

# Bond Market Commentary

Compared to the prior quarter, the last three months experienced less volatility in both interest rates and credit spreads. The quarter also resulted in a more defined trend that tracked Federal Reserve communication and anticipation of FOMC action in response to changes in economic data. There has been deterioration on both sides of the mandate, but the employment data was enough to justify a reduction from what was considered a slightly restrictive stance.

Risk was rewarded as interest rates declined, the yield curve steepened, and credit spreads contracted. Geopolitical market drivers also eased. Fixed income markets responded positively as new money flowed into all sectors.

BBB-Rated Corporate Credit generated the highest return for the quarter as the combined yield benefit and compression in credit spread was additive. In fact, investment Grade Corporate Credit did well overall as did High Yield when compared to U.S. Treasury returns.

Tax-exempt municipal securities also had a healthy quarter. After struggling earlier in the year due to heavy issuance, tax-exempt municipal bonds recovered. Attractive yields relative to U.S. Treasuries and a steep yield curve towards longer maturities created compelling entry points for investors in that space. Front-end municipals remain expensive. It remains difficult to find decent relative value in shorter maturities relative to taxable alternatives.

Despite the positive returns in most credit sectors, credit markets appear rich. We are cautioned against slowing economic metrics including employment and remain concerned over persistent inflation. We expect more quality-oriented sectors to provide better relative value in the fixed income space in the near-term.

Index Returns (%) As of 9/30/2025	Performance Period		
	3 Month	6 Month	1 Year
<b>Bloomberg U.S. Treasury Intermediate</b>	1.26	2.73	3.50
<b>Bloomberg Govt/Credit Intermediate</b>	1.51	3.20	4.01
<b>Bloomberg Intermediate Aggregate</b>	1.79	3.32	3.82
<b>Bloomberg U.S. Treasury</b>	1.51	2.37	2.06
<b>Bloomberg Govt/Credit</b>	1.91	3.15	2.67
<b>Bloomberg Aggregate</b>	2.03	3.26	2.88
<b>Bloomberg U.S. Treasury 20+ Year</b>	2.45	0.48	-4.80
<b>Bloomberg Corporate</b>	2.60	4.47	3.63
<b>Bloomberg Corporate Intermediate</b>	2.04	4.21	5.08
<b>Bloomberg Corporate High Yield</b>	2.54	6.15	7.41
<b>Bloomberg Credit AAA</b>	2.64	3.50	0.04
<b>Bloomberg Credit AA</b>	2.37	3.73	2.06
<b>Bloomberg Credit A</b>	2.52	4.37	3.31
<b>Bloomberg Credit BAA</b>	2.71	4.71	4.26
<b>Bloomberg MBS</b>	2.43	3.59	3.39
<b>Bloomberg TIPS</b>	2.10	2.59	3.79
<b>Bloomberg Inter-Short Muni</b>	2.21	3.38	3.29

### Daily Generic Municipal Bond Yields (%) as of 9/30/2025

Term	Maturity	AAA	AA	A	BAA
<b>1 Yr.</b>	2026	2.28	2.55	2.75	3.16
<b>2 Yr.</b>	2027	2.25	2.51	2.74	3.13
<b>3 Yr.</b>	2028	2.23	2.47	2.74	3.11
<b>4 Yr.</b>	2029	2.24	2.48	2.79	3.15
<b>5 Yr.</b>	2030	2.29	2.52	2.88	3.23
<b>7 Yr.</b>	2032	2.51	2.73	3.14	3.50
<b>9 Yr.</b>	2034	2.75	2.98	3.40	3.76
<b>10 Yr.</b>	2035	2.90	3.14	3.56	3.92
<b>12 Yr.</b>	2037	3.19	3.44	3.87	4.21
<b>14 Yr.</b>	2039	3.43	3.71	4.14	4.47
<b>15 Yr.</b>	2040	3.52	3.84	4.27	4.60
<b>17 Yr.</b>	2042	3.74	4.04	4.46	4.79
<b>19 Yr.</b>	2044	3.90	4.20	4.63	4.95
<b>20 Yr.</b>	2045	3.97	4.26	4.69	5.00
<b>25 Yr.</b>	2050	4.16	4.44	4.88	5.19
<b>30 Yr.</b>	2055	4.24	4.52	4.94	5.28

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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