



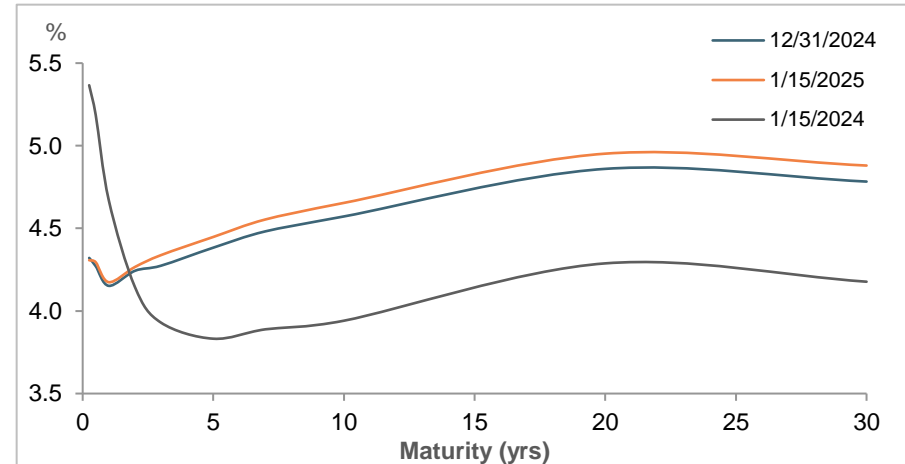
INCOME RESEARCH + MANAGEMENT

IR+M WEEKLY FIXED INCOME MARKET UPDATE

January 10 – January 16, 2025

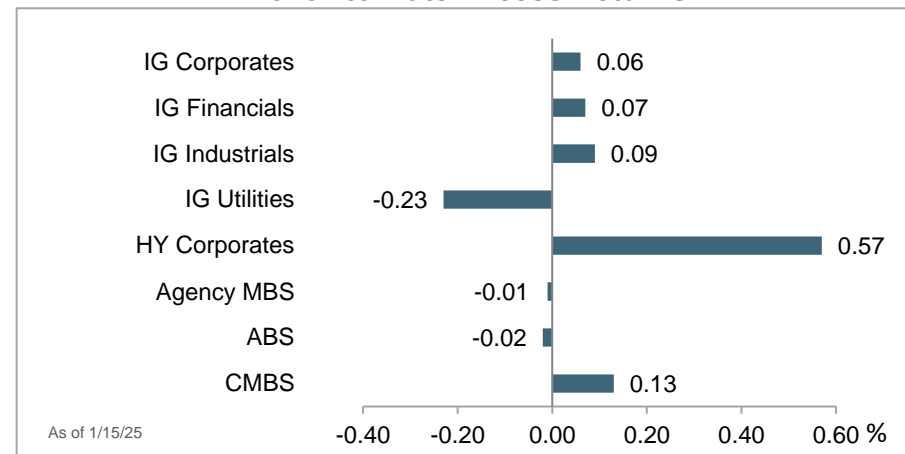
- Economic data drove risk sentiment this week as key indicators shifted expectations of future interest rate moves
 - Investors increased the prospect of two rate cuts in 2025 as core CPI slowed, despite stronger-than-expected employment data
- The US economy showed few signs of slowing as 256,000 jobs were added in December – well-above the forecasted 165,000 – and the unemployment rate came in below expectations at 4.1%
- Inflationary pressures persisted but showed some signs of slowing; the year-over-year increase in core CPI came in slightly below expectations at 3.2%
- Treasury yields climbed early in the week before reversing course on Wednesday following the CPI results
 - The 10-year Treasury yield rose to 4.79% – its highest point since October 2023 – before falling to 4.65%
- Investment-grade corporate spreads held steady at 80bps week-over-week, however, the Utility subsector widened further amid uncertainty surrounding the potential impact from the California wildfires
 - High-yield spreads tightened by 9bps to 268bps, and yields fell by 7bps to 7.36%
- Primary market activity was muted within corporates, with \$19 billion of new investment-grade issues trailing expectations of \$40 billion; just under \$4 billion of new high-yield issues priced during the week
- Agency mortgage-backed securities (MBS) underperformed Treasuries; in particular, lower coupon pools underperformed higher coupons amid the uptick in rate volatility
- Demand for municipal bond mutual funds bounced back after three consecutive weeks of outflows with investors adding over \$1 billion so far this year; despite the higher demand, municipals underperformed Treasuries as muni/Treasury ratios rose

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/15/25	4.27	4.45	4.65	4.95	4.88
MTD Change	0.02	0.07	0.08	0.09	0.10

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 1/16/25 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.