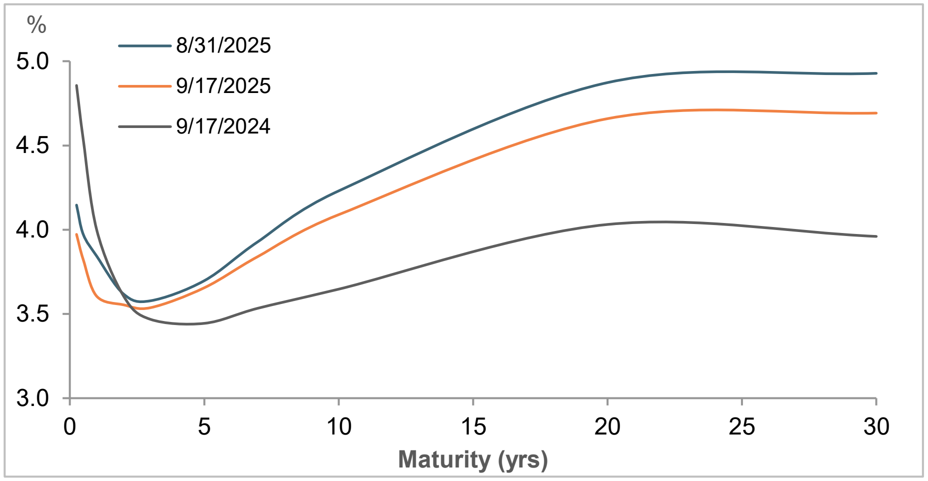
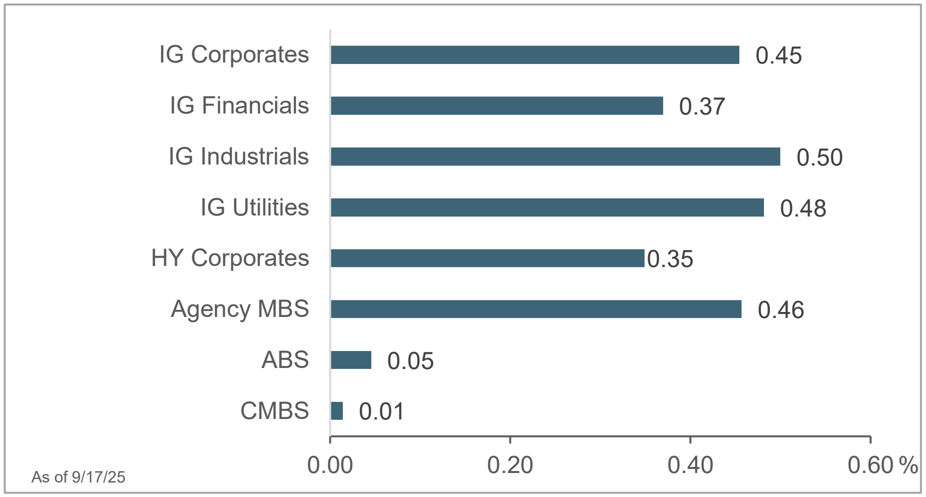
- In a widely anticipated move, the Federal Reserve (Fed) cut the federal funds target range by 25bps to 4.00 – 4.25% - the first change in the policy rate in 2025
    - The Fed characterized the change as a risk management cut and insurance against unexpected labor market weakness
    - The updated dot plot reflected a median forecast of two additional cuts this year, which is aligned with market expectations; however, there is little consensus beyond 2025
- In August, US retail sales rose for the third consecutive month, climbing 0.6% and outpacing expectations of 0.2%; the stronger-than-anticipated increase suggests consumer spending remains resilient, even as tariffs drive up the cost of certain goods
- Initial jobless claims came in at 231,000, exceeding forecasts of 240,000 and signaling that layoffs remain low despite slow hiring
- Treasury rates declined after the Fed's decision to cut the fed funds rate; yields quickly reversed course in response to Chair Powell's comments about the Fed's lack of urgency on its current monetary stance
    - The 2- and 10-year Treasury rates rose by 1bp and 4bps, respectively, week-over-week to 3.55% and 4.09%
- The impending Fed decision initially kept borrowers on the sideline before flooding the market; Investment-grade and high-yield supply totaled roughly $34 billion and $11 billion, respectively
    - Investment-grade corporate spreads tightened by 1bp to 74bps, while yields rose by 1bp to 4.73%
    - High-yield corporate spreads were flat at 267bps, and yields rose by 1bp to 6.61%
- Heavy asset-backed securities (ABS) supply – totaling over $20 billion, the heaviest week of 2025 – provided a headwind to performance, despite still outperforming Treasuries
- Municipals underperformed Treasuries as muni/Treasury ratios rose across the curve; municipal bond funds reported $2.4 billion of net inflows – the largest net inflow year-to-date

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/17/25	3.55	3.66	4.09	4.66	4.69
MTD Change	(0.06)	(0.04)	(0.14)	(0.21)	(0.24)

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 9/18/25 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.