



IG Fixed Income Recap

October 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

Ticker performance and market graphs

Structured Products summary

Performance recap for the month

Muni summary

Performance recap for the month

Other Asset Classes

	bps	bps	%	%
	OAS	OAS change	Total Return	Excess Return
Bloomberg Aggregate	28	0	0.62	0.00
IG Corporate Market	78	5	0.38	-0.28
Intermediate	69	4	0.38	-0.08
Long	96	7	0.40	-0.71
A Finance	66	3	0.44	-0.12
BBB Finance	106	7	0.36	-0.19
A Industrials	59	4	0.43	-0.30
BBB Industrials	95	7	0.25	-0.43
BBB-A basis	36	3		
MBS	27	-3	0.86	0.26
current coupon 30 year	124	-1		
ABS	54	8	0.38	-0.02
CMBS	77	1	0.46	0.03
Local Authorities	52	-4	1.03	0.33
High Yield	274	7	0.16	-0.24
CCCs	624	18	-0.29	-0.67
Euro Agg Corporate	76	-2	0.70	0.19
EM USD	180	-18	1.72	1.11
IG	82	-2	0.94	0.30
HY	345	-45	3.05	2.50
Asia	97	-2	0.78	0.25
Latin America	259	-49	3.15	2.49

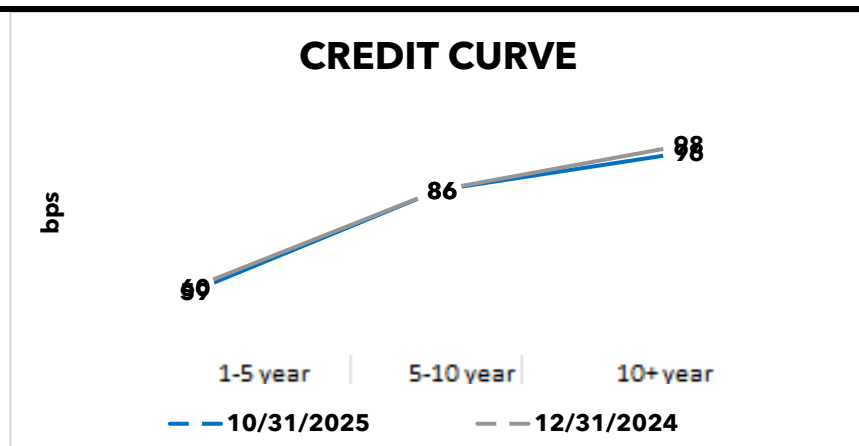
Source (data): Bloomberg; Date range: 9/30/2025 - 10/31/2025

Fixed Income Summary

By Elizabeth Henderson, CFA

October 2025 saw notable shifts in IG fixed income markets, with wider corporate spreads and a steeper credit curve as long-dated bonds underperformed. Corporate market dynamics were driven by earnings season volatility, rising M&A, AI-linked debt issuance, and private credit headlines. Despite this, rating actions were positive and earnings beat expectations. High-grade bond supply was strong and outperformed, aided by low dealer inventories. Structured Products were mixed: Agency MBS outperformed, CMBS gained modestly, and ABS lagged due to Auto sector weakness. Munis benefited from solid demand and tightening spreads. Despite media attention related to Fed Chair Powell's hawkish comments, the month was marked by active flows, sector-specific volatility, and outcomes shaped by fundamental-related headlines and technical factors. Falling Treasury yields contributed to positive total returns despite spread widening in credit sectors.

IG Fixed Income Recap



Corporate Market

Corporate spreads widened on the month, and the credit curve steepened as long spreads underperformed, returning the curve to its origin at year-end 2024. Performance was driven chiefly by (1) idiosyncratic risk, as earnings season is underway and M&A has increased, (2) AI-related debt issuance, and (3) headlines related to private credit. Rating actions continued to track positively in October. Third quarter earnings thus far are surprising to the upside, and we continue to see Technology leading with strong growth, as cyclical sectors have been more challenged. Notably, median gross debt leverage has increased to 2.9x currently from 2.5x in 2023, when excluding the Mag 7.

Looking at sectors relative to Industrials (Sector OAS/Industrial OAS):

- **Z scores >1.5:** Health Insurance, ~~Food & Beverage~~, Chemicals, Cable, **Wireline, Technology**
- **Z scores <-1.5:** Diversified Manufacturing, Metals & Mining, Environmental, ~~Retail, Media~~, Banking (Senior and **Subordinate**), Building Materials, **Aerospace/Defense, REITs**

Source (data and graph): Bloomberg, AAM (bold=new for the month; strike-through = no longer valid vs last month); *Modeled by AAM using a dataset from CapIQ of over 300 IG, non-financial, non-utility companies

Corporate market Technicals and Rating Changes

The high-grade bond supply in October exceeded expectations at \$158 billion, 66% higher than the average for the month since 2021. A new structured/private transaction (Beignet) related to Meta garnered significant market attention. Spreads tightened on average 2 bps for new issues, outperforming the broad market.

Average daily trading volume was \$39B/day, which is 2% higher than October last year, while 12% of trading was done through portfolio trades (PTs) vs 11% last year.

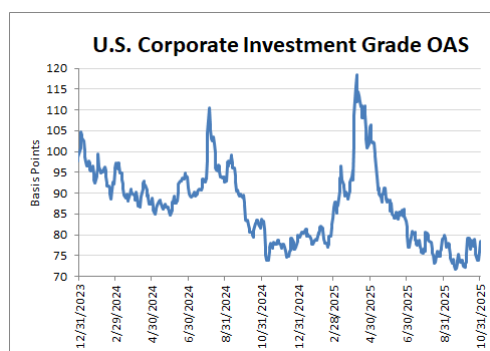
New issue supply has averaged around \$102B in November over the past four years.

Fund flows continued to be positive in October for IG. Dealer inventories are at their lowest levels since May 2019 per JPM.

Sources: AAM, JPM

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

- *Fallen angels: none*
- *Rising stars: Russel Metals, Carnival, Mr Cooper, Global Net Lease*



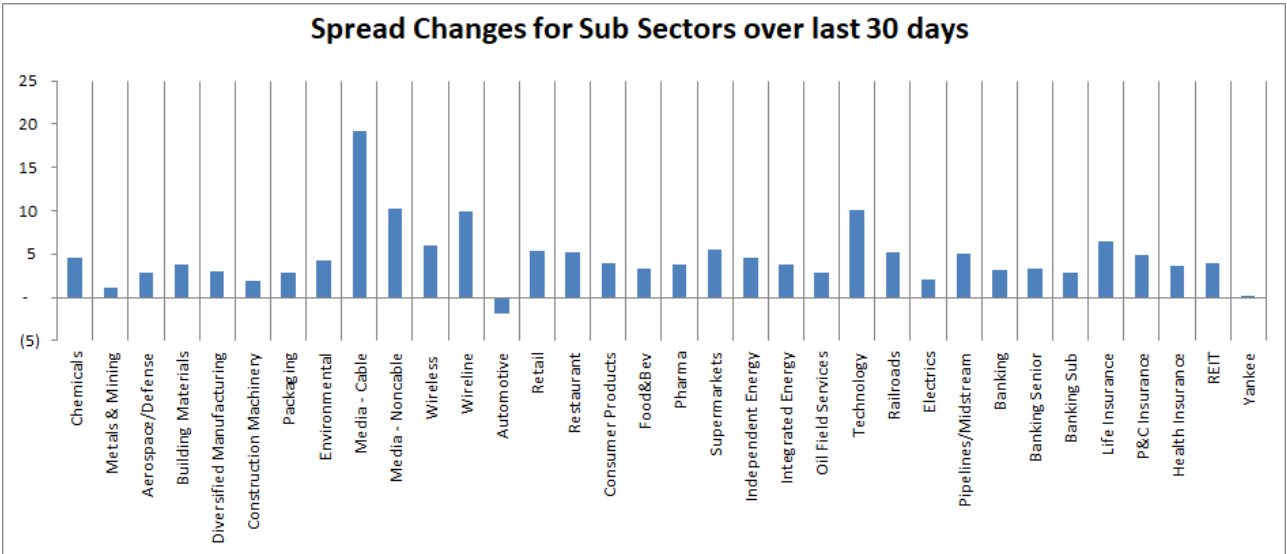
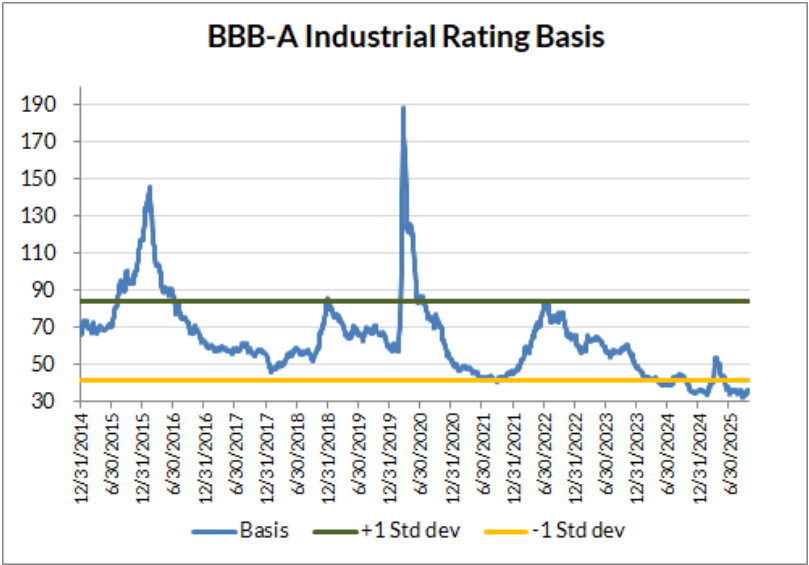
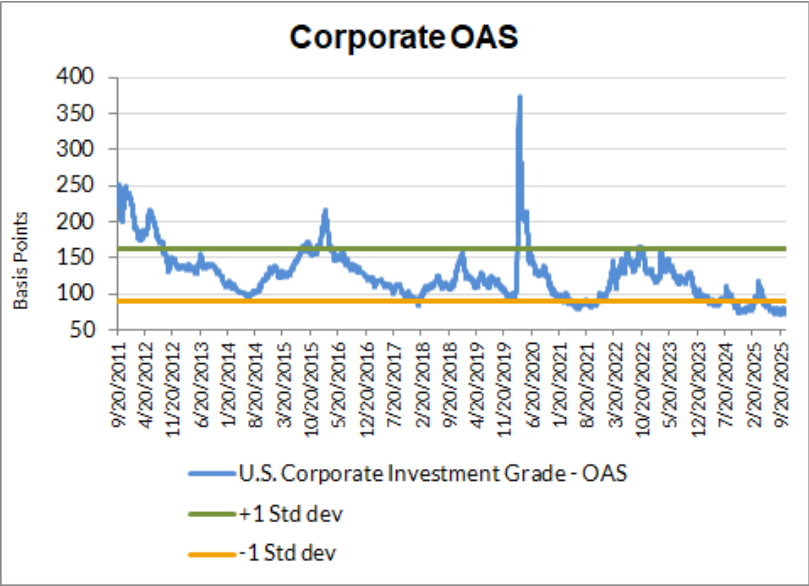
Ticker level performance

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	APTV	Automotive	1.04	0.07	10	Positive earnings and tariff news across autos
2	F	Automotive	0.27	0.63	4	Positive earnings and tariff news across autos
3	GM	Automotive	0.31	0.71	5	Positive earnings and tariff news across autos
4	FCX	Metals and Mining	0.35	0.07	5	Positive earnings, recovery from previous month's mine accident
5	BABA	Retailers	0.57	0.15	9	AI push. Lots of cash & opportunity
6	DD	Chemicals	0.55	0.05	10	Corporate action
7	HAS	Consumer Products	0.23	0.05	5	Strong 3Q earnings
8	AMXLMM	Wireless	0.34	0.12	8	M&A expected to remain ratings-friendly
9	KDP	Food and Beverage	0.25	0.16	6	Investors added, relieving leverage pressure
10	WTRG	Other Utility	0.30	0.06	8	All stock merger with AWK
11	LVS	Gaming	0.11	0.06	3	Strong earnings (Marina Bay Sands a strong contributor)
12	TAISEM	Technology	0.18	0.10	7	Strong AI driven revenue growth
13	HNDA	Automotive	0.08	0.31	3	Positive earnings and tariff news across autos
14	H	Lodging	0.08	0.05	4	Strong earnings
15	MU	Technology	0.12	0.12	6	Strong AI driven revenue growth
Bottom 15	Tickers	Sector	ER (%)	MV%*	Duration	Notes
1	ORCL	Technology	-2.89	1.19	9	Large new issue, ramping up Capex / Leverage
2	FI	Technology	-1.50	0.24	5	Earnings miss, weaker than expected guidance, lowered growth outlook
3	JEF	Brokerage Assetmanage	-1.14	0.10	5	First Brands Ch.11; Fraud concerns in private credit
4	OCINCC	Finance Companies	-0.63	0.07	3	First Brands Ch.11; Fraud concerns in private credit
5	META	Media Entertainment	-1.96	0.39	9	Large new issue and structured/private deal
6	FSK	Finance Companies	-0.58	0.05	3	First Brands Ch.11; Fraud concerns in private credit
7	CHTR	Cable Satellite	-1.90	0.66	9	Weaker broadband subscriber adds across the industry as FWA/fiber gains share
8	ATH	Life	-1.52	0.10	8	Private debt concerns
9	PARA	Media Entertainment	-1.27	0.16	7	WBD bid rumors continue w potential competition for S&S
10	ARCC	Finance Companies	-0.55	0.11	3	First Brands Ch.11; Fraud concerns in private credit
11	BCRED	Finance Companies	-0.50	0.11	3	First Brands Ch.11; Fraud concerns in private credit
12	GPN	Technology	-0.79	0.10	5	Weakness with from Fiserv results
13	ARE	Healthcare REITs	-1.20	0.14	8	Life science/tech exposure
14	ARESSI	Finance Companies	-0.50	0.08	3	First Brands Ch.11; Fraud concerns in private credit
15	KVUE	Consumer Products	-1.13	0.09	8	Headline risks

Source (graph, table data): Bloomberg, AAM

Corporate market graphs (Source: Bloomberg, AAM)



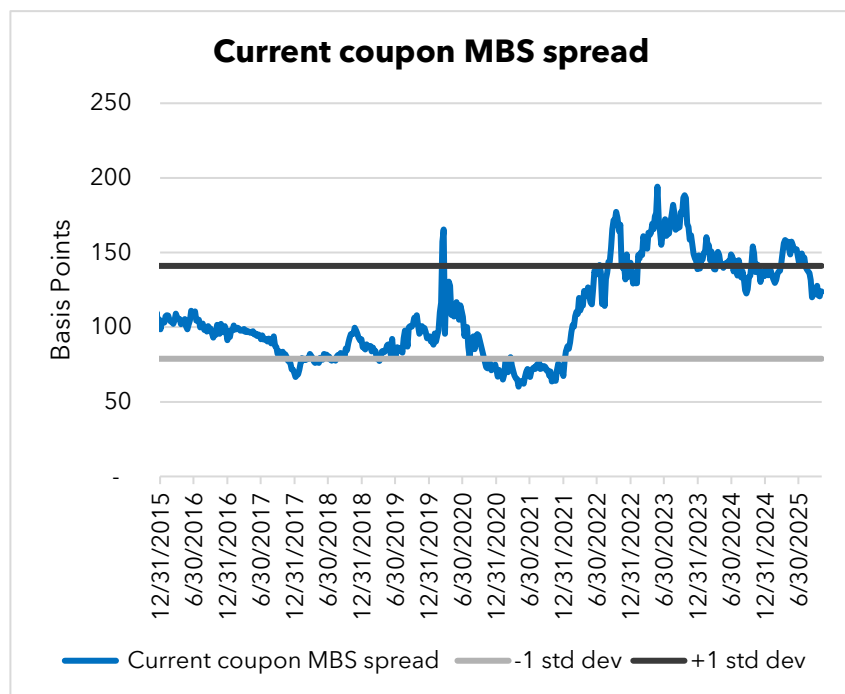
Structured Products

By Chris Priebe and Mohammed Ahmed

Agency MBS continues to outperform with middle coupons leading the way; CMBS was positive and ABS underperformed due to Autos

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

Current coupon RMBS spreads produced a third consecutive month of positive excess returns, generating 26 bps in October. Spreads tightened slightly on the month by 3 basis points. Spreads once again expressed late-month volatility, tightening to 114 towards the month's end and closing near 124 with the Fed announcement. Middle discount coupons in 30-year 3.00s and 3.50s outperformed. Higher coupons in 30-year 6.00s and 7.00s lagged the most but were still positive. Banks and Money Managers were a bit quiet this month in 15-year paper, and those underperformed the most at -2 bps of excess returns. Mortgage rates surprisingly rose 25 bps after the Fed announced the October cut to close at 6.375% as the 10-year Treasury yield rose due to uncertainty of a December cut.

CMBS

CMBS posted +3 bps of excess returns on the heels of good performance from longer CMBS and the agency CMBS portion of the index. CMBS issuance totaled \$13 billion in October, with a skew towards single-asset/single-borrower deals, and spreads remained unchanged at +82 bps versus Treasuries for new issue transactions.

ABS

ABS new issue supply maintained its heavy theme for the third month with \$40.4 billion in October. Despite this, supply is running 1% lower than last year at \$ 317.9 billion YTD through October. Excess returns for the primary ABS sectors in October were as follows: Autos -13 bps, Cards +1 bp, and Utility (Rate Reduction) +41 bps for a sector aggregate of -2 bps. Autos underperformed due to dealers lightening their balance sheets as we approach year-end.

CLO spreads generated positive performance in October, shrugging off the Fed rate cut towards the end of the month and outperforming some fixed alternatives.

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

Municipal Bonds

Source: Greg Bell, CFA, CPA

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

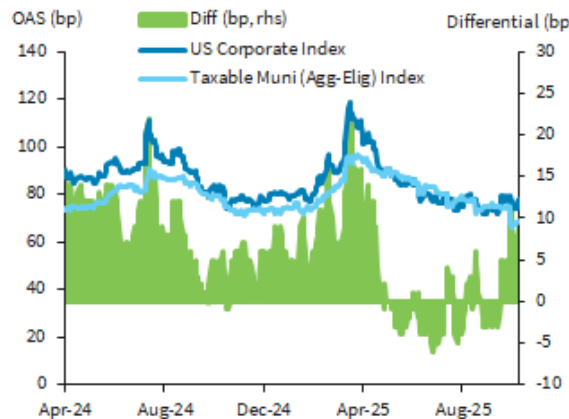


Tax-exempts - October technicals were better than expected as demand from mutual funds continued to buoy the market in the face of heavy new issue supply. Following fund flows that produced a weekly average of \$970 million in September, the market continued to see solid inflows of \$871 million per week in October. Most of the demand was concentrated in the intermediate to long end of the market. Yields in 10 and 30-year maturities fell by 19 and 9bps, respectively, while 3-year yields increased by 17bps. (Source: Refinitiv, Bloomberg, Lipper, BofA)

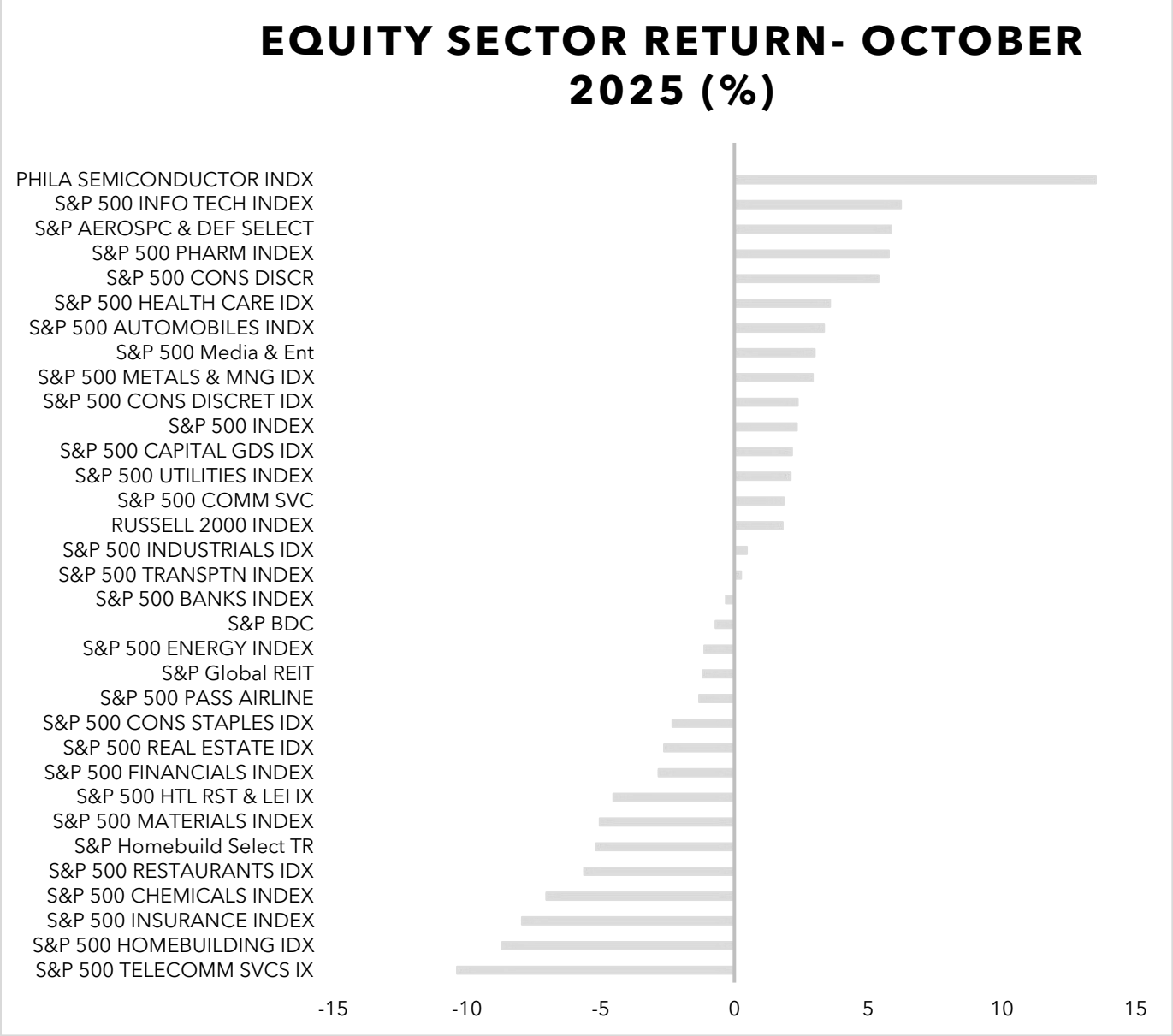
New issuance during October, which was expected to hit \$58B, came in at \$55.3B, a drop of 17% relative to October 2024's \$66.5B issuance. Last year's number was elevated due to a rush to market by issuers to address their financing needs ahead of the presidential election. (Source: Bond Buyer, BofA)

Treasury rates in 10yrs fell by 7bps in October. With 10yr tax-exempt rates falling by 19bps, municipal-to-Treasury ratios in 10yrs ended the month at 66.9%. The ratio decline of 3.4 percentage points leaves this relative value metric at 13.2 percentage points through its 8yr average. Tax-adjusted yield spreads to Treasuries (insurance companies subject to 21% corporate tax rate) tightened by 15bps to end the month at -80bps. (Source: AAM, Bloomberg, Refinitiv)

Taxables - October spreads performance was solid with tightening across the curve for the month. Spreads from 5 to 10 years tightened by 7bps, while 3 and 30-year maturities tightened by 2 and 3bps, respectively. The market continues to see solid demand across the curve, with a stronger bias towards the 5-year and shorter area of the curve. A very slow new issuance calendar remains supportive of current spread levels. Issuance for October came in at a very anemic \$2.4 billion. (Source: BofA, Bond Buyer, Bloomberg)



U.S. Equity Performance



Source: Bloomberg, AAM