

Cash Flow and Carey



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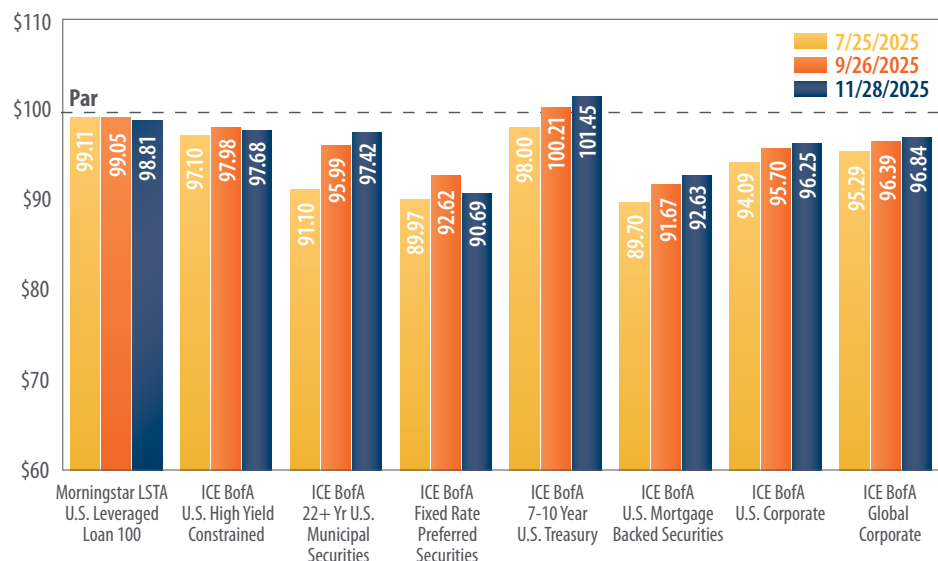
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The Morningstar LSTA U.S. Leveraged Loan 100 Index is a market value-weighted index designed to measure the performance of the largest segment of the U.S. syndicated leveraged loan market. The ICE BofA U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA 22+ Yr U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions with a remaining term to maturity greater than or equal to 22 years. The ICE BofA Fixed Rate Preferred Securities Index tracks the performance of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The ICE BofA 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity between 7 to 10 years. The ICE BofA U.S. Mortgage Backed Securities Index tracks the performance of U.S. dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market. The ICE BofA U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets.

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A Snapshot of Bond Valuations

Par Weighted Price of Bond/Income Indices



Source: Bloomberg, Bank of America. **Past Performance is no guarantee of future results.**

View from the Observation Deck

Today's blog post is intended to provide insight into the movement of bond prices amidst the current investment climate and prevailing interest rate policy. Aside from the most recent data, other dates in the chart are from prior times we've written on this topic. [Click here](#) to view our last update to this series.

Prices for five of the eight bond indices we track stand at their time series highs.

The Federal Reserve's ("Fed") October policy rate reduction, a shuttered U.S. government, continued geopolitical strife, and economic strain are just several catalysts that may account for the price appreciation revealed in today's chart. An additional cut is expected in December, which could tease fixed income prices higher. On November 28, the federal funds rate futures market was priced for an implied policy rate of 3.67% by year's end, down from its current level of 4.00% (upper bound).

Inflation remains elevated and lies above its historical mean.

Inflation, as measured by the trailing 12-month rate of change in the Consumer Price Index (CPI), stood at 3.0% in September 2025, up from its most recent low of 2.3% in April 2025. September's observation pushes the metric even further from the Fed's stated target of 2.0% and sets the CPI above its 25-year monthly average of 2.6%.

Takeaway

Six of the eight indices in today's chart saw prices appreciate over the past 12 months (preferreds and 22+ year municipals being the exceptions). Interest rate policy likely played a significant role in these price movements, but we would be remiss not to mention the impact of recent equity volatility, persistent geopolitical tensions, and deteriorating economic data. Investors expect the Fed to lower interest rates in December, with the market implied end of year federal funds target rate sitting at 3.67% compared to 4.00% (upper bound) as of November 28. Do current fixed income prices fully reflect these expectations, or is there room to run? We plan to update this post with relevant information in 2026.