

Monthly Fixed Income Market Update

As of November 30, 2025

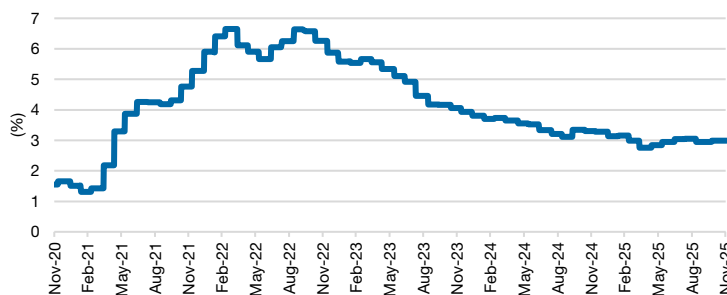
Key Takeaways

1. The Federal Reserve did not have a meeting in November, but as the government shutdown dragged into the first half of the month, we saw yields decline as bets for a December rate cut rose. The 10-year yield declined and ended the month at 4.02%, down from October's 4.08%.
2. Fixed income experienced positive performance in November, driven by yield decreases across the Treasury curve. Corporate credit spreads continue to hold below long-term averages, but we saw a slight widening mid-month.
3. What are markets thinking about the December Federal Open Market Committee (FOMC) Meeting? We take a look at how rate cut expectations evolved in November.

The Month in Charts

October's CPI report was cancelled in late November following the government shutdown given the Bureau of Labor Statistics was unable to retroactively collect the data. November's CPI report has also been pushed out to December 18th, leaving many market participants and the Federal Reserve (the Fed) without critical data heading into the December FOMC meeting starting on the 9th. While alternative data exists such as state-level jobless claims or private data reports on inflation the data blackout caused some market volatility in November. At the end of the month markets were still pricing in an 83% chance that the Fed will cut in December, but the conviction of this bet fluctuated notably throughout the month. The below chart is published by the Federal Reserve Bank of Cleveland and shows daily "nowcasts" of the Consumer Price Index and the Personal Consumption Expenditures Index.

US Cleveland Fed Inflation 'Now Cast'



Source: Bloomberg

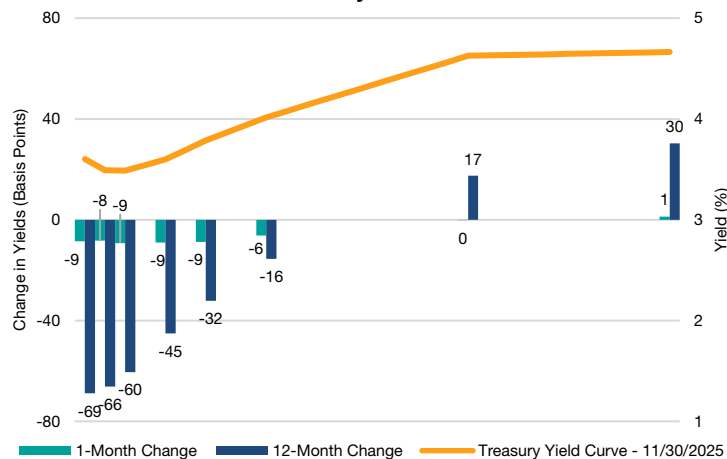
Most credit spreads widened slightly month-over-month due to higher volatility. Investment grade corporate credit spreads widened 2 basis points while high yield corporate credit spreads tightened 5 basis points. Despite the limited, relative to history, quarter over quarter widening we saw in high yield corporates it was sufficient to wipe out excess returns, causing the index to underperform the Bloomberg U.S. Aggregate.

Asset Class	Yield	Spread	Trend	Quarter		Change			Trailing 10 yr avg
				Tight	Wide	MoM	QoQ	YoY	
U.S. Treasury	3.83								
U.S. MBS	4.61	29		23	34	2	-5	-12	38
U.S. Corporate	4.77	80		71	85	2	2	3	118
U.S. Corporate High Yield	7.09	275		263	306	-5	3	10	405
CMBS	4.38	78		75	78	0	-1	-8	90
ABS	4.13	54		47	55	0	4	9	55
A	4.62	67		61	71	1	0	0	96
BBB	5.00	102		91	107	4	3	5	152
BB	5.80	160		158	195	-12	-10	1	265

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 11/30/2025

The Treasury yields ended November lower month over month but had been slowly rising midmonth due to the uncertainty driven by the shutdown's impact on data availability. Overall, the curve steepened and declined as market expectations for a December cut increased. Year over year, the front end of the curve declined materially, whereas the long end increased due, in our view, to increased fiscal pressure and inflation persistently above target.

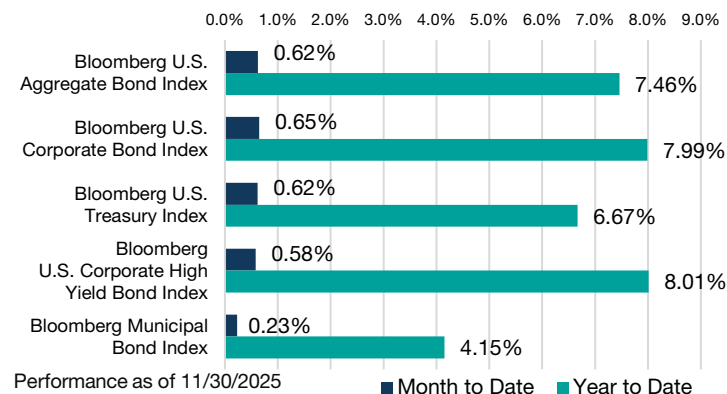
US Treasury Yield Curve



Source: Bloomberg

Performance was positive across fixed income in November, the late rally supported by increased expectations for a December rate cut that drove lower Treasury yields.

Returns (%) for Fixed Income Indices



Performance as of 11/30/2025

■ Month to Date ■ Year to Date

Past performance is no guarantee of future results.

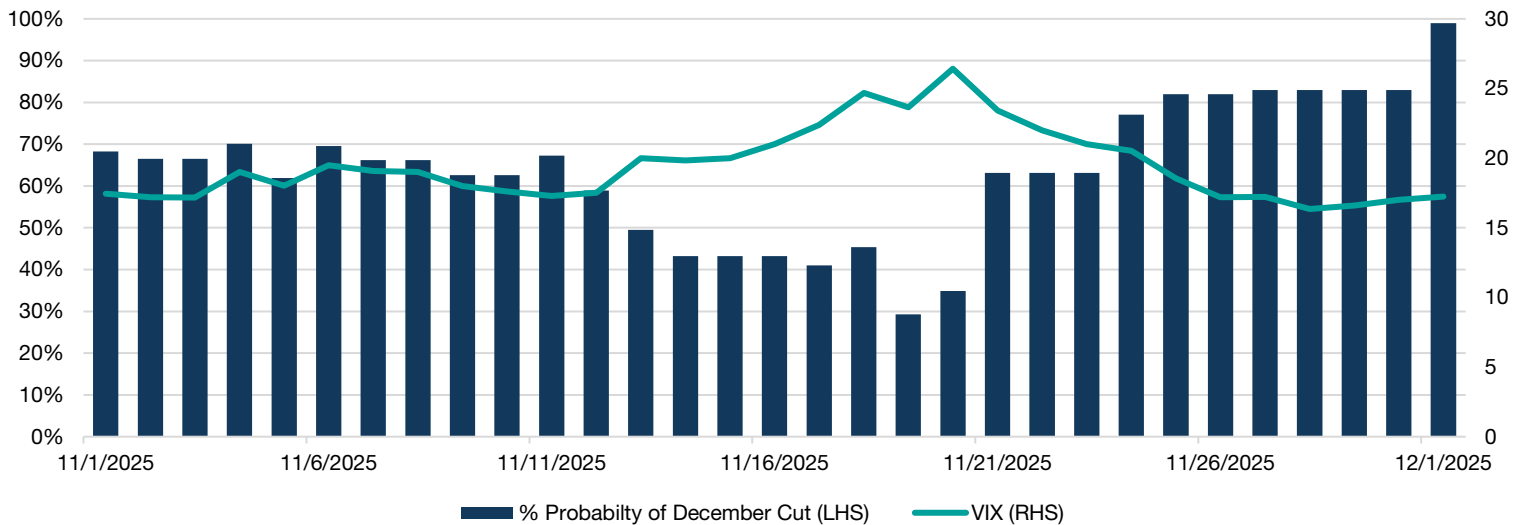
Source: Bloomberg

Frequently Asked Questions

This past month has been a whirlwind for investors attempting to guess what the Federal Reserve's next move will be. At the beginning of November interest rate traders had priced in a 67% probability of a December rate reduction and by the first day of December had moved up to 99%. During the month,

however, this fluctuated dramatically due to media coverage on division within the Fed on the biggest threat to the economy, the lack of recent data on labor and inflation, and volatility driven by a brief equity market selloff.

Rate Cut Probabilities for December Rate Cut



We are heading into December without our typical pulse checks on the economy – the October jobs report will be rolled into November's report and the publishing date for November's CPI has been pushed past the FOMC's meeting date, leaving market participants and the Fed alike without a clear image of how the economy is faring. Headlines show investors hanging on the word of FOMC members' public appearances in the hopes of gleaning more meaningful information to factor into their rate expectations.

The chart above highlights the material swings in investor sentiment and the VIX

(CBOE Volatility Index) took throughout the month. While interesting to note the material pullback in expectations midmonth due to increased equity volatility, the lesson we take from November and prior months, is that attempting to predict the movement of interest rates and future monetary policy may not be a sound investment strategy. While the Fed may or may not reduce rates in December due to the challenging data environment, we suggest readers review previous publications that highlight fixed income's historical performance in rate reduction cycles instead of fixating on the short term.

What We'll Be Watching in the Month Ahead

- **December 5th, September's PCE Report:** This report will provide insight past inflation and whether it is moderating toward the Fed's 2% inflation target.
- **December 9-10th, the next FOMC Rate Decision:** This report will tell us whether inflation is moderating or continuing to be somewhat stubborn and will be a factor in monetary policy decisions.
- **December 16th, Change in Nonfarm Payrolls and Unemployment Rate:** These will provide us insight into the status of the labor market, an important consideration for the FOMC as they shape monetary policy.

All investing involves risk, including the possible loss of principal. 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.

Indexes are unmanaged; their returns include reinvestment of dividends and other income but do not reflect management fees, transaction costs or expenses. It is not possible to 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. The **Bloomberg 1-3 Month U.S. Treasury Bill Index** is designed to measure the performance of US-dollar-denominated, fixed-rate, investment-grade public obligations of the U.S. Treasury that have a remaining maturity 1 month to 3 months. The Index is market capitalization weighted, with securities held in the Federal Reserve System Open Market Account deducted from the total amount outstanding. The **Bloomberg U.S. Aggregate 1-3 Year Index** measures the performance of investment grade, USD-denominated, fixed-rate taxable bond market securities with maturities of 1-3 years, including Treasuries, government-related and corporate securities, mortgage-backed securities (MBS; agency fixed-rate and hybrid ARM pass-throughs), asset backed securities, and commercial MBS. The **Bloomberg U.S. Aggregate Bond Index** measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

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