Local Fixed Income Report

Q2 2026

SHEPPARD

Market Overview

The fixed income market in H1 2026 was characterized by shifting yield curve dynamics, resilient investor demand, and muted primary market activity. Government, quasi-government and corporate issuance remained concentrated in a relatively small number of transactions, while lower system liquidity contributed to higher yields across the curve year-on-year. Excess reserves declined to TT$4.25 billion from TT$5.33 billion at the start of the year, reflecting tighter liquidity conditions.

- **Government & Quasi-Government Activity:** Government and government-linked borrowing remained the dominant drivers of market activity. Of the TT$4.39 billion issued year-to-date, TT$3.42 billion came from government issuers, while quasi-government issuance amounted to TT$730 million and was concentrated within the financial sector.

  Investor Takeaway: Despite fewer issuances and secondary market offers, public-sector instruments remain the core opportunity, with recent offerings well absorbed by investors.

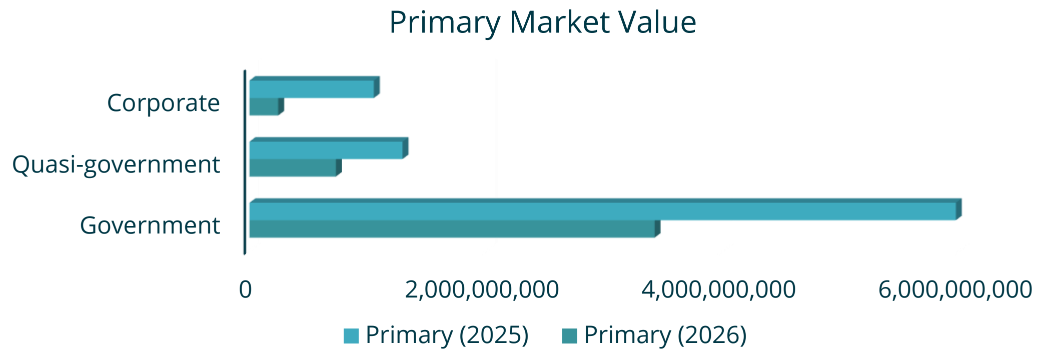
- **Corporate Issues**: Corporate issuance remained limited, totaling TT$242.28 million during the first half. Although modest, these transactions provided valuable diversification opportunities for clients.

  Investor Takeaway: Demand for corporate credit continues to exceed supply. Quality corporate issuances are therefore likely to attract strong investor interest.

- **Interest Rates Landscape**: Interest rates moved higher year-on-year across the curve. The increase, however, was not uniform. The largest moves occurred at the front end and in parts of the medium-term segment, while long-dated yields rose more gradually, resulting in a flattening at the tail end of the curve.

  Investor Takeaway: Higher yields continue to improve income opportunities for investors across most maturities.

Market Activity



Primary Market Activity:

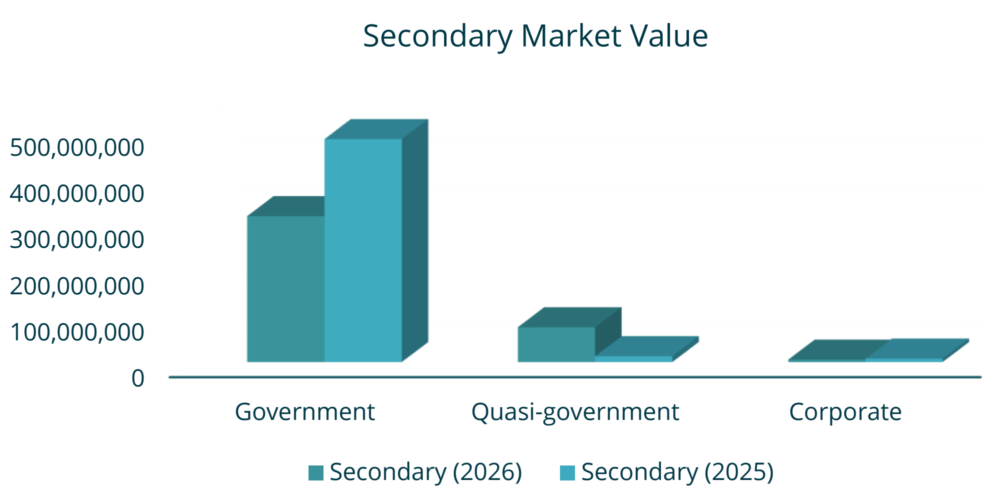
Primary market activity declined in H1 2026, relative to the prior year, but remained concentrated in government borrowing. The lower level of issuance largely stemmed from the government's decision to meet a greater share of financing requirements externally, as well as reduced capital needs among several large non-government issuers following recent capital raises.

Market Overview

Primary Market Activity Continued:

At the same time, treasury bill activity held up well despite tighter liquidity conditions. While issuance levels were broadly unchanged, investor demand strengthened, as evidenced by a decline in the number of undersubscribed issues from seven to two. Further to this, greater competition for allocations, particularly in the 180-day segment, likely contributed to the more modest increase in the 180-day yield relative to other short-term maturities.

Investor Takeaway: With fewer new offerings, early participation is key. Speak with your advisor to ensure you're positioned for upcoming opportunities.



Secondary Market Activity:

Secondary market activity was also subdued relative to H1 2025 and remained concentrated in government securities. Quasi-government securities contributed approximately TT$75 million, marking an improvement over the prior year, while corporate trading was limited. This slowdown could indicate a continued preference among investors to hold existing positions.

Despite limited supply, liquidity remained sufficient for clients looking to reposition portfolios across government, quasi-government and corporate holdings.

While bond activity was softer, treasury trading gained momentum, with secondary-market value climbing by 73.2% year-on-year to TT$238.2 million, while transaction volumes increased by 120%, from five to eleven transactions by the end of Q1. This trend may be seen as the year progresses. This points to growing investor interest in shorter-dated securities as front-end yields improved.

Investor Takeaway: Benchmark sovereign and quasi-sovereign securities continue to offer the best liquidity, while higher Treasury bill activity has created additional opportunities for investors seeking shorter-term investments.

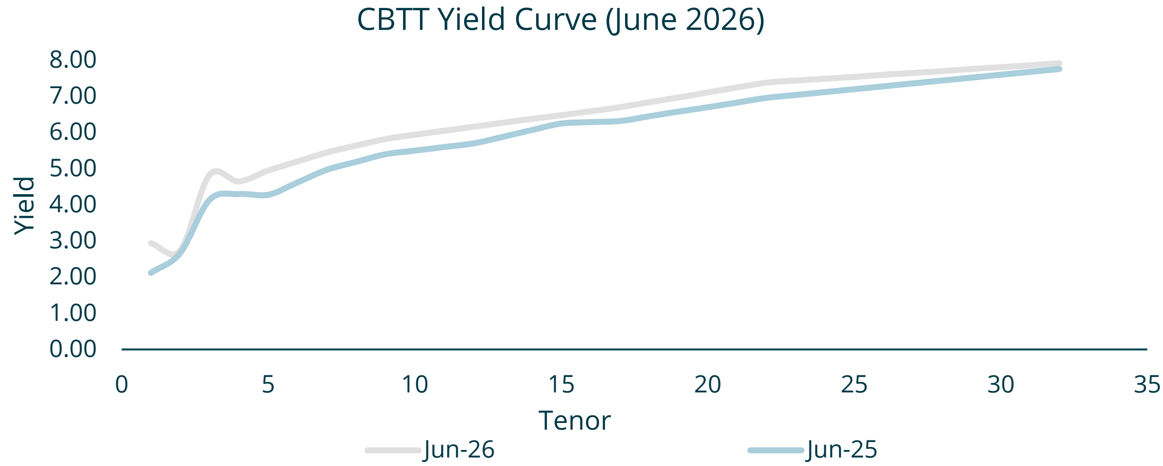
Yield Curve Analysis

The yield curve in the first half was higher year-on-year across all maturities. The increase in rates, however, was not uniform. Short term yields saw some of the largest increases, with the exception of the 180-day treasury bill, which remained relatively anchored. Strong demand for treasury bills, as evidenced by continued auction oversubscriptions and increased secondary market activity, likely helped limit upward pressure on the aforementioned 180-day yield despite the rise in rates.

- 90-day CBTT treasury bill rose by 82 basis points
- 180-day CBTT treasury bills rose by 7 basis points
- 1-year CBTT treasury bills rose by 69 basis points

Medium-term yields repriced meaning fully higher, moving between 35 and 67 basis points above last year's levels as investors demanded greater compensation for risk, amid evolving macroeconomic conditions. Several government offerings were brought to market across the 2-year, 7-year, 10-year and 20-year tenors, helping to guide current market rates and reinforcing the role of government issuance in shaping the local yield curve.

Long-dated yields rose more modestly, especially at the tail end of the curve, reflecting relative stability and the impact of limited supply and fewer new issuances. The tendency for institutional investors to hold existing paper, combined with infrequent trade activity, also kept long-term yields relatively anchored. Long term yields were between 16-46 basis points higher year-on-year.



What This Means For Investors

The shape and movement of the yield curve highlight attractive positioning opportunities for fixed income investors and provide a supportive backdrop for a diversified fixed income strategy.

- *Short-Term:* This segment continues to offer a reliable source of income for investors prioritizing liquidity, capital preservation, and flexibility.

- *Medium-Term:* Yields remain the most attractive relative to other segments of the curve, having seen some of the largest pick-ups year over year as yields repriced. This, combined with robust activity and liquidity makes the segment suitable for investors seeking consistent income with manageable risk.

- *Long-Term:* Long-dated yields have edged slightly higher and remain suitable for investors with long term obligations or those seeking to lock in stable income over an extended period.

Market Outlook

The domestic fixed income market is likely to remain influenced by broader economic and fiscal developments during the second half of 2026. Economic activity continues to be supported by the energy sector, government expenditure, and ongoing investment activity, although growth remains sensitive to developments in global energy markets given the country's reliance on energy-related revenues.

From a fiscal perspective, the market is likely to remain shaped by government funding requirements, investor appetite, and the relative attractiveness of rates.

- While institutional investors are likely to continue supporting long-term bonds, investors seeking greater value may find more attractive opportunities in short to medium-term maturities.
- Retail investors may wish to focus on short to medium-term securities, where yields remain competitive without having to commit funds for extended periods of time.
- Given the expected softness of corporate and quasi-government issues, investors may need to be selective and act when attractive offerings become available.

While domestic macroeconomic conditions remain generally stable, investors should continue to monitor fiscal developments, government borrowing requirements, foreign exchange conditions, and energy-sector performance, as these factors are likely to remain important drivers of local fixed income markets during the remainder of 2026.

Market Opportunities

Secondary Market Opportunities				
Type	Sector	Maturity Bucket	Indicative Yields	Currency
Corporate	Financial	1-3 years	4.60%- 5.50%	TTD
Quasi-Government	Financial	3-5 years	4.70% - 5.75%	TTD
Government	Government	5-7 years	5.30% - 5.60%	TTD
Government	Government	10-15 years	4.60% - 5.52%	TTD

Note that issuers and specific security names have been omitted due to confidentiality restrictions. Information is provided for indicative market insight only. Clients interested in available opportunities are invited to contact their advisor for additional details.

About Sheppard

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