



IG Fixed Income Recap

April 2025

A review of IG Fixed Income Sectors

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Performance recap for the year

Sector relative value

Sector performance during the month as well as valuation

Technical and rating changes

Supply and demand for IG bonds as well as rating actions to/from high yield

	bps	bps	%	%
	OAS	OAS change	Total Return	Excess Return
Bloomberg Aggregate	40	5	0.39	-0.25
IG Corporate Market	105	13	-0.03	-0.62
Intermediate	97	15	0.58	-0.50
Long	123	8	-1.29	-0.87
A Finance	94	11	0.38	-0.43
BBB Finance	143	21	0.07	-0.79
A Industrials	77	7	0.00	-0.43
BBB Industrials	127	17	-0.34	-0.92
BBB-A basis	50	10		
MBS	43	7	0.29	-0.38
current coupon 30 year	159	16		
ABS	73	14	0.49	-0.24
CMBS	97	10	0.91	-0.25
Local Authorities	69	3	0.26	-0.30
High Yield	381	39	-0.02	-1.00
CCCs	734	67	-0.75	-1.71
Euro Agg Corporate	111	15	0.99	-0.60
EM USD	253	19	-0.05	-0.74
IG	122	11	0.10	-0.51
HY	473	34	-0.30	-1.13
Asia	152	24	0.08	-0.68
Latin America	351	4	0.22	-0.43

Source (data): Bloomberg; Date range: 3/31/2025-4/30/2025

Ticker performance and market graphs

Structured Products summary

Performance recap for the month

Muni summary

Performance recap for the month

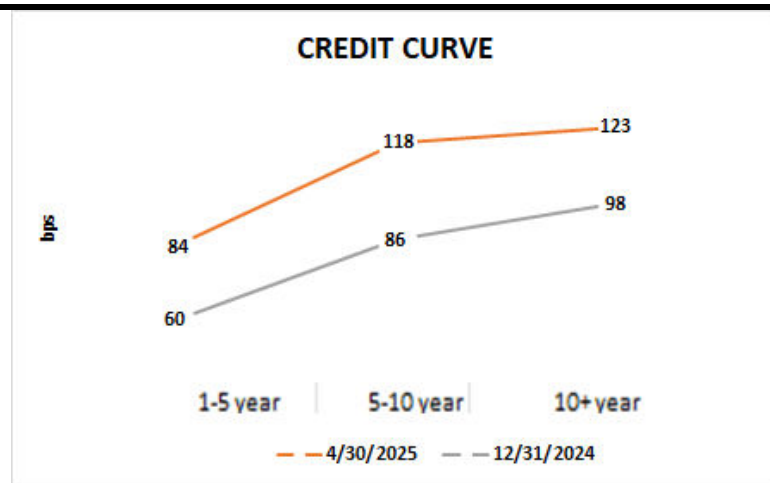
Other Asset Classes

Fixed Income Summary

By Elizabeth Henderson, CFA

Spreads widened in all sectors and the Treasury curve continued its bull twist in April, as tariff concerns that arose in February swelled into panic after "Liberation Day." Volatility as measured by the VIX Index spiked, reaching a high point since 2020, and risk and liquidity premiums increased. Sectors facing negative consequences from tariffs underperformed, such as Consumer Products while others underperformed due to industry or macro driven catalysts (e.g., Energy, Universities). Finally, sectors with a high proportion of foreign holders (e.g., UST, MBS) also underperformed as investors became concerned with potential selling/liquidations and fund flows turned sharply negative. New bond issuance in all sectors was lower than expected in April, which is typical in months of extreme market volatility.

IG Fixed Income Recap



Corporate Market

Corporate spreads continued to widen in April, 7-15 bps across the curve, with BBB spreads widening twice the rate of single-A spreads. The front end underperformed the long end, as yield-oriented investors continued to support the market. Excess return for the month for the Bloomberg Corporate Index was -62 bps. Despite widening two standard deviations in two months, the Corporate OAS remains inside its 5-year mean. Cyclical and Commodity-related sectors underperformed due to the uncertainty related to tariffs and the economy. Industrial and Utility BBB rated bonds continued to widen vs. respective higher rated bonds with these differentials approaching their historic averages. Domestically-focused and less economically sensitive sectors outperformed.

Looking at sectors relative to broad Industrials:

- **Z scores >1.5:** **Construction Machinery**, Health Insurance, Autos, **Consumer Products**, **Independent Energy (LTM)**, **Oil Field Services (LTM)**, **Midstream (LTM)**,
- **Z scores <-1.5:** Metals & Mining, Cable (LTM), Aerospace/Defense (LTM), **Environmental**, **Wireless (LTM)**, **Wireline**, **Food & Beverage**, **Pharma (LTM)**, **Railroads (LTM)**, **P&C Insurance (LTM)**

Source (data and graph): Bloomberg, AAM (LTM noted otherwise 5+ year history) (bold=new for the month; strike-through = no longer valid vs last month)

Corporate market Technicals and Rating Changes

High Grade bond supply in April was **in line with expectations** at \$100B, **3% higher** than the average April since 2021. New issue bonds outperformed secondaries, with spreads tightening vs. the widening we saw in the market.

The average daily **trading volume** for HG bonds was **higher than average** (\$42B, 14% higher).

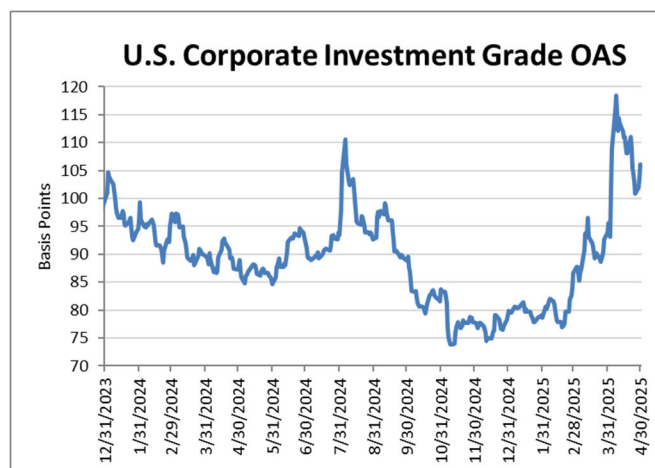
New issue supply is expected to be around **\$135B in May**, and we believe risk is to the upside if market volatility remains subdued.

The attractiveness of U.S. Corporate yields for foreign investors remains at a multi-year low. Fund outflows occurred for US IG, which is the first since October 2023 per Wells Fargo, although YTD they remain positive.

Sources: AAM, JPM, Goldman Sachs

Rating changes (rising stars/fallen angels) Source: Bloomberg:

- *Fallen angels:* Huntsman, Whirlpool
- *Rising stars:* Expand Energy



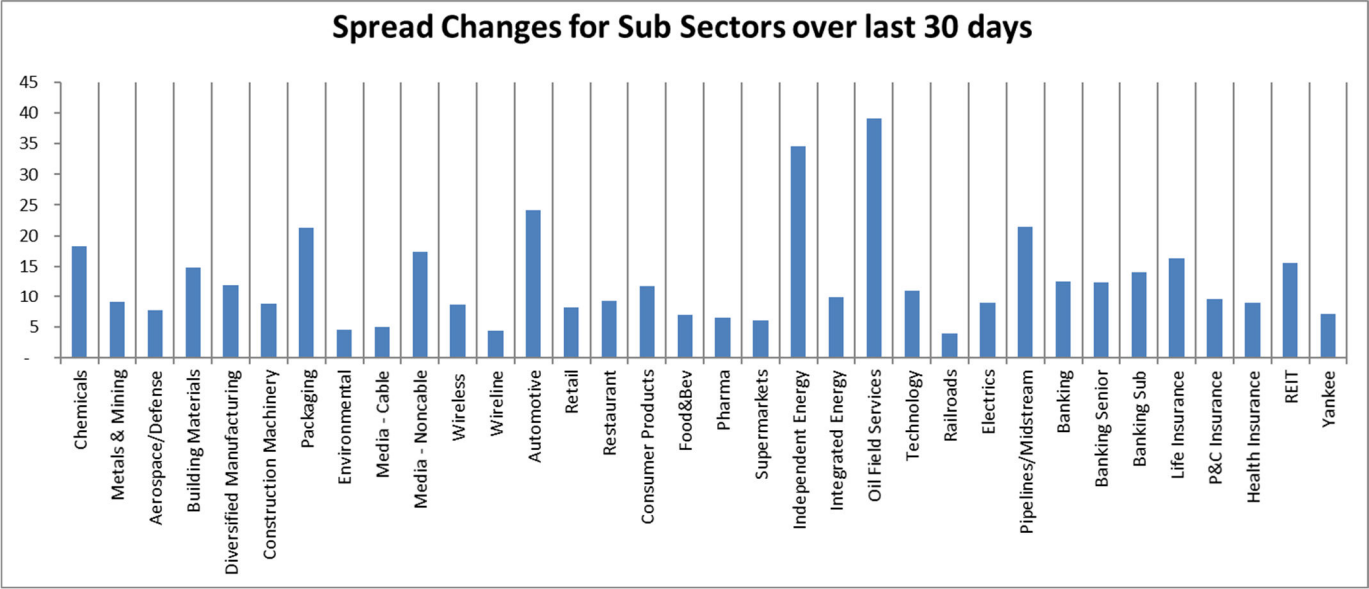
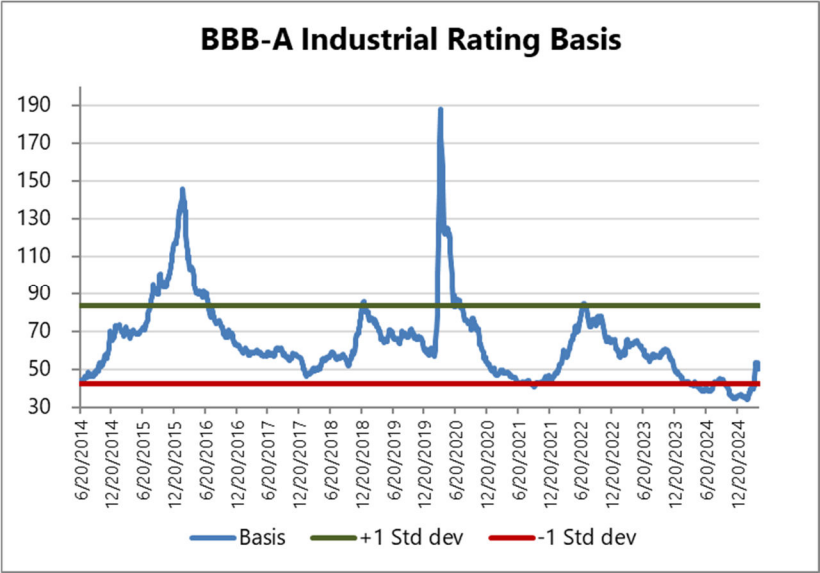
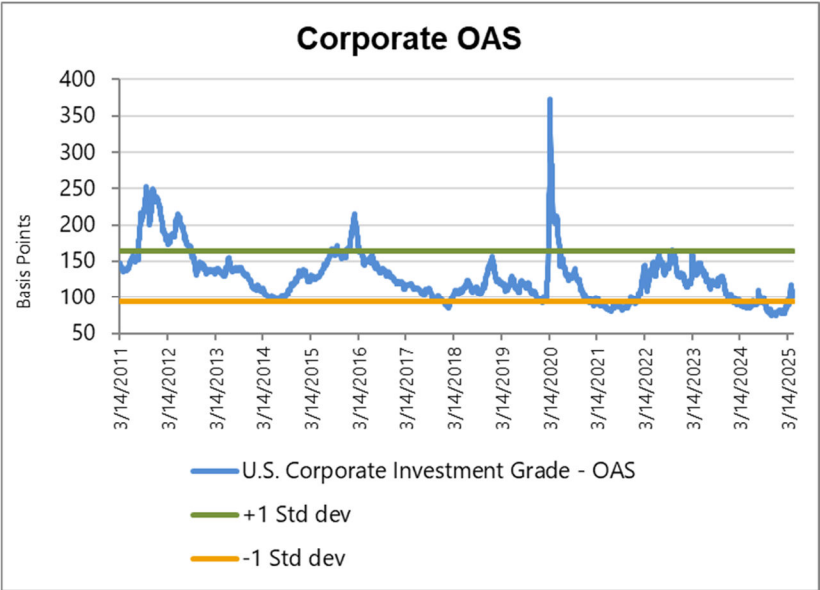
Ticker level performance

The following shows the top and bottom performing issuers based on 'excess return per unit of duration' for that month. This list excludes those with market values less than 0.05% of the Bloomberg Corporate Index. AAM's analysts have provided an explanation for issuer performance.

Top 15 tickers	Tickers	Sector	ER (%)	MV%*	Duration	Notes
1	TRV	P&C	0.4	0.10	11.8	Defensive/Better than expected results
2	BRK	Insurance, Utility	0.4	0.19	11.7	Defensive, Low Beta
3	KVUE	Consumer Products	0.2	0.09	8.9	High quality (HQ) credit
4	GOOGL	Technology	0.2	0.12	8.7	High Quality, Better than expected results
5	NFLX	Media Entertainment	0.1	0.11	4.6	Strong results; Moody's upgrade to A3
6	MSFT	Technology	0.2	0.49	10.8	High Quality, Better than expected results
7	LLY	Pharmaceuticals	0.1	0.37	9.5	HQ credit
8	ADBE	Technology	0.0	0.09	4.0	HQ credit
9	GD	Aerospace/Defense	0.0	0.10	5.8	HQ/low beta credit. New issue performed well
10	V	Technology	0.1	0.17	8.7	Strong 1Q results
11	PSA	Other REITs	0.0	0.08	5.4	HQ REIT; Strong 1Q'25 earnings
12	KO	Food and Beverage	0.0	0.33	8.7	HQ credit
13	CVS	Healthcare	0.0	0.69	7.4	Strong 1Q'25 results
14	JNJ	Pharmaceuticals	0.0	0.40	7.8	Super HQ credit. AAA affirmed
15	TELEFO	Wirelines	(0.0)	0.14	8.7	Top shareholders reported to support an equity offering for M&A or debt reduction
Bottom 15	Tickers	Sector	ER (%)	MV%*	Duration	Notes
1	OVV	Independent	(4.4)	0.06	6.3	Tariff-related econ weakness concerns and OPEC supply
2	OXY	Independent	(3.8)	0.22	6.2	Tariff-related econ weakness concerns and OPEC supply
3	FSK	Finance Companies	(1.6)	0.05	3.1	BDC; high beta; Low BBB
4	OBDC	Finance Companies	(1.1)	0.05	2.3	BDC; high beta; Low BBB
5	LVS	Gaming	(1.5)	0.05	3.1	Economic concerns and international travel to US
6	WBD	Media Entertainment	(3.5)	0.36	7.4	Economic concerns expected to pressure advertising revenue
7	DVN	Independent	(3.4)	0.10	7.7	Tariff-related econ weakness concerns and OPEC supply
8	ARCC	Finance Companies	(1.3)	0.10	3.2	BDC; high beta; Low BBB
9	UAL	Airlines	(1.5)	0.10	3.9	Economic and travel related concerns
10	WES	Midstream	(2.7)	0.09	6.9	Tariff-related econ weakness concerns and OPEC supply
11	SWK	Building Materials	(2.7)	0.05	7.3	Tariff related costs expected to require price increases
12	EQT	Independent	(1.4)	0.05	3.8	Tariff-related econ weakness concerns and OPEC supply
13	F	Automotive	(1.5)	0.66	4.0	Tariffs, risk of downgrade
14	OCINCC	Finance Companies	(1.2)	0.08	3.2	BDC; high beta; Low BBB
15	GPN	Technology	(1.8)	0.11	5.1	Acquisition of Worldpay

Source (graph, table data): Bloomberg, AAM

Corporate market graphs (Source: Bloomberg, AAM)



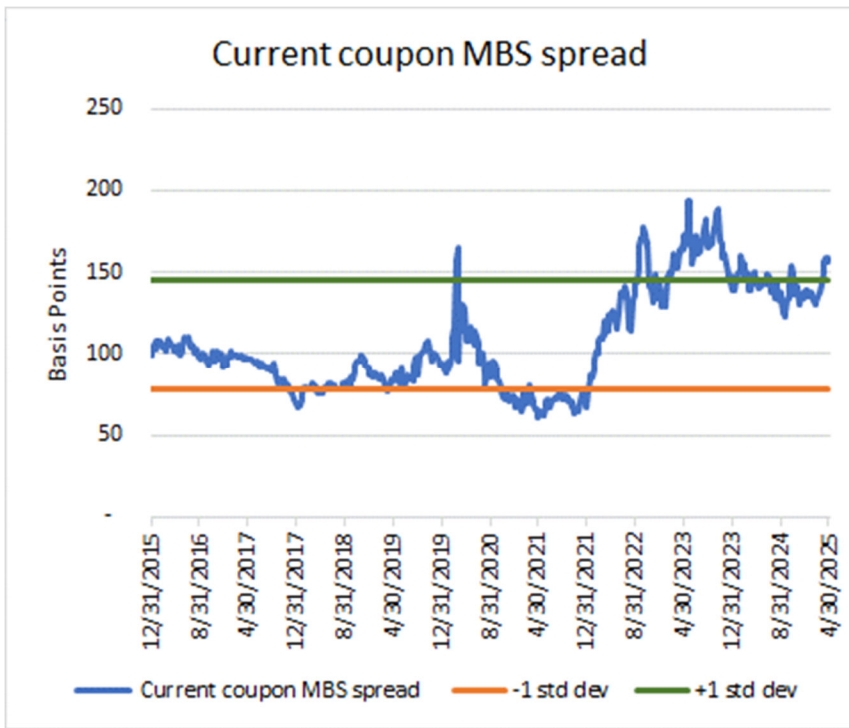
Structured Products

By Chris Priebe and
Mohammed Ahmed

Agency MBS lagged the most, as CMBS and ABS spreads were less volatile

Rating Changes

Rating changes continued to be negative for CMBS conduit and single-asset deals. More ABS deals were upgraded than downgraded, continuing a positive trend.



AGENCY MBS ER -38 bps

The AGY RMBS sector underperformed US Treasuries by 38 basis points in April. Current coupon MBS spreads were 18 basis points (bps) wider on the month. The 30-year current coupon opened near +141 and closed at +159. The AGY MBS market did not see one 30-year coupon produce a positive excess return in April. Low coupon 30 year 2.00's were the worst performer near -47 bps of excess return. 30 year 4.00s and 30 year 7.00s were the top performer of the highly volatile month at -18 and -28 bps in excess returns respectively.

CMBS ER -25 bps

CMBS experienced a round-trip in spreads for April as tariff-related volatility took over. The CMBS market widened to as much as +115 and has returned to about +100 over for 5 and 10-year conduit deals respectively. New issue supply was just under \$4 billion for the month of April, spread across a couple of conduit transactions and a number of floating rate single asset/single borrower deals.

ABS ER -24 bps

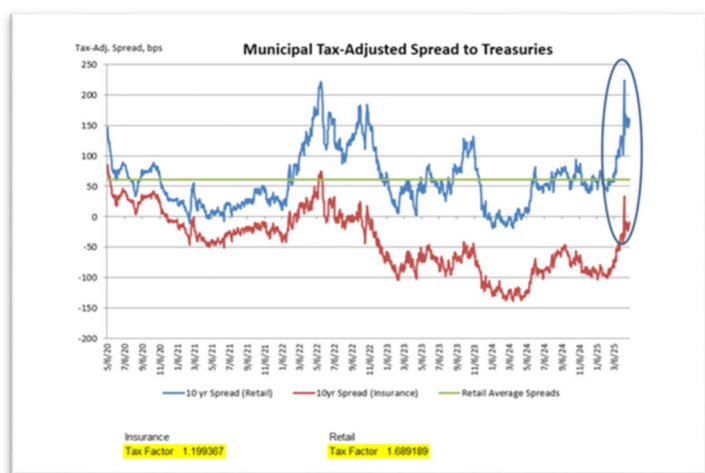
ABS new issuance volume has averaged nearly \$27 billion in April since 2016 in normal, low volatility times. This April with tariff headlines, the market saw only \$15 billion of new issue supply. Many issuers put deals on hold for weeks, as we only saw an unprecedented 5 deals in the first 2 weeks of April. The market saw a number of esoteric deals and autos offering wider spreads than usual later in the month. The few deals that issued saw heavy demand across senior and subordinate tranches at wider levels. CLO issuance was near \$15.4 billion in the month of April with spreads in the 130s for AAA rated new issues.

Sources: Bloomberg (chart: FNCL CC Spread to 5/10)

Municipal Bonds

Source: Greg Bell, CFA, CPA

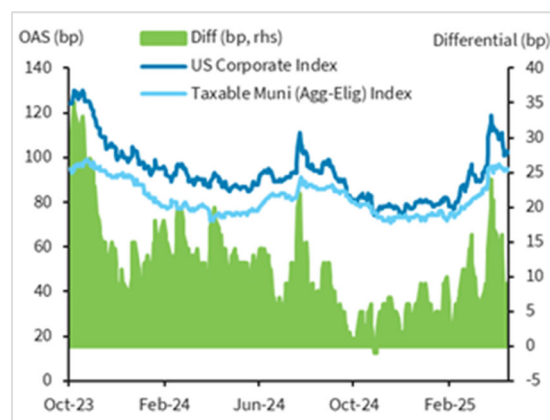
Tax-exempts underperformed due to weak technicals and rate volatility with 10yr Muni/UST ratio reaching a 2.5 year high. Taxable muni spreads also widened due to market volatility and economic uncertainty as well as headline risk related to cuts in appropriations to higher ed institutions.



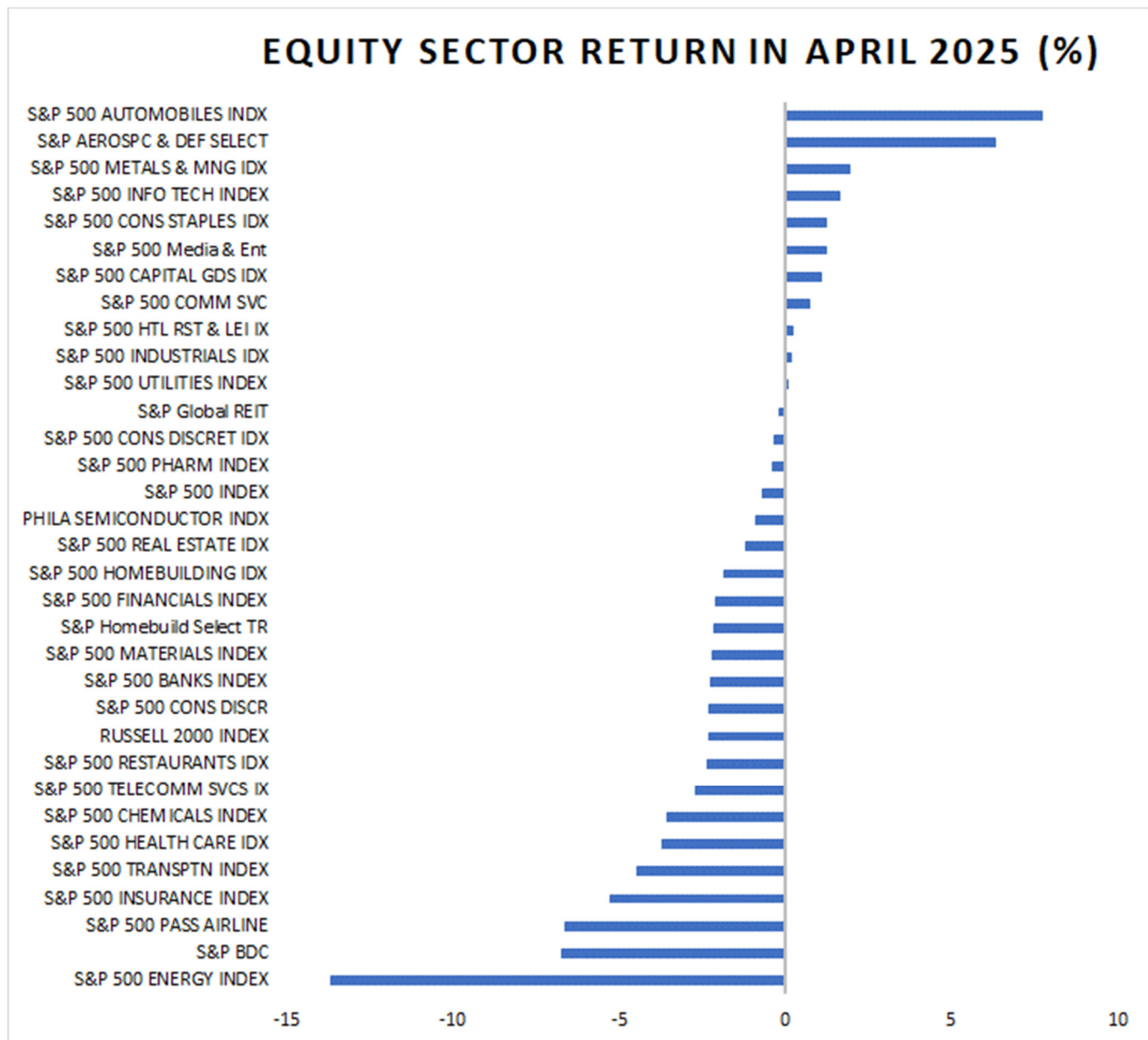
Tax-exempts continued its recent trend of underperformance during April, with 10yr maturity tax-adjusted yield spreads to Treasuries widening by 13 basis points (bps) during the month. This underperformance followed a spread widening of 48bps during March. The primary catalyst for the widening was a continued weakening technical cycle, with heavy new issue supply and slowing demand for the sector into increased tariff-related market volatility. Yields for the sector increased by 25 and 13bps in 3 and 10yr maturities, respectively, while Treasury yield changes were -24 and +3bps in the same years, respectively. After starting the month at 77%, 10yr muni/Treasury yield ratios reached a 2.5-year high of 89% on 4/10/25, the market appears to have stabilized at current relative valuation levels and we enter May with 10yr ratios at 80.2%. (Source: Bloomberg, Refinitiv) The sector is expected to continue to work through an elevated new issuance cycle during May, with issuance expected to come in at \$43B. April new issuance came in at \$41B, which was a decline of 8.4% relative to April 2024. Market volatility during the month caused many issuers to postpone deals and wait for better entry points to develop later in the month. Even with the year-over-year decline, April 2025 was the second highest issuance for the month on record. (Source: Bond Buyer)

Although the sector has suffered through a substantial amount of dislocation to its relative valuation profile versus taxables, spreads remain tight vs. taxable alternatives. The current 10yr tax-adjusted spreads to Treasuries (21% corporate tax rate) widened by 62bps since the beginning of March; however, even with that underperformance, taxable municipals in 10yrs continues to provide a substantial yield advantage of 81bps over similarly rated tax-exempts. We remain compelled to advocate for the reduction in exposure to the tax-exempt sector in favor of taxable alternatives for insurance company portfolios. (Source: Refinitiv, Bloomberg)

Taxables Taxable muni spreads during April also came under pressure due to market volatility and economic uncertainty tied to tariffs. Additionally, the sector continues to be pressured by headline risk related to announced cuts or freezes in appropriations to higher education institutions. Spreads during the month moved wider by 7 to 15bps. With that underperformance, taxable munis are at historically wide levels. Although market volatility appears to have moderated from the extreme levels that gripped the market in mid-April, we continue to expect that the headlines tied to tariffs and appropriation cuts from the Department of Government Efficiency (DOGE) are likely to continue to pressure market volatility and spread levels for the sector over the coming months. (Source: AAM, Bloomberg, Barclays)



U.S. Equity Performance



Source: Bloomberg, AAM