U.S. Credit Update – September 3, 2025

- Fixed Income and Corporate Sector Returns
- Options-Adjusted Spreads
- Biggest Movers
- Credit ETF Flows
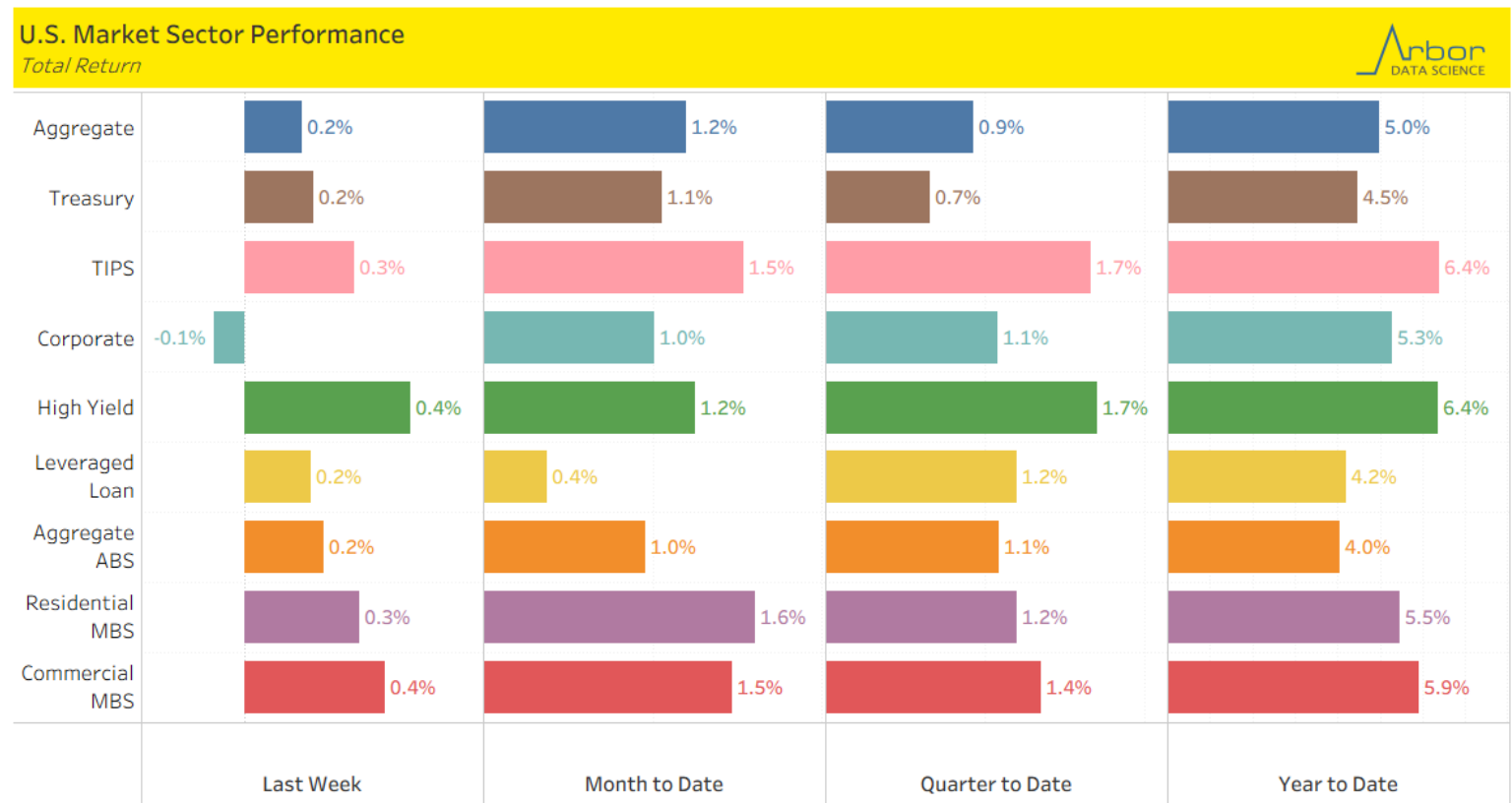- Issuance Recap

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Front end Treasurys close August on strong note.

The Treasury curve steepened last week as short duration securities notably outperformed the 20-30 year sector. 2s/10s steepened 6 bps, while 5s/30s widened by 11 bps.
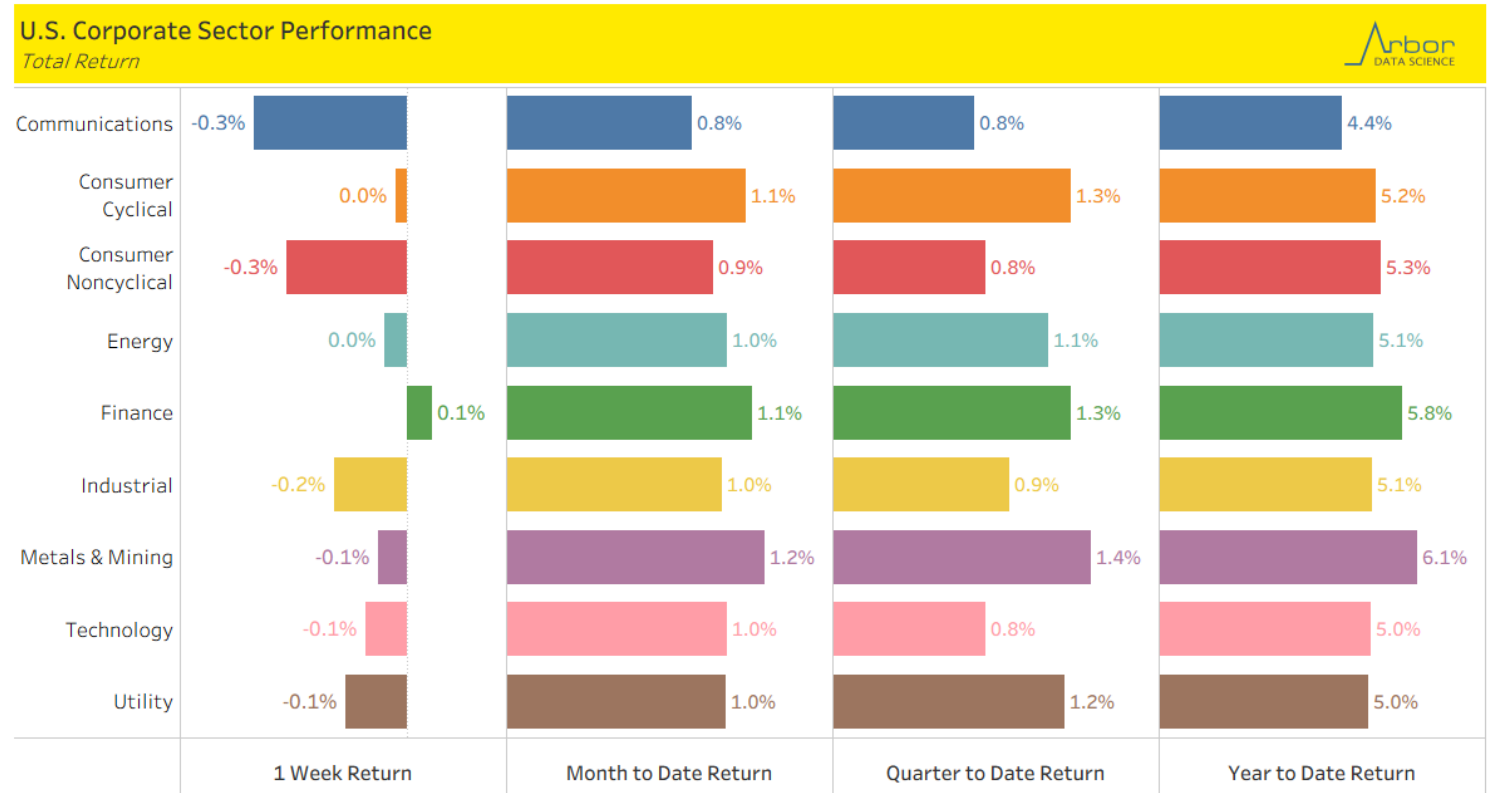

U.S. Market Sector Performance
Total Return

	Last Week	Month to Date	Quarter to Date	Year to Date
Aggregate	0.2%	1.2%	0.9%	5.0%
Treasury	0.2%	1.1%	0.7%	4.5%
TIPS	0.3%	1.5%	1.7%	6.4%
Corporate	-0.1%	1.0%	1.1%	5.3%
High Yield	0.4%	1.2%	1.7%	6.4%
Leveraged Loan	0.2%	0.4%	1.2%	4.2%
Aggregate ABS	0.2%	1.0%	1.1%	4.0%
Residential MBS	0.3%	1.6%	1.2%	5.5%
Commercial MBS	0.4%	1.5%	1.4%	5.9%

Data Source: Bloomberg Barclays, Credit Suisse

IG credit continued to see profit taking.
Dealers finished the week net long $5.7 billion of secondary paper as investors lightened up ahead of what is expected to be a busy September primary calendar. More than half of that total came > 12-years.
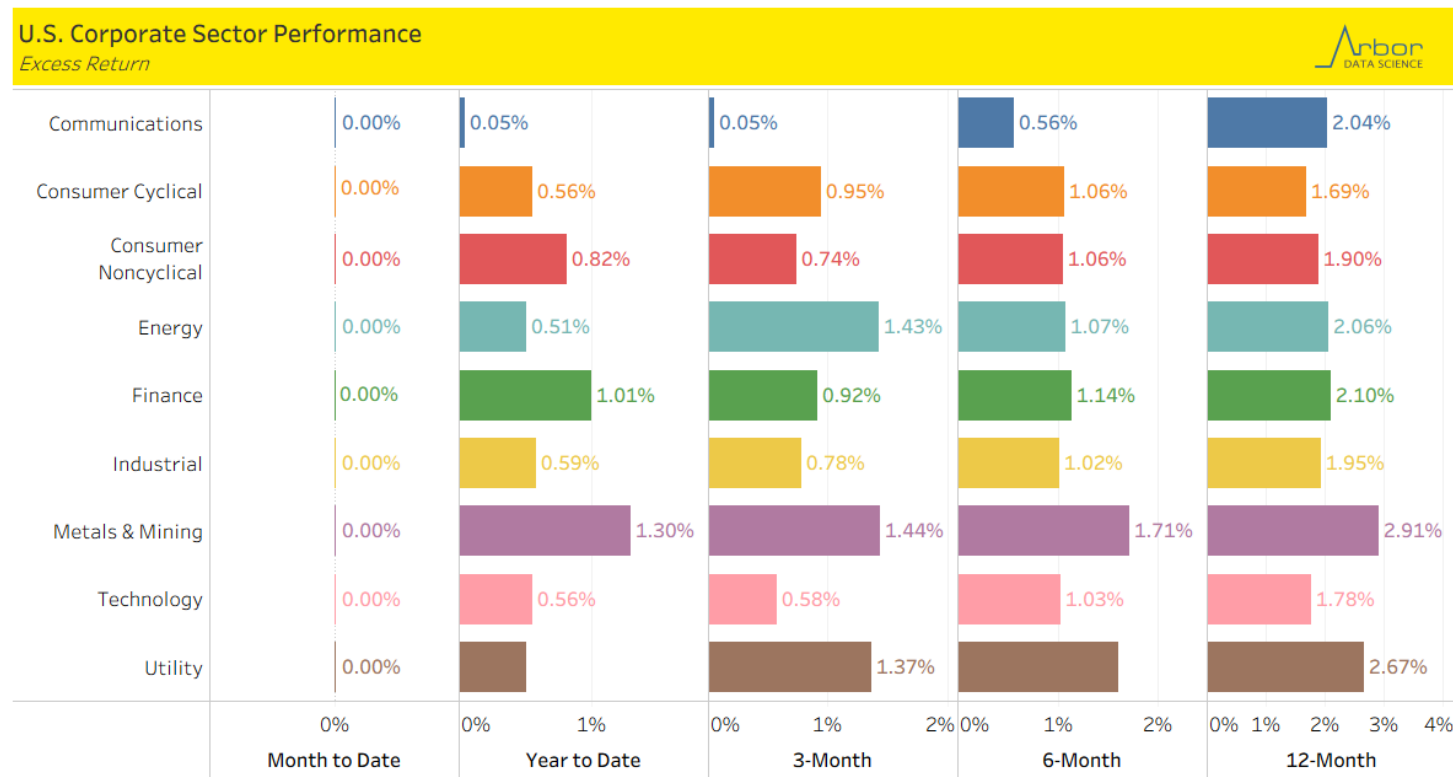
U.S. Corporate Sector Performance
Total Return

Sector	1 Week Return	Month to Date Return	Quarter to Date Return	Year to Date Return
Communications	-0.3%	0.8%	0.8%	4.4%
Consumer Cyclical	0.0%	1.1%	1.3%	5.2%
Consumer Noncyclical	-0.3%	0.9%	0.8%	5.3%
Energy	0.0%	1.0%	1.1%	5.1%
Finance	0.1%	1.1%	1.3%	5.8%
Industrial	-0.2%	1.0%	0.9%	5.1%
Metals & Mining	-0.1%	1.2%	1.4%	6.1%
Technology	-0.1%	1.0%	0.8%	5.0%
Utility	-0.1%	1.0%	1.2%	5.0%

Data Source: Bloomberg Barclays, Credit Suisse
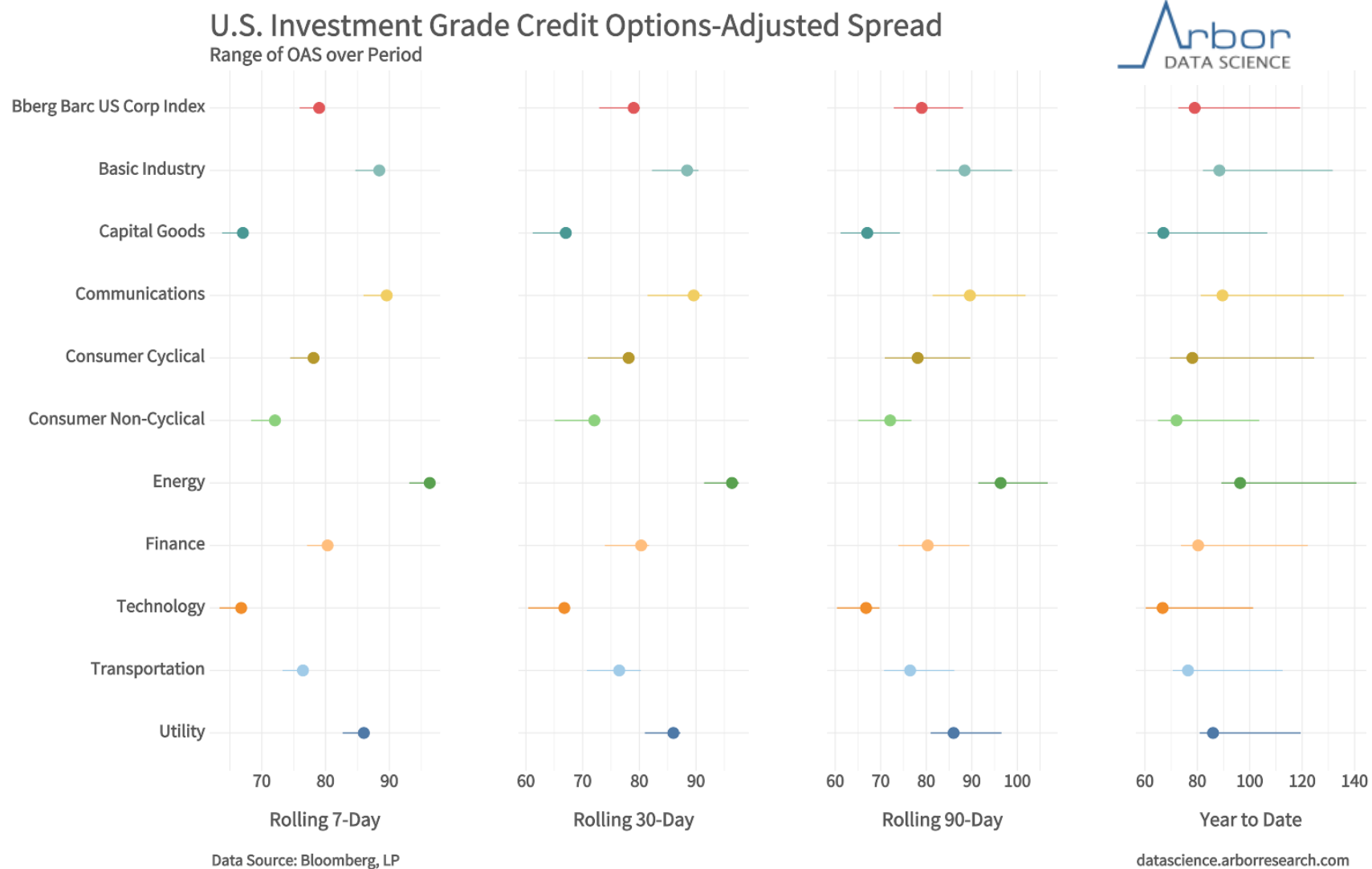
KDP acquisition pressures food/beverage spreads.

KDP agreed to acquire JDEP for $18 billion, and further announced they plan to split the combined entity into two separate companies. One will focus on coffee, and the other on beverages. KDP stock lost 18% and bond spreads widened 25-28 bps on the news. JDEP, which has little debt that trades in USD, looked to have widened 15 bps, while the stock improved 15%.

U.S. Corporate Sector Performance
Excess Return

Sector	Month to Date	Year to Date	3-Month	6-Month	12-Month
Communications	0.00%	0.05%	0.05%	0.56%	2.04%
Consumer Cyclical	0.00%	0.56%	0.95%	1.06%	1.69%
Consumer Noncyclical	0.00%	0.82%	0.74%	1.06%	1.90%
Energy	0.00%	0.51%	1.43%	1.07%	2.06%
Finance	0.00%	1.01%	0.92%	1.14%	2.10%
Industrial	0.00%	0.59%	0.78%	1.02%	1.95%
Metals & Mining	0.00%	1.30%	1.44%	1.71%	2.91%
Technology	0.00%	0.56%	0.58%	1.03%	1.78%
Utility	0.00%		1.37%		2.67%

Data Sources: Bloomberg Barclays, Credit Suisse

U.S. Investment Grade Credit Options-Adjusted Spread
Range of OAS over Period

Data Source: Bloomberg, LP

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U.S. Investment Grade Corporates
Energy & Utilities - Biggest Movers

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Label
- PCG, 3.5, 2050-08-01
- PCG, 5.7, 2035-03-01
- AES, 2.45, 2031-01-15
- PCG, 6.75, 2053-01-15
- EIX, 5.45, 2035-03-01
- PCG, 4.95, 2050-07-01
- PCG, 6.15, 2055-03-01
- EIX, 5.9, 2055-03-01

50-day OAS Change

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The Bank of America credit index widened 3 bps last week, and closed -2 bps for the month of August. Bloomberg's credit indices went out mixed last month. The intermediate index underperformed similar duration Treasurys by 6 bps. However, longer duration IG credit bettered the risk free asset by 35 bps. Treasurys under 5-years shined in August, as expectations for a September rate hike now sit at 88% per WIRP.
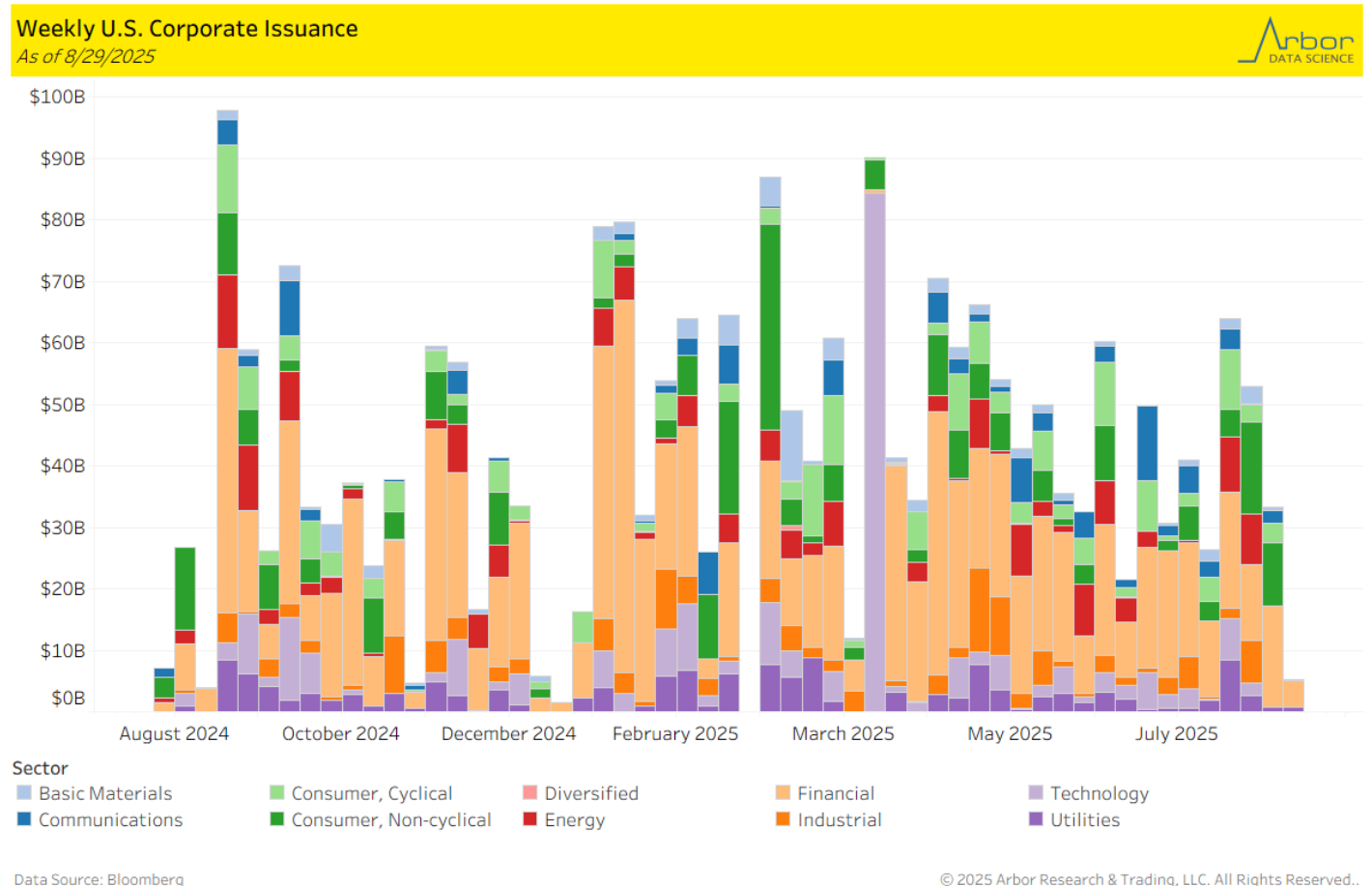
Corporate Bond ETF Flows

Corporate bond ETFs were positive last week, with investment-grade ETFs gaining $2.41 billion and high-yield ETFs gaining $0.19 billion.

The chart shows stacked rolling one-week flows into corporate bond ETFs.

U.S. Corporate Bond ETF Flows
As of 8/29/2025

Legend:
- Investment Grade (corp)
- High Yield (corp)

$2.41B
$0.19B

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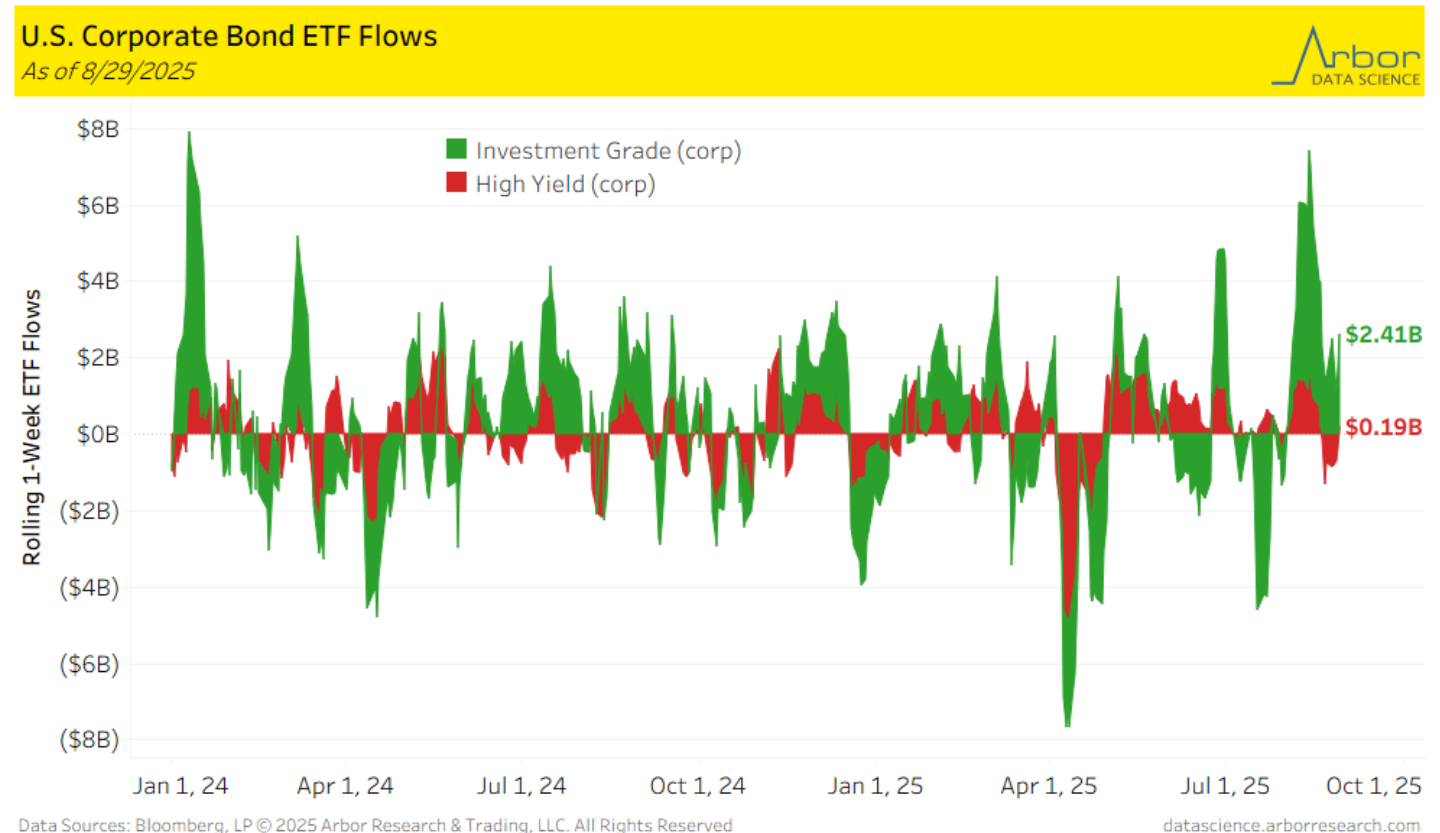
Issuance Recap

Primary issuance in August totaled $104 billion vs. $100 billion estimates. The much discussed calendar for September kicks off today with as many as 25 IG issuers expected to hit the tape. Anticipation pre-NFP is in the $60 billion area this week. The consensus for the month of September is $165 billion. Many will focus on the new issue concession needed to price transactions this week, as only 0.7 bps were required in August.

Weekly U.S. Corporate Issuance
As of 8/29/2025

Sector
- Basic Materials
- Communications
- Consumer, Cyclical
- Consumer, Non-cyclical
- Diversified
- Energy
- Financial
- Industrial
- Technology
- Utilities

Data Source: Bloomberg

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