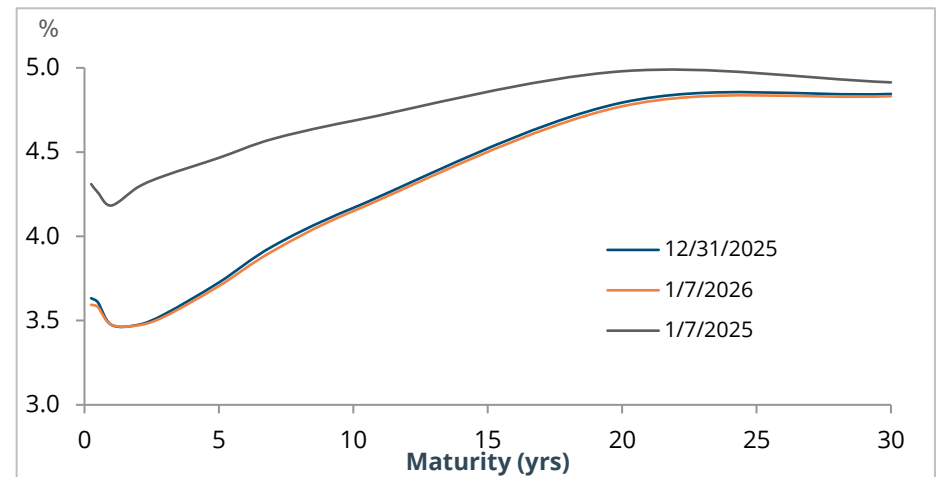


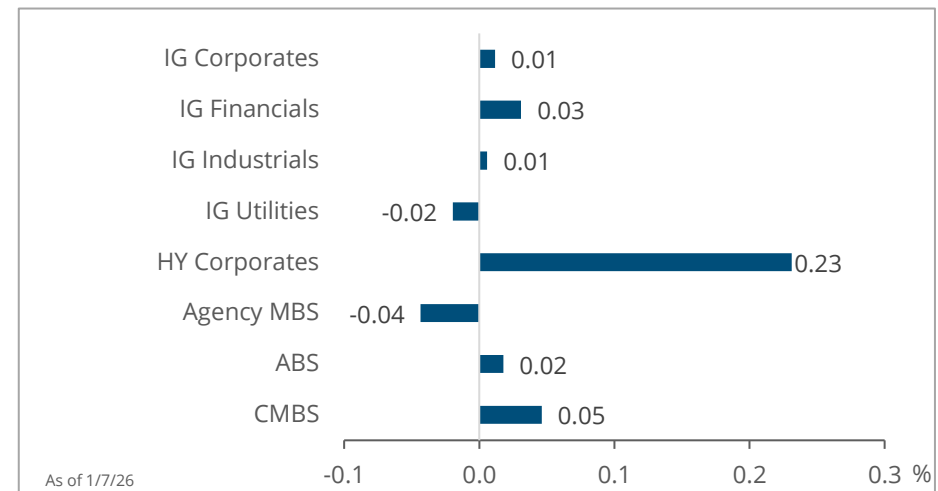
- The market kicked off the new year with a slate of mixed economic data releases, while investors contemplated the long-term impact of the US' large-scale strike against [Venezuela](#), capturing then President Nicolás Maduro
- December's ADP employment change report pointed to a gradually cooling labor market with 41,000 jobs created in the private sector - 9,000 below expectations
- The ISM Services Index beat expectations, rising to 54.4 in December – the highest level since October 2024 – fueled by a surge in new orders and the first employment gain since May 2025
 - Conversely, December factory activity shrank by the most since 2024, as the ISM Manufacturing index fell from 48.2 to 47.9
- The Treasury curve flattened modestly week-over-week following the soft ISM manufacturing data; the spread between the 2- and 10-year Treasury rates tightened 1bp to 68bps
- Investment-grade (IG) borrowers flooded the primary market as supply totaled over \$88 billion – the fourth busiest week ever; Yankee banks led the rush and accounted for over 40% of issuers
 - Investment-grade corporate spreads widened 1bp to 78bps, while yields remained unchanged at 4.81%
- High-yield (HY) issuers were similarly active and capitalized on robust demand, pricing nearly \$7 billion of new debt
 - High-yield corporate spreads tightened 5bps to 261bps, near an eleven-month low, and yields fell 6bps to 6.47%
- Agency mortgage-backed securities (MBS) underperformed other securitized sectors as spreads widened 2bps to 24bps
 - President Trump announced an effort to ban institutional investors from buying single-family homes to address housing affordability; however, investors claim more details are needed to project the potential impact
- Municipals outperformed Treasuries as muni/Treasury ratios fell across the curve; demand remained strong as municipal bond funds reported \$407 million of net inflows for the final week of the year

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/7/26	3.47	3.71	4.15	4.77	4.83
MTD Change	0.00	-0.02	-0.02	-0.02	-0.01

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 1/8/26 unless otherwise noted.

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.