

# Bond Market Review

June 16, 2025

## Summary

- Bond markets were quite resilient last week despite the news coming out of the Middle East on Friday. Yields increased modestly across the curve as higher oil prices threaten to boost inflation just as we await the potential inflationary impact from tariffs. So far, we've seen little impact as the May readings for both CPI and PPI came in below analyst's expectations at 2.4% and 2.6% year over year.

## Taxable

### Corporate Spreads Near All-Time Lows

- At an option adjusted spread of 84 basis points (bps), the Bloomberg US Agg Corporate Index is 10 bps away from the all-time tight level reached in November. As expected, given where relative valuations are, the outperformers last week were largely higher beta and lower quality names which continue to compress. Although we feel the market is being complacent at these levels, both all-in yields appear to remain attractive and corporate earnings appear to remain positive.

### Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
3 Month	4.35	0.02	0.03
6 Month	4.27	-0.04	0.00
1 Year	4.06	-0.04	-0.09
2 Year	3.95	0.05	-0.29
5 Year	4.00	0.04	-0.38
10 Year	4.40	0.00	-0.17
30 Year	4.89	-0.04	0.11

### 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	2.69	-0.08	-0.28	4.13	7.62	66.22	-1.34	-5.42
2 Year	2.70	-0.09	-0.12	4.16	21.10	68.47	-3.06	1.99
5 Year	2.81	-0.07	-0.09	4.33	32.96	70.36	-2.37	4.13
10 Year	3.29	-0.02	0.16	5.06	66.44	74.82	-0.41	6.36
30 Year	4.56	0.02	0.68	7.01	211.54	93.10	1.01	12.07

## Tax-Free

### Munis Outperform Treasuries

- Steady investor demand and positive reinvestment flows helped Munis absorb a heavy supply week and outperform Treasuries. Yields declined across the curve led by the five-year which saw yields decline by four bps. The outperformance pushed Muni-to-Treasury ratios below 70% for this tenor at 68% while the 10-year declined to 75%.

### Trump Proposes FEMA Phaseout

- President Trump announced a planned phaseout of the Federal Emergency Management Agency (FEMA) after this year's hurricane season. He proposed creating a council over the next couple of months that would envision the future of FEMA with the goal of empowering governors to respond in emergencies. The lack of a FEMA backstop is likely a credit negative for local governments and could force governments in higher risk areas to boost reserve allocations as soon as next year.

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International Yields								
	Canada	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	2.72	1.86	0.76	3.94	2.17	2.1	2.05	2.06
5 Year	2.97	2.14	1.00	4.06	2.70	2.7	2.47	2.62
10 Year	3.37	2.54	1.44	4.55	3.25	3.48	3.16	3.28
30 Year	3.66	2.99	2.91	5.26	3.99	4.3	3.99	4.11

Sectors <sup>1</sup>							
	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low	
Investment Grade Corporate	7	85	-3	5	119	74	
▪ Financial	5	89	-1	7	122	74	
▪ Industrial	7	82	-3	4	116	73	
▪ Utility	8	95	-2	13	119	78	
High Yield	3	308	-7	21	453	253	
Securitized	6	42	-3	-3	52	34	
▪ Commercial Mortgage-Backed Securities	4	84	-3	4	104	75	
▪ Asset-Backed Securities	3	57	-3	13	75	42	
▪ Mortgage-Backed Securities	6	39	35	-4	49	31	

Equity			
	Current	Δ MTD	Δ YTD
Dow Jones	42,197.79	-72.28	-346.43
S&P 500	5,976.97	65.28	95.34
Nasdaq	19,406.83	293.06	96.04

Volatility			
	Current	Δ MTD	Δ YTD
VIX	20.82	2.25	3.47
MOVE	95.31	3.20	-3.49

Commodities			
	Current	Δ MTD	Δ YTD
CRB	309.90	19.47	13.18
Gold	3452.80	137.40	811.80
Oil	72.98	12.19	1.26
Gas	222.76	21.25	21.84

Currency			
	Current	Δ MTD	Δ YTD
U.S. Dollar	98.18	-1.15	-10.30
Euro	1.15	0.02	0.12
Pound	1.36	0.01	0.11
Yen	144.07	0.05	-13.17
Canadian Dollar	1.36	-0.01	-0.08
Franc	0.81	-0.01	-0.10

Central Bank Rates			
	Current	Δ MTD	Δ YTD
United States	4.50	0.00	0.00
Europe	2.15	-0.25	-1.00
United Kingdom	4.25	0.00	-0.50
Japan	0.50	0.00	0.25
Canada	2.75	0.00	-0.50

Data is as of 06.13.2025. Source: Bloomberg L.P. Please refer to page 3 for important definitions and disclosures.

<sup>1</sup>Sectors 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. The **Producer Price Index (PPI)** measures the average change over time in the selling prices received by domestic producers for their output. **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 funds, 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 ICE BofA High Yield Master II Index** is an unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. It includes zero-coupon bonds and payment-in-kind (PIK) bonds. **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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