IR+M

INCOME RESEARCH + MANAGEMENT

IR+M FIXED INCOME MARKET UPDATE
June 2025

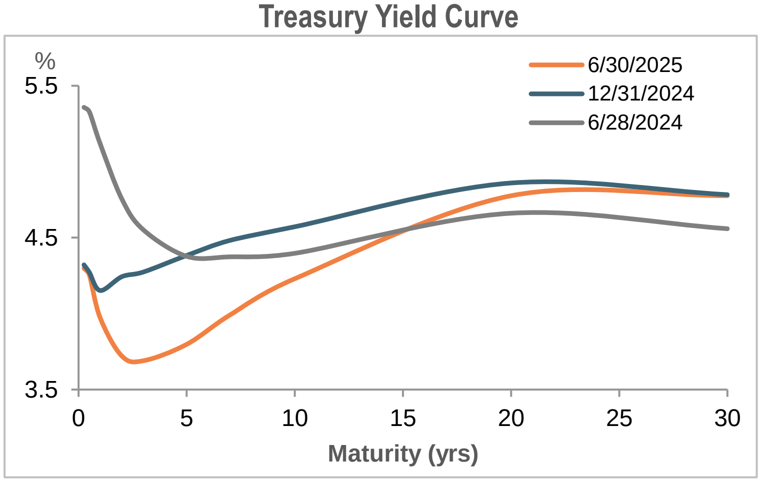
July 1, 2025

MARKET NEWS

- In June, risk assets rallied amid mixed economic signals and heightened geopolitical risk, as the S&P 500 and Bloomberg Aggregate Index returned 5.0% and 1.5%, respectively; investors turned their attention to the US fiscal outlook and trade deals, which could serve as catalysts for short-term volatility
- The Federal Open Market Committee (FOMC) kept rates steady for the fourth consecutive meeting; the messaging lacked clarity on whether inflation - or the labor market - was ascending in relative importance
    - Although the FOMC messaging was categorized as neutral, President Trump may fast-track the nomination for a new Fed Chair, which could accelerate the Fed's next rate cut
    - May inflation data reflected tariffs' modest impact, with CPI growing 2.4% year-over-year, in line with expectations
    - Initial jobless claims surprised to the downside, with the 4-week moving average at 245,000; continuing jobless claims increased to 1.97 million, indicating a cooling labor market due to trade policy uncertainty
- Treasury yields fell across the curve, with the 2-year rate falling 18bps month-over-month to 3.72% and the 30-year rate declining 16bps month-over-month to 4.78%
- Investment-grade (IG) corporate spreads ended the month at 83bps, 5bps tighter month-over-month and the lowest in four months; similarly, high-yield (HY) spreads tightened 25bps to 290bps
    - In June, energy was one of the best performing sectors within IG, despite still lagging the market year-to-date; lower-quality issuers outperformed higher-quality issuers, with CCCs outperforming BBs by 68bps
    - Despite heightened geopolitical risk, issuers capitalized on attractive funding levels as IG supply surpassed expectations, totaling $110 billion; the HY market was similarly active with over $37 billion of issuance - the busiest month since September 2021
- Agency mortgage-backed securities (MBS) outperformed other securitized sectors, driven primarily by tighter spreads amid macro headwinds; spreads tightened 5bps in June, ending the month at 37bps, the tightest month-end level since March
- Municipal bonds underperformed Treasuries in the long-end of the curve; in June, municipal issuers brought over $65 billion in new supply, the busiest month since October 2024

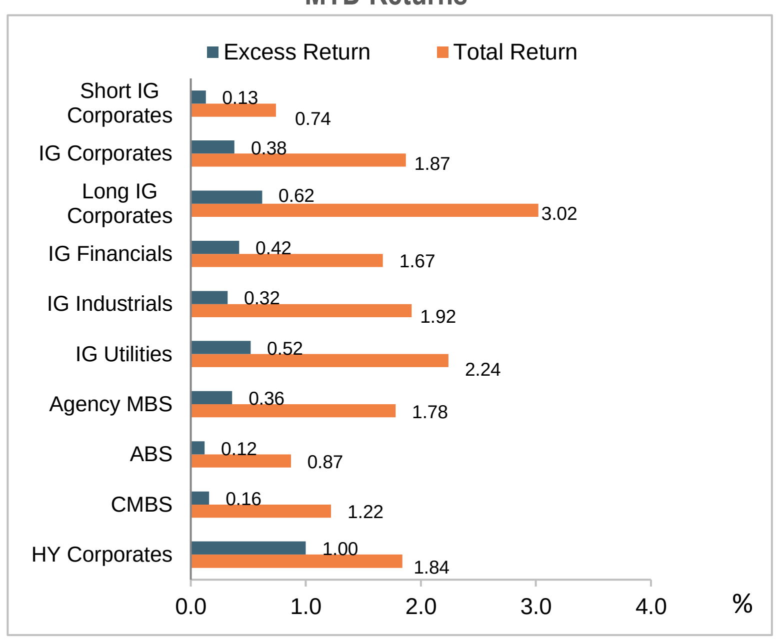
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
6/30/25	3.72	3.80	4.23	4.78	4.78
MTD Change	-0.18	-0.17	-0.17	-0.16	-0.16
YTD Change	-0.52	-0.59	-0.34	-0.08	-0.01

MTD Returns



As of: 6/30/25. 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.