IR+M FIXED INCOME MARKET UPDATE
October 2025

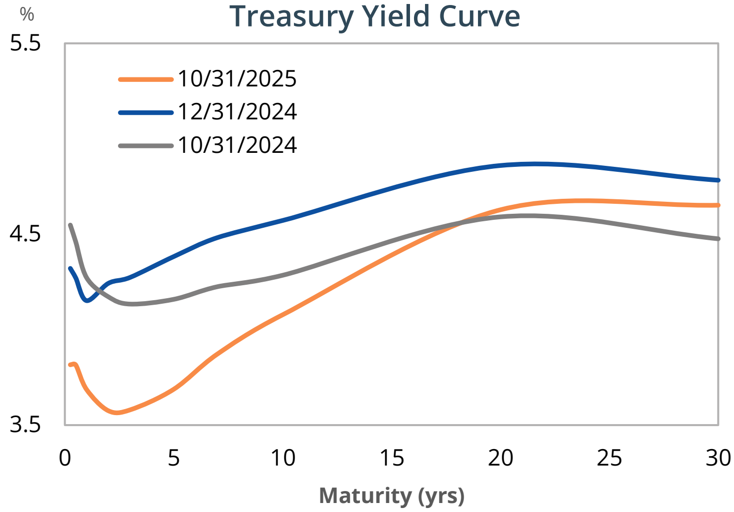
November 3, 2025

MARKET NEWS

- On the heels of September's rate cut, the Federal Reserve (Fed) delivered another 25bps reduction at its October FOMC meeting, bringing the fed funds target range to 3.75%-4.00%
  - The cut was intended to protect against downside employment risks; Chair Jerome Powell did not commit to another decrease in December, but investors are pricing in a 68% chance of a cut
  - The Fed also announced that further reductions in the size of its balance sheet would end on December 1st, with the proceeds from Treasury and agency-backed maturities being reinvested into Treasuries
- Inflation remained on an uptrend, although softer than expected, with CPI growing 0.3% in September; the US government shutdown, which began on October 1st, may delay October's CPI release due to data collection issues
- The Treasury curve flattened as investors lowered the probability of a December rate cut after Chair Powell's non-committal comments
  - Leading up to the Fed meeting, the 2-year Treasury yield declined to 3.42% before climbing to 3.58% thereafter, finishing 3bps lower MoM
- Investment-grade (IG) and high-yield (HY) corporate spreads widened by 4bps and 14bps to 78bps and 281bps, respectively
  - Technology and communications were two of the worst performing sectors this month, while the natural gas and banking sectors were relatively insulated from broader market volatility; higher-quality issuers outperformed lower-quality issuers, with BBs outperforming CCCs by 69bps
  - October saw record IG issuance led by an internet company's $30 billion deal – the largest IG deal this year – bringing the month's total supply to $132 billion
  - HY borrowers, which were rather quiet due to the anticipated rate cut, brought $18 billion in total supply
- Asset-backed securities (ABS) underperformed other securitized sectors amid credit concerns, particularly within the auto ABS sector; ABS spreads widened 6bps to 55bps, while auto ABS underperformed by 13bps
- The AAA municipal bond curve flattened during the month, as the 2-year muni/Treasury ratio rose 6% to 69%, and the 30-year ratio declined 3% to 88%
  - In October, Municipal bond issuance was robust as supply totaled just under $55 billion – the third largest month year-to-date

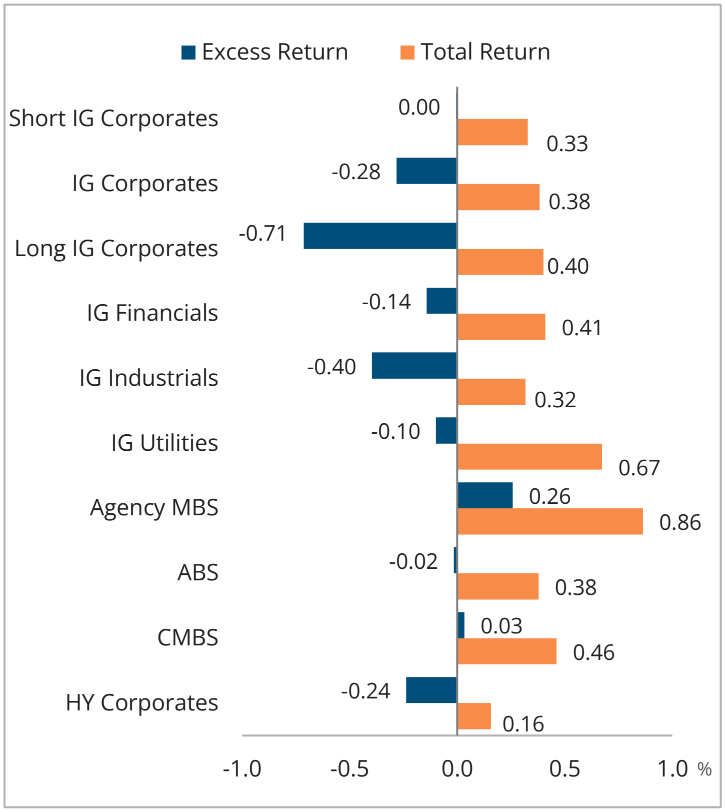
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
10/31/25	3.58	3.58	3.69	3.87	4.08
MTD Change	-0.03	-0.05	-0.07	-0.08	-0.08
YTD Change	-0.67	-0.70	-0.49	-0.23	-0.13

MTD Returns



As of 10/31/25. Sources: Bloomberg