

Bond Market Review

August 25, 2025

Summary

- Federal Reserve (Fed) Chairman Jerome Powell's comments at Jackson Hole were perceived to be dovish by the market and viewed as a signal for a rate cut as soon as the next policy meeting in September. Despite the recent increase in inflation, Powell remained open to rate cuts as downside risks to the labor market could justify an adjustment to Fed policy.

Treasury Yields			
Term	Treasury Yield	Δ MTD	Δ YTD
3 Month	4.18	-0.15	-0.13
6 Month	4.04	-0.23	-0.23
1 Year	3.87	-0.22	-0.28
2 Year	3.70	-0.26	-0.55
5 Year	3.76	-0.21	-0.62
10 Year	4.25	-0.12	-0.32
30 Year	4.88	-0.02	0.09

Taxable

Powell's Comments Boost Corporates

- It was a fairly negative week for investment grade corporates until Powell's comments at Jackson Hole sparked a rally across the sector. Spreads were one-three basis points (bps) tighter with index level spreads reaching 75 bps, which is near the tightest level of the year. Lower yields are generally negative for demand, raising the chances of higher supply going forward, but in our view, with supply being easily absorbed all year it could take a meaningful increase to make an impact.

High Yield Unwinds Recent Widening

- The high yield market was in snooze mode for most of the week, before Powell's Jackson Hole speech sent valuations sharply higher. Spreads were approximately 12 bps tighter which, in our opinion, will unwind the drift widening we saw last week. Lower rates are generally positive for companies issuing high yield debt with lower quality segments rallying the most.

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	2.20	-0.18	-0.77	3.39	-48.03	56.93	-1.28	-14.71
2 Year	2.22	-0.18	-0.60	3.41	-28.40	60.01	-0.57	-6.48
5 Year	2.39	-0.14	-0.52	3.67	-8.82	63.47	-0.19	-2.75
10 Year	3.22	-0.05	0.09	4.95	70.01	75.70	1.03	7.24
30 Year	4.66	-0.03	0.79	7.17	229.22	95.56	-0.18	14.53

Tax-Free

Muni Curve Continues Steepening Trend

- The municipal curve steepened another nine bps from one-10 years with the pivot point being between six and seven years. Elevated supply, fiscal concerns, and fears of higher inflation have driven long-term yields higher while short-term yields declined. Year-to-date the 10-year AAA-rated yield is nine bps higher and the 30-year yield is 79 bps higher, compared to 77 bps lower for the 1-year yield.

Unemployment Rates Increase in 17 States

- Recent Bureau of Labor Statistics data indicates that 17 states, including DC, saw unemployment rate increases deemed to be statistically significant with only five seeing decreases (IN, IL, NY, WV, and SC). California, Nevada, Michigan, Oregon, and Ohio now have unemployment rates above 5% with DC above 6%. South Dakota commands a 1.9% unemployment rate and is the only state under 2% although every state is now seeing unemployment rates rise albeit at different rates.

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International Yields								
	Canada	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	2.69	1.95	0.88	3.94	2.19	2.2	2.04	2.08
5 Year	2.95	2.28	1.16	4.10	2.78	2.7	2.50	2.66
10 Year	3.44	2.72	1.62	4.69	3.42	3.53	3.30	3.37
30 Year	3.84	3.31	3.22	5.55	4.31	4.5	4.16	4.28

Sectors ¹							
	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low	
Investment Grade Corporate	6.84	75	-1	-5	119	73	
▪ Financial	5.32	76	-1	-6	122	74	
▪ Industrial	7.49	73	-1	-5	116	71	
▪ Utility	8.05	82	-2	0	119	78	
High Yield	2.84	279	1	-8	453	253	
Securitized	5.76	38	-4	-7	52	34	
▪ Commercial Mortgage-Backed Securities	3.91	79	-1	-1	101	75	
▪ Asset-Backed Securities	2.69	51	0	7	75	42	
▪ Mortgage-Backed Securities	5.93	35	-5	-8	49	31	

Equity			
	Current	Δ MTD	Δ YTD
Dow Jones	45,631.74	1500.76	3087.52
S&P 500	6,466.91	127.52	585.28
Nasdaq	21,496.54	374.09	2185.75

Volatility			
	Current	Δ MTD	Δ YTD
VIX	14.22	-2.50	-3.13
MOVE	78.10	-1.74	-20.70

Commodities			
	Current	Δ MTD	Δ YTD
CRB	300.00	0.22	3.28
Gold	3418.50	69.90	777.50
Oil	63.66	-5.60	-8.06
Gas	215.85	-1.54	14.93

Currency			
	Current	Δ MTD	Δ YTD
U.S. Dollar	97.72	-2.25	-10.77
Euro	1.17	0.03	0.14
Pound	1.35	0.03	0.10
Yen	146.94	-3.81	-10.30
Canadian Dollar	1.38	0.00	-0.06
Franc	0.80	-0.01	-0.10

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	4.00	-0.25	-0.75
Japan	0.50	0.00	0.25
Canada	2.75	0.00	-0.50

Data is as of 08.22.2025. 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 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. **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.