

## MACRO

The Federal Reserve (Fed) held interest rates unchanged at its March meeting, while noting its expectations for lower growth and higher inflation going forward.

In early April, recent U.S. tariff policy contributed to stagflation concerns, global market disruption and a steepening yield curve, which ultimately reflected slowing growth expectations. As of April 3, the Federal Reserve Bank of Atlanta's GDPNow model estimate is -2.8% for the first quarter.

Market pricing for Fed rate cuts has shifted materially in response to the early April tariff announcements; currently, approximately 100 basis points (bps) of cuts are discounted for the balance of 2025. Despite the increased volatility and market expectations for cuts, Fed Chair Jerome Powell noted the Federal Open Market Committee is "well positioned to wait for greater clarity before considering any adjustments to our policy stance."

## CREDIT

Primary markets were active during March as issuers took advantage of receptive buyer demand prior to the increased volatility at month-end. Despite the month-end slowdown, investment grade issuance during the first quarter set a record at \$531 billion.

Following the record pace of issuance in the first quarter, new supply is expected to slow during the month of April to an estimated \$120 billion in investment grade supply.

Investment grade spreads closed the month of March at 89 bps; however, in early April, spreads continued to widen, closing the week of April 4 at 103 bps due to tariff volatility and economic uncertainty. Correspondingly, the ICE BofAML MOVE Index closed at 125, its highest level since November 2024.

## STRUCTURED

Asset-backed security spreads increased during March but recouped some of the widening as issuance slowed and all-in levels attracted buyers. Auto-backed deals comprised approximately 51% of new issue volume.

Despite renewed interest rate volatility, the mortgage-backed sector has outperformed credit year-to-date given the growing risk-off tone.

### CHART OF THE MONTH U.S. 2-Year Breakeven and Real U.S. Treasury Yield\* (%)



➤ Year-to-date real yields have plummeted, while breakeven rates on Treasury Inflation-Protected Securities have increased.

\*Normalized as of 12/31/2024  
As of 3/31/25. Source: Bloomberg L.P.

## MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	4.30	0.00	-0.02	-0.02
2-Yr UST	3.89	-0.11	-0.36	-0.36
5-Yr UST	3.95	-0.07	-0.43	-0.43
10-Yr UST	4.21	0.00	-0.37	-0.37
30-Yr UST	4.57	0.08	-0.21	-0.21
Risk Premia	OAS (Bps)	MTD Change	QTD Change	YTD Change
Investment Grade Credit	89	6	12	12
Asset-Backed Securities	60	10	16	16
High Yield	347	67	60	60

As of 3/31/2025. Source: Bloomberg L.P.

**BLOOMBERG SECTOR/INDEX PERFORMANCE (USD)**

	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
<b>Sector</b>					
Investment Grade Credit	6.62	-0.39	-0.76	-0.24	2.36
Mortgage-Backed Securities	5.90	-0.27	-0.07	-0.02	3.06
Asset-Backed Securities	2.56	-0.18	-0.29	0.23	1.53
High Yield	3.01	-1.51	-1.13	-1.02	1.00
<b>Index</b>					
1-3-Yr Government/Credit	1.78	-0.01	0.03	0.46	1.63
Intermediate Government/ Credit	3.67	-0.06	-0.08	0.44	2.42
U.S. Aggregate	6.01	-0.18	-0.23	0.04	2.78

As of 3/31/2025. Source: Bloomberg L.P.

This publication is for informational purposes only. Information contained herein is believed to be accurate, but has not been verified and cannot be guaranteed. Opinions represented are not intended as an offer or solicitation with respect to the purchase or sale of any security and are subject to change without notice. Statements in this material should not be considered investment advice or a forecast or guarantee of future results. To the extent specific securities are referenced herein, they have been selected on an objective basis to illustrate the views expressed in the commentary. Such references do not include all material information about such securities, including risks, and are not intended to be recommendations to take any action with respect to such securities. The securities identified do not represent all of the securities purchased, sold or recommended and it should not be assumed that any listed securities were or will prove to be profitable. **Past performance is no guarantee of future results.**

Indices and/or Benchmarks Definitions are available at <https://www.pnccapitaladvisors.com/index-definitions/>.

PNC Capital Advisors, LLC is a wholly-owned subsidiary of PNC Bank, National Association, which is a Member FDIC, and an indirect subsidiary of The PNC Financial Services Group, Inc. serving institutional clients. PNC Capital Advisors' strategies and the investment risks and advisory fees associated with each strategy can be found within Part 2A of the firm's Form ADV, which is available at <https://pnccapitaladvisors.com>.

PNC Capital Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®). A list of composite descriptions for PNC Capital Advisors, LLC and/or a presentation that complies with the GIPS® standards are available upon request.

**Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.**

©2025 The PNC Financial Services Group, Inc. All rights reserved.