



Fixed Income Markets Review – October 2025

President Trump has continued to push the Fed Chairman to begin cutting rates. The Chairman has made it clear he would not be pushed, even while being threatened with termination. However, the economy has clearly slowed and this month the Fed cut rates, indicating that if the economy continues to slow, there will be two more cuts this year.

The economy is clearly slowing, and the Fed has indicated it is ready to begin cutting rates in response to the slowing. However, the Fed has made it clear that its decision to cut rates further comes amid tariffs reshaping the global trading system and immigration trends that are sharply slowing payroll job growth, even as unemployment remains at a historic low. Further, it does not appear these additional interest rate cuts will reach the magnitude and frequency desired by President Trump.

With this cut now having been made, the 2-year yield which fell at the end of August in anticipation of the cut, has held steady, while both the 10-year and 30-year rates have fallen for the second straight month.

Date	2-year	10-year	30-year
10/31/25	3.60%	4.11%	4.67%
9/30/25	3.60%	4.16%	4.73%
8/29/25	3.59%	4.23%	4.92%
7/31/25	3.94%	4.14%	4.89%
6/30/25	3.72%	4.24%	4.78%
5/30/25	4.11%	4.43%	4.93%
4/30/25	3.60%	4.17%	4.66%
3/31/25	3.89%	4.23%	4.59%
2/28/25	3.99%	4.24%	4.51%
1/31/25	4.22%	4.58%	4.83%
12/31/24	4.25%	4.58%	4.78%
11/29/24	4.13%	4.18%	4.36%
10/31/24	4.16%	4.28%	4.47%
9/30/24	3.66%	3.81%	4.14%
8/30/24	3.91%	3.91%	4.20%
7/31/24	4.29%	4.09%	4.35%
6/28/24	4.71%	4.36%	4.51%
5/31/24	4.89%	4.51%	4.65%
4/30/24	5.04%	4.69%	4.79%
3/28/24	4.59%	4.20%	4.34%
2/29/24	4.64%	4.25%	4.38%
1/31/24	4.27%	3.99%	4.22%
12/29/23	4.23%	3.88%	4.03%



11/30/23	4.73%	4.61%	4.73%
10/31/23	5.07%	4.88%	5.04%
9/29/23	5.03%	4.59%	4.73%
8/31/23	4.85%	4.09%	4.20%
7/31/23	4.88%	3.97%	4.02%
6/30/23	4.87%	3.81%	3.85%
5/31/23	4.40%	3.64%	3.85%
4/28/23	4.04%	3.44%	3.67%
3/31/23	4.06%	3.48%	3.67%
2/28/23	4.81%	3.92%	3.93%
1/31/23	4.21%	3.52%	3.65%
12/30/22	4.41%	3.88%	3.97%
11/30/22	4.38%	3.68%	3.80%
10/31/22	4.51%	4.10%	4.22%
9/30/22	4.22%	3.83%	3.79%
8/31/22	3.45%	3.15%	3.27%
7/29/22	2.89%	2.67%	3.00%
6/30/22	2.92%	2.98%	3.14%
5/31/22	2.53%	2.85%	3.07%
4/29/22	2.70%	2.89%	2.96%
3/31/22	2.28%	2.32%	2.44%
2/28/22	1.44%	1.83%	2.17%
1/31/22	1.18%	1.79%	2.11%
12/31/21	0.73%	1.52%	1.77%
12/31/20	0.13%	0.93%	1.65%
12/31/19	1.58%	1.92%	2.39%

With a degree of uncertainty having been removed with the Fed cutting and indicating further cuts to interest rates were necessary, all components of the fixed income markets had decent returns in October, especially the MBS sector as we predicted in last month's Review.

Bloomberg Barclay's Fixed Income Index Returns

Index	October 2025	Last 3 Months	Last 12 Months
Aggregate	0.62%	2.94%	6.16%
Int Agg	0.56%	2.57%	6.51%
Gov't/Credit	0.55%	2.70%	5.75%
Int Gov't/Credit	0.43%	2.08%	6.15%
Gov't	0.62%	2.53%	5.20%
MBS	0.86%	3.73%	7.32%
ABS	0.38%	1.90%	5.70%
CMBS	0.46%	2.34%	7.21%
US Credit	0.44%	2.97%	6.68%
US Corp High Yield	0.16%	2.24%	8.16%



The Federal Reserve

On October 28, the Fed made its second rate cut of 2025. This second cut was 25 basis points, bringing the benchmark rate down to the range of 3.75% to 4%. This is the lowest range level since December 2022. This cut was made in the midst of the government shutdown, forcing the Committee to make the cut while flying blind with data unavailable.

This cut was also made with the September CPI coming in at 3%, above the desired 2% goal. However, the economy had been showing signs of weakness. The August jobs number came in at just 22,000 new jobs with the ADP report showing employers shedding 32,000 jobs in September. With the government shutdown, BLS has not been able to release September numbers in a timely fashion.

Employment

The BLS September jobs report was not available due to the government shutdown. ADP reported that the private employment sector lost 32,000 jobs in September - the largest monthly private sector job loss since March 2023. In addition, the recalibration done regularly within the ADP reports reduced private jobs added by 43,000 through September.

As of September 25, 2025, the Indeed Company's September report on job postings indicated postings are 7% lower than one year ago. However, postings of senior jobs were 4% higher, while postings of junior titles were 7% lower than a year ago. The Indeed report identifies new entrants to the workforce as facing strong headwinds. For example, the unemployment rate for recent college graduates was identified by Indeed at 6.4%.

The year-over-year decline in job postings is almost universal. The company's Hiring Lab tracks job postings by market sector. Its most recent report showed only 2 of the 46 economic sectors tracked by Hiring Lab showed increased numbers of job postings.

Inflation

The BLS report for September, not released until October 24, showed a consumer price rise of 0.3% for the month, which drove the annual rate of inflation from 2.9% to 3%. This is the highest reading since January. The BLS report indicated the major contributor to the rise was gasoline, which jumped 4.2% for regular unleaded - the largest monthly increase since August 2023.

Excluding food and energy, the core CPI rose 0.2% in September, with the annual rise being 3%.

The Economy

Published on September 25th, the revised 2nd Quarter GDP was 3.8%, up from the initial estimate of 3.3%. The PCE was reported at 2.5% for the 2nd Quarter, up from the earlier estimate of 1.6%.



According to the National Retail Federation, sales were reported as down 0.66% in September compared to the strong August results, but up 5.42% compared with September 2024.

Salary Levels

Copying from last month's Review, both Bank of America and Amazon announced they were raising their hourly minimum pay rates to \$25 an hour. In BofA's case, which happens to be the bank I use, their announcement stated their starting annual salary for full-time teammates has increased by more than \$20,000 since 2017. They indicated the increase was to "create opportunities for individuals to build long-term careers with us, while helping to fuel the American economy and create jobs that strengthen the communities we serve." I remember starting my first full-time job at \$6,000, though admittedly that was in 1968.

Consumer Sentiment

The Conference Board reported its Index of Consumer Confidence fell from 105.3 to 94.5 and its CEO Confidence Index fell from 60 to 48. I will sit in on a presentation on November 12th by the Conference Board analyzing the background for these declines in their Index readings.

The University of Michigan Index of Consumer Sentiment fell to 53.6 for October versus 55.1 for September - the lowest reading in five months. The University's Index of Current Economic Conditions dropped to 58.6 in October, down from 60.4 in September. Its Index of Consumer Expectations decreased from 51.7 in September to 50.3 in October.

Moody's Analytics

Moody's has recently been expressing a great deal of concern about the US nationally and separately the US individual States economies. Their Chief Economist, Mark Zandi, reported during November that 22 States are in recessions and another 13 just barely treading water, He included both California and New York, which he suggests if either falters, will cause a national recession.

Personal Observation

I have been fortunate enough to visit most of the major buildings in Washington, D.C. over the years. I have always felt a strong affinity for the design of the White House Building, though I have little if any background in architectural design. When the announcement was made to tear down the East Wing of the White House to build a grand ballroom, I was very upset.

I reflected back on a conversation I was fortunate enough to have had with the first wife of Donald Trump. She explained that her then husband, Donald Trump, had required enough chandeliers to be included in their Florida property so its ballroom exceeded the number at the Plaza Hotel in New York City. When decisions are made to assuage one's own ego, I question whether those are good decisions.

Last month, a survey was conducted on public reactions to the demolition of the East Wing to build a ballroom. I may be wrong, but I believe the overall cost of that project exceeds \$400



million. It supposedly being paid for by private contributions. How many of those contributions are really meant to curry favor with someone who expected it?

My personal opinions aside, though I don't know how well or not the survey was done, the results were: 61% of independents were against the project and 17% in favor, 88% of Democrats were opposed to the project, 62% of Republicans favored the project and 56% of overall respondents were against the project.

As a final comment, I believe this shutdown may extend for a long time and inflict severe pain on the US economy – and, in an area I have seen little commentary, on US stocks. As I suggested in last month's Review, I believe the bond market is the area in which to hide.

Addendum

For the final month of the 2025 fiscal year, September, the Treasury Department reported a record surplus of \$198 billion. September is often a month of surplus due to quarterly tax filing deadlines for corporations and individuals. This latest monthly surplus was boosted by a \$131 billion cut to the Department of Education. That cut is a scary thing to me since I regard one of the principal foundations of our nation's strength to be the education of our children. It is hard for me to believe that a cut that large to the Education Department will not put that strength at risk.

Bob Southard, on Behalf of Greenrock Research November 3, 2025

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