

Bond Market Review

November 3, 2025

Summary

- Treasury yields were under pressure last week after the Federal Reserve (Fed) cut the fed funds rate by 25 basis points but in the Q&A session, Chairman Jerome Powell emphasized that an additional cut in December is not a foregone conclusion. The market quickly reduced expectations for future rate cuts with the 10-year Treasury yield rising to approximately 4.10%. Without several key economic data releases due to the government shutdown and concerns of more tariff-driven inflation in the pipeline, the Fed opted to proceed more slowly than the market was anticipating.

Treasury Yields			
Term	Treasury Yield	Δ MTD	Δ YTD
3 Month	3.80	-0.13	-0.51
6 Month	3.80	-0.03	-0.46
1 Year	3.68	0.06	-0.47
2 Year	3.57	-0.03	-0.67
5 Year	3.69	-0.05	-0.69
10 Year	4.08	-0.07	-0.49
30 Year	4.65	-0.08	-0.13

Taxable

Credit Lags on Supply Concerns

- Investment grade credit decoupled from most other asset classes last week as a large increase in supply, mostly by Meta Platforms, caught investors off-balance. Meta printed a \$30B new issue Thursday with initial price guidance almost 50 bps wide of existing bonds. Although the final print was well inside guidance, at 10-15 bps of concession it re-priced their bonds wider and negatively impacted the telecommunications sector.

High Yield Weakens

- High yield corporates felt better for most of the week in our view, continuing to recover from the modest widening in mid-October, however, investor sentiment deteriorated after Powell threw shade on prospects for another rate cut in December. Spreads for the ICE BofA U.S. High Yield Master II Index closed the week 6 bps wider after widening 9 bps on Friday.

Municipal Yields								
Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Tax-Equivalent Spread (bps)	Muni/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	2.54	0.24	-0.43	3.91	22.95	69.06	5.40	-2.58
2 Year	2.49	0.22	-0.34	3.82	24.95	69.54	6.74	3.05
5 Year	2.40	0.09	-0.50	3.69	0.21	65.04	3.26	-1.19
10 Year	2.73	-0.19	-0.40	4.20	12.71	67.03	-3.38	-1.44
30 Year	4.12	-0.18	0.24	6.33	168.11	88.49	-2.29	7.47

Tax-Free

Munis Outperform Treasuries

- Municipal bonds outperformed Treasuries after the tax-exempt yields were only modestly higher following the Federal Open Market Committee (FOMC) meeting. The curve continued its flattening trend with the 1-5 year inversion reaching -18 bps. Muni-to-Treasury ratios tightened on the strength to 64% in 5-years, 67% in 10-years, and 89% in 30-years.

Santee Cooper Nuclear Plant Renewed Interest

- Santee Cooper signed a letter of intent (LOI) with Brookfield Asset Management to take over completion of Summer nuclear units #2 and #3. The LOI establishes a six-week project feasibility period where the parties will jointly select a project manager and evaluate construction providers. There is no guarantee that the memorandum will be executed or that the nuclear units will be completed but it could be credit positive for Santee Cooper.

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International Yields								
	Canada	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	2.41	1.97	0.93	3.77	2.19	2.2	2.05	1.87
5 Year	2.70	2.23	1.23	3.88	2.72	2.7	2.50	2.50
10 Year	3.12	2.63	1.67	4.41	3.42	3.38	3.14	3.26
30 Year	3.58	3.21	3.06	5.18	4.28	4.3	3.97	4.12

Sectors ¹						
	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low
Investment Grade Corporate	6.89	78	4	-2	119	72
▪ Financial	5.37	78	4	-4	122	73
▪ Industrial	7.52	78	6	0	116	70
▪ Utility	8.13	84	3	2	119	78
High Yield	2.85	281	14	-6	453	253
Securitized	5.50	31	-2	-14	52	27
▪ Commercial Mortgage-Backed Securities	3.87	77	2	-3	101	75
▪ Asset-Backed Securities	2.75	55	6	11	75	42
▪ Mortgage-Backed Securities	5.65	28	-3	-15	49	24

Equity			
	Current	Δ MTD	Δ YTD
Dow Jones	47,562.87	1,164.98	5,018.65
S&P 500	6,840.20	151.74	958.57
Nasdaq	23,724.96	1,064.95	4,414.17

Volatility			
	Current	Δ MTD	Δ YTD
VIX	17.44	1.16	0.09
MOVE	66.61	-11.32	-32.19

Commodities			
	Current	Δ MTD	Δ YTD
CRB	302.54	1.94	5.82
Gold	3996.50	123.30	1355.50
Oil	60.98	-1.39	-10.74
Gas	190.08	-2.15	-10.84

Currency			
	Current	Δ MTD	Δ YTD
U.S. Dollar	99.80	2.03	-8.68
Euro	1.15	-0.02	0.12
Pound	1.32	-0.03	0.06
Yen	153.99	6.09	-3.25
Canadian Dollar	1.40	0.01	-0.04
Franc	0.80	0.01	-0.10

Central Bank Rates			
	Current	Δ MTD	Δ YTD
United States	4.00	-0.25	-0.50
Europe	2.15	0.00	-1.00
United Kingdom	4.00	0.00	-0.75
Japan	0.50	0.00	0.25
Canada	2.25	-0.25	-1.00

Data is as of 10.31.2025. Source: Bloomberg L.P. Please refer to page 3 for important definitions and disclosures.

¹Sectors are represented by the following indices: Investment Grade Corporate = Bloomberg U.S. Corporate Bond; Financial = Bloomberg U.S. Aggregate Investment Grade Finance; Industrial = Bloomberg U.S. Aggregate Investment Grade Industrial; Utility = Bloomberg U.S. Investment Grade Utility; High Yield = Bloomberg U.S. Corporate High Yield; Securitized = Bloomberg U.S. Securitized; Commercial Mortgage-Backed Securities = Bloomberg U.S. Aggregate CMBS; Asset-Backed Securities = Bloomberg U.S. Aggregate ABS; Mortgage-Backed Securities = Bloomberg U.S. Aggregate MBS.



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Technical Terms: **Duration:** a tool used in assessing the price volatility of a fixed-income security. **Gross Domestic Product (GDP)** A comprehensive measure of U.S. economic activity. GDP measures the value of the final goods and services produced in the United States (without double counting the intermediate goods and services used up to produce them). The **federal funds rate** is the interest rate at which depository institutions (mainly banks) lend reserve balances to other depository institutions overnight on an uncollateralized basis. In simpler terms, it's the rate banks charge each other for short-term loans to meet their reserve requirements. **Municipal/Treasury Ratio:** a comparison of the current yield of municipal bonds to U.S. Treasuries. **Non-farm payroll** refers to the number of jobs in the private sector and government agencies. It excludes farm workers, private household employees, proprietors, non-profit employees, and actively serving military. **Option-Adjusted Spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Typically, an analyst uses Treasury yields for the risk-free rate. The spread is added to the fixed-income security price to make the risk-free bond price the same as the bond. **Personal consumption expenditures (PCE)** is the primary measure of consumer spending on goods and services in the U.S. economy. **Tax-Equivalent Spread** is the spread needed on a taxable bond to produce the same yield as a municipal bond. **Tax-Equivalent Yield:** the return that is required on a taxable investment to make it equal to the return on a tax-exempt investment. **Yield Spread:** the difference between the quoted rates of return between two different investment vehicles; also called the credit spread. **Yield-To-Worst:** Is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. It is a type of yield that is referenced when a bond has provisions that would allow the issuer to close it out before it matures.

The volatility of an index varies greatly. All indices are unmanaged, and investments cannot be made directly in an index.

The **Commodity Research Bureau Index (CRB)** comprises a basket of 19 commodities, with 39% allocated to energy contracts, 41% to agriculture, 7% to precious metals, and 13% to industrial metals. The CRB is designed to isolate and reveal the directional movement of prices in overall commodity trades. **Dow Jones Industrial Average (DJIA)** an index that tracks 30 large, publicly-owned blue-chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. **The ICE BofA U.S. High Yield Master II Index** is a benchmark index that tracks the performance of U.S. dollar-denominated, below-investment-grade corporate debt publicly issued in the U.S. domestic market. **The ICE BofA MOVE Index** is a well-recognized measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries. **The Nasdaq Composite Index** the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities. **The S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization. **The Bloomberg U.S. Agg Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. **The Bloomberg U.S. Corporate Index** covers performance for United States corporate bonds. This index serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds. **The Volatility Index (VIX)** is the annualized implied volatility of a hypothetical S&P 500 stock option with 30 days to expiration. **The Producer Price Index (PPI)** is a series of indexes from the U.S. Bureau of Labor Statistics (BLS) that measures the average change over time in the selling prices received by domestic producers for their output. The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. **Bloomberg L.P. Information:** "Bloomberg®" and the 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 Sterling Capital Management LLC and its affiliates. Bloomberg is not affiliated with Sterling Capital Management LLC or its affiliates, and Bloomberg does not approve, endorse, review, or recommend the product(s) presented herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the product(s) presented herein.