

MACRO

A disappointing August employment report and negative preliminary benchmark revisions to prior months' labor data from the Bureau of Labor Statistics (BLS) reinforced concerns about the trajectory of the unemployment rate.

At its September meeting, the Federal Open Market Committee (FOMC) cut the fed funds rate by 25 basis points (bps) – marking the first cut since December 2024. The committee noted that the “downside risks to employment have risen.” Going forward, the median expectation of FOMC participants suggests an additional 25 bp cuts at each of the October and December meetings.

Due to the U.S. government shutdown, a number of economic data releases will be delayed, including the September payroll report.

CREDIT

In September, U.S. investment grade bond sales reached \$207.5 billion, ranking fifth in all-time monthly volume (and second, for a non-COVID-19 pandemic period). After a slow start thus far in October, dealer estimates now approximate \$90 billion in new bond sales for the month.

Despite significant supply, investment grade credit spreads narrowed by five bps in September, remaining near historic lows. Investor demand for long duration credit has remained robust, perpetuating uncharacteristically flat credit curves.

STRUCTURED

In September, asset-backed securities market activity was strong, as investors sought to lock in yields ahead of the expected rate cut at the September FOMC meeting. Primary issuance continued to be robust and was met with solid investor demand.

Mortgage-backed securities performed well in September, with excess returns of 35 bps. Low interest rate volatility continues to be supportive of returns. As mortgage rates declined during the period, refinancing activity spiked to the highest level since the Fed began hiking rates in early 2022.

CHART OF THE MONTH
Top Monthly New Issuance Volumes



- Excluding the unique circumstances of 2020 COVID-19 disruptions, September 2025 represented the second busiest month for investment grade corporate bond issuance in history.
- Attractive funding costs likely pulled forward some anticipated issuance, suggesting a slower pace in the coming months.

As of 9/30/2025. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	3.94	-0.21	-0.36	-0.38
2-Yr UST	3.61	-0.01	-0.11	-0.63
5-Yr UST	3.74	0.04	-0.06	-0.64
10-Yr UST	4.15	-0.08	-0.08	-0.42
30-Yr UST	4.73	-0.20	-0.04	-0.05
Risk Premia	OAS (Bps)	MTD Change	QTD Change	YTD Change
Investment Grade Credit	70	-5	-9	-7
Asset-Backed Securities	49	-2	-8	5
High Yield	267	-5	-23	-20

As of 9/30/2025. 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	6.66	0.45	1.27	1.44	6.90
Mortgage-Backed Securities	5.72	0.35	0.97	1.22	6.76
Asset-Backed Securities	2.61	0.11	0.38	0.55	4.62
High Yield	2.74	0.48	2.40	0.82	7.22
Index					
1-3-Yr Government/Credit	1.79	0.02	0.18	0.33	4.14
Intermediate Government/ Credit	3.68	0.11	0.39	0.42	5.70
U.S. Aggregate	5.97	0.21	0.60	1.09	6.13

As of 9/30/2025. Source: Bloomberg L.P.

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

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