

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist



Peter Leonteos
Market Strategist

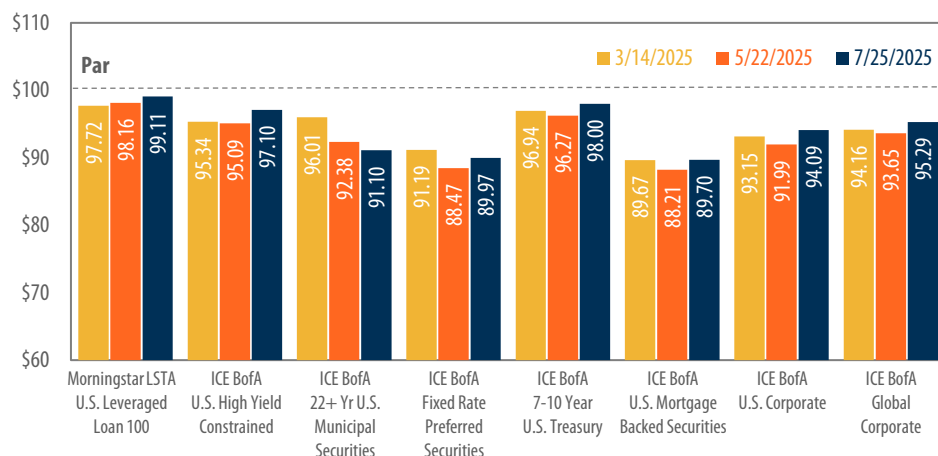
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A Snapshot of Bond Valuations

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 posts we've written on this topic. [Click here](#) to view our last post in this series.

Seven of the eight bond indices we track saw prices increase since 5/22/25.

In our last post, we cited disruption from tariffs as a central catalyst to declining fixed income prices. A recent flurry of trade deals, including the most recent with the European Union, appear to have given investors relief from these concerns. Notably, prices for all but one of the indices in today's chart have increased since 5/22/25, with six of the eight categories seeing prices increase to the highest of the three observation dates on 7/25/25.

Inflation ticked up in June.

Inflation, as measured by the trailing 12-month rate of change in the Consumer Price Index (CPI), stood at 2.7% in June 2025, up from its most recent low of 2.3% (April 2025). June's observation pushes the metric even further from the Federal Reserve's ("Fed") stated target of 2.0%, which may pose a hindrance to near-term interest rate cuts. That said, the CPI is not significantly elevated when compared to historical averages. The CPI averaged 2.6% (monthly) over the 25-year period ended in June.

Takeaway

Valuations increased in seven of the eight fixed income indices in today's chart between 5/22/25 and 7/25/25. Several factors, including increasing clarity regarding the potential inflationary impact of U.S. trade policy, likely contributed to higher fixed income prices (declining yields) over the period. Additionally, investors continue to expect lower interest rates by years' end, despite an increase in the pace of rising prices. As of 7/28/25, the market implied end of year federal funds target rate was 3.89%. In our last post, we noted that Moody's reduced the U.S. credit rating from Aaa to Aa1 on 5/16/25, reflecting concerns over burgeoning U.S. debt obligations and elevated service payments amidst surging interest rates. With that in mind, we find it noteworthy that long duration U.S. municipal bonds are the only fixed income asset class to have declined since our last post. We plan to update this post with updated information throughout the year.