Monthly Fixed Income Market Update

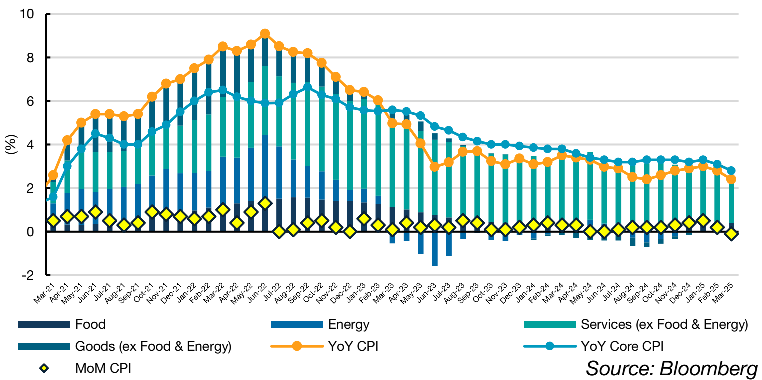
As of April 30, 2025

Key Takeaways

1. The Treasury yield curve steepened in April as markets reacted to tariffs, increased inflation expectations and general volatility. The 10-year yield ended the month at 4.16%, down from March's 4.20%.
2. Volatility spiked in April as measured by the VIX and MOVE Indices, with the VIX at the highest levels we've seen since COVID-19 but both concluded the month near their 52-week averages.
3. What does fixed income have to offer in the current market environment? With the seesawing in equity markets we observed in April, we'd suggest taking a look at bonds.

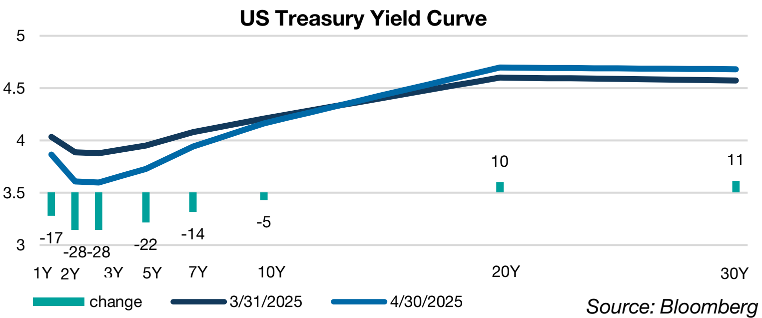
The Month in Charts

March CPI, as reported in April, fell to 2.4% year-over-year and Core CPI to 2.8% year-over-year. The Federal Reserve (the Fed) did not have a meeting in April but signaled that rates will likely remain unchanged following recent volatility, weaker consumer confidence and increased inflation expectations. The Fed has indicated concerns about the wide range of possible outcomes following the rollout of new trade policies, and while rate cuts are not an impossibility there is an air of hesitance that may not perfectly align with the four cuts the market has priced in for 2025.



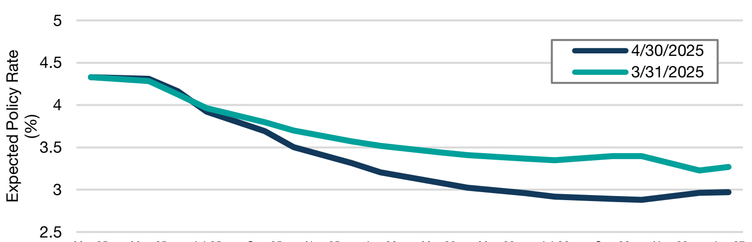
Source: Bloomberg

The Treasury yield curve steepened further in April. The shorter end of the curve declined due, in our view, to the market pricing a ~60% chance that the Fed cuts rates by June due to slower economic growth and policy concerns. Yields on the long end were driven upwards by an increase in demand.



Source: Bloomberg

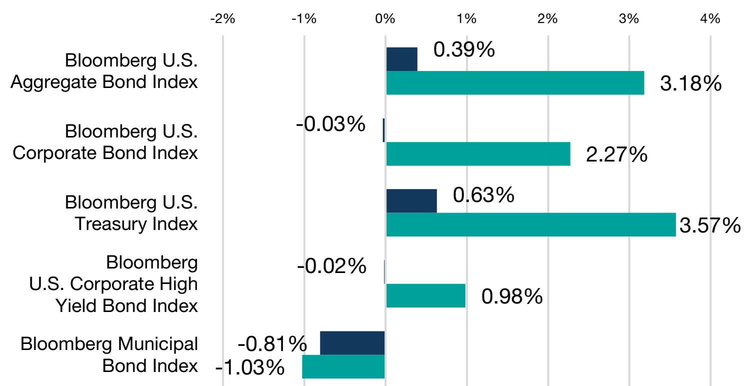
Markets priced in additional cuts through 2025, encouraged by softening economic data and increased forecasts for recession.



Source: Bloomberg

Performance was mixed in April, Treasuries outperformed while corporates underperformed.

Returns (%) for Fixed Income Indices



Performance as of April 30, 2025

Past performance is no guarantee of future results.

Source: Bloomberg

Credit spreads widened notably in the middle of the month but concluded April only somewhat wider month over month. Investment grade spreads widened 13 bps and high yield spreads widened 39 bps.

				Quarter		Change		
Asset Class	Yield	Spread	Qtrly Trend	Tight	Wide	MoM	QoQ	YoY
U.S. Treasury	3.94							
U.S. MBS	4.93	43		31	49	7	9	-12
U.S. Corporate	5.15	106		77	118	13	28	19
U.S. Corporate High Yield	8.05	384		257	452	39	123	85
CMBS	4.75	98		77	101	10	20	-1
ABS	4.49	73		46	74	14	28	24
A	4.98	89		67	101	9	22	14
BBB	5.44	134		97	146	17	35	25
BB	6.66	249		151	302	32	94	70

Source: Bloomberg; Asset Classes represented by: ICE BofA US Treasury & Agency Index, Bloomberg US MBS Index, Bloomberg US Agg Total Return Value Unhedged USD, ICE BofA US High Yield Index, ICE BofA US Fixed Rate CMBS Index, ICE BofA US Fixed Rate Asset Backed Securities Index, Bloomberg US Agg A Total Ret Index, Bloomberg US Agg Baa Total Ret Index, Bloomberg Ba US High Yield TR Index. MoM/QoQ/YoY as of 04/30/2025

Bonding over Bonds

Our video series on the fixed income markets

In our #BondingOverBonds video series, experts discuss notable activity in the fixed income markets: [Watch Now]

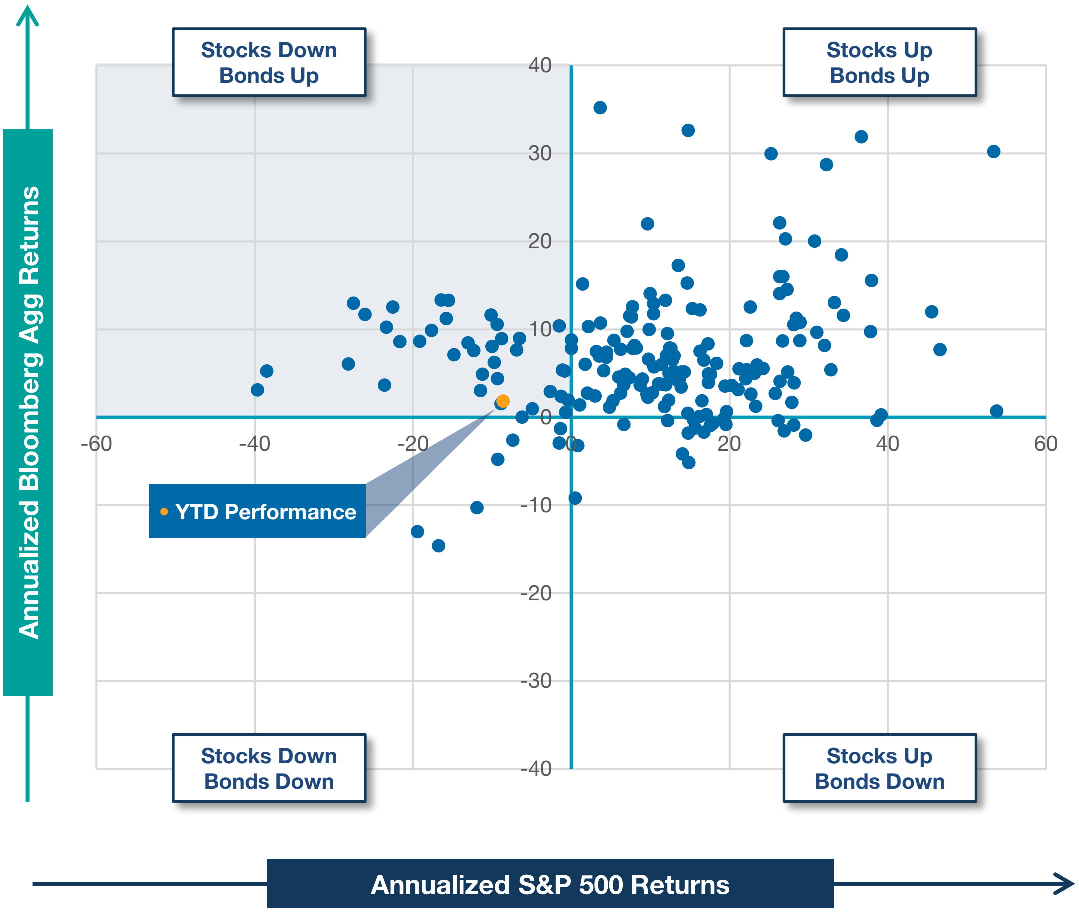
Frequently Asked Questions

We have experienced a significant amount of volatility and uncertainty in the past month across fixed income and equity markets as investors grappled with pricing the potential impact of tariffs, weaker consumer confidence and inflation worries. While the 90-day pause on some of the highest tariff levels for most trading partners provided markets with a moment to catch their breath, investors may still be wondering where bonds fit into this picture.

We believe the case for a core bond allocation is very strong in the current environment. In the chart to the right, the diversification benefits bonds offer during periods of equity downturns are shown in the quadrant highlighted. In analyzing the annualized returns since 1976 for the Bloomberg Aggregate Index and the S&P 500, we see that approximately 85% of the time stocks were down, bonds were up. Considering the risk of the unknown in current markets, we believe that fixed income investors may want to review the diversification benefits bonds provide. We find it prudent to remind investors that the negative correlation at the right moment matters (i.e. when stocks are down), but not to forget that much of the time when stocks rise bonds also rise.

We believe that the opportunity fixed income offers investors is very attractive – providing relatively attractive income opportunities as well as a cushion for equity volatility.

Annualized Returns Since 1976 – Stocks and Bonds



Source: Bloomberg

What We'll Be Watching in the Month Ahead

We will be watching the economic health indicators, inflation, and the following in the month to come:

- **May 2nd, the Nonfarm Payrolls and Unemployment Rate:** These reports will be critical input for the Fed in assessing the health of the labor market and help inform future rate reductions.
- **May 7th, the next FOMC Rate Decision:** We, alongside the rest of the market, do not expect a rate cut at this meeting. However, the press conference following may provide further insight into the Fed's approach to the newly implemented tariff policies.
- **May 13th, the next CPI will be released:** This report will offer insight into whether inflation remains somewhat sticky or is moving towards the Fed's 2% target.

All investments carry a certain degree of risk including the possible loss of principal, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice regarding the best options for their particular circumstances from qualified tax and financial experts.

The opinions are as of the date noted and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Index performance includes reinvestment of dividends and other income but does not reflect management fees, transaction costs or expenses. One cannot invest directly in an index. **Past performance does not guarantee future results.**

Basis point "bps" is 1/100th of a percentage point. **Credit spread** is the difference in yield between a U.S. Treasury bond and another debt security of the same maturity but different credit quality. Credit spreads are the additional compensation that investors require to hold securities that are not as safe and liquid as those issued by the US Treasury. **The Treasury Yield Curve** shows the relationship between the US bond yield and the time to maturity. Yield and price have an inverse relationship. As the yield curve lowers, the price of bonds increase. **Core CPI:** CPI excluding food and energy. **Consumer Price Index (CPI),** a popular measure of inflation and deflation calculated by the Bureau of Labor Statistics, measures the monthly change in prices paid by U.S. consumers. **Personal Consumption Expenditure Price Index** is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services and is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

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