

Bond Market Commentary

Increased volatility led the second quarter in conjunction with Liberation Day on April 2nd elevating uncertainty globally around U.S. Trade policy. Exacerbating matters, international conflicts escalated, particularly in the Middle East, contributing further to volatility across markets. Add to that, debate over fiscal sustainability and the varied interpretations on short- and long-term interest rate levels, it is no wonder markets were in motion.

Despite the uptick in volatility and headline risk, interest rates remained largely rangebound. The quarter ended with the front-end near range lows and longer rates closer to mid-range. The shape of the yield curve ended steeper as we anticipated.

The long end of the yield curve did finish higher from where it started the quarter. Only the longest maturities produced negative returns for the quarter. Alternatively, the decline in short to intermediate maturity yields helped produce favorable returns in that maturity range.

Credit spreads tightened from their initial sell off at the beginning of the quarter and ended lower from where they began it. In fact, investment grade corporate credit spreads returned to bottom decile secular and cyclical lows. This benefited corporate credit returns versus other sectors this quarter.

Tax-exempt municipal yields as a percent to U.S. Treasury yields rose to more attractive levels in April. Much like in the taxable space, however, any improved relative value compressed back rather rapidly to the less than attractive levels seen before Liberation Day.

Valuations in most credit sectors appear rich. The pace of growth is slowing, employment is trending weaker, and the consumer is pulling back. Combine those factors with the risk around such tight credit levels, we expect more quality-oriented sectors to provide better relative value in the coming quarter.

Index Returns (%) As of 6/30/2025	Performance Period		
	3 Month	6 Month	1 Year
Bloomberg U.S. Treasury Intermediate	1.46	3.98	5.35
Bloomberg Govt/Credit Intermediate	1.67	4.13	5.65
Bloomberg Intermediate Aggregate	1.51	4.16	5.58
Bloomberg U.S. Treasury	0.85	3.79	4.51
Bloomberg Govt/Credit	1.22	3.95	4.66
Bloomberg Aggregate	1.21	4.02	4.88
Bloomberg U.S. Treasury 20+ Year	-1.92	2.59	0.07
Bloomberg Corporate	1.82	4.17	4.90
Bloomberg Corporate Intermediate	2.12	4.45	6.32
Bloomberg Corporate High Yield	3.53	4.57	7.69
Bloomberg Credit AAA	0.84	3.55	1.95
Bloomberg Credit AA	1.33	3.79	3.68
Bloomberg Credit A	1.80	4.22	4.63
Bloomberg Credit BAA	1.95	4.21	5.39
Bloomberg MBS	1.14	4.23	5.39
Bloomberg TIPS	0.48	4.67	6.17
Bloomberg Inter-Short Muni	1.14	1.95	2.32

Daily Generic Municipal Bond Yields (%) as of 6/30/2025

Term	Maturity	AAA	AA	A	BAA
1 Yr.	2026	2.57	2.64	2.87	3.15
2 Yr.	2027	2.59	2.65	2.89	3.16
3 Yr.	2028	2.64	2.70	2.92	3.21
4 Yr.	2029	2.65	2.73	2.95	3.25
5 Yr.	2030	2.70	2.80	3.02	3.33
7 Yr.	2032	2.86	3.03	3.23	3.58
9 Yr.	2034	3.08	3.31	3.50	3.85
10 Yr.	2035	3.19	3.45	3.64	3.99
12 Yr.	2037	3.37	3.68	3.85	4.19
14 Yr.	2039	3.60	3.98	4.12	4.45
15 Yr.	2040	3.71	4.14	4.27	4.59
17 Yr.	2042	3.88	4.30	4.42	4.71
19 Yr.	2044	4.03	4.49	4.60	4.88
20 Yr.	2045	4.11	4.57	4.67	4.94
25 Yr.	2050	4.36	4.82	4.90	5.18
30 Yr.	2055	4.47	4.93	5.01	5.29

Data Source: Bloomberg

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Index Descriptions:

Bloomberg U.S. Intermediate Treasury Index: Unmanaged index includes all domestic publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to 1 year and less than 10 years, are rated investment grade, and have \$250 million or more of outstanding face value.

Bloomberg Intermediate Government/Credit Index: Broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index with less than 10 years to maturity. The index includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

Bloomberg Intermediate Aggregate Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market with less than 10 years to maturity. The securitized sector is wholly included. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

Bloomberg U.S. Treasury Bond Index: Is part of the Bloomberg global family of domestic government bonds indices. The index measures the performance of the U.S. Treasury bond market, using market capitalization weighting and a standard rule-based inclusion methodology.

Bloomberg U.S. Government/Credit Bond Index: Broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. The index includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

Bloomberg U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg U.S. Treasury 20+ Year Index: Measures U.S. dollar-denominated, fixed-rate nominal debt issues by the U.S. Treasury with 20+ years to maturity. **Bloomberg U.S. Credit Index:** Composed of all domestic publicly issued, fixed-rate, nonconvertible, and investment-grade corporate debt. Issues are rated at least Baa by Moody's Investors Service or BBB by Standard & Poor's, if unrated by Moody's. Collateralized Mortgage Obligations (CMOs) are not included.

Bloomberg U.S. Intermediate Credit Index: Measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. The index only includes domestic securities with maturity between one and ten years. It is composed of the Bloomberg Barclays U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supnationals and local authorities.

Bloomberg U.S. Corporate High Yield Index: Unmanaged index that is comprised of domestic issues that meet the following criteria: at least \$150 million par value outstanding, maximum credit rating of Ba1 (including defaulted issues) and at least one year to maturity.

Bloomberg Aaa Corporate Index: Measures the Aaa-rated, fixed-rate, taxable domestic corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Aa Corporate Index: Measures the Aa-rated, fixed-rate, taxable domestic corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Government/Credit A+ Bond Index: Unmanaged index that tracks the performance of U.S. Government and corporate domestic bonds rated investment grade or better, with maturities of at least one year with a security rating of A or better.

Bloomberg Baa Corporate Index: Measures the Baa-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Mortgage-Backed Securities Index: Unmanaged index that tracks domestic agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by GNMA, FNMA, and FHLM.

Bloomberg U.S. Treasury Inflation-Protected Securities (TIPS) Index: Represents domestic securities that protect against adverse inflation and provide a minimum level of real return. To be included in this index, bonds must have cash flows linked to an inflation index, be sovereign issues denominated in U.S. currency, and have more than one year to maturity, and, as a portion of the index, total a minimum amount outstanding of 100 million U.S. dollars.

Bloomberg Municipal Bond Inter-Short 1-10 Year Index: Unmanaged index of municipal bonds traded in the U.S. with maturities ranging from 1-10 years.

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