NAMIC®
NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

MARKET INVESTMENT BRIEFING

Monthly Investment Intelligence for Insurance Leaders

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KEY DELIVERABLES

INTEREST RATES REMAIN ELEVATED

Treasury yields remain well above post-financial-crisis norms, with inflation expectations, monetary policy, federal borrowing, and term premiums continuing to shape the yield curve.

CREDIT SPREADS REMAIN TIGHT

Corporate bonds continue to offer relatively high all-in yields, but historically narrow investment-grade spreads mean comparatively limited additional yield over Treasuries for assuming credit risk.

MARKET CONDITIONS ARE INCREASINGLY UNEVEN

Equities, private credit, and commercial real estate show significant differences across companies, borrowers, sectors, property types, and individual investments, making aggregate market measures less representative of individual exposures.

PORTFOLIO-SPECIFIC EXPOSURE MATTERS

The significance of current market developments for an insurer ultimately depends on its own liquidity needs, duration, concentrations, capital position, accounting treatment, and individual security exposures.

PURPOSE

Supporting informed investment governance through concise analysis of publicly available capital market information and institutional research. The NAMIC Market Investment Briefing summarizes publicly available capital market information to support informed discussions among insurer boards, management teams, and professional investment advisors. It is provided solely for educational and informational purposes. It does not express NAMIC's views on market direction, recommend investments or portfolio actions, or replace an insurer's professional advisors.

Because each insurer has different financial circumstances, liquidity needs, regulatory requirements, investment policies, and risk tolerances, the information should be considered within the insurer's existing governance framework. The discussion questions included throughout the briefing are intended only to support board and management dialogue and should not be interpreted as recommendations or directives.

EXECUTIVE SUMMARY

- Capital markets entered August with interest rates remaining above the levels experienced during much of the post-financial-crisis period, historically narrow investment-grade corporate credit spreads, elevated municipal issuance, and continued differences in performance across equity-market sectors and individual companies.
- On July 29, the Federal Open Market Committee maintained the federal funds target range at 3.50% to 3.75%. The decision was approved by a 9–3 vote, with three members preferring a quarter-percentage-point increase. The Federal Reserve stated that economic activity continued to expand while inflation remained elevated relative to its 2% objective.
- Treasury yields continued to reflect changing expectations concerning inflation, monetary policy, federal borrowing, and the additional compensation demanded by investors for holding longer-maturity securities.
- Corporate bond yields remained supported by relatively high Treasury rates while investment-grade credit spreads remained narrow by historical standards. Municipal issuance reached elevated levels during the first half of 2026, accompanied by increased refunding activity and positive municipal fund flows
- Equity markets continued to be influenced by corporate earnings, interest rates, geopolitical developments, and the scale of artificial-intelligence-related capital spending. Market performance remained uneven across sectors and individual companies.
- Private credit and commercial real estate remained prominent components of institutional capital-market research. Across these areas, liquidity, transparency, refinancing conditions, concentration, and valuation dispersion continued to receive attention.

SECTOR ANALYSIS FROM INSTITUTIONAL SOURCES

1. U.S. TREASURIES & MONETARY TRAJECTORIES

Current Public Information – The Treasury market entered August with yields reflecting elevated inflation, uncertainty concerning the future path of monetary policy, federal borrowing requirements, and the additional yield demanded by investors for holding longer-maturity securities.

The Federal Reserve reported that Treasury yields had risen since the beginning of the year and that the market-implied path of the federal funds rate had moved higher. It attributed much of the change at shorter maturities to expectations of a higher policy-rate path and higher real interest rates.

Following the July Federal Open Market Committee decision, reported market yields included approximately 4.64% on the 10-year Treasury and 5.14% on the 30-year Treasury. These market levels illustrated the continued difference between short-term policy rates and longer-term yields influenced by inflation expectations, growth expectations, Treasury supply, and term premiums.

On Aug. 3, 2026, the U.S. Department of the Treasury released its quarterly borrowing estimates, updating projected federal financing needs for the remainder of the calendar quarter. On Aug. 5, the Treasury released its Quarterly Refunding Statement, providing additional information regarding planned debt issuance and refunding operations.

The Quarterly Refunding Statement announced that auction sizes for nominal Treasury notes and bonds would generally remain unchanged during the August–October refunding cycle while continuing regular issuance across Treasury bills, Treasury Inflation-Protected Securities, and Floating Rate Notes. The announcement reflected Treasury's ongoing approach to meeting federal borrowing requirements through regular and predictable issuance.

Following these announcements, Treasury market participants continued to evaluate the interaction among federal borrowing needs, inflation expectations, monetary policy, and investor demand across the yield curve. Inflation data released on August 12 provided additional information regarding the inflation environment. The Consumer Price Index increased 0.1% in July and 3.4% over the preceding 12 months. Excluding food and energy, the index increased 0.2% during July and 2.5% over the preceding 12 months. Energy prices remained a significant contributor to the year-over-year headline figure, increasing 14.7%, while shelter prices increased 3.2%. Treasury-market expectations may respond differently to changes in headline inflation, underlying inflation measures, energy prices, and expectations concerning Federal Reserve policy.

Governance Relevance for Property/Casualty Insurers - Treasury securities serve several functions in insurer portfolios, including income generation, liquidity management, asset-liability coordination, collateral, and capital preservation. Changes in the yield curve can affect the income available from new investments while also affecting the market value of existing fixed-rate securities. The effect may differ significantly depending on maturity, duration, accounting classification, liquidity needs, and the timing of expected cash flows.

Discussion Starters with Your Investment Advisor

1. How are current Treasury yields and the shape of the yield curve affecting the portfolio's income, market value, and reinvestment profile?
2. How well does the portfolio's duration and maturity structure align with the insurer's expected claim payments and liquidity needs?
3. How are Treasury borrowing and issuance, recent inflation data, and expectations concerning monetary policy being incorporated into the advisor's assessment of interest-rate risk across different maturities?

2. CORPORATE BONDS

Current Public Information - Corporate bond markets continued to combine relatively high all-in yields with historically narrow investment-grade credit spreads.

The ICE BofA U.S. Corporate Index option-adjusted spread was approximately 0.80 percentage point, or 80 basis points, on July 30. The index covers U.S.-dollar-denominated investment-grade corporate debt and measures the spread over a comparable Treasury curve after adjusting for embedded options.

A narrow spread indicates that the additional yield over Treasury securities is comparatively limited. It does not, by itself, establish that corporate bonds are appropriately or inappropriately valued. All-in corporate yields also incorporate the underlying Treasury yield, which remained elevated.

Investment-grade issuers generally continued to have access to capital markets, although financing costs remained materially higher than during the low-rate period preceding 2022. Institutional research continued to distinguish among sectors and issuers according to leverage, interest coverage, earnings stability, capital requirements, and refinancing schedules.

Lower-quality credit remained more dispersed. Conditions for weaker issuers differed from those of the broader investment-grade market, particularly where borrowers faced high leverage, refinancing needs, or industry-specific disruption.

Governance Relevance for Property/Casualty Insurers - Corporate bonds are a significant source of investment income for many property and casualty insurers. Their performance reflects both changes in government interest rates and changes in credit spreads. A portfolio can therefore experience higher income from new purchases at the same time that existing securities experience market-value changes. Credit experience may also vary considerably by rating, sector, issuer, maturity, and position in the capital structure.

Discussion Starters with Your Investment Advisor

1. How concentrated is the portfolio by corporate issuer, industry, credit rating, and maturity, and where are the most significant exposures?
2. What changes in leverage, interest coverage, refinancing needs, or credit ratings are being observed among portfolio issuers?
3. How much of the portfolio's corporate bond yield reflects underlying Treasury rates, and how much represents compensation for credit risk?

3. MUNICIPAL BONDS

Current Public Information - Municipal bond issuance remained elevated during the first half of 2026.

The Municipal Securities Rulemaking Board reported that new-issue volume totaled approximately $299 billion through June, 5% more than during the same period in 2025. Second-quarter issuance was the largest second-quarter volume in the available data. Tax-exempt issuance increased 7% while taxable municipal issuance decreased 2%.

Refunding volume increased 48% from the first half of 2025. The MSRB also reported significant growth in prepaid gas bond issuance, which reached approximately $24 billion through June and represented an increasingly important component of overall municipal supply.

Municipal investment products recorded substantial inflows. According to the MSRB summary, municipal bond exchange-traded funds and tax-exempt mutual funds each experienced approximately $33 billion of net inflows during the first half of 2026.

These aggregate figures do not eliminate substantial differences among state, local government, health care, utility, transportation, housing, education, and other municipal issuers. Revenue sources, reserve levels, pension obligations, demographic trends, essentiality of services, and legal structures remain issuer specific.

Governance Relevance for Property/Casualty Insurers - Municipal securities may affect portfolio income, tax-adjusted yield, duration, liquidity, and credit concentration. Their after-tax economics vary according to the insurer's tax position and the characteristics of individual securities. Higher aggregate issuance may affect market supply, but issuer credit quality and security structures remain distinct. Aggregate market statistics should, therefore, not be treated as a substitute for security-level analysis.

Discussion Starters with Your Investment Advisor

1. How are the portfolio's municipal exposures distributed by issuer, geography, sector, security structure, and credit quality?
2. How do the tax-adjusted income and capital characteristics of the insurer's municipal holdings compare with taxable fixed-income holdings?
3. What changes in revenues, reserves, pension obligations, debt-service coverage, or other credit measures are being observed among portfolio issuers?

4. PUBLIC EQUITIES & CAPITAL MARKETS

Current Public Information - Public equity markets continued to be influenced by corporate earnings, changing interest rates, geopolitical developments, and the scale of corporate investment in artificial intelligence and related infrastructure.

The Federal Reserve reported that broad equity indexes have risen since the beginning of the year. At the same time, performance continued to vary substantially among sectors and individual companies.

Institutional investor surveys conducted before the second quarter reporting season indicated generally positive earnings expectations, but they also identified operating costs, margins, free cash flow, inflation, and AI-related capital spending as important subjects.

A July survey by Corbin Advisors reported that 80% of participating investors and analysts expected second quarter 2026 results to exceed the comparable 2025 period. The survey included 55 participants representing approximately $4.8 trillion in equity assets under management.

AI investment remained a significant capital market theme. Expenditures on semiconductors, cloud computing, data centers, power generation, transmission, cooling systems, and related equipment continued to influence corporate capital spending and earnings narratives.

The scale of AI investment also increased attention to depreciation, financing, energy availability, free-cash-flow effects, and the timing of measurable revenues or operating efficiencies. Equity outcomes therefore remained differentiated between companies supplying infrastructure, companies purchasing it, and companies seeking to apply it.

Governance Relevance for Property/Casualty Insurers - Public equities can affect insurer surplus, capital volatility, reported investment performance, dividend income, and portfolio diversification. The effect on an individual insurer depends on the size of its equity allocation, the accounting treatment of holdings, sector and issuer concentration, capital position, and tolerance for market value volatility.

Discussion Starters with Your Investment Advisor

1. How much surplus and earnings volatility could result from the insurer's current equity allocation under a significant market decline?
2. How concentrated are the insurer's equity holdings by company, sector, market capitalization, and investment theme?
3. How are dividend income, realized gains and losses, and unrealized market value changes being separately measured and reported?

5. PRIVATE CREDIT & INFRASTRUCTURE

Current Public Information - Private credit remained an expanding component of non-bank finance, including direct lending, asset-backed finance, specialty finance, private placements, and structured transactions.

Public institutional research described private credit conditions during the first half of 2026 as uneven. Borrower fundamentals were generally characterized as stable in aggregate while stress remained concentrated in particular borrowers and sectors. Research also identified wider spreads on some newly originated loans following earlier spread compression and reduced underwriting activity in portions of the technology market.

Private credit differs structurally from publicly traded bonds. Pricing is generally less frequent, disclosure may be less standardized, transactions are often negotiated privately, and secondary-market liquidity may be limited.

Reported values can consequently adjust differently from prices in public markets. This does not necessarily mean that economic risk is lower; it reflects differences in valuation methodology, reporting frequency, transaction structure, and market liquidity.

Redemption activity at semi-liquid private credit vehicles also received attention during the first half of the year. Such vehicles can combine investments in relatively illiquid loans with investor-liquidity features, making liquidity-management arrangements an important element of their structure.

Governance Relevance for Property/Casualty Insurers - For insurance company boards, private credit exposures may raise governance questions concerning valuation, liquidity, documentation, borrower concentration, manager reporting, covenant monitoring, capital treatment, and access to underlying borrower information.

The term “private credit” covers multiple strategies with different structures and risks. Aggregate market commentary cannot substitute for analysis of a particular vehicle, manager, loan, or mandate.

Discussion Starters with Your Investment Advisor

1. What are the insurer’s actual liquidity rights and obligations, and how do they compare with the liquidity of the underlying private credit assets?
2. How are private credit holdings valued, how frequently are valuations updated, and what independent information supports those values?
3. How are borrower deterioration, covenant amendments, non-accruals, restructurings, and payment-in-kind interest identified and reported?

6. COMMERCIAL REAL ESTATE

Current Public Information - Commercial real estate remained highly differentiated by property type, geography, asset quality, lease structure, tenant composition, financing, and date of loan origination.

CBRE's 2026 outlook forecast that U.S. commercial real estate investment activity would increase during the year while emphasizing meaningful differences among office, industrial, retail, multifamily, data-center, health care, and life-science properties.

Office market conditions continued to vary between newer, well-located properties and older buildings facing weaker demand or significant capital requirements.

Industrial leasing was influenced by logistics demand, manufacturing activity, and tenant preference for newer facilities. Multifamily properties continued to experience demand, although recently delivered units affected conditions in some markets.

Interest rates and refinancing remained important. Loans originated during periods of lower rates may face higher borrowing costs when refinanced. The resulting effects depend on occupancy, rent, property income, loan-to-value ratios, debt-service coverage, sponsor resources, and lender willingness to modify or extend existing loans.

Data centers continued to demonstrate different demand and supply conditions from conventional office properties, but they introduced their own risks involving power, specialized construction, technology, tenant concentration, and capital intensity.

Governance Relevance for Property/Casualty Insurers - Commercial real estate exposure can arise through directly owned property, commercial mortgage loans, commercial mortgage-backed securities, real estate investment trusts, private funds, corporate bonds, or structured investments. These forms of exposure differ in liquidity, seniority, valuation, reporting frequency, and sensitivity to property-level developments.

Discussion Starters with Your Investment Advisor

1. How are the insurer's commercial real estate exposures distributed by property type, geography, borrower or tenant, maturity, and loan vintage?
2. What portion of the exposure is scheduled to mature or refinance during the next several years, and how have debt-service coverage and loan-to-value ratios changed?
3. Are appraisals, occupancy, rent collections, delinquencies, modifications, restructurings, or non-accruals showing signs of deterioration?

Supporting Effective Investment Governance: Effective investment oversight depends on informed collaboration among insurer boards, management teams, internal financial personnel, and professional investment advisors.

This briefing is intended to provide a shared factual reference point concerning public capital market information. It does not determine how any particular market development should be reflected in an insurer's portfolio.

Boards and management may find it useful to distinguish among:

- Changes in market interest rates;
- Changes in credit spreads;
- Changes in issuer or borrower fundamentals;
- Realized income and unrealized market value changes;
- Public market prices and private market valuations;
- Portfolio-level diversification and security-level risk;
- General market developments and portfolio-specific exposures;
- Cash income and non-cash accruals;
- Current observed conditions and forecasts concerning future conditions; and
- Aggregate market information and security-level analysis.

Feedback and Input for Future Editions: This briefing is designed to serve the evolving strategic needs of smaller NAMIC members, and your feedback is essential to that mission. We welcome your input and suggestions on specific topics or data points you would like to see highlighted in future versions. Please feel free to reach out with your ideas at tkarol@namic.org.

Thank you for your time and consideration,

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NAMIC Financial Projects

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The NAMIC Market Investment Briefing summarizes publicly available government data, third-party research, market commentary, surveys, forecasts, and institutional reports. References to market developments, industries, sectors, asset classes, financial instruments, investment structures, or capital markets are descriptive only.

Such references should not be interpreted as expressing NAMIC's views or forecasts regarding current or future market conditions.

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Nothing in this publication recommends, endorses, suggests, or expresses an opinion regarding any investment strategy, asset allocation, portfolio-construction approach, security, asset class, investment vehicle, transaction, manager, or course of action.

The Discussion Topics with Your Investment Advisor are intended solely to facilitate board education and investment-governance discussions. They are examples of questions that may arise when reviewing public market information and should not be interpreted as recommendations, directives, or suggested actions.

The research, forecasts, opinions, projections, and market commentary summarized in this publication reflect the views of their respective authors and publishers at the time they were issued. Those views are subject to change without notice and may differ materially among organizations.

Forecasts and projections are inherently uncertain and should not be interpreted as guarantees of future events, market performance, or investment results.

Although reasonable efforts have been made to accurately summarize publicly available information, NAMIC makes no representation or warranty regarding the completeness, accuracy, or timeliness of third-party information referenced in this publication.

Readers should consult the original source materials and their own qualified professional advisors before making decisions concerning matters discussed herein.

NOTES

The following publicly available sources were used in preparing this briefing. They are organized by the section in which they are referenced. Inclusion of a source does not constitute NAMIC's endorsement of the organization, its research, or its conclusions.

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