

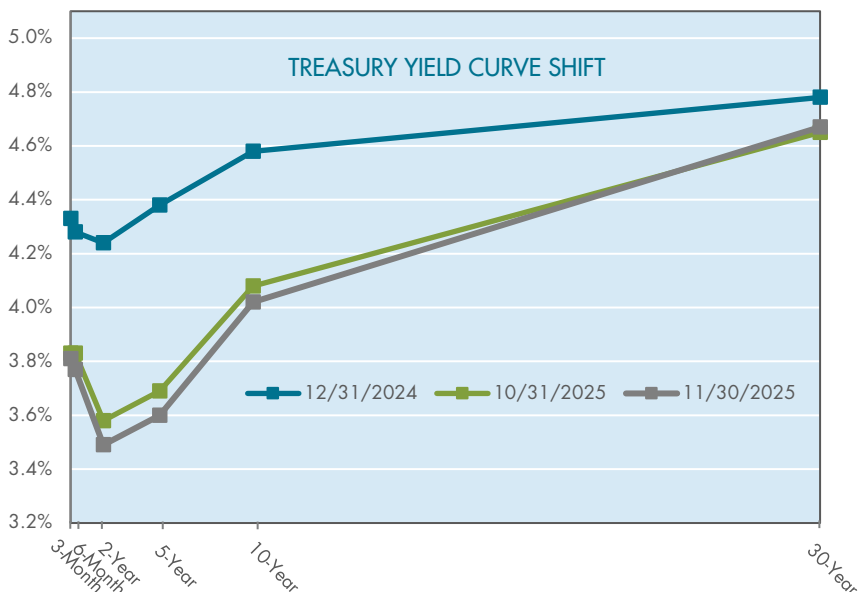
# TAXABLE BOND SNAPSHOT

NOVEMBER 2025

## KEY TAKEAWAYS

- ▶ The US Aggregate Bond Index returned 0.62% in November, spot-on with October's gain. Yields declined across the curve, except for the unchanged long end. Spreads for the overall index rose marginally. The year-to-date (YTD) gain advanced to 7.46%.
- ▶ The government reopened and a broadly positive earnings season drew to a close. Concerns over funding needs and revenue growth for AI-related firms were prevalent in the headlines. Yet, market tone improved toward month-end after comments made by NY Fed President William's boosted odds for a near-term rate cut.
- ▶ Rate volatility finished near a four-year low, while stocks edged into positive territory and extended their streak of gains to seven months.

## TAXABLE BOND MARKET UPDATE & OUTLOOK



Sources: FactSet and Bloomberg

US TREASURY YIELDS					
	12/31/24	10/31/25	11/30/25	MTD Change (bps)	YTD Change (bps)
3-Month	4.33%	3.83%	3.81%	-2	-52
6-Month	4.28%	3.83%	3.77%	-6	-51
2-Year	4.24%	3.58%	3.49%	-9	-75
5-Year	4.38%	3.69%	3.60%	-9	-78
10-Year	4.58%	4.08%	4.02%	-6	-56
30-Year	4.78%	4.65%	4.67%	+2	-11

FIXED INCOME SECTOR PERFORMANCE			
	MTD	YTD	Yield to Worst
Bloomberg Aggregate Index	0.62%	7.46%	4.27%
US Treasuries	0.62%	6.67%	3.83%
Investment Grade Corporates	0.65%	7.99%	4.76%
Mortgage-Backed Securities	0.62%	8.35%	4.61%
Asset-Backed Securities	0.56%	5.61%	4.13%
Preferred Securities	-0.78%	4.64%	5.88%
Taxable Municipal Bonds	0.50%	8.36%	5.00%
High Yield Corporate Bonds	0.58%	8.01%	6.57%

- ▶ A solid earnings season wrapped up with the S&P 500 notching 13.4% growth in profits — the fourth consecutive quarter of double-digit expansion. Subsequently, markets turned their attention to the AI buildout, with investment-grade (IG) spreads coming under modest pressure on heavy capital spending related supply.
- ▶ Sentiment improved in the latter part of the month after NY Fed President William's comments suggested a soft labor market might require a near-term rate cut, meaningfully raising the odds for a rate decrease in December.
- ▶ Treasury yields declined moderately overall, with the larger moves seen in the belly of the curve. Inflation remains near 3%, while breakeven rates fell during the month. Q3 GDP growth is expected to come in at just under 4%.
- ▶ IG corporates lagged Treasuries due to a modest widening in spreads. Corporate markets held in well despite an abundance of issuance, concerns over future AI funding requirements, and the overall tone in risk. The \$134 billion in issuance was just \$3 billion short of the November record.
- ▶ High yield (HY) bonds underperformed the broad IG bond market, although they posted a seventh straight month of positive returns. The sector's lower duration limited its benefit from falling rates, even as spreads tightened modestly.
- ▶ The securitized sector underperformed duration-matched Treasuries. The hawkish tone heading out of the October Fed meeting elevated rate volatility pressuring spreads in agency mortgage-backed securities (MBS) wider. Most of that widening was retraced as softer economic data towards the end of the month renewed optimism for Fed rate cuts in December. The technical backdrop for MBS remains intact and the sector should benefit from a low supply environment over the coming months.
- ▶ Asset-backed securities (ABS) outperformed, led by spread tightening in the auto ABS sector. The outperformance was notable as November primary market activity hit the highest level since 2016. The strong primary market has pushed overall issuance past full year 2024, which set a record. Issuance should slow into year end, which is a positive tailwind for the sector.
- ▶ The preferred market underperformed on an excess return basis following the move wider in some risk assets. Rates and sector specific technicals had limited affects.



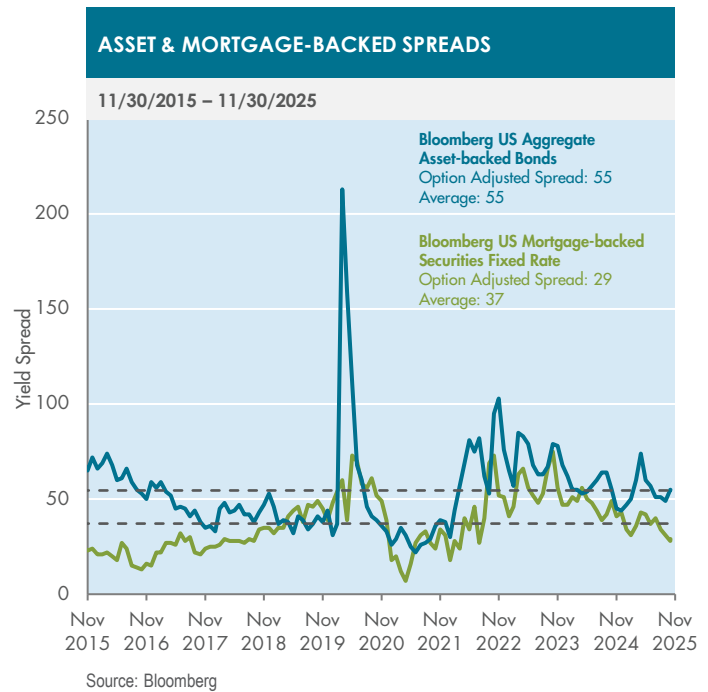
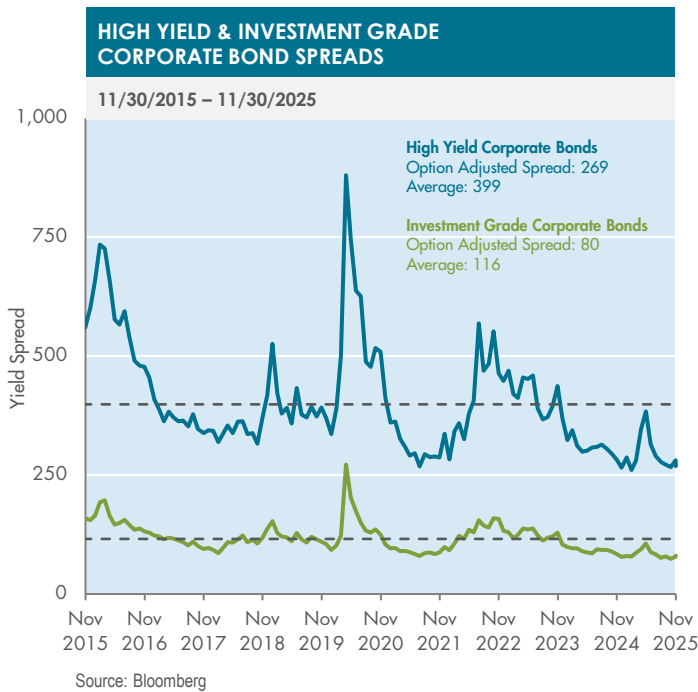
# TAXABLE BOND SNAPSHOT

## NOVEMBER 2025

### SECTOR ALLOCATION

### GW&K STRATEGY POSITIONING

<b>DURATION &amp; YIELD CURVE</b>	Our duration stance remains neutral. The market has interpreted recent Fed commentary to mean a December rate cut is likely. Tension still exists between a potentially cooling labor market and inflation still above target, but the central bank has shifted its attention to the former.
<b>TREASURIES</b>	We favor spread product over Treasuries in what remains an attractive carry environment.
<b>GOVERNMENT RELATED</b>	We are overweight taxable municipal bonds, supported by strong fundamentals and the relatively recession-resistant characteristics of the asset class.
<b>CORPORATE BONDS</b>	Tactically, we remain overweight corporates. While valuations and macro risks warrant some caution, the credit story remains compelling for carry-focused investors. Overall, corporate fundamentals are solid, earnings remain supportive, and technicals are favorable amid attractive all-in yields.
<b>SECURITIZED</b>	Agency MBS and ABS continue to be core components of our portfolio allocation. The securitized sector is supported by strong collateral performance, and while generally spreads are historically tight, the sector still offers attractive relative value and favorable risk-adjusted return potential in the current environment.



**Disclosures**

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