Monthly Market Review

Fixed Income | November 2025

pfm asset management

Dueling dissents compound the divide.

Economic Highlights

- The Federal Reserve (Fed) cut the target range for the federal funds rate at the second consecutive meeting to a three-year low of 3.75% to 4.00%. It also announced the end of its quantitative tightening program on December 1, at which point it will halt balance sheet reductions.
- Fed Chair Jerome Powell acknowledged "strongly differing views" within the Committee. Highlighting this divide, Fed Governor Miran dissented in favor of a more aggressive 50 basis point (bp) cut while Kansas City Fed President Schmid had an opposing dissent which favored keeping rates unchanged.
- Despite the lack of official economic data due to the government shutdown, Powell stated that available data suggest the outlook for employment and inflation remains unchanged since the last meeting. However, he emphasized another rate cut in December is "far from" a foregone conclusion.
- The U.S. government shutdown that began on October 1 has become the longest in history, surpassing the previous 35-day record set in 2019. Historically, shutdowns have not caused long-lasting negative economic impacts.
- The Consumer Price Index (CPI) came in below expectations, rising 3.0% year-over-year. Tariff passthroughs remain modest, though certain import-reliant categories are showing some inflationary pressures. The White House said the October CPI report will not likely be released, adding complexity to the Fed's decision-making process.
- The September and October jobs reports have not been released due to the shutdown. Available private-sector data along with new layoff announcements continue to show a cooling labor market.
- The U.S. announced it would be reducing tariffs on China. In exchange, China agreed to suspend rare earth export controls and resume purchasing U.S. soybeans and energy products.
- The Supreme Court heard oral arguments in early November on the legality of the administration's use of the International Emergency Economic Powers Act to levy tariffs, although a final ruling is not expected for several months.

Bond Markets

- Yields on 3-month, 2-year, and 10-year U.S. Treasuries ended the month at 3.81%, 3.57%, and 4.08% representing decreases of -12 bps, -3 bps, and -7 bps, respectively. Falling Treasury yields continue to push mortgage rates lower, and they reached a three-year low of 6.31% at the end of October.
- Lower yields in October drove positive returns across fixed income indices. The ICE BofA 3-month, 2-year, and 10-year U.S. Treasury indices returned +0.35%, +0.31%, and +0.78%, respectively.

Equity Markets

- Equity markets posted solid gains in October and valuations reached new all-time highs. The Nasdaq ended the month up 4.7%, the S&P 500 rose 2.3%, and the Dow Jones Industrial Average gained 2.6%. The S&P 500 has returned 17.5% year-to-date.
- International equities continue to outperform domestic stocks as the MSCI ACWI ex U.S. Net Index rallied 2% for the month. The index is now up over 28% for the year.
- Gold hit a new all-time high in October, above $4,000/oz. and is now up over 50% for the year.

PFMAM Strategy Recap

- We expect to maintain portfolio durations near 100% of benchmarks. For shorter-duration strategies, we may extend durations beyond benchmarks to lock in yields as continued Fed easing may move interest rates lower. For longer-duration strategies, we expect to maintain a curve-steeping bias by modestly underweighting longer benchmark maturities.
- Spreads on federal agencies and supranationals remain narrow amid a lack of issuance. We do not anticipate any material change or new issuance through the balance of the year and will continue to favor other sectors. We continue to closely monitor privatization efforts of Fannie Mae and Freddie Mac, though no significant impact is expected in the immediate future.
- Investment-grade (IG) corporate bond spreads drifted a few basis points wider during the month but remain near historic tights. We expect to opportunistically reduce holdings in the sector in anticipation of new issue opportunities in the coming new year.
- Spreads on asset-backed securities (ABS) widened over the month and continue to offer more spread than equivalent-quality and maturity corporates. Credit metrics remain solid, and credit enhancements are robust. We expect to maintain allocations.
- Mortgage-backed securities (MBS) were once again a top-of-class IG performer for the month. Lower coupon structures and longer-duration collateral (30-year mortgages) led the stack. Lower bond volatility over the past several months continues to serve as a tailwind to the mortgage sector. Agency-backed commercial MBS (CMBS) also generated positive excess returns for the month but continued to modestly lag residential MBS. We remain cautious moving forward as expectations for heightened fiscal policy uncertainty may weigh on volatility and sector performance over the near term.
- Credit spreads at the short end of the curve stabilized during the month, offering good incremental income. Month-end funding pressures pushed repo rates above the upper bound of the federal funds rate, which created excellent opportunities to add value in overnight repo and floating rate securities tied to the Secure Overnight Financing Rate (SOFR). Floating rate securities also provide favorable spread opportunities given uncertainty around the timing and magnitude of future Fed rate cuts.

U.S. Treasury Yields

Maturity	Oct 31, 2024	Sep 30, 2025	Oct 31, 2025	Monthly Change
3-Month	4.55%	3.94%	3.82%	-0.12%
6-Month	4.46%	3.84%	3.82%	-0.02%
2-Year	4.17%	3.61%	3.58%	-0.03%
5-Year	4.16%	3.74%	3.69%	-0.05%
10-Year	4.29%	4.15%	4.08%	-0.07%
30-Year	4.48%	4.73%	4.65%	-0.08%

Yields by Sector and Maturity

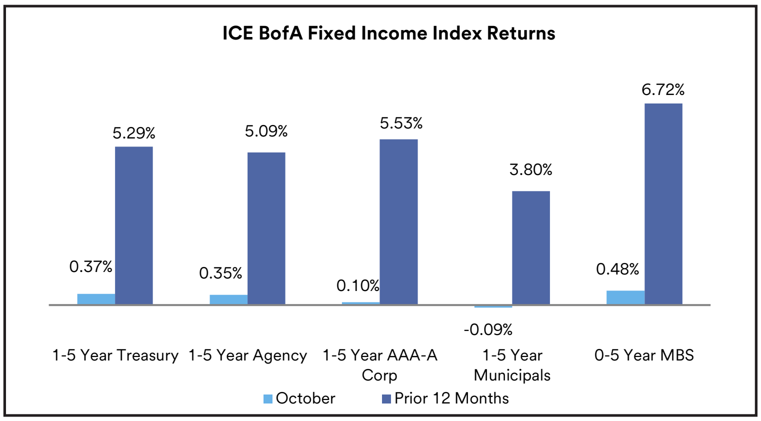
Maturity	U.S. Treasury	Federal Agency	Corporates- AA-A Industrials	AAA Municipals
3-Month	3.82%	3.83%	4.11%	-
6-Month	3.82%	3.82%	4.11%	-
2-Year	3.58%	3.59%	3.95%	2.57%
5-Year	3.69%	3.70%	4.25%	2.49%
10-Year	4.08%	4.14%	4.76%	2.93%
30-Year	4.65%	-	5.47%	3.89%

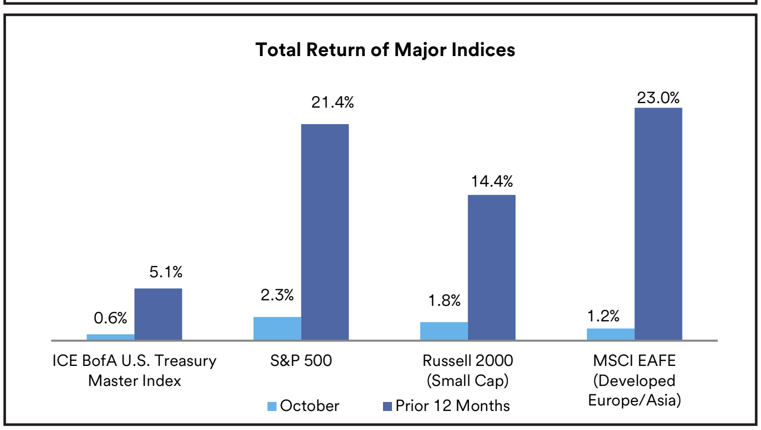
Spot Prices and Benchmark Rates

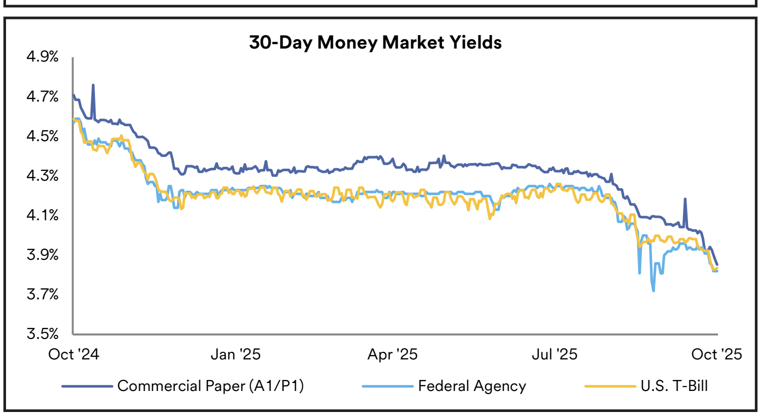
Index	Oct 31, 2024	Sep 30, 2025	Oct 31, 2025	Monthly Change
1-Month SOFR	4.66%	4.13%	4.00%	-0.13%
3-Month SOFR	4.56%	3.98%	3.89%	-0.09%
Effective Fed Funds Rate	4.83%	4.09%	3.86%	-0.23%
Fed Funds Target Rate	5.00%	4.25%	4.00%	-0.25%
Gold ($/oz)	$2,749	$3,841	$3,997	$156
Crude Oil ($/Barrel)	$69.26	$62.37	$60.98	-$1.39
U.S. Dollars per Euro	$1.09	$1.17	$1.15	-$0.02

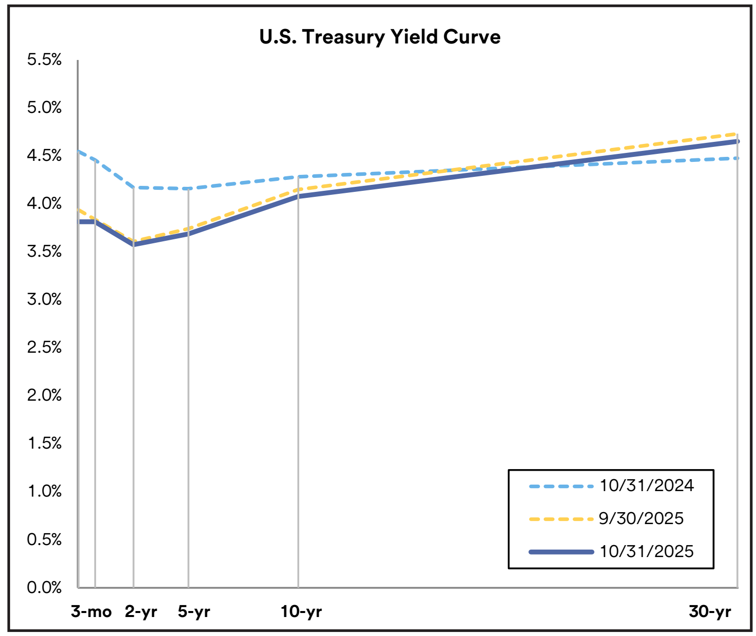
Economic Indicators

Indicator	Release Date	Period	Actual	Survey (Median)
ADP Employment Change	5-Nov	Oct	42k	30k
FOMC Rate Decision	29-Oct	Oct	4.00%	4.00%
ISM Services Employment	5-Nov	Oct	48.2	47.6
Existing Home Sales MoM	23-Oct	Sep	1.50%	1.50%
U. of Mich. Consumer Sentiment	24-Oct	Oct F	53.6	54.5
CPI YoY	24-Oct	Sep	3.00%	3.10%
ISM Manufacturing	3-Nov	Oct	49.1	49.5









Source: Bloomberg. Data as of October 31, 2025, unless otherwise noted.

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