

Bond Market Review

September 15, 2025

Summary

- The Federal Reserve (Fed) is expected to cut interest rates by 25 basis points (bps) at the September Federal Open Market Committee meeting this Wednesday. Although the rate decision is important, market participants seem likely to pay more attention to the economic projections, dot plot, and commentary to determine the forward path of Fed policy. Despite above-target inflation, the Treasury futures market is pricing around three cuts in 2025 and another three cuts by early 2027.

Taxable

Spreads Tighten as Yields Decline

- Investment grade corporate spreads treaded water early last week before supply tapered off over the last two days allowing spreads to tighten. This occurred despite lower yields as sector-level yields are down close to 80 bps from April's highs and now are at the lowest point since this time last year. In our view, we see parallels to 2024 as rates rallied on weaker employment data, which later rebounded, sending yields higher and spreads tighter.

High Yield Outperforms

- The high yield market performed well last week supported by a cooler Producer Price Index print, a neutral-to-warm Consumer Price Index print and higher initial jobless claims. Spreads rallied as the market effectively priced in one 25 bps rate cut by the Fed this week, as the labor market data continues to show signs of weakness. Through Thursday's close, spreads were six bps tighter at 278 bps, while all-in yields moved lower to 6.61%.

Treasury Yields			
Term	Treasury Yield	Δ MTD	Δ YTD
3 Month	4.02	-0.12	-0.29
6 Month	3.85	-0.11	-0.41
1 Year	3.65	-0.18	-0.49
2 Year	3.56	-0.06	-0.69
5 Year	3.63	-0.07	-0.75
10 Year	4.06	-0.17	-0.50
30 Year	4.68	-0.25	-0.10

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	2.06	-0.13	-0.91	3.16	-48.61	56.35	-0.83	-15.29
2 Year	2.02	-0.19	-0.80	3.11	-44.33	56.90	-4.15	-9.59
5 Year	2.14	-0.23	-0.76	3.29	-34.42	58.84	-5.21	-7.38
10 Year	2.88	-0.32	-0.25	4.42	36.03	70.76	-4.89	2.30
30 Year	4.26	-0.38	0.39	6.56	187.64	91.06	-3.06	10.03

Tax-Free

Muni Strength Continues

- The tax-exempt municipal curve bull steepened as strong inflows, to the tune of \$2.2B last week, continue to support the market during a historically weak period. Long-term and high yield funds were the primary recipients at \$1.1B and \$1.3B respectively. The ICE BofA 1-10 Year Index returned 1.18% month-to-date through last Thursday led by A-rated bonds that outperformed AAA and BBB-rated bonds by 13 and 12 bps.

Long Island Railroad Engineers Could Strike

- New York's Long Island Railroad (LIRR), falling under the management of New York's Metropolitan Transportation Authority (MTA), is facing a potential strike this week by locomotive engineers. The union representing about 600 workers of LIRR rejected a proposed 9.5% raise over three years which was roughly the same agreement ironed out with MTA's subway and bus workers. The LIRR is the largest commuter line in the U.S. and MTA management has already begun lining up free bus service to cover the rush hour commute. If an agreement is not reached, a strike could begin as soon as September 18.

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International Yields								
	Canada	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	2.51	2.02	0.87	3.98	2.25	2.3	2.12	2.08
5 Year	2.76	2.31	1.14	4.10	2.82	2.8	2.53	2.65
10 Year	3.19	2.72	1.59	4.67	3.51	3.52	3.29	3.38
30 Year	3.62	3.30	3.22	5.50	4.33	4.5	4.15	4.30

Sectors ¹							
	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low	
Investment Grade Corporate	6.95	74	-5	-6	119	73	
▪ Financial	5.40	76	-4	-6	122	74	
▪ Industrial	7.61	72	-6	-6	116	71	
▪ Utility	8.19	81	-5	-1	119	78	
High Yield	2.78	270	-1	-17	453	253	
Securitized	5.53	32	-5	-13	52	32	
▪ Commercial Mortgage-Backed Securities	3.90	78	0	-2	101	75	
▪ Asset-Backed Securities	2.68	49	-2	5	75	42	
▪ Mortgage-Backed Securities	5.67	29	-5	-14	49	28	

Equity			
	Current	Δ MTD	Δ YTD
Dow Jones	45,834.22	289.34	3290.00
S&P 500	6,584.29	124.03	702.66
Nasdaq	22,700.39	685.55	2830.31

Volatility			
	Current	Δ MTD	Δ YTD
VIX	15.18	-0.94	-2.17
MOVE	85.29	5.90	-13.51

Commodities			
	Current	Δ MTD	Δ YTD
CRB	301.72	-0.63	5.00
Gold	3686.40	170.30	1045.40
Oil	62.69	-1.32	-9.03
Gas	198.54	1.65	-2.38

Currency			
	Current	Δ MTD	Δ YTD
U.S. Dollar	97.55	-0.22	-10.94
Euro	1.17	0.00	0.14
Pound	1.36	0.01	0.10
Yen	147.68	0.50	-9.56
Canadian Dollar	1.38	0.00	-0.05
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	4.00	0.00	-0.75
Japan	0.50	0.00	0.25
Canada	2.75	0.00	-0.50

Data is as of 09.12.2025. 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. **Metropolitan Transportation Authority (MTA)** is a public authority or public benefit corporation responsible for providing and managing public transportation services, such as subways, buses, and commuter railroads, within a metropolitan area.

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. **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. **The ICE BofA 1-10 Year Index** is a performance benchmark for a broad segment of the U.S. fixed-income market, encompassing U.S. government, corporate, and agency debt securities with remaining maturities between one and ten years. **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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