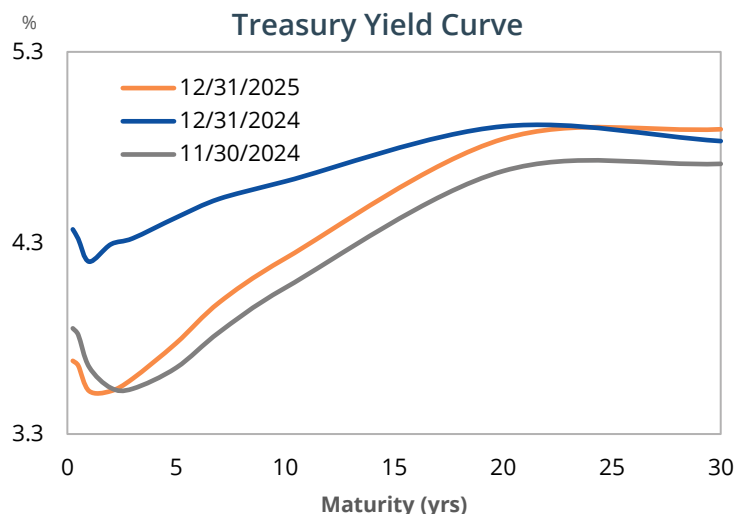


MARKET NEWS

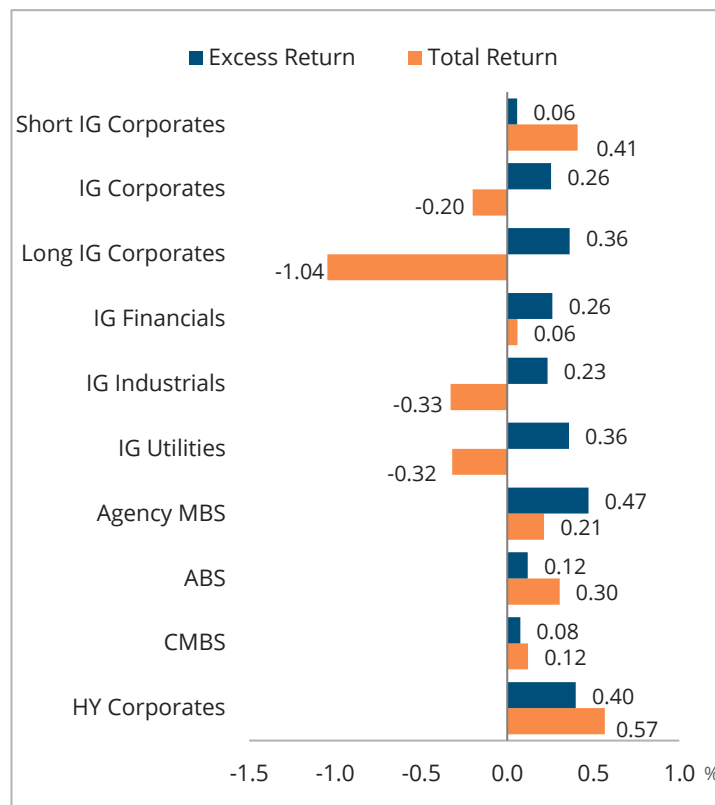
- Risk assets experienced modestly positive returns in December, as economic data throughout the month signaled continued labor market weakness and moderating inflation
 - Non-farm payrolls increased by 64k in November after declining 105k in October, while the unemployment rate increased to 4.6%
 - CPI grew 2.7% year-over-year in November, below expectations of 3.1%; the report points to some inflationary easing, although data collection issues due to the government shutdown may have affected the figures
- The Federal Reserve (Fed) delivered its third consecutive 25bp rate cut in December, bringing the target rate range to 3.50 - 3.75%, and announced Treasury bill purchases of \$40 billion/month to bolster liquidity
- The Treasury curve steepened during the month, supported by the FOMC decision and the uncertainty over the Fed's speed and depth of the current easing cycle in 2026
 - The FOMC dot plot suggests only one 25bp rate cut in 2026, while investors are pricing in two
- Investment-grade issuance (IG) in December reached \$32 billion, while the high-yield (HY) market added \$23 billion to its annual tally, pushing 2025's total issuance to \$1.59 trillion and \$328 billion, respectively
 - Dealers forecast \$1.8-2.25 trillion and \$340-380 billion of new high-grade and high-yield supply, respectively, in 2026
- Investment-grade corporate spreads tightened 2bps to 78bps, while yields rose 5bps to 4.81%; high-yield corporate spreads tightened 3bps to 266bps, while yields fell 4bps to 6.53%
 - Brokerage and Insurance were two of the best performing sectors, while AI-related sectors, such as Technology, underperformed
 - Lower-quality issuers outperformed higher-quality issuers, with Bs and CCCs besting BBs by 41bps and 18bps, respectively
- Agency mortgage-backed securities (MBS) outperformed other securitized sectors, supported by strong bank demand and falling mortgage rates
 - MBS spreads tightened 7bps to 22bps, while the 30-year fixed national average mortgage rate declined to 6.25%
- Municipal bonds outperformed Treasuries as muni/Treasury ratios fell across the curve
 - Municipal issuance in December topped \$41 billion, bringing the annual total to \$592 billion – a 12% increase over 2024

MARKET STATISTICS



Maturity	2-year	5-year	10-year	20-year	30-year
12/31/25	3.48	3.73	4.17	4.79	4.85
MTD Change	-0.02	0.13	0.15	0.17	0.18
YTD Change	-0.77	-0.66	-0.40	-0.07	0.06

MTD Returns



As of 12/31/25. Sources: Bloomberg

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. This is not a recommendation to purchase or sell the securities mentioned above. The views contained in this report are those of Income Research + Management ("IR+M") and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. "Bloomberg" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.