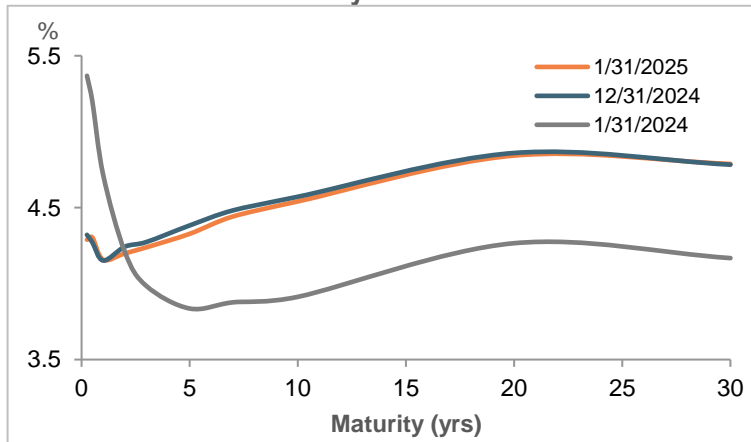


**MARKET NEWS**

- Market participants navigated a wave of high-impact events in January, including destructive California wildfires with estimated losses up to \$45 billion, the sudden entry of China’s DeepSeek into the AI horserace, and a series of policy changes from President Trump, who closed out the month with the tariff announcement, adding to the market uncertainty
- Economic data continued to highlight a resilient labor market in the face of persistently elevated inflation, with December’s change in nonfarm payrolls shattering expectations and its unemployment rate ticking slightly lower
  - The Federal Reserve (Fed) kept the fed funds target range unchanged at 4.25% - 4.50%, reaffirming confidence in the labor market and the broader US economy amid sticky inflation
- Treasury Bond yields rose early in the month, with the 10-year rate hitting 4.79% – its highest level in over fourteen months – before falling to close the month down 3bps to 4.54%
- Investment-grade corporates broadly outperformed Treasuries during the month except for Utilities, which lagged other sectors amid uncertainty surrounding the California wildfires’ impact
  - Yields rose to 5.54% in the first half of the month before reversing course and closing at 5.30%, 3bps lower than where they started; spreads remained rangebound between 78-81bps, finishing at 79bps
- High-yield bonds extended their rally to six consecutive months, posting a total return of 1.37%; all-in yields declined by 29bps to 7.20%, and spreads narrowed by 26bps to 261bps, the tightest monthly reading in nearly a year
- High-grade corporate issuance totaled \$186 billion, exceeding estimates, but remaining 2% below the January 2024 figure
  - High-yield primary market activity was muted for most of the month, but experienced a late boost from a bevy of new issues pricing in the final week, ending the month with \$22 billion of new bonds – nearly 30% lower than this point last year
- Mortgage-backed securities (MBS) saw the highest January supply since 2022, driven by an increase in purchase loans; MBS spreads tightened by 9bps during the month to 34bps, supported by renewed interest from banks and foreign investors
- Municipal issuers brought \$37 billion of new debt to market during the month, marking the heaviest January since 2010
  - Munis outperformed Treasuries as muni/Treasury ratios fell, except in the 30-year part of the curve where the ratio rose by 2%

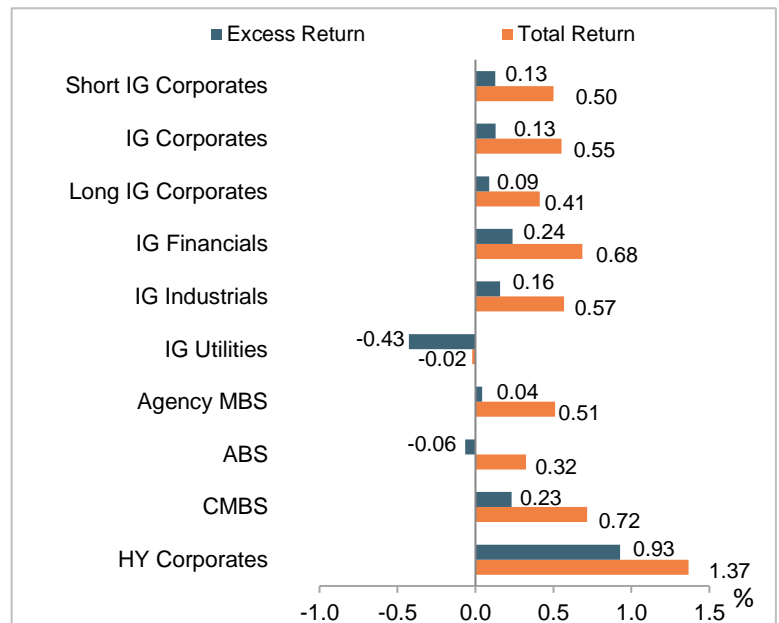
**MARKET STATISTICS**

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/31/25	4.20	4.33	4.54	4.84	4.79
MTD Change	-0.04	-0.05	-0.03	-0.02	0.01
YTD Change	-0.04	-0.05	-0.03	-0.02	0.01

MTD Returns



As of: 1/31/2025. Sources: Bloomberg

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. This is not a recommendation to purchase or sell the securities mentioned above. The views contained in this report are those of Income Research + Management ("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.