IG Fixed Income Recap

November 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

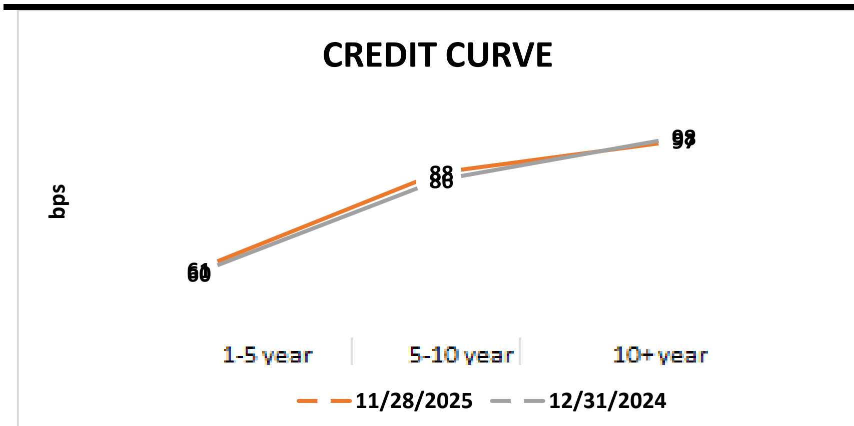
	bps	bps	%	%
	OAS	OAS change	Total Return	Excess Return
Bloomberg Aggregate	29	1	0.62	-0.03
IG Corporate Market	80	2	0.65	-0.02
Intermediate	72	3	0.71	0.00
Long	96	0	0.54	-0.05
A Finance	68	1	0.74	0.05
BBB Finance	110	4	0.64	-0.06
A Industrials	60	1	0.70	0.04
BBB Industrials	97	2	0.63	-0.05
BBB-A basis	38	1		
MBS	29	2	0.62	-0.05
current coupon 30 year	124	0		
ABS	54	0	0.56	0.05
CMBS	77	0	0.75	0.06
Local Authorities	55	3	0.59	-0.15
High Yield	271	-3	0.58	0.00
CCCs	634	10	-0.19	-0.74
Euro Agg Corporate	81	5	-0.24	-0.16
EM USD	192	11	0.24	-0.43
IG	92	10	0.12	-0.55
HY	360	15	0.45	-0.23
Asia	109	12	0.20	-0.42
Latin America	272	13	0.15	-0.55

Source (data): Bloomberg; Date range: 10/31/2025 – 11/28/2025

Fixed Income Summary

By Elizabeth Henderson, CFA

November saw mixed performance across fixed income markets. The U.S. Corporate market underperformed Treasuries by 2 basis points, driven by increased fundamental risks in areas like private credit, while consumer and energy sectors outperformed. High-grade corporate bond supply surged to $137 billion in November, well above historical averages, while new issues saw tighter spreads. Rating actions were mixed, with FMC downgraded and several issuers upgraded, continuing the favorable ratings trend. Structured products delivered mixed results: Agency RMBS lagged, CMBS and ABS were slightly positive, and CLO returns lagged fixed alternatives. In Municipals, tax-exempt supply was lower than expected but spreads widened, and taxable muni spreads were modestly weaker amid solid demand and low issuance. Away from U.S. markets, European corporate spreads widened as did Emerging Market spreads. While US High Yield OAS tightened, CCCs widened. Total returns were broadly negative given the spread widening despite lower Treasury rates for 1-10yr maturities.



Corporate Market

The Corporate OAS widened in November, underperforming Treasuries by 2 bps while performance at a sector level was mixed. Fundamental related risks increased in sectors such as BDC/Private credit, carrying over into Life Insurance, as well as at a credit level as earnings were released (see ticker level performance details on the next page). Consumer sectors largely outperformed as did Energy due to the favorable natural gas back-drop. Banking was the only financial sector to post positive excess returns with more M&A announcements.

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

- Z scores >1.5: Health Insurance, Chemicals, Cable, ~~Wireline~~**,** Technology, **Life Insurance**

- Z scores <-1.5: Diversified Manufacturing, Metals & Mining, Environmental, 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 November exceeded expectations at $137 billion, 34% higher than the average for the month since 2021. Spreads tightened on average 6 bps for new issues, outperforming the broad Corporate market which widened 2 bps.

Average daily trading volume was $41B/day, which is 15% higher than November last year, while 12% of trading was done through portfolio trades (PTs). While this has been fairly stead this year, it is an increase vs 7% last year.

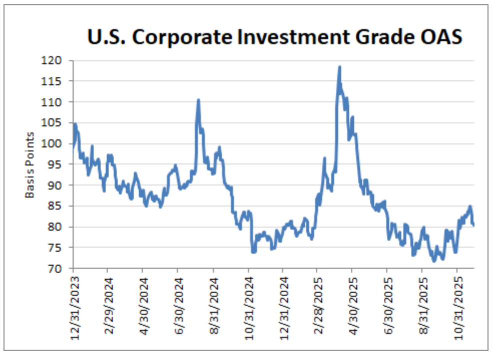
New issue supply is expected to be $35B in December, largely occurring in the first half of the month. With $10B issued the first day of December, we would expect issuance to once again, overshoot.

Sources: AAM, JPM

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

- *Fallen angels: FMC, Brighthouse*

- *Rising stars: MEG Energy (acquired by CVECN), AppLovin, United Airlines secured debt, Carpenter Technology*



Ticker level performance

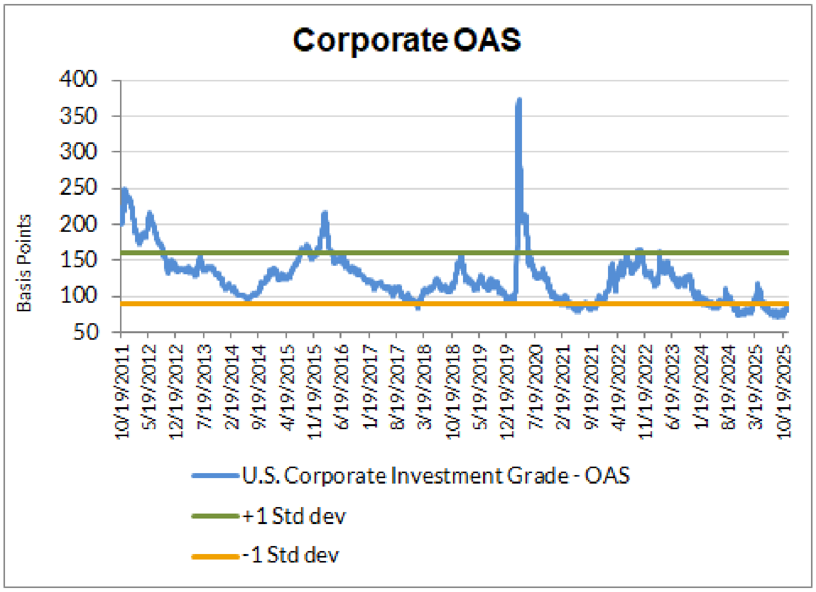
The following shows the top and bottom performing issuers based on 'excess return per unit of duration' for that month. This list excludes those with market values less than 0.05% of the Bloomberg Corporate Index. AAM's analysts have provided an explanation for issuer performance when relevant.

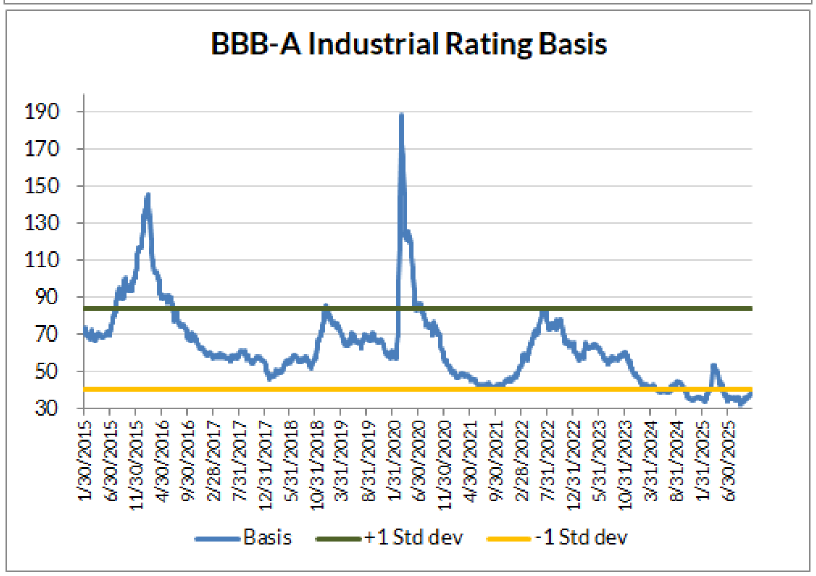
Top 15 tickers	Tickers	Sector	ER (%)	MV%*	Duration	Notes
1	**KVUE**	Consumer Products	0.85	0.10	8	Being bought by Kimberly Clark
2	**BRITEL**	Wirelines	0.35	0.06	4	New issue in EUR vs. US market
3	**WES**	Midstream	0.49	0.09	7	Nat gas transport volumes to increase
4	**DVN**	Independent	0.52	0.10	8	Nat gas up 25% in month
5	**BMY**	Pharmaceuticals	0.61	0.45	10	Beat 3Q and raised guidance. Doing a cash tender offer
6	**EXE**	Independent	0.19	0.05	3	Nat gas up 25% in month
7	**BIIB**	Pharmaceuticals	0.59	0.08	10	Solid 3Q results
8	**OKE**	Midstream	0.46	0.42	8	Nat gas transport volumes to increase
9	**OVV**	Independent	0.35	0.06	6	Nat gas up 25% in month
10	**CI**	Healthcare	0.44	0.39	8	Lowered PBM regulatory risk
11	**JEF**	Brokerage Assetmanagers	0.24	0.10	5	Fading First Brands exposure concerns; Sumitomo relationship on track
12	**HST**	Other REITs	0.27	0.05	5	Raised guidance; strong new issue technical
13	**FITB**	Banking	0.14	0.15	3	Acquisition of Comerica
14	**BATSLN**	Tobacco	0.29	0.44	7	Solid balance sheet, ratings edging up
15	**HBAN**	Banking	0.14	0.13	4	Acquisition of Cadence Bank

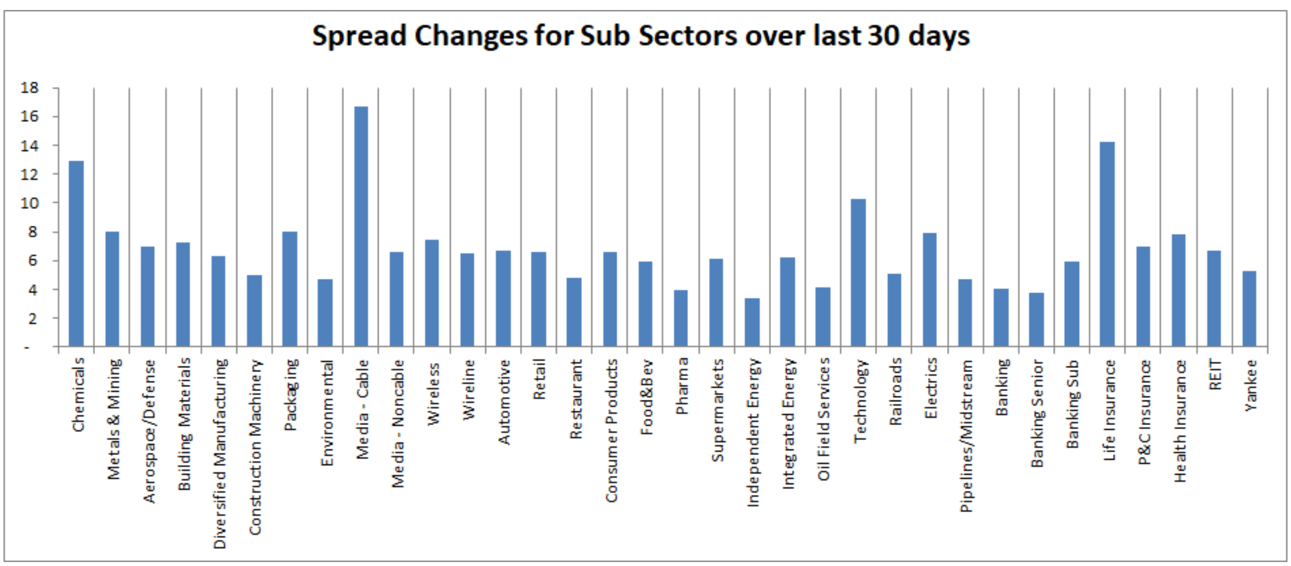
Bottom 15	Tickers	Sector	ER (%)	MV%	Duration	Notes
1	**ORCL**	Technology	-1.72	1.16	9	Concerns over growth in debt to support AI datacenters
2	**OCINCC**	Finance Companies	-0.56	0.07	3	Blue Owl platform; fund merger headline.
3	**CRBG**	Life	-0.77	0.11	6	Equity market volatility
4	**CNC**	Health Insurance	-0.43	0.20	3	Uncertainty with ACA and Medicaid markets
5	**ATH**	Life	-0.99	0.10	8	Concerns about private debt
6	**SCCO**	Metals and Mining	-1.15	0.07	10	Underperformed after strong outperformance; longer duration
7	**LYB**	Chemicals	-0.93	0.11	10	Persistent petrochemical weakness
8	**BRKHEC**	Utility	-0.90	0.51	10	S&P downgrades PacifiCorp
9	**CHTR**	Cable Satellite	-0.74	0.65	9	Pressure on cable broadband given competition (fiber, FWA)
10	**FFHCN**	P&C	-0.56	0.07	7	Equity market volatility
11	**DT**	Wirelines	-0.28	0.07	4	Illiquid, high $ USD bonds in Index; new issue in Euros
12	**DOW**	Chemicals	-0.63	0.18	9	Persistent petrochemical weakness
13	**BAX**	Healthcare	-0.34	0.08	5	Negative fundamentals, rating downgrades, new issue
14	**RCICN**	Wireless	-0.54	0.16	8	S&P places rating on outlook negative given a delay in deleveraging (media rollup)
15	**MSI**	Technology	-0.33	0.10	5	Acquisition, more M&A expected and increased capital return to shareholders

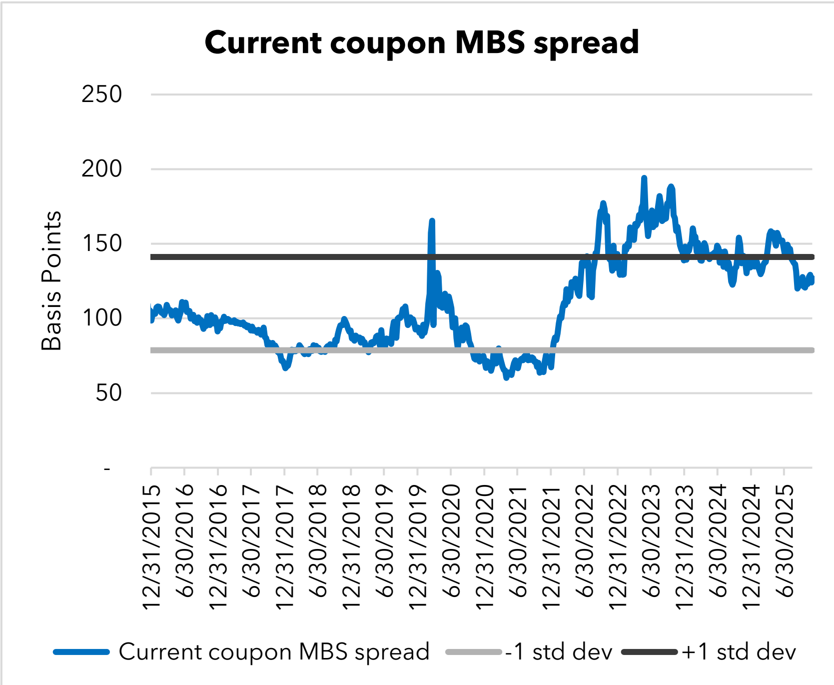
Source (graph, table data): Bloomberg, AAM (gray=M&A/corporate action, green=fundamental related positive, orange = BDC/private debt related, yellow=fundamental related negative)

Corporate market graphs (Source: Bloomberg, AAM)









Structured Products

By Chris Priebe and Mohammed Ahmed

Agency MBS lagged with discount coupons underperforming; CMBS and ABS were slightly positive

Rating Changes

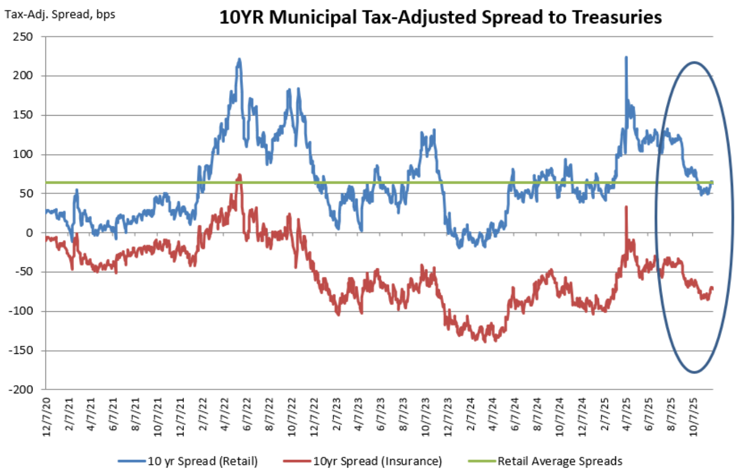
Rating changes continued to be negative for CMBS conduit and single-asset deals. More ABS deals were upgraded than downgraded, continuing a positive trend.

Agency RMBS - Current coupon RMBS spreads produced negative excess returns for the first time in 3 months, with the MBS sector generating -5 bps of ER. November spreads were slightly wider on the month by 6 basis points. Current coupon OAS started near +120, widened to a +133 high towards mid-month, and closed near +126, remaining highly reactive to the probability of Fed rate cuts. Low dollar discount coupons in 30 years (2.00's through 3.50's) underperformed, and higher coupons (i.e., 30 year 6.50s) lagged the most, as falling interest rates increased prepayment risk and these bonds were priced above par. CMOs outperformed Agency MBS pass-throughs in November.

CMBS - CMBS outperformed other fixed income sectors, posting +6 bps of excess returns driven by non-agencies, as agency CMBS underperformed Treasuries in November after October's outperformance. New issuance was $12 billion, skewed towards Single Asset/Single Borrower (SASB) deals. Conduit spreads remained range bound between +75-80 bps during the month of November.

ABS - ABS new issue supply was heavy once again for four consecutive months. November's US ABS sales reached $39.6 billion. November 2025 supply was the heaviest November since 2016. Year-to-date, new issue supply is close to $357.5 billion, 7.5% higher year-over-year. Auto spreads made a comeback and performed the best in November. Utility (rate reduction) spreads lagged with an active new issue market. Excess returns at the subsector level for ABS was Autos +12, Cards +2 and Utility -11 respectively. CLOs underperformed fixed alternatives in November and YTD. CLO supply has been strong at $177bn YTD. Through this growth, market liquidity has been solid in the secondary market, supporting spreads. Secondary trading volume is up +21% year-over-year.

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



Insurance
Tax Factor 1.199367

Retail
Tax Factor 1.689189

Municipal Bonds

Source: Greg Bell, CFA, CPA

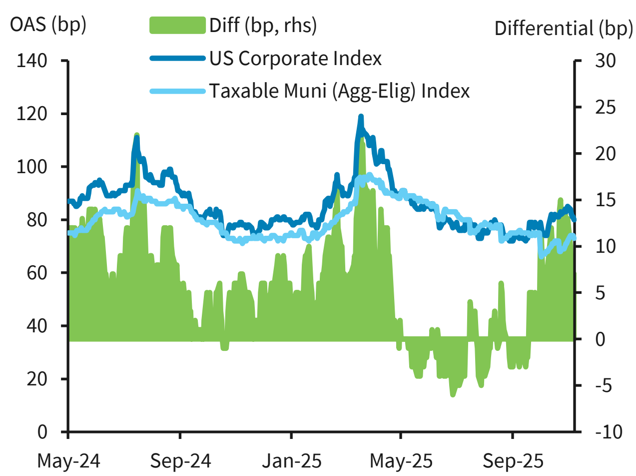
Tax-exempt spreads widened despite better technicals. Taxable spreads were modestly weaker, with supportive technicals continuing

Tax-exempts - November supply continued a trend of better-than-expected technicals. New issue supply came in at ~$38.5B, which was well-below expectations of $47B for the month. It was also ~21% below the monthly $49B average for the first 10 months of the year. Demand from mutual funds also continues to be supportive. Although funds exhibited outflows of $966B during the third week of November, average weekly flows for the month were still positive at $266M. (Source: Refinitiv, Bloomberg, Lipper, BofA)

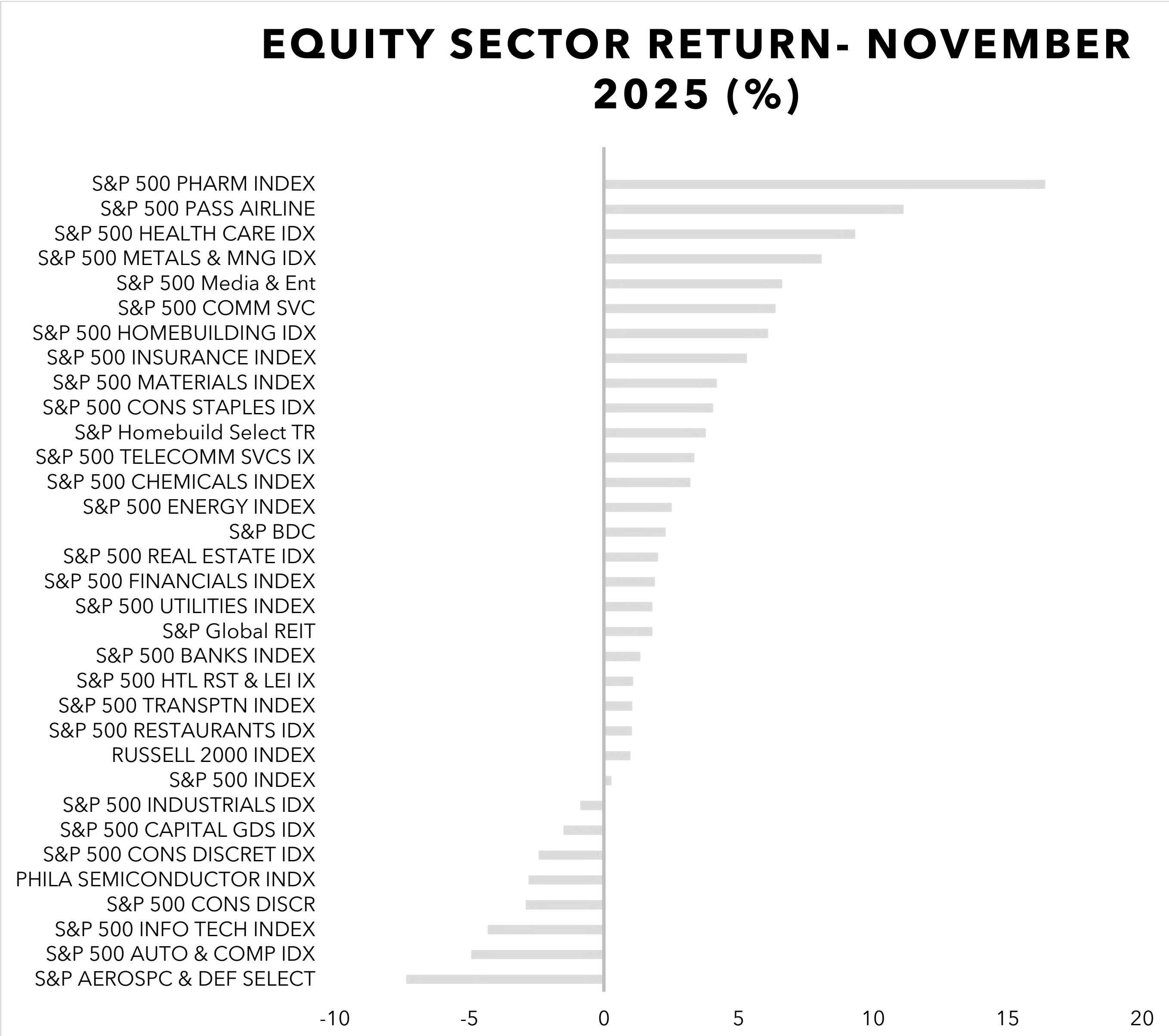
The sector should continue to exhibit better technicals entering year-end. Supply during December is expected to reach $45B, before moderating to lower levels during the first two months of the new year. Additionally, reinvestment flows are also expected to improve to their second highest levels of the year during the December to February timeframe. (Source: Bond Buyer, BofA)

Treasury rates in 10yrs fell by 6bps in November, while tax-exempts underperformed. Rates for the sector in 10yrs moved higher by 2bps, resulting in Muni-to-Treasury ratios rising by over 1.5 percentage points to finish the month at 68.5%. Even with the weakening in relative valuation for the sector during the month, 10yr ratios remains over 11.5 percentage points through its 8yr average. Tax-adjusted yield spreads to Treasuries (insurance companies subject to 21% corporate tax rate) widened by 9bps to end the month at -72bps. (Source: AAM, BofA, Bloomberg, Refinitiv)

Taxables - November spreads performance was modestly weaker in most tenors. Spreads in 3, 5 and 30yrs widened by 2 to 4bps, while spreads in 10yrs tightened by 3bps. The market continues to be buoyed by a combination of solid demand across the curve, and a low new issuance environment. New issuance for November came in at very modest $1.3B, which was almost unchanged relative to issuance in November 2024. (Source: BofA, Bond Buyer, Bloomberg)



U.S. Equity Performance



Source: Bloomberg, AAM