

Cash Flow and Carey



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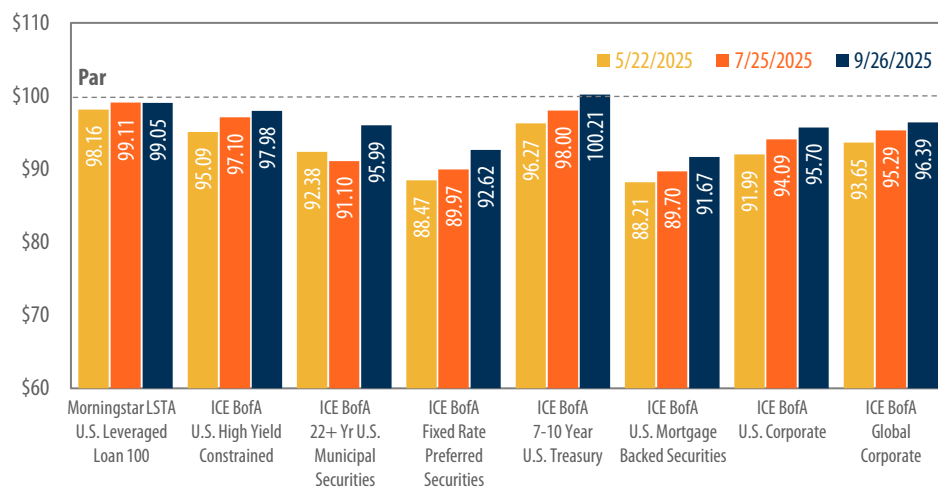
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A Snapshot of Bond Valuations

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.

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

Prices for seven of the eight indices increased since our last post, reflective, in our opinion, of the Federal Reserve's ("Fed") decision to reduce its policy rate from 4.50% to 4.25% on 9/17/25. Additional cuts are expected through the end of the year, which could cause fixed income prices to trend higher. On 9/26/25, the federal funds rate futures market was priced for an implied policy rate of 3.69% by year's end.

Inflation has steadily increased since April.

Inflation, as measured by the trailing 12-month rate of change in the Consumer Price Index (CPI), stood at 2.9% in August 2025, up from its most recent low of 2.3% in April 2025. August'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

Seven of the eight fixed income indices in today's chart saw prices increase since our last post on this topic. The Fed's decision to cut interest rates in September was likely a significant catalyst behind these price movements. Notably, investors expect even lower interest rates by year's end, despite an increase in the pace of rising prices. As of 9/26/25, the market implied end of year federal funds target rate was 3.69%, compared to 4.25% today. The Morningstar LSTA U.S. Leveraged Loan Index was the only index in today's chart with an observed price decline since our last post. As many investors are likely aware, leveraged loans are typically offered by higher risk issuers and often pay a floating rate of interest to debt holders. These payments are generally tied to the Secured Overnight Financing Rate, which fluctuates based on prevailing interest rates. A lower Fed policy rate can cause a reduction in leveraged loan cash flows, leading to declining prices. We plan to update this post with relevant information in the fourth quarter.