

MARKET COMMENTARY: QUICK TAKE

Rising Interest Rates? There's an ETF for That.

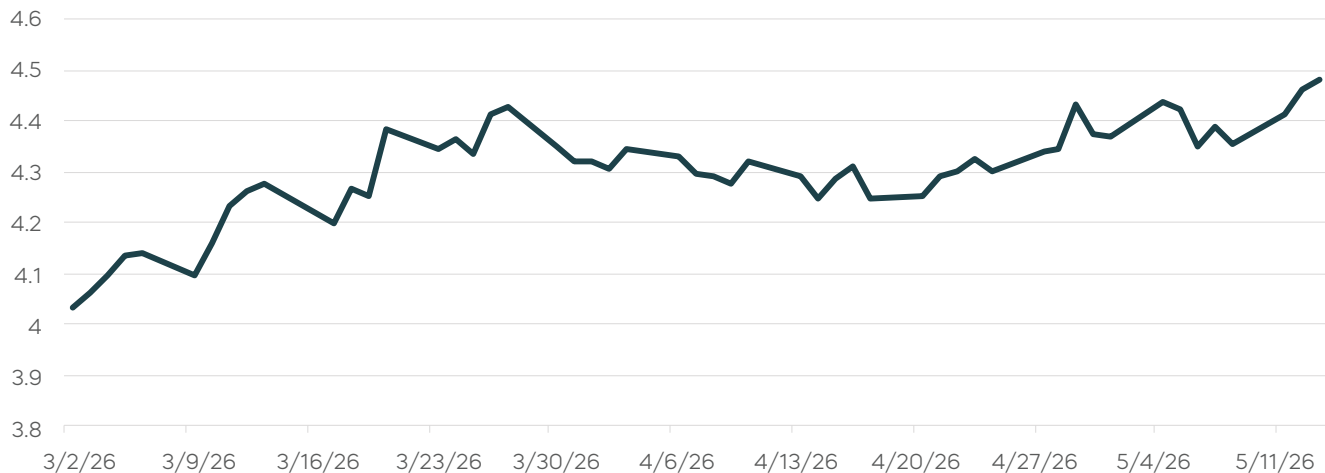


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Since the beginning of the war with Iran, the 10-year Treasury yield has risen roughly 50 basis points. Despite a brief pullback coincident with a tentative ceasefire, that half-percent uptick means yields continue to sit at their highest level since the war began.

War in Iran Is Boosting Yields

10-Yr Treasury Yield Change Since Start of Iran War



Source: Bloomberg, data 2/28/26–5/13/26.

Yields can go higher. In fact, a 10-year Treasury yield of around 4.5% reflects well-anchored longer-term inflation. The average real yield on the 10-year Treasury is around 2-2.5%. Therefore, a 4.5% yield reflects inflation expectations of 2-2.5%. That's only slightly higher than the Fed's 2% target, and it's exactly why those yields may climb again.

Current inflation adds another tailwind for rates. The latest CPI reading came in at 3.8%. That, plus a 2-2.5% real yield for the 10-year, and it's easy to imagine yields could head past 5%.

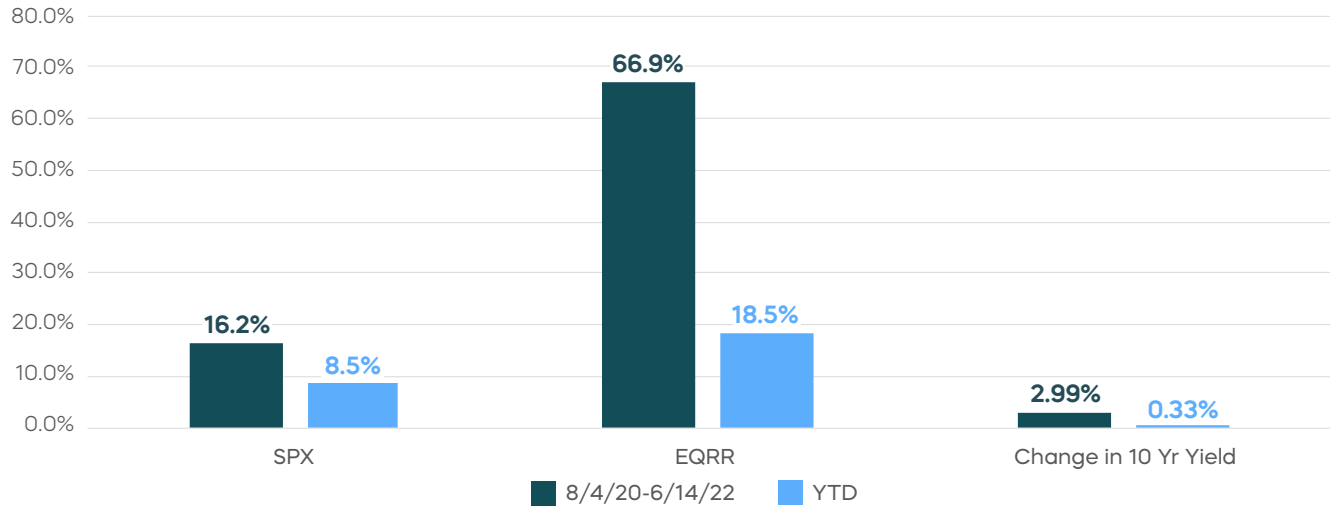
Granted, inflation outside of volatile energy costs looks tamer (core CPI, which excludes food and energy, rose 2.8% in the latest report), but the longer oil prices stay high, the greater the chance that energy inflation seeps into the broader economy. Even if longer-term inflation expectations just went to 3%, a 10-Year Treasury yield of 5-5.5% could follow.

Stocks for Rising Rates

The impact of rising rates on bonds is simple— when yields go up, prices go down. For stocks, it's less clear. Higher interest rates make future earnings and cash flows worth less, but unlike a bond whose interest payments are fixed, stocks may grow their earnings and cash flow over time. That's why stocks could be a quintessential hedge against both inflation and rising rates. But only some stocks possess characteristics needed to thrive during a period of rising rates.

Consider EQRR

ProShares Equities for Rising Rates ETF (EQRR) targets sectors with the highest recent correlations to 10-year Treasury yields, and within those sectors, the stocks that have tended to outperform as rates rise. EQRR has outperformed the S&P 500 by roughly 10% so far this year. Its past performance, including when the 10-year yield initially emerged from the end of Quantitative Easing in 2020, is also worth noting.



Source: Bloomberg, data as of 5/13/2026. Index returns are for illustrative purposes only and do not represent actual fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Standardized Performance (As of 3/31/26)	Q1 2026	YTD	1 YR	3 YR	5 YR	10 YR	Inception (7/24/17)
EQRR (NAV)	8.28%	8.28%	19.36%	14.54%	11.19%	–	8.93%
EQRR (Market Price)	8.38%	8.38%	19.49%	14.61%	11.18%	–	8.95%
NQERRT (Index)	8.41%	8.41%	19.83%	14.98%	11.59%	–	9.34%

Periods greater than one year are annualized.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. ET (when NAV is normally determined for most funds) and do not represent the returns you would receive if you traded shares at other times. Your brokerage commissions will reduce returns. Current performance may be lower or higher than the performance quoted. For standardized returns and performance data current to the most recent month end, visit proshares.com.

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The fund is designed to provide relative outperformance, as compared to traditional U.S. large-cap indexes, such as the S&P 500, during periods of rising U.S. Treasury interest rates. As a result, the fund may be more susceptible to underperformance in a falling rate environment. There can be no guarantee that the fund will provide positive returns or outperform other indexes.

The fund concentrates its investments in certain sectors. Narrowly focused investments typically exhibit higher volatility.

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