

MACRO

The Federal Open Market Committee held the fed funds rate steady at its January meeting. During the post-meeting press conference, Chair Jerome Powell maintained that while policy remains restrictive, the Committee is not inclined to cut rates again until additional progress on inflation is achieved, or labor markets deteriorate.

Uncertainty over potential changes to trade policies has resulted in intermittent volatility across financial markets as investors contend with a wide range of potential outcomes.

CREDIT

Credit markets were active in January with roughly \$185 billion in new issuance. February is expected to be similarly active.

Strong investor demand led to robust order books and minimal concessions for new issuance, a continuation of trends from 2024.

Credit spreads remain stable; the Bloomberg US Credit Index traded in a tight 4 basis point (bp) range in January, closing the month at 75 bps.

STRUCTURED

The asset-backed securities sector started the year strong with approximately \$30 billion in issuance. That pace looks likely to continue in February with several expected auto-related securitizations to start the month.

The mortgage-backed securities sector benefited from marginally lower rates and a stabilization in interest rate volatility.

CHART OF THE MONTH

US Dollar Index



- > A combination of reduced expectations for fed funds rate cuts and the potential for broadscale tariffs has led the U.S. dollar to strengthen in recent months.
- > Global currency volatility is likely to persist until there is clarity on trade policy.

As of 1/31/25. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	4.29	-0.03	-0.03	-0.03
2-Yr UST	4.20	-0.04	-0.04	-0.04
5-Yr UST	4.33	-0.05	-0.05	-0.05
10-Yr UST	4.54	-0.03	-0.03	-0.03
30-Yr UST	4.79	0.00	0.00	0.00
Risk Premia	OAS (Bps)	MTD Change	QTD Change	YTD Change
Investment Grade Credit	75	-2	-2	-2
Asset-Backed Securities	47	3	3	3
High Yield	261	-26	-26	-26

As of 1/31/2025. Source: Bloomberg L.P.

BLOOMBERG SECTOR / INDEX PERFORMANCE (USD)

	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
Sector					
Investment Grade Credit	6.56	0.14	0.14	0.56	0.56
Mortgage-Backed Securities	6.14	0.04	0.04	0.51	0.51
Asset-Backed Securities	2.58	-0.06	-0.06	0.32	0.32
High Yield	2.95	0.93	0.93	1.37	1.37
Index					
1-3-Yr Government/Credit	1.75	0.04	0.04	0.46	0.46
Intermediate Government/ Credit	3.64	0.05	0.05	0.57	0.57
U.S. Aggregate	6.01	0.05	0.05	0.53	0.53

As of 1/31/2025. Source: Bloomberg L.P.

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