Ambassador Income

Q2 | 2026 Commentary

The second quarter of 2026 was characterized by a significant improvement in investor sentiment as financial markets recovered from the volatility experienced earlier in the year. Inflation continued to moderate gradually, providing greater confidence that price pressures were moving in the right direction, although they remained above the Federal Reserve's long-term target. As a result, policymakers maintained a patient approach to monetary policy, emphasizing that future interest rate decisions would remain dependent on incoming economic data. Treasury yields fluctuated throughout the quarter as investors balanced improving inflation trends with continued economic resilience.

The U.S. labor market remained a key source of stability. Monthly non-farm payroll reports continued to reflect healthy job creation, while the low unemployment regime endured, reinforcing expectations that the economy was expanding at a measured pace. Although geopolitical tensions in the Middle East periodically contributed to higher energy prices and bouts of market volatility, their broader impact on financial markets proved relatively limited as investors focused on improving economic fundamentals and solid corporate earnings.

Ambassador Income remains grounded in a disciplined and objective economic model that is updated monthly and utilizes U.S. non-farm payroll trends to guide portfolio positioning. Throughout the second quarter, the model consistently held a slight expansionary outlook, reflecting the ongoing resilience of the labor market and the absence of meaningful signs of economic deterioration. As a result, no major allocation changes were required during the quarter, allowing the strategy to maintain a stable positioning aligned with prevailing economic conditions.

The portfolio continued to emphasize a diversified mix of high quality fixed income sectors, including investment grade corporate bonds, agency mortgage-backed securities, short and intermediate term U.S. Treasuries, selected long duration Treasuries, taxable municipal bonds, and convertible securities. This diversified allocation seeks to balance current income generation, interest rate risk, and opportunities for capital appreciation across varying market environments. The strategy also maintained a modest strategic allocation to gold, which continues to seek to provide diversification benefits and a potential hedge against periods of elevated market uncertainty or geopolitical stress.

Looking ahead, we remain constructive on the outlook for fixed income markets. Investment grade yields continue to offer attractive income opportunities relative to recent history, while moderating inflation and a resilient labor market support a balanced economic outlook. Although uncertainty surrounding future Federal Reserve policy and geopolitical developments may contribute to periods of market volatility, the strategy's disciplined, model-driven approach remains focused on adapting to evolving economic conditions with the intent of emphasizing income generation, diversification, and prudent risk management.

Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.