



# IG Fixed Income Recap

September 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

#### 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	28	-2	1.09	0.21
IG Corporate Market	73	-5	1.50	0.48
Intermediate	65	-6	0.72	0.37
Long	89	-4	3.17	0.71
A Finance	63	-7	1.16	0.46
BBB Finance	99	-6	1.14	0.48
A Industrials	55	-4	1.63	0.38
BBB Industrials	87	-7	1.64	0.59
BBB-A basis	33	-3		
MBS	30	-4	1.22	0.35
current coupon 30 year	125	-11		
ABS	47	-4	0.55	0.11
CMBS	75	-2	0.40	0.10
Local Authorities	56	-2	1.21	0.13
High Yield	267	0	0.82	0.48
CCCs	606	43	0.98	0.67
Euro Agg Corporate	77	-7	0.39	0.38
EM USD	198	0	1.11	0.25
IG	84	-8	1.58	0.60
HY	390	17	0.32	-0.32
Asia	99	-6	0.99	0.29
Latin America	308	21	0.40	-0.54

Source (data): Bloomberg; Date range: 8/31/2025 - 9/30/2025

#### Ticker performance and market graphs

#### Structured Products summary

Performance recap for the month

#### Muni summary

Performance recap for the month

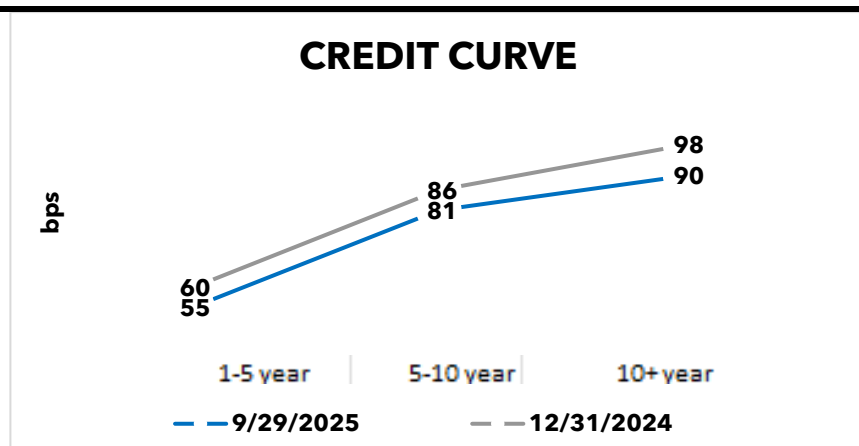
#### Other Asset Classes

## Fixed Income Summary

By Elizabeth Henderson, CFA

September 2025 was marked by robust activity and notable shifts across investment-grade (IG) fixed-income markets. Corporate spreads tightened and credit curves flattened, with intermediate maturities outperforming as investors sought bonds poised to benefit from curve roll. Higher beta sectors outperformed, as investors became more comfortable with cyclical risk, considering the Fed's rate outlook. This was also reflected in the performance of the equity market. Technicals remained strong, as new issue supply surged in Corporates and remained active in ABS. Structured products, including RMBS, CMBS, and ABS, continued to deliver positive excess returns, while municipal bonds saw spreads tighten on improved technicals and steady demand. Idiosyncratic risk remains high with mergers, acquisitions and corporate actions, leading to very different outcomes for investors.

## IG Fixed Income Recap



## Corporate Market

Corporate spreads tightened and credit curves continued to flatten as technicals remained supportive. The intermediate part of the curve outperformed as investors looked to buy bonds that would benefit from roll after the steepening of the yield curve. Performance by rating was mixed, with 'A' rated Financials performing in line with 'BBB' Financials, while 'BBB' Industrials outperformed 'A' rated Industrials. Higher beta sectors outperformed, as investors became more comfortable with cyclical risk, considering the Fed's rate outlook. Rating actions were more positive in September, with Fitch taking the first step in upgrading the California Utility, PG&E, which filed for bankruptcy in 2019. Idiosyncratic risk remains high with M&A and corporate actions, leading to very different outcomes for investors.

Looking at sectors relative to Industrials:

- **Z scores >1.5:** Health Insurance, Food & Beverage, **Chemicals**, ~~Construction Machinery~~, **Cable**
- **Z scores <-1.5:** Diversified Manufacturing, Metals & Mining, Environmental, Retail, **Media, Banking (Senior), Building Materials**

Source (data and graph): Bloomberg, AAM (bold=new for the month; strike-through = no longer valid vs last month)

## Corporate market Technicals and Rating Changes

The high-grade bond supply in September exceeded expectations at \$212 billion, 59% higher than the average for the month since 2021. The average new issue concession was 1 bp, and spreads tightened on average 4 bps for new issues, in line with the market. New issue concessions have ranged from 0-13 bps this year per Bloomberg.

Average daily trading volume was \$42B/day, which is 2% lower than September last year, while 12% of trading was done through portfolio trades (PTs) vs 14% last year. For high yield bonds, 9% was traded through PTs.

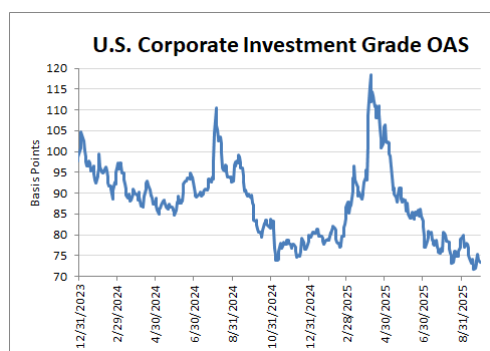
New issue supply has averaged around \$95B in October over the past four years. JPM syndicate is expecting \$85B after such a strong September.

Fund flows continued to be positive in September (\$33B; \$230B YTD).

Sources: AAM, JPM, Wells

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

- *Fallen angels: none*
- *Rising stars: Louisiana Pacific Corp, PCG holdco/parent*



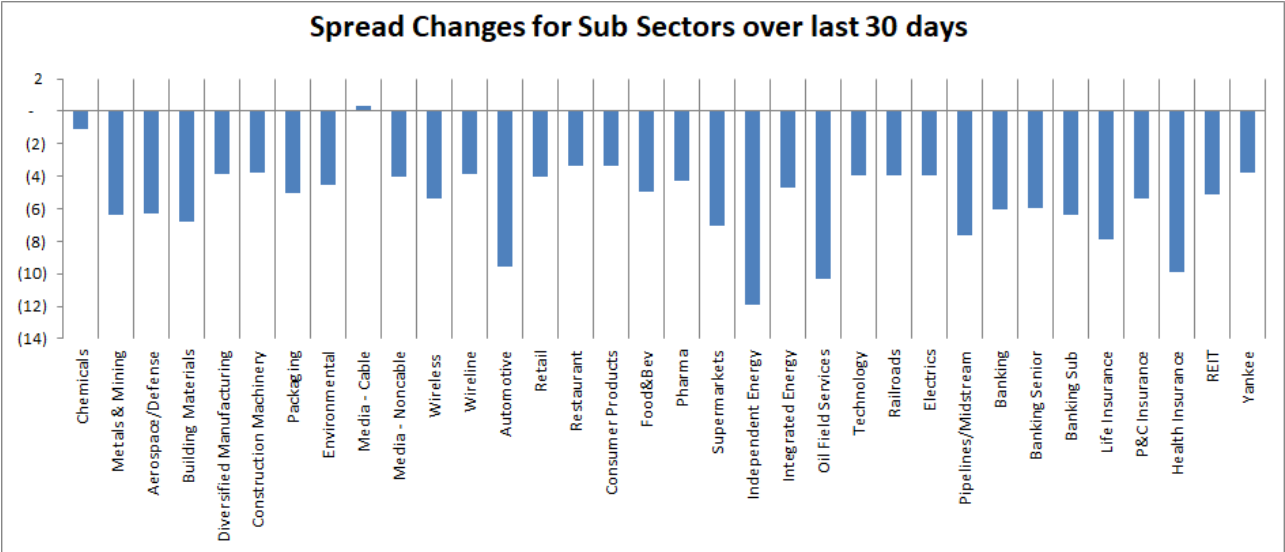
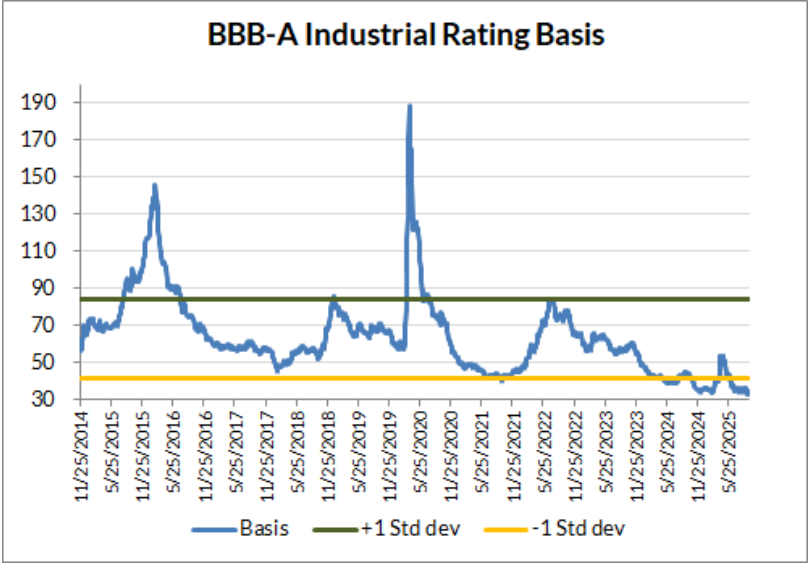
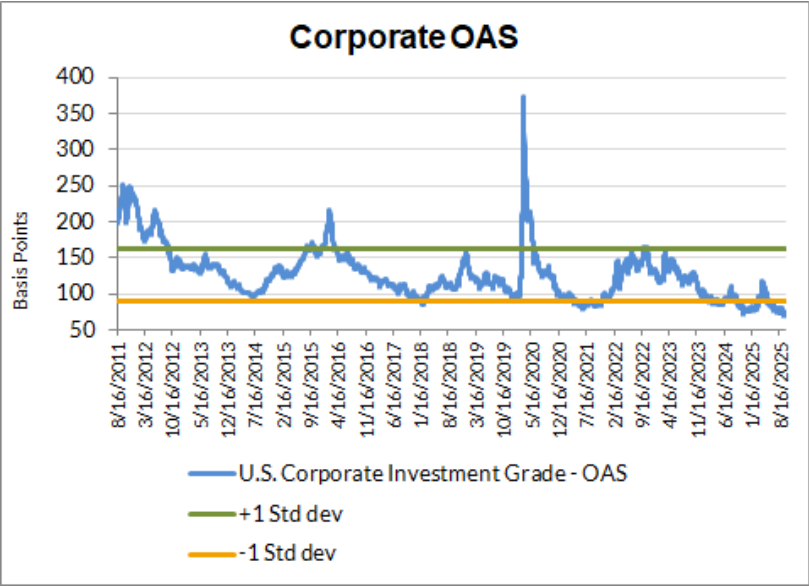
## Ticker level performance

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 when relevant.

Top 15 tickers	Tickers	Sector	ER (%)	MV%*	Duration	Notes
1	CNC	Health Insurance	0.91	0.21	3.48	Company update on Medicaid better than feared, Medicare Star ratings steady
2	INTC	Technology	2.06	0.53	8.99	NVDA, Softbank, and the US Gov't invest in INTC, with AAPL rumored to be next
3	EXE	Independent	0.71	0.05	3.24	High-beta independent
4	SANLTD	Gaming	0.65	0.06	2.98	High beta
5	F	Automotive	0.87	0.61	4.01	Beta catch up move in autos
6	SUZANO	Paper	0.82	0.08	3.83	EM beta
7	FSK	Finance Companies	0.54	0.05	2.72	Demonstrated IG market access, despite elevated fallen angel risk
8	OXY	Independent	1.24	0.23	6.25	Rumored to be selling chemical business for \$10B; accelerate debt repayment
9	RGA	Life	0.96	0.05	5.09	High beta
10	OVV	Independent	1.12	0.07	6.25	High-beta independent
11	AVGO	Technology	1.02	0.76	5.71	Strong earnings report, driven by AI revenue growth and OpenAI partnership, ratings upgrade
12	AAL	Airlines	0.49	0.05	2.78	EETC related
13	OCINCC	Finance Companies	0.51	0.08	2.90	Inaugural EUR issue in Sept; increased market access and funding diversity
14	APTV	Automotive	1.76	0.07	10.29	Beta catch up move in autos
15	KHC	Food and Beverage	1.54	0.19	9.20	Company Splitting Up
Bottom 15	Tickers	Sector	ER (%)	MV%	Duration	Notes
1	DD	Chemicals	-2.33	0.08	7.98	Unfavorable corporate action
2	AL	Finance Companies	-0.55	0.11	3.09	Acquisition by SMBC Aviation Capital
3	SANUSA	Banking	-0.15	0.13	2.77	Subprime consumer and auto lending exposure
4	PARA	Media Entertainment	-0.38	0.16	7.39	Rumored acquisition of WBD
5	KVUE	Consumer Products	-0.40	0.10	8.37	Volatility from Tylenol commentary
6	EIX	Electric	-0.27	0.41	7.56	Wildfire legislation, S&P downgrade
7	SOLV	Healthcare	-0.15	0.07	7.21	Rating upgrade by S&P
8	CARR	Diversified Manufacturing	-0.15	0.10	7.75	Consumer end of the HVAC business is relatively weak
9	CHTR	Cable Satellite	-0.03	0.67	9.42	New issue
10	V	Technology	0.01	0.16	8.54	High quality, Low Beta
11	ALLY	Banking	0.01	0.13	3.71	Consumer and auto lending exposure
12	ORAFP	Wirelines	0.02	0.07	6.91	French telco consolidation chatter
13	FCX	Metals and Mining	0.02	0.07	5.42	Fatality at Indonesian mine
14	MSFT	Technology	0.07	0.42	11.98	High quality, Low Beta
15	EMR	Diversified Manufacturing	0.04	0.07	6.50	Forecasting lower end of 4Q guidance.

Source (graph, table data): Bloomberg, AAM

# Corporate market graphs (Source: Bloomberg, AAM)



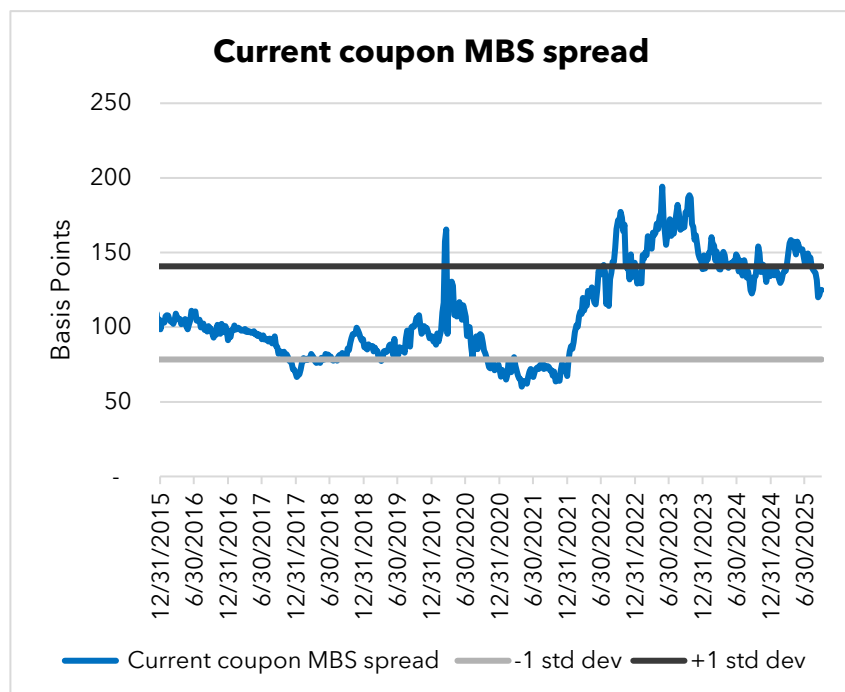
# Structured Products

By Chris Priebe and Mohammed Ahmed

**Agency MBS continues to outperform with low coupons leading the way again; CMBS and ABS excess returns remain positive**

## 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 RMBS ER 35 bps

Current RMBS spreads tightened for the second consecutive month. September spreads tightened in close to 10 basis points on the month. Spreads ran all the way down to +115 from +135 and closed near +125. Lower coupon MBS continued their outperformance. Higher coupons lagged (again) as hedge funds sold large sizes mid-month. Index funds, ETFs, Banks, and Money Managers adding 30-year 2.00, 2.50s, 3.00s, and 3.50s really drove the performance in MBS. Money Manager buying increased in September to anchor the tightening.

## CMBS ER 10 bps

CMBS posted 10 bps of excess return in September, with the AAA 1-3.5yr part of the index posting the best excess returns at +10 bps. CMBS spreads were relatively unchanged month over month, with secondary spreads remaining in the low 70s. New issue concessions are near seven bps to secondary offers. There were 20 new transactions with 13 Single Asset/Single Borrower transactions split between fixed and floating rate transactions, and seven fixed conduit transactions, primarily with a 5-year tenor. S&P continued its review of the CMBS universe and will continue to do so over the next 5-6 months. CMBS new issuance was \$16B in September.

## ABS ER 11bps

ABS new issue supply maintained its heavy theme in September, with more than \$37B hitting the market. Supply year-to-date is running slightly behind last year's at \$277.5B through September. Last month's supply was the second-highest in issuance thus far in 2025, and yet ABS continues to produce positive excess returns. Cards and Autos performed slightly worse than Utility (rate reduction) ABS bonds with +8, +7 and +36 bps excess return, respectively.

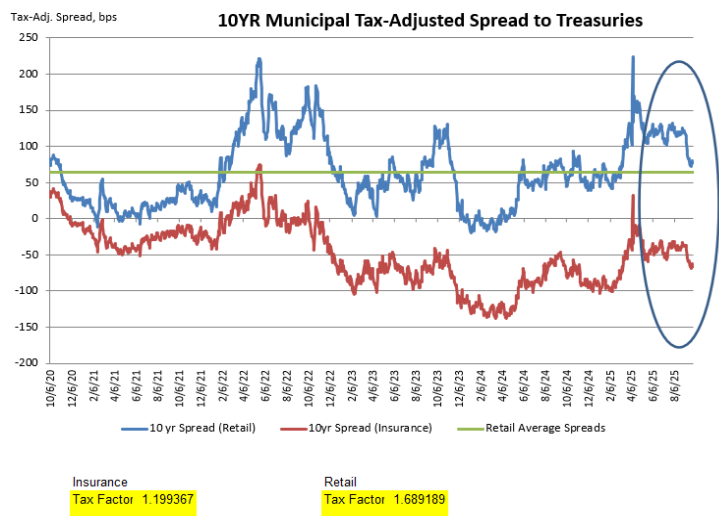
CLO spreads continued to hold their steady ground. New issue activity continues to be heavy, with continued demand for floaters, while all deals continue to be heavily oversubscribed. On-the-run AAA CLO secondary paper is still around 115. Performance of CLOs was in line with fixed alternatives in September.

Source: Bloomberg, AAM

# Municipal Bonds

Source: Greg Bell, CFA, CPA

**Tax-exempt spreads tightened with better technicals. Taxable spreads were unchanged, with supportive technicals**

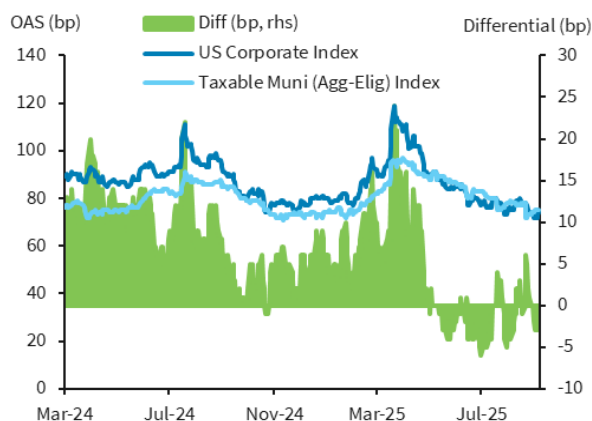


**Tax-exempts** - For September, better technicals developed for the sector. Although reinvestment flows dropped by 42% from August to ~\$45B, new issuance also slowed to ~\$45B from ~\$49B, while mutual fund inflow activity surged during the month. Over the first three weeks, inflows averaged a total of \$1.3B per week, before a weaker tone developed during the final week of the month. Weekly flows for 9/24 were reported as an outflow of \$18M, after reporting inflows of \$1.045B in the prior week. Nominal yields for the sector moved lower in 5 and 10yrs by 5 and 30bps, respectively. (Source: Refinitiv, Bloomberg, Lipper, BofA)

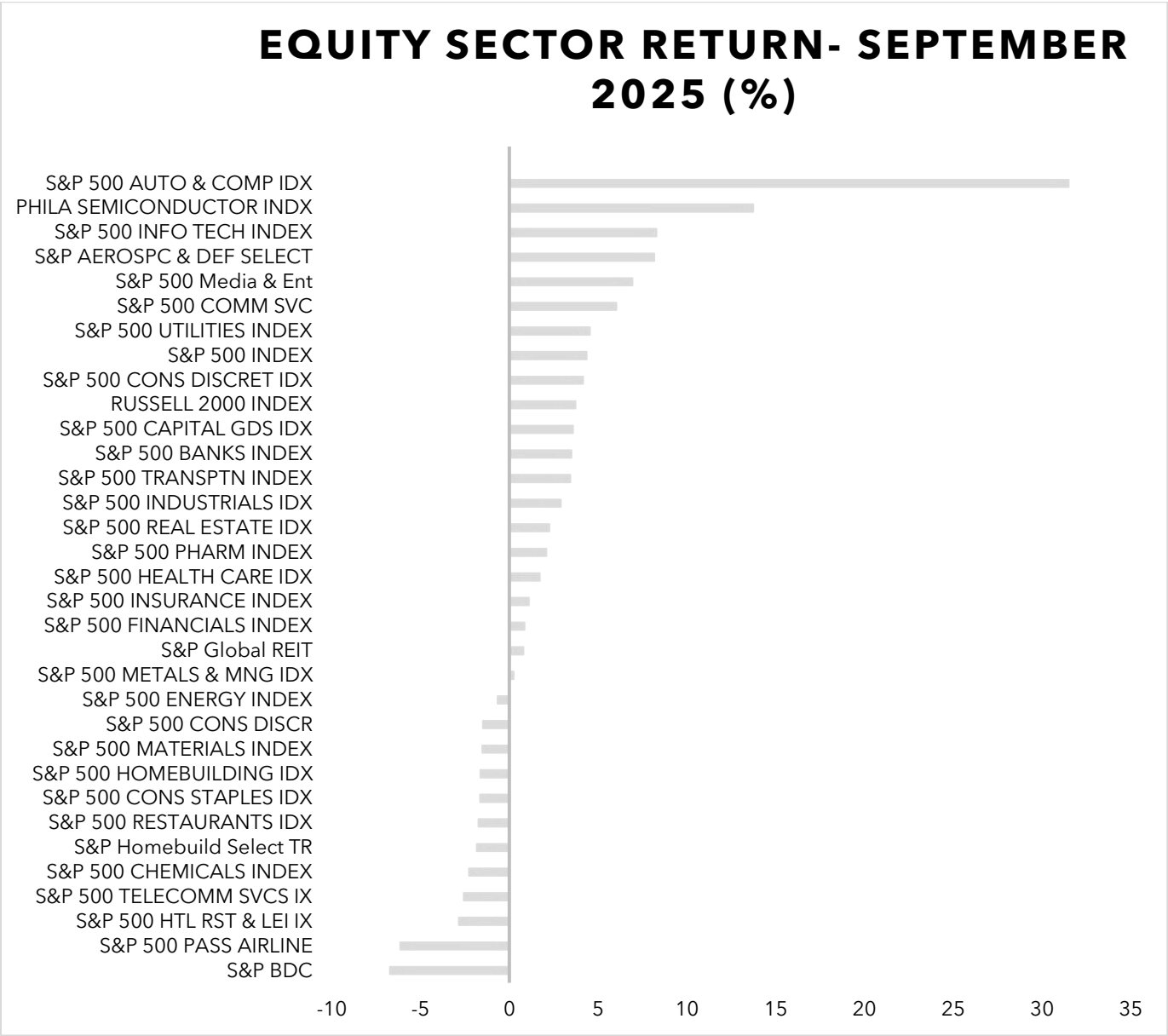
New issuance for the month came in at ~\$45B, which was below market expectations of \$49B. Looking forward to October, the calendar is expected to reach \$58B, which would match 2025's highest monthly issuance reported in June. Reinvestment flows for October are expected to reach \$47B. (Source: Bond Buyer, BofA)

Relative valuation levels for the sector strengthened as rates fell and the Treasury yield curve flattened. Muni/Treasury yield ratios in 10yrs ended the month at 70.3%, which was substantially lower than August's 76% month-end level. Tax-adjusted yield spreads to Treasuries (insurance companies subject to 21% corporate tax rate) tightened across the curve by 10, 28, and 25bps in 5, 10 and 30yrs, respectively. (Source: AAM, Bloomberg, Refinitiv)

**Taxables** - September spreads performance was pretty much in line with recent trends over the last 3 months, with spreads essentially unchanged across the curve for the month. The market continues to see solid demand across the curve, with a stronger bias towards the 5yr and shorter area of the curve. A very slow new issuance calendar remains supportive of current spread levels. Issuance for September came in at a very anemic \$1.4B (Source: BofA, Bond Buyer, Bloomberg)



# U.S. Equity Performance



Source: Bloomberg, AAM