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INCOME RESEARCH + MANAGEMENT

IR+M FIXED INCOME MARKET UPDATE
March 2025

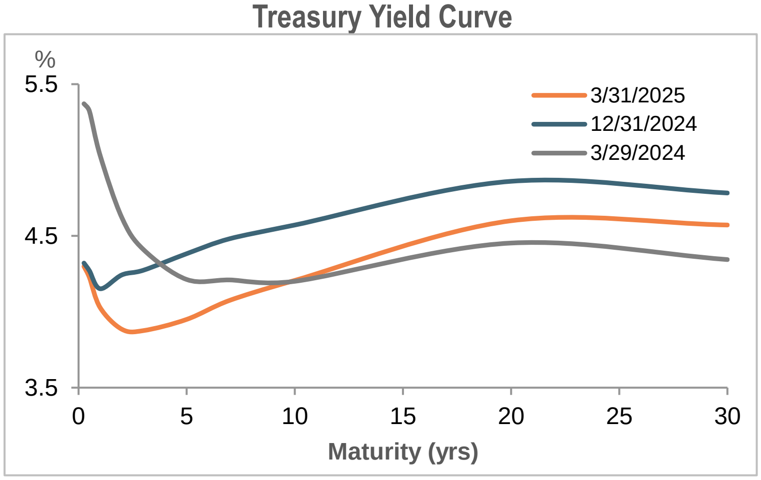
April 1, 2025

MARKET NEWS

- In March, markets continued to be plagued by policy and tariff uncertainty, leading to heightened market volatility, weakened consumer sentiment, and a forecasted slowdown in US growth
  - The Federal Reserve (Fed) held rates steady during their March meeting as Chairman Powell continued to message that the Fed remains data dependent and is in “no hurry” to change policy
  - Consumer confidence continued to decline, dropping to 92.9 during the month – the lowest level since early 2021 – due to concerns about higher prices and a dimming economic outlook caused by increased tariffs
- The Treasury curve steepened during the month as the 2-year yield decreased 11bps while the 20-year rate increased 7bps
- Investment-grade corporates, particularly in the long-end, underperformed Treasuries during the month as volatility and market uncertainty continued to impact relative excess returns
  - In March, investment-grade spreads widened 7bps to 94bps after peaking at 97bps mid-month – the widest level since September – as yields rose by 7bps to 5.15%
- March returns for high-yield bonds were the weakest since October 2023, with CCC’s underperforming the broader speculative-grade universe; spreads widened by 67bps to 347bps as yields increased by 58bps to 7.73%
- Investment-grade corporates brought $184 billion of new debt to market, exceeding expectations of $175 billion; year-to-date total issuance is up 2% year-over-year
  - High-yield markets saw nearly $27 billion in new issues priced – the busiest month since September and busiest March since 2021 – as borrowers rushed to market ahead of further US tariff announcements
- Asset-backed securities (ABS) spreads widened 10bps to 60bps during the month and, while the sector experienced the best March performance within securitized, posted their third straight month of negative excess return as short-duration Treasuries rallied in the face of rising trade tensions
- The municipal market continued to experience robust supply, pricing $44 billion in new issues in March – the highest issuance month year-to-date and largest March since 2022
  - Muni/Treasury ratios rose across the curve as munis underperformed Treasuries by 2%, making it their worst performance month relative to Treasuries since March 2020

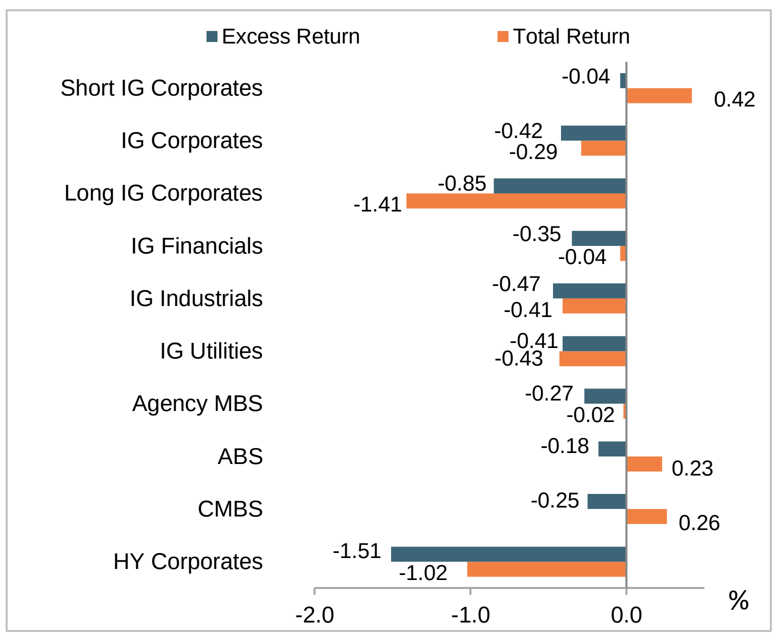
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
3/31/25	3.89	3.95	4.21	4.60	4.57
MTD Change	-0.11	-0.07	0.00	0.07	0.08
YTD Change	-0.36	-0.43	-0.37	-0.26	-0.21

MTD Returns



As of: 3/31/25. 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.

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