

Bond Market Review

July 28, 2025

Summary

- The macro calendar contains several key economic data releases this week including Q2 Gross Domestic Product (GDP), Core Personal Consumption Expenditure (PCE), and the July Federal Open Market Committee (FOMC) meeting. Market participants will attempt to gain clarity on how tariffs are impacting growth, inflation, and monetary policy decisions. The Federal Reserve's statement will be dissected for any hint of dovishness given the recent pressure applied by President Trump.

Taxable

Summer Grind With a Few Surprises

- Earnings season brought a few negative surprises with names like Charter Communications and Intel while potential consolidation in the railroad sector also resulted in some underperformance. Overall, investment grade corporate spreads were flat and fully in summer grind mode. Charter's spreads were three-five bps wider Friday after posting higher broadband customer losses than expected. Intel was five-seven basis points wider as their earnings report showed minimal progress on their turnaround.

High Yield Corporates Rally with Equities

- The high yield market posted excess return of 0.32% last week in what was a relatively quiet week for macro news. Stocks trading to new highs were part of the story as risk generally continues to be in favor, with investors seemingly looking through near-term tariff volatility. Spreads were nine bps tighter on the week and are 14 bps tighter in July, trading in the second 10-year percentile with the option-adjusted spread at 282 bps.

Treasury Yields			
Term	Treasury Yield	Δ MTD	Δ YTD
3 Month	4.35	0.05	0.03
6 Month	4.27	0.02	0.00
1 Year	4.09	0.13	-0.05
2 Year	3.92	0.20	-0.32
5 Year	3.96	0.16	-0.42
10 Year	4.39	0.16	-0.18
30 Year	4.93	0.16	0.15

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	2.42	-0.17	-0.55	3.72	-36.86	59.15	-6.25	-12.49
2 Year	2.44	-0.18	-0.38	3.75	-17.55	62.09	-8.16	-4.39
5 Year	2.57	-0.15	-0.34	3.95	-0.96	64.84	-6.79	-1.38
10 Year	3.33	0.12	0.20	5.13	73.84	75.94	0.02	7.48
30 Year	4.77	0.24	0.89	7.33	240.42	96.70	1.97	15.68

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Munis Stabilize After Underperforming

- The Muni market found firmer footing last week after buyers emerged for long-term bonds trading near five percent. The improved demand for this segment seemed to translate to better sentiment in general, in our view, leading to a slight reversal of last week's bear steepening. Municipal-to-Treasury ratios closed the week at 65% in five-years, 76% in 10-years, and 96% in 30-years.

Sales Tax Holidays Reduce Revenue

- Sales tax holidays in 18 states will reduce their revenue by a collective \$1.3B in 2025, according to a recent study by the Institute on Taxation and Economic Policy. The states are on the hook for lost sales taxes from items like school supplies, energy-efficient appliances, and emergency supplies, with E11 states having tax holidays for back-to-school shopping.

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International Yields								
	Canada	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	2.81	1.95	0.84	3.88	2.21	2.2	2.08	2.09
5 Year	3.08	2.30	1.12	4.06	2.78	2.8	2.53	2.69
10 Year	3.53	2.72	1.57	4.64	3.39	3.55	3.31	3.40
30 Year	3.84	3.21	3.02	5.45	4.18	4.4	4.12	4.27

Sectors ¹							
	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low	
Investment Grade Corporate	6.79	76	-7	-4	119	74	
▪ Financial	5.30	76	-9	-6	122	74	
▪ Industrial	7.44	74	-7	-4	116	73	
▪ Utility	8.05	84	-9	2	119	78	
High Yield	2.86	274	-16	-13	453	253	
Securitized	5.88	39	-1	-6	52	34	
▪ Commercial Mortgage-Backed Securities	3.90	80	-4	0	104	75	
▪ Asset-Backed Securities	2.70	52	-5	8	75	42	
▪ Mortgage-Backed Securities	6.06	37	0	-6	49	31	

Equity			
	Current	Δ MTD	Δ YTD
Dow Jones	44,901.92	807.15	2357.70
S&P 500	6,388.64	183.69	507.01
Nasdaq	21,108.32	738.59	1797.53

Volatility			
	Current	Δ MTD	Δ YTD
VIX	14.93	-1.80	-2.42
MOVE	82.09	-8.17	-16.71

Commodities			
	Current	Δ MTD	Δ YTD
CRB	302.25	4.97	5.53
Gold	3392.50	84.80	751.50
Oil	65.16	0.05	-6.56
Gas	209.70	2.49	8.78

Currency			
	Current	Δ MTD	Δ YTD
U.S. Dollar	97.65	0.77	-10.84
Euro	1.17	0.00	0.14
Pound	1.34	-0.03	0.09
Yen	147.69	3.66	-9.55
Canadian Dollar	1.37	0.01	-0.07
Franc	0.80	0.00	-0.11

Central Bank Rates			
	Current	Δ MTD	Δ YTD
United States	4.50	0.00	0.00
Europe	2.15	0.00	-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 07.25.2025. 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 **Federal Open Market Committee (FOMC)** is a key part of the Federal Reserve System, responsible for setting the nation's monetary policy.

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 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. **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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