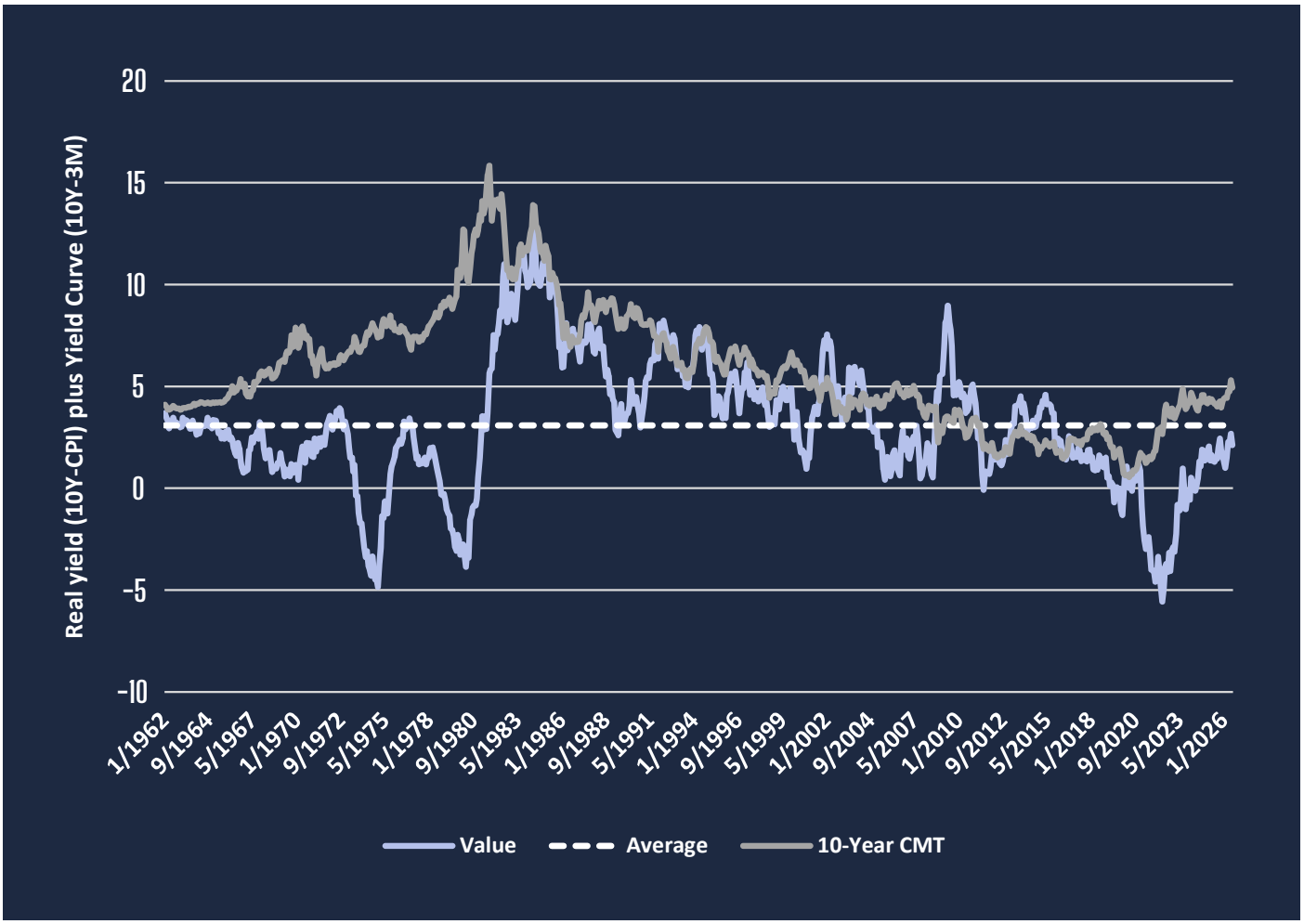
10-Year Treasury Note at Constant Maturity (%)
CPI-U: All Items (Year Over Year % Change)



As of October 31, 2026
Source: Haver

After a period of negative real (after-inflation) bond yields, the 10-year Treasury now offers an attractive premium to the Consumer Price Index (CPI), and yields have moved higher as inflation has increased in 2026.

10-Year Treasury Yield vs. 'Model Fair Value'



As of October 31, 2026
Source: Haver, BFE calculations

There are several ways to think about a “fair value” for the 10-year Treasury. Growth plus inflation is one simple way, but another is the inflation-adjusted, or real, yield plus the term premium (which represents the additional compensation for buying longer-maturity bonds). By that measure, yields have significantly overshot “fair value.” We would characterize the current valuation to this metric as generally correct but precisely wrong. In other words, we agree that bonds are attractive, but not necessarily to the degree that this metric currently indicates.

Equity Risk Premium (ERP)
Earnings Yield (1/S&P 500 PE ratio) less Real 10-year Yield (10-Year-Expected Inflation)

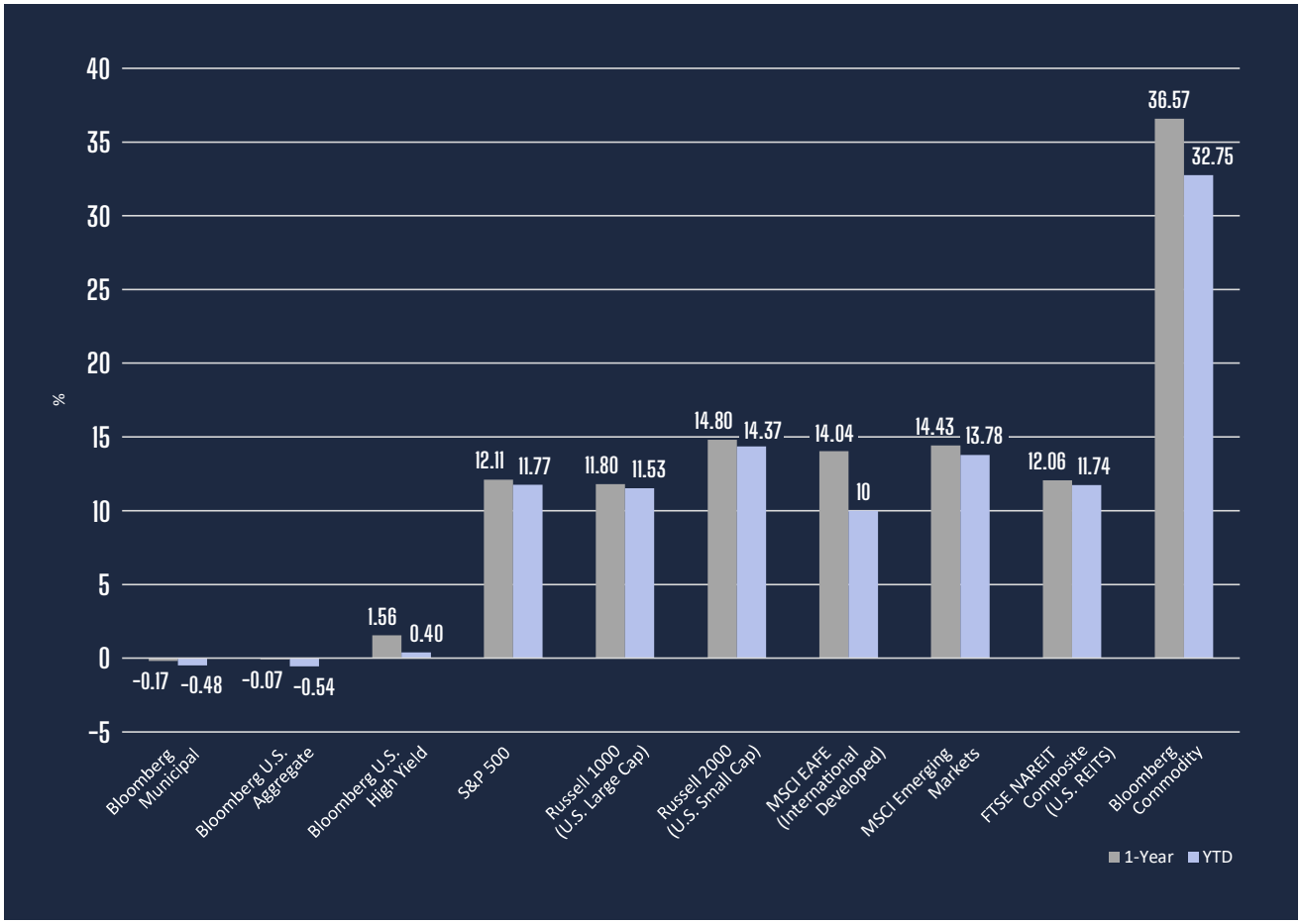


As of October 31, 2026
Source: ETF.com

The equity-market risk premium (ERP) is the theoretical expected return of stocks over bonds. We use the S&P 500 and the 10-year Treasury with a five-year time frame. The long-term average is just over 4%. In other words, if bonds are expected to yield around 4%, equities theoretically would be expected to return 8% annualized. As you can see from the chart above, the current reading is under 3%, a reflection of equities' rich valuations and the increase in yields.

All of the above isn't to suggest that stocks are unattractive and that investors should only buy bonds. It is an indication that after an extended period of zero percent interest rates (financial repression) and above-average returns for stocks, bonds can now better fulfill their traditional portfolio roles of income, liquidity and equity-market risk mitigation. Over the past decade, stocks had above-average returns, while bonds had below-average returns. We would suggest that over the next decade, that might flip.

Asset Class Returns
Comparing Recent 1-Year and Year-to-Date Total Returns



As of October 31, 2026
Source: Conway Investment Research

Fixed Income

- Interest rates finally fell in October after moving sharply higher for most of the third quarter. The October decline was positive for core fixed income and municipal bonds.
- Credit largely gained ground last month on the heels of falling interest rates and tighter spreads. Floating-rate loans were the lone exception.
- The strong U.S. dollar acted as a headwind for non-U.S. assets.

Equities

- U.S. equities were a mixed bag in October with strength across value stocks and small caps, and broad weakness within the tech/artificial intelligence trade.
- Small caps outperformed large caps last month, and value stocks sharply outperformed growth stocks.
- Despite the mounting headwinds, the S&P 500 and Russell 2000 have still gained 11.8% and 14.4% year to date, respectively.
- Equities outside the United States exhibited broad weakness in October, fueled by softness in Asia and emerging markets.
- Non-U.S. small caps underperformed large caps last month, and value stocks outpaced growth stocks.
- U.S. dollar strength cost Europe, Australasia and Far East investors 28 basis points (bps) last month and emerging-market investors 60 bps.

October 30, 2026	MTD	QTD	YTD	1-Year	3-Year	5-Year	10-Year
FIXED INCOME INDICES							
Bloomberg U.S. Treasury Bill 1-3 Month	0.36%	0.36%	3.12%	3.79%	4.56%	3.87%	2.47%
Bloomberg Municipal	3.85%	3.85%	-0.48%	-0.17%	4.49%	0.61%	2.00%
Bloomberg US Govt/Credit Intermediate	0.92%	0.92%	1.51%	2.34%	4.54%	2.33%	2.08%
Bloomberg U.S. Aggregate	2.44%	2.44%	-0.54%	-0.07%	5.45%	-0.15%	1.46%
Bloomberg U.S. High Yield	0.30%	0.30%	0.40%	1.56%	8.56%	3.70%	5.04%
Bloomberg Global Aggregate	1.41%	1.41%	-1.30%	-0.81%	4.72%	-1.54%	0.47%
U.S. EQUITY INDICES							
DJ Industrial Average	1.76%	1.76%	9.08%	10.60%	18.19%	9.70%	13.39%
S&P 500	-0.87%	-0.87%	11.77%	12.11%	23.40%	12.06%	15.44%
NASDAQ Composite (Price)	-5.30%	-5.30%	9.44%	7.22%	25.56%	10.42%	17.23%
Russell 1000	-0.69%	-0.69%	11.53%	11.80%	23.20%	11.35%	15.19%
Russell 1000 Growth	-6.09%	-6.09%	-0.17%	-2.59%	22.27%	10.39%	17.70%
Russell 1000 Value	4.38%	4.38%	24.50%	28.67%	23.27%	11.77%	12.08%
Russell Mid Cap	3.19%	3.19%	15.41%	16.56%	20.47%	7.47%	11.88%
Russell 2500	1.24%	1.24%	16.32%	18.11%	20.72%	6.70%	11.40%
Russell 2000	0.58%	0.58%	14.37%	14.80%	20.76%	5.58%	10.44%
Russell 2000 Growth	-1.30%	-1.30%	9.27%	7.13%	20.21%	3.49%	10.46%
Russell 2000 Value	2.51%	2.51%	19.90%	23.49%	21.37%	7.53%	10.04%
Russell 3000	-0.64%	-0.64%	11.71%	11.99%	23.09%	11.03%	14.90%
NON-U.S. EQUITY INDICES							
MSCI World	-0.75%	-0.75%	11.25%	12.53%	22.80%	10.99%	13.50%
MSCI ACWI	-1.62%	-1.62%	11.53%	12.75%	22.82%	10.60%	12.93%
MSCI ACWI Ex-U.S.	-2.80%	-2.80%	11.45%	14.81%	21.70%	8.97%	9.62%
MSCI EAFE	-0.72%	-0.72%	10.00%	14.04%	20.34%	9.18%	9.75%
MSCI EAFE Growth	-1.11%	-1.11%	5.48%	5.78%	15.25%	3.75%	8.53%
MSCI EAFE Value	-0.35%	-0.35%	14.57%	22.66%	25.53%	14.66%	10.70%
MSCI Europe	0.41%	0.41%	7.04%	12.89%	19.90%	9.27%	10.23%
MSCI Japan	-4.17%	-4.17%	17.91%	17.75%	22.00%	10.00%	9.35%
MSCI AC Asia	-6.88%	-6.88%	16.45%	16.28%	23.47%	8.55%	9.29%
MSCI EAFE Small Cap	-2.16%	-2.16%	8.81%	12.68%	20.33%	5.48%	8.58%
MSCI ACWI Ex-U.S. Small Cap	-4.14%	-4.14%	7.15%	10.13%	19.04%	6.02%	8.79%
MSCI Emerging Markets	-8.04%	-8.04%	13.78%	14.43%	22.86%	7.41%	8.59%
MSCI EM Asia	-8.54%	-8.54%	16.27%	15.87%	24.59%	7.85%	9.75%
MSCI China	-6.99%	-6.99%	-17.91%	-20.93%	8.91%	-3.94%	2.98%
MSCI EM Eastern Europe	-2.54%	-2.54%	24.60%	35.92%	36.31%	-12.37%	0.64%
MSCI EM Latin America	-7.57%	-7.57%	6.50%	14.34%	14.88%	13.05%	5.89%
MSCI EM Small Cap	-8.41%	-8.41%	3.96%	3.35%	14.28%	6.24%	8.36%
MSCI Frontier Markets	-0.99%	-0.99%	9.12%	15.59%	25.00%	7.28%	9.02%
REAL ASSETS INDICES							
FTSE NAREIT Composite	4.40%	4.40%	11.74%	12.06%	13.60%	1.65%	6.16%
Alerian MLP	4.54%	4.54%	26.18%	31.85%	21.67%	22.28%	10.27%
Bloomberg Commodity	-0.08%	-0.08%	32.75%	36.57%	15.49%	10.69%	7.90%
S&P Global Infrastructure	6.90%	6.90%	8.89%	11.77%	20.67%	10.58%	8.93%
OTHER							
Oil Price Brent Crude	13.63%	13.63%	93.33%	80.79%	10.41%	6.87%	9.31%
CBOE Market Volitility (VIX)	18.85%	18.85%	29.90%	11.35%	2.30%	3.62%	1.30%

Source: Morningstar

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