



# IG Fixed Income Recap

June 2025

A review of IG Fixed Income Sectors

## INSIDE

### Corporate performance summary

Performance recap for the year

### Sector relative value

Sector performance during the month as well as valuation

### Technicals 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	33	-1	1.54	0.19
IG Corporate Market	84	-3	1.87	0.38
Intermediate	76	-3	1.34	0.27
Long	102	-4	3.02	0.62
A Finance	74	-5	1.64	0.39
BBB Finance	111	-7	1.82	0.55
A Industrials	62	-1	1.91	0.27
BBB Industrials	102	-4	1.93	0.40
BBB-A basis	40	-3		
MBS	37	-5	1.78	0.36
current coupon 30 year	146	-9		
ABS	56	-2	0.87	0.12
CMBS	84	-3	1.22	0.16
Local Authorities	64	-3	1.99	0.38
High Yield	288	-24	1.84	1.00
CCCs	668	-17	2.31	1.54
Euro Agg Corporate	90	-8	0.26	0.48
EM USD	217	-7	1.91	0.55
IG	104	-1	1.70	0.26
HY	401	-18	2.24	1.03
Asia	128	-4	1.32	0.17
Latin America	305	-10	2.43	0.95

Source (data): Bloomberg; Date range: 5/31/2025-6/30/2025

### Ticker performance and market graphs

### Structured Products summary

Performance recap for the month

### Muni summary

Performance recap for the month

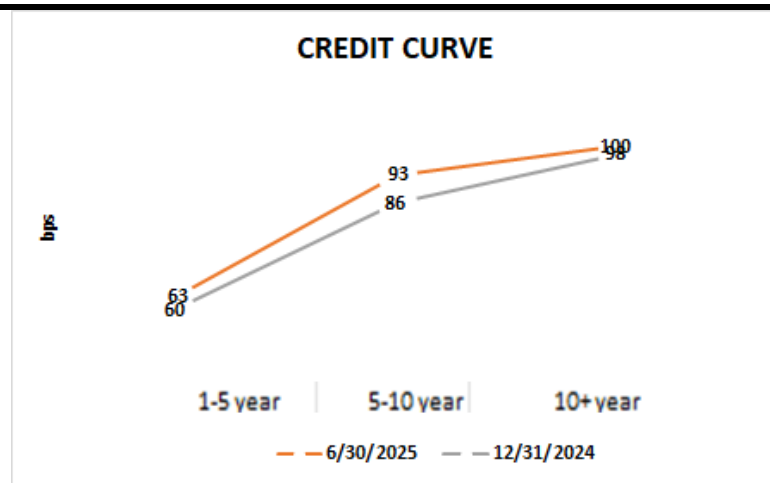
### Other Asset Classes

## Fixed Income Summary

By Elizabeth Henderson, CFA

Spreads tightened in all sectors and Treasury yields shifted lower, as the market's rate outlook became more dovish on mixed economic data. Risk outperformed, both duration and credit. New bond issuance was lower than expected in most sectors but especially Corporate Bonds. Interest rate sensitive sectors performed accordingly, with Agency residential mortgage backed securities (RMBS) performing well, as rates fell and investors prepaes were better than expected in May while Life Insurance spreads widened. Corporate yields have fallen to levels last seen in the fall of 2024.

## IG Fixed Income Recap



## Corporate Market

Higher beta sectors outperformed in June as risk continued to get repriced as the market grows more comfortable with geopolitical and fiscal related uncertainties and domestic economic data. Commodity related sectors outperformed as did Autos and Financials. Higher quality and more defensive sectors underperformed. The long end is statistically overvalued vs. the short to intermediate part of the curve, as new supply of long maturities is at historic lows thus far in 2025.

Looking at sectors relative to broad Industrials:

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

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 June was **lower than expectations** at \$111B, **18% higher** than the average June since 2021. New issue bonds underperformed secondaries, tightening 2 bps from issuance to month-end.

The average daily **trading volume** for HG bonds was **higher than average** (\$35B, 8% higher).

US IG inflows decelerated in June with intermediate-duration funds driving the demand.

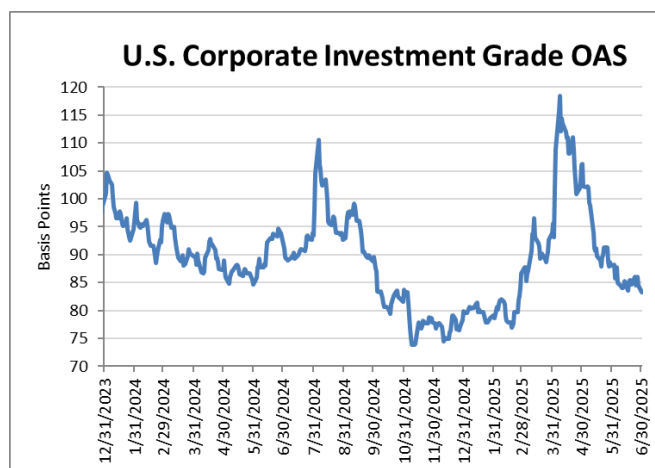
New issue supply is expected to be around **\$125B in July**. With lower yields and volatility, the risk is likely to the upside. YTD supply is 5% y/y.

The attractiveness of U.S. Corporate yields for foreign investors remains unattractive, at lows last seen in 2023. The outlook is positive based on implied forwards.

Sources: AAM, JPM, BofA, Wells

**Rating changes (rising stars/fallen angels)** Fallen angel activity increased in May, exceeding Rising stars for the first time since 2020 due to WBD. (Source: Bloomberg):

- *Fallen angels:* Warner Brothers Discovery (WBD)
- *Rising stars:* AtkinsRealis Group Inc, HA Sustainable Infrastructure Capital Inc, GXO Logistics,



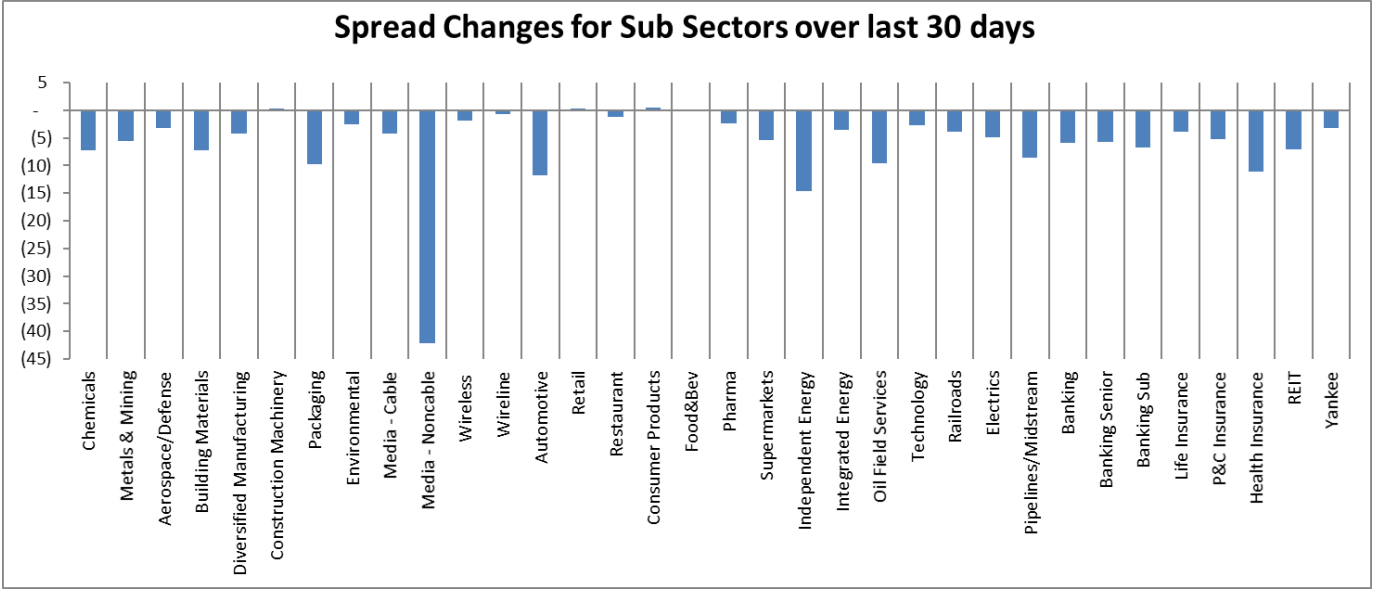
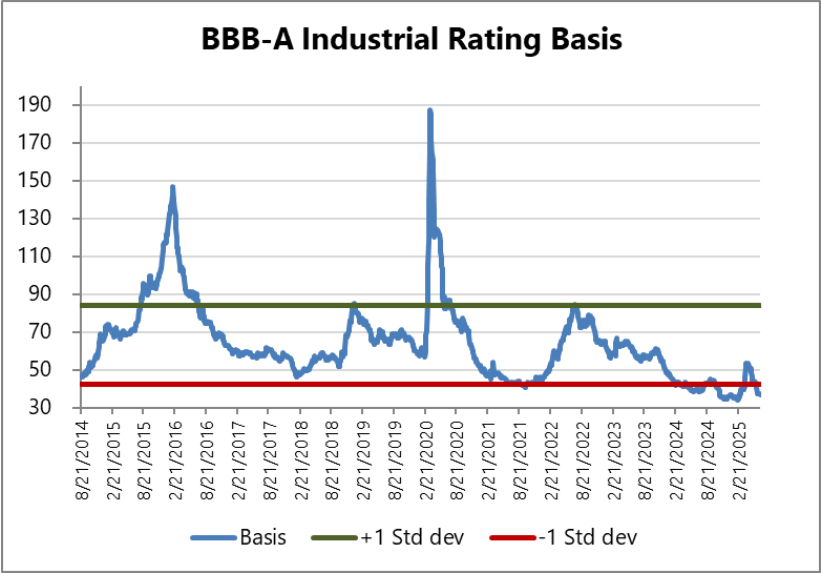
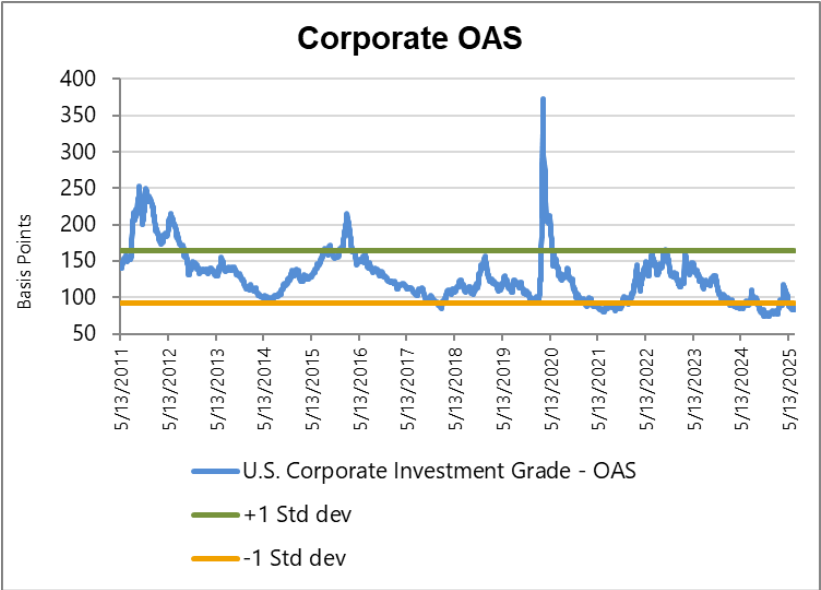
## Ticker level performance

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	LVS	Gaming	1.0	0.07	3.0	Crossover/higher beta credit
2	OVV	Independent	2.0	0.07	6.3	Beneficiary of higher oil price
3	SUZANO	Paper	1.2	0.09	3.7	High Beta rally
4	EXE	Independent	1.1	0.05	3.6	Beneficiary of strong natural gas price
5	OXY	Independent	1.8	0.23	6.2	Beneficiary of higher oil price
6	F	Automotive	0.9	0.66	3.9	High Beta rally
7	SYF	Banking	0.7	0.07	3.1	High beta, consumer finance
8	VTRS	Pharmaceuticals	1.6	0.12	7.1	Crossover/higher beta pharma credit.
9	SANLTD	Gaming	0.6	0.06	3.2	High Beta rally
10	HST	Other REITs	1.1	0.05	5.7	High beta, hotel REIT
11	SANUSA	Banking	0.6	0.14	3.0	High beta, consumer finance
12	EQT	Independent	0.6	0.10	3.2	Beneficiary of strong natural gas price
13	ALLY	Banking	0.7	0.13	3.8	High beta, consumer finance
14	OCINCC	Finance Companies	0.6	0.08	3.1	High beta, BDC
15	SOBOCN	Midstream	1.1	0.05	6.2	High beta midstream in favor this month
Bottom 15						
	Tickers	Sector	ER (%)	MV%	Duration	Notes
1	WBD	Media Entertainment	(14.0)	0.02	6.1	Bonds that were not tendered underperformed after downgrades to high yield
2	HPE	Technology	(0.5)	0.17	6.4	Settlement with DOJ, green lights JNPR acquisition. 101 SMR provisions fall away
3	BABA	Retailers	(0.6)	0.18	8.8	RV reset; had outperformed in May after tariff concerns abated
4	MSFT	Technology	(0.4)	0.48	10.7	Very tight spreads, underperform in risk-on environment.
5	BG	Food and Beverage	(0.1)	0.06	3.9	Merger with Viterro regulatory process is progressing
6	KVUE	Consumer Products	(0.2)	0.10	8.4	Very tight spreads, underperform in risk-on environment.
7	V	Technology	(0.2)	0.16	8.7	A federal judge ruled debit card antitrust case can proceed
8	PCG	Electric	(0.2)	0.46	7.8	Unfavorable legislative news
9	UNANA	Consumer Products	(0.1)	0.14	4.6	Very tight spreads, underperform in risk-on environment.
10	PG	Consumer Products	(0.1)	0.21	5.3	Very tight spreads, underperform in risk-on environment.
11	AMZN	Retailers	(0.2)	0.61	8.5	Very tight spreads, underperform in risk-on environment.
12	EQIX	Technology	(0.1)	0.11	5.6	Lower than expected AFFO growth guidance due to capex (AI)
13	PARA	Media Entertainment	(0.1)	0.16	7.4	Deal uncertainty given political risk
14	WMT	Retailers	(0.1)	0.41	7.4	Very tight spreads, underperform in risk-on environment.
15	ACN	Technology	(0.1)	0.07	4.9	Potential moderation in IT Spending based on CIO surveys

Source (graph, table data): Bloomberg, AAM

# Corporate market graphs (Source: Bloomberg, AAM)



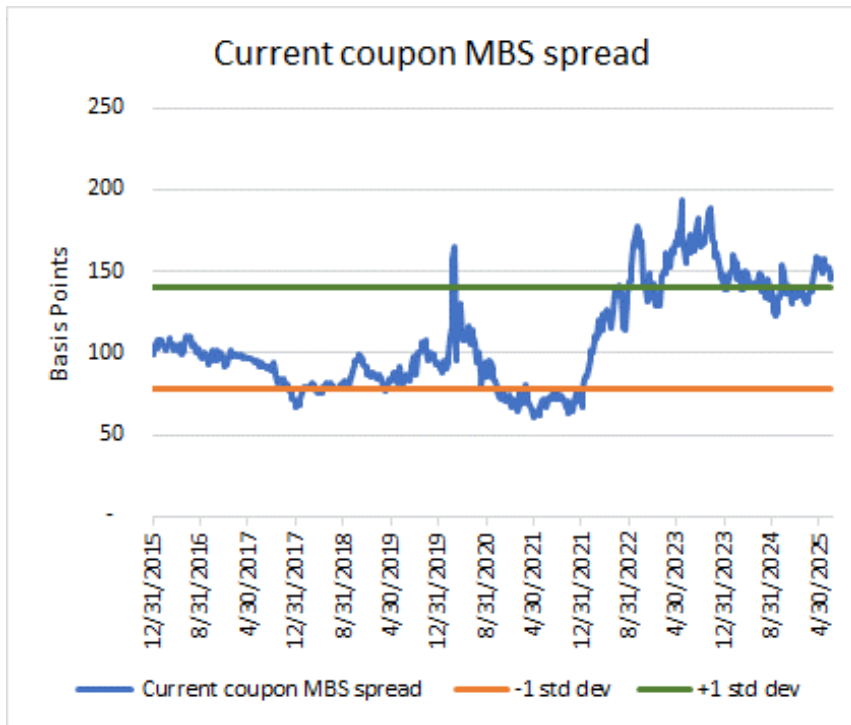
# Structured Products

By Chris Priebe and  
Mohammed Ahmed

**Agency MBS performed well, as CMBS and ABS spreads tightened yet underperformed longer duration sectors.**

## 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 36 bps

Current coupon MBS spreads were 10 basis points tighter on the month, closing at +144. The AGY MBS market had mixed performance. The coupon stack saw lower coupon 30-year 3.00s, 2.50s and 2.00s perform well respectively. 30-year 7.00s outperformed in June at +50 bps of excess return. Given their representation in the Index, they drove MBS Index performance. The belly of the stack from 30-year 3.50's to 6.50's underperformed. 30-year 6.00's was the biggest laggard in excess returns and worst performer for the first time in months at +19 bps. 15-year collateral performed in line with 30-years in June, while outperforming YTD. The May prepay report was better than expected with deep discounts speeding up and premiums slowing. This, along with the rally in rates, helped drive returns.

## CMBS ER 16 bps

New issue supply remained in line with May, as June ended at \$15 billion in new transactions split almost evenly across conduit and single asset/single borrower deals. CMBS spreads tightened by a couple of basis points in 5 and 10 years. New issue concessions remained in line with the previous month at about 10 basis points. Within the CMBS market, BBBs performed the best with positive excess returns of +38 bps, AAAs posted 26 bps of excess returns with the 6+ year bonds performing the best. AA and A rated CMBS excess returns were 26 and 24 bps, respectively.

## ABS ER 12 bps

2025 ABS new issue volume is approximately 8% lower year-over-year at roughly \$176.2 billion YTD. ABS June new issue supply was at \$33.2 billion, including: on-the-run issuers in autos and equipment, off-the-run and first time auto issuers, a 12-year rate reduction deal and a liquid container deal. The June new issue deals continued to see heavy oversubscription across all tranches at tighter levels. The ABS-Utility sector lagged Cards and Autos, but not by much. Autos and Cards posted 16 and 13 bps of excess returns respectively, and ABS-Utilities posted 5 bps.

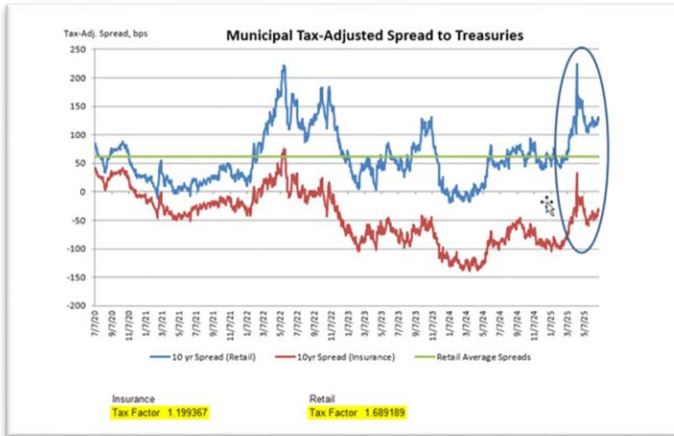
New issue and secondary CLO spreads continued to tighten vs. Corporates and AGY MBS. New issue supply has surpassed \$90 billion YTD with strong demand from ETFs, domestic, and Japanese investors, keeping spreads stable with a slight tightening bias. MTD spreads tightened 3 basis points to 123 for the AAA CLO basis.

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

# Municipal Bonds

Source: Greg Bell, CFA, CPA

**Tax-exempts continued to have a good tone in June due to better demand technicals, which helped offset heavy new issue supply. Taxable muni spreads contracted in June but remain elevated on the longer end of the curve (10+ years). New issuance is expected to be quiet in July.**



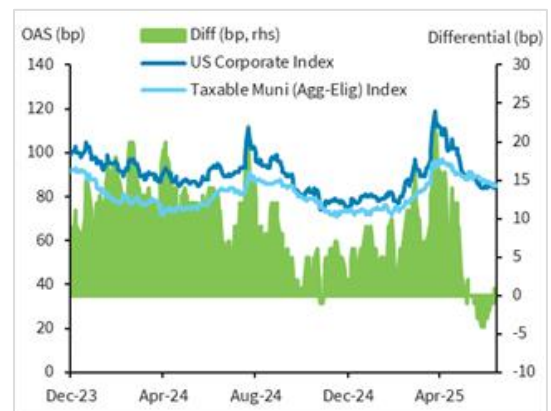
**Tax-exempts** Following the progress in May, June extended the improvement in market tone and demand technicals for the sector. Buying continued to be supported by a continued increase in reinvestment flows that reached \$72B for the month. Demand technicals also were buoyed by mutual fund inflows, which averaged \$284MM per week during the month. Nominal yields in 10yrs fell by 7bps for the month. However, even with the solid demand performance, 10yr muni-to-Treasury yield ratios finished the month 2 percentage points higher at 77%. (Source: BofA, Lipper, Bloomberg, Refinitiv)

Better demand technicals helped the market clear a very heavy new issue calendar that produced ~\$55B in June. Looking forward, the sector is set to absorb another \$51B and \$46B in July and August, respectively. However, tempering some of the weaker supply technicals will be another solid increase in seasonal reinvestment flows that are expected to generate \$76B in July and \$75B in August. (Source: Bond Buyer, BofA)

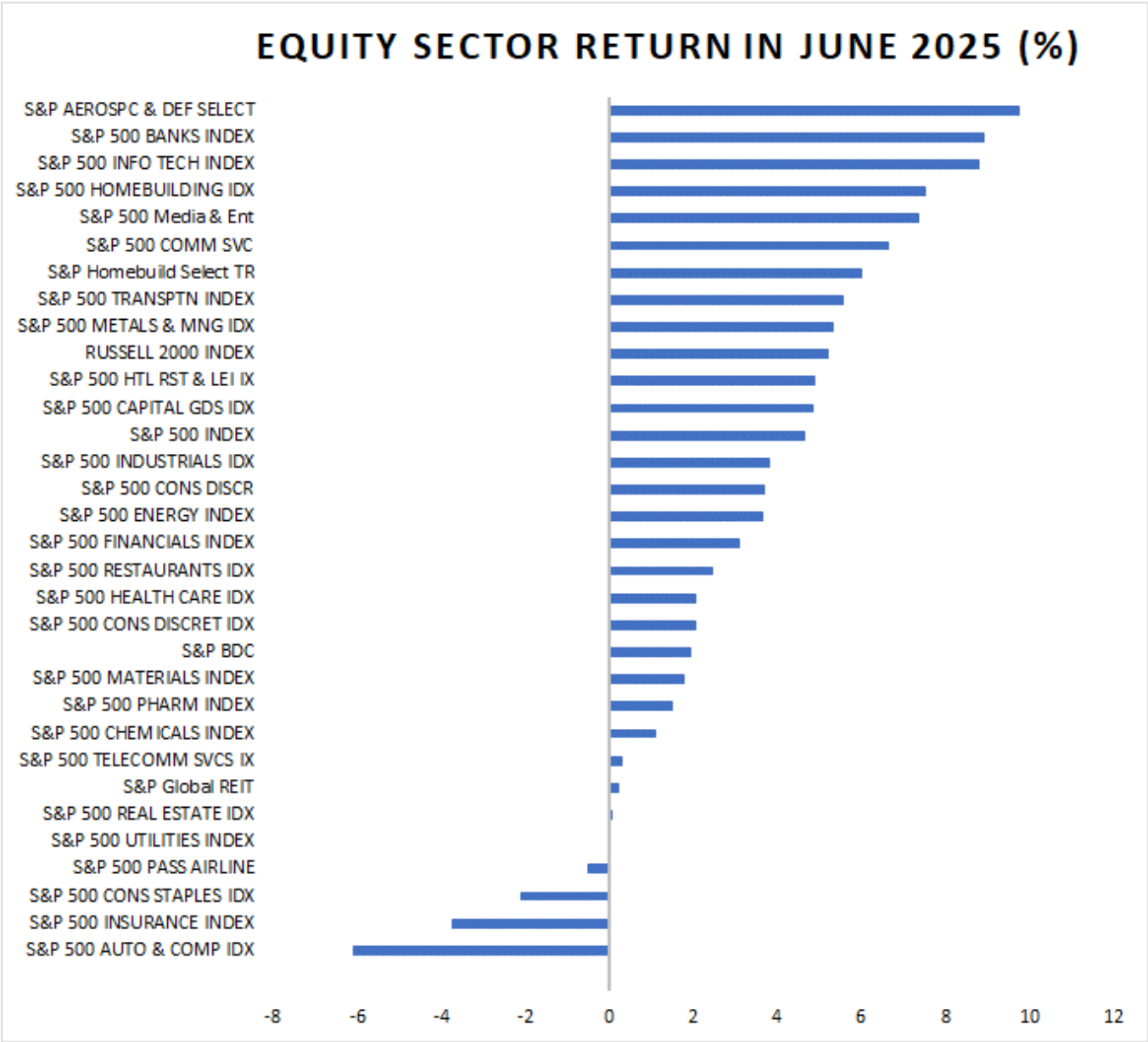
For insurance company portfolios, the 10yr tax-adjusted yield spread comparison between 'AAA' tax-exempts and similarly rated taxable munis continues to favor taxables with a yield advantage of 82bps. This relationship tightened by 11bps during the month of June. (Source: AAM, Bloomberg, Refinitiv)

**Taxables** Taxable muni spreads continued contract across the curve, as the sector continues to track the stronger performance in Corporates. However, spreads from 10 to 30yrs still remain elevated.

Spreads during the month moved tighter by 2 to 10bps, with the 3yr and 30yr tightening the most at 10 and 9bps, respectively. Looking forward, we expect the new issue calendar to remain quiet for July. (Source: AAM, Bloomberg, Barclays)



# U.S. Equity Performance



Source: Bloomberg, AAM