

Bond Market Review

April 14, 2025

Summary

- President Trump's tariff announcement on "liberation day" rocked bond markets with Treasury yields increasing across the curve and credit spreads widening. Government bonds typically act as a hedge during flight-to-quality environments but this sudden change in risk appetite negatively impacted most asset classes. The 90-day delay on tariffs provided needed relief but markets will likely remain on edge as investors await the next update on trade negotiations.

Treasury Yields			
Term	Treasury Yield	Δ MTD	Δ YTD
3 Month	4.31	0.02	0.00
6 Month	4.18	-0.04	-0.08
1 Year	4.02	0.00	-0.13
2 Year	3.96	0.08	-0.28
5 Year	4.16	0.21	-0.22
10 Year	4.49	0.28	-0.08
30 Year	4.87	0.30	0.09

Taxable

Volatile Week for Credit

- It was a rollercoaster week for investment grade corporate bonds as the sector saw large swings in spreads, wide bid-ask spreads, and general deleveraging. The bulk of the selling activity was concentrated to Monday and Tuesday, while the remainder of the week was more favorable in our view. Liquidity became somewhat of an issue as dealers backed away from segments of the market just as money managers contended with withdrawal requests and liquidations. Short-term bonds underperformed due to investors selling front-end bonds first to avoid large dollar losses.

High Yield Widens on Uncertainty

- Another week of wider spreads in high yield as the market continues to price in uncertainty around tariff outcomes. The sector did not participate as much as other asset classes in the big rally on Wednesday after Trump pushed out reciprocal tariffs for another 90 days. Spreads were 20 bps tighter that day but ended Thursday 41 bps wider on the week with spreads in the 65th percentile, in from the 70th on Tuesday. Yields approaching 8.6% appear more attractive, but capital preservation is likely to be a stronger motivation with this much uncertainty out there.

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	3.02	0.46	0.06	4.65	63.65	75.30	11.55	3.66
2 Year	3.09	0.43	0.27	4.76	79.70	78.08	9.63	11.60
5 Year	3.27	0.40	0.36	5.02	86.49	78.52	5.85	12.29
10 Year	3.59	0.38	0.46	5.52	102.90	79.90	3.73	11.44
30 Year	4.66	0.39	0.79	7.17	230.05	95.70	2.35	14.68

Tax-Free

Perfect Storm for Munis

- It was an unprecedented week for tax-exempt municipals as heightened volatility and risk-off sentiment hit during the peak of tax season. Bid-wanted activity increased to over \$4B per day while bid quality and market depth deteriorated. 10-year yields ended the week 69 bps higher despite a 45 bps decline on Thursday. New issues have largely been put on hold due to the volatility so we expect a much larger calendar once the market calms down.

Busiest Trading Day on Record

- Municipal bonds had their busiest day on record Wednesday as yields surged, and investors tried to make sense of an abrupt change in U.S. trade policy. There were 112,660 trade transactions in the state and local government debt market on April 9th, according to data from the MSRB. By way of comparison, the average daily volume over the last ten years is around 42,000.

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International Yields								
	Canada	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	2.68	1.79	0.60	4.05	2.01	2.2	2.04	2.13
5 Year	2.88	2.13	0.81	4.21	2.62	3.0	2.55	2.77
10 Year	3.26	2.57	1.34	4.75	3.35	3.81	3.30	3.53
30 Year	3.55	2.89	2.83	5.52	3.96	4.5	4.03	4.25

Sectors ¹							
	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low	
Investment Grade Corporate	7	113	19	33	119	74	
▪ Financial	5	120	25	38	122	74	
▪ Industrial	7	110	18	32	116	73	
▪ Utility	8	112	9	30	119	78	
High Yield	3	419	72	132	453	253	
Securitized	6	46	6	1	58	34	
▪ Commercial Mortgage-Backed Securities	4	101	13	21	104	75	
▪ Asset-Backed Securities	3	67	7	23	67	42	
▪ Mortgage-Backed Securities	6	42	6	-1	56	31	

Equity			
	Current	Δ MTD	Δ YTD
Dow Jones	40,212.71	-1789.05	-2331.51
S&P 500	5,363.36	-248.49	-518.27
Nasdaq	16,724.46	-574.83	-2586.33

Volatility			
	Current	Δ MTD	Δ YTD
VIX	37.56	15.28	20.21
MOVE	137.26	35.91	38.46

Commodities			
	Current	Δ MTD	Δ YTD
CRB	290.42	-18.88	-6.30
Gold	3244.60	94.30	603.60
Oil	61.50	-9.98	-10.22
Gas	199.91	-29.16	-1.01

Currency			
	Current	Δ MTD	Δ YTD
U.S. Dollar	100.10	-4.11	-8.38
Euro	1.14	0.05	0.10
Pound	1.31	0.02	0.06
Yen	143.54	-6.42	-13.70
Canadian Dollar	1.39	-0.05	-0.05
Franc	0.81	-0.07	-0.09

Central Bank Rates			
	Current	Δ MTD	Δ YTD
United States	4.50	0.00	0.00
Europe	2.65	0.00	-0.50
United Kingdom	4.50	0.00	-0.25
Japan	0.50	0.00	0.25
Canada	2.75	0.00	-0.50

Data is as of 04.11.2025. 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. The **Consumer Price Index (CPI)** is a measure of the average change overtime in the prices paid by urban consumers for a market basket of consumer goods and services. **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 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 ICE BofA 1-10Y Municipal Securities Index** is a subset of the ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity less than 10 years. **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 CBOE Volatility Index**, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days. **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 Bloomberg 1-3 Year U.S. Aggregate Bond Index** is the 1-3 year component of the U.S. Aggregate Index. The Bloomberg U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass through securities, and asset-backed securities. **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.



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