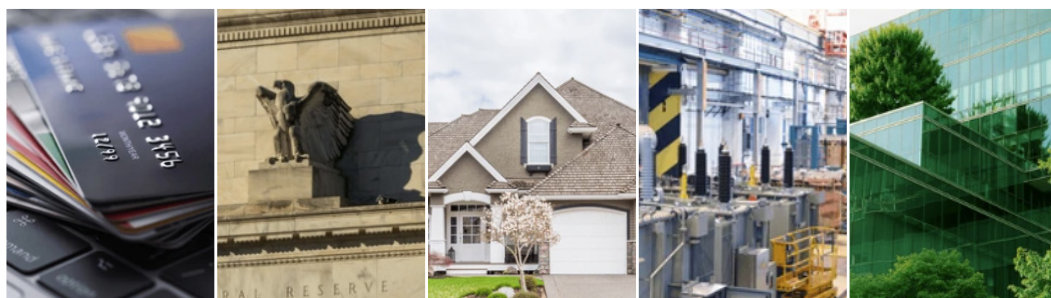


# DoubleLine Fixed Income Briefing

Second Quarter 2025 | June 2025



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### Second Quarter Review

#### Returns

Fixed income markets recalibrated in the first half of 2025 amid persistent rate volatility, tariff headwinds and evolving supply dynamics. (Figure 1) Investors are increasingly finding value across fixed income sectors as macroeconomic conditions stabilize, inflation risks recede and central banks signal a pause in policy tightening. The initial U.S. tariff announcement on April 2 caused spreads to widen through April 8, but that trend reversed as the White House initiated a pause on many tariffs to begin dealmaking, and spreads broadly tightened over the full second quarter. The U.S. Treasury yield curve steepened after the passage of the One Big Beautiful Bill Act, which includes a projected \$3.3 trillion increase in the national debt over the next 10 years. For the quarter, the two-year Treasury yield fell 16 basis points (bps), the 10-year rose 2 bps, and the 30-year bond rose 20 bps.

#### 2Q2025 Fixed Income Index Performance | As of June 30, 2025

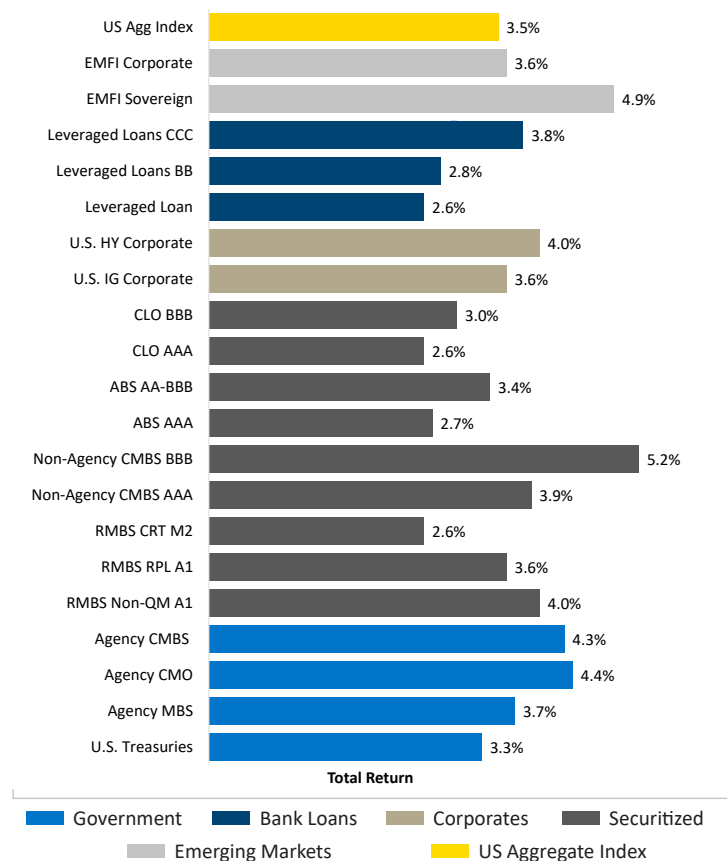


Figure 1

Source: DoubleLine, Bloomberg, BofA Global Research  
 EMFI = emerging markets fixed income, HY = high yield, IG = investment grade, CRT = credit risk transfer, RPL = re-performing loan, Non-QM = non-qualified mortgage. Indices used in this figure can be found under disclosures.  
 You cannot invest directly in an index.

#### Yields

Yields across the fixed income market remain above their 10-year averages. (Figure 2)

#### Fixed Income Yields | As of June 30, 2025

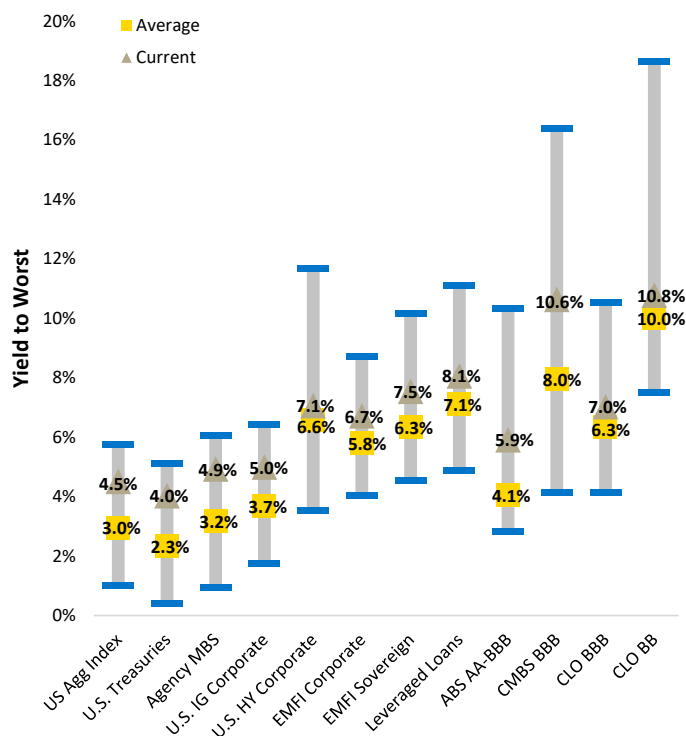
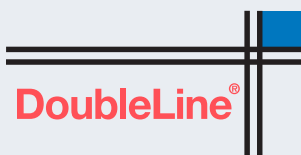


Figure 2

Source: DoubleLine, Bloomberg, BofA Global Research, J.P. Morgan  
 Gray bars represent the range from June 30, 2015, through June 30, 2025.  
 HY = high yield, IG = investment grade, EMFI = emerging markets fixed income.  
 You cannot invest directly in an index.  
 Indices for Figure 2 can be found under disclosures.



# DoubleLine Fixed Income Briefing

Second Quarter 2025

## Spreads

Spreads for some securitized subsectors remained wide of their 10-year averages in the quarter, with mortgage-backed products exhibiting the largest percentile differential. *(Figures 3 and 4)* Corporate spreads tightened in the period and lower quality broadly outperformed higher quality. We are monitoring for signs of stress – particularly among lower-rated credits – should macro conditions continue to deteriorate.

	US Agg Index	Agency MBS	U.S. IG Corp.	U.S. 1-3 Yr Corp.	CMBS AAA	RMBS AAA	CLO AAA	U.S. HY Corp.	EMFI Corp.	EMFI Sov.	Bank Loans	ABS AA-BBB	CMBS BBB	CLO BBB
June 30, 2025	33	147	84	53	97	150	120	290	266	322	401	204	694	339
2Q25 Change	-2	3	-9	-4	-9	5	-14	-57	1	-27	-19	-4	10	6
10-Year Average	46	109	119	68	101	131	142	410	334	373	461	253	519	403
Percentile Rank	4	87	5	25	48	70	25	6	7	21	23	32	75	18

Figure 3

Source: DoubleLine, Bloomberg, Wells Fargo

Data from June 30, 2015, through June 30, 2025. IG = investment grade, HY= high yield, EMFI = emerging markets fixed income. You cannot invest directly in an index. Indices for Figure 3 can be found under disclosures.

## Fixed Income Percentile Rank | As of June 30, 2025

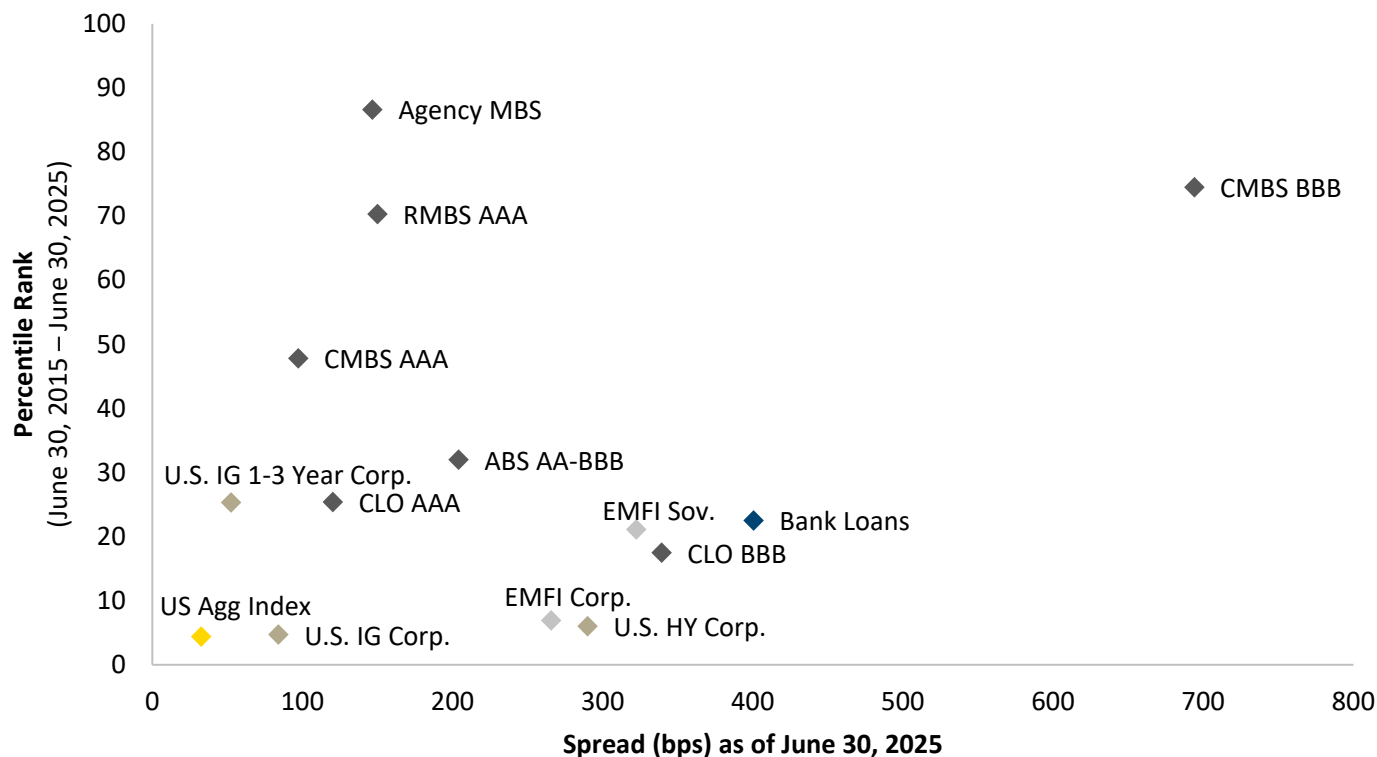


Figure 4

Source: DoubleLine, Bloomberg, Wells Fargo

Data from June 30, 2015, through June 30, 2025. Figure 4 uses the same indices as Figure 3.

You cannot invest directly in an index.

### Sector Outlooks – Thoughts From the DoubleLine Investment Team

#### U.S. Treasuries

##### Taking Shape

U.S. Treasury yields were mixed in the second quarter, as the two-year fell 16 bps while the 10- and 30-year rose 2 bps and 20 bps, respectively. (Figure 5) Overall, the Treasury yield curve continued steepening as measured by the yield difference between the two- and 10-year Treasuries (2s10s), ending the quarter at 50 bps. (Figure 6)

The Trump administration's One Big Beautiful Bill was poised to be approved by Congress and signed into law July 4, pointing to a continuation of deficit spending. To fund this ongoing spending, the government will need to increase issuance. The Treasury has expressed a preference to raise the share of bill issuance to bridge the projected funding gap. Meanwhile, the long end of the Treasury curve is likely to remain under pressure from a confluence of factors including increased inflation risk premium.

Inflation, as measured by the Personal Consumption Expenditures (PCE) Price Index, registered 2.68% year-over-year (YoY) in May, down from 2.95% in February. However, inflation is expected to rise in the back half of 2025 from a combination of factors including base effects and tariff cost pass-through.

The Federal Open Market Committee (FOMC) kept interest rates unchanged at its June meeting, leaving the federal funds rate at 4.25% to 4.50%. The FOMC's June update of its Summary of Economic Projections moved 2025 median economic growth expectations lower to 1.4% from 1.7%. Federal Reserve officials also revised their full-year expectations for inflation higher by 30 bps to 3.0% from 2.7%, as measured by the PCE. Lastly, their median projection is for two 25-bp cuts in 2025, though the market is pricing in between 50 bps and 75 bps of cuts.<sup>1</sup>

Looking forward, the combination of ongoing fiscal pressure coupled with expected Fed easing from slowing growth and relatively contained inflation could support a continued steepening of the yield curve in the months and quarters ahead.

Meanwhile, both the Fed and investors will be evaluating the pass-through impact of the Trump administration's policies on growth and inflation. (See: [DoubleLine's Take on the Reciprocal Tariffs](#)). Additionally, as policy unfolds, we will assess whether corporate tax cuts and deregulation are enough to support robust growth when balanced against trade and immigration policies.

DoubleLine has generally remained shorter duration relative to pertinent benchmarks. When expressing our yield curve view, we largely favor the short to intermediate tenors while maintaining an underweight to the long bond. The team maintains that Treasuries are especially useful in the context of diversified fixed-income portfolios as a potential offset to risks presented by credit-sensitive sectors.

##### U.S. Treasury Curve | As of June 30, 2025

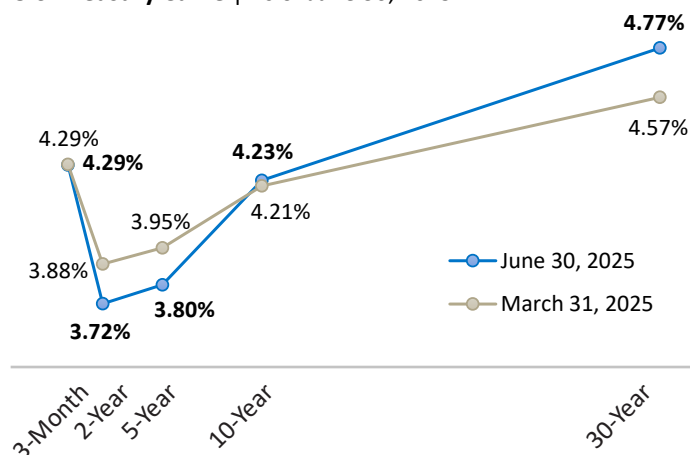


Figure 5  
Source: DoubleLine, Bloomberg

##### 2s10s U.S. Treasury Spread | As of June 30, 2025

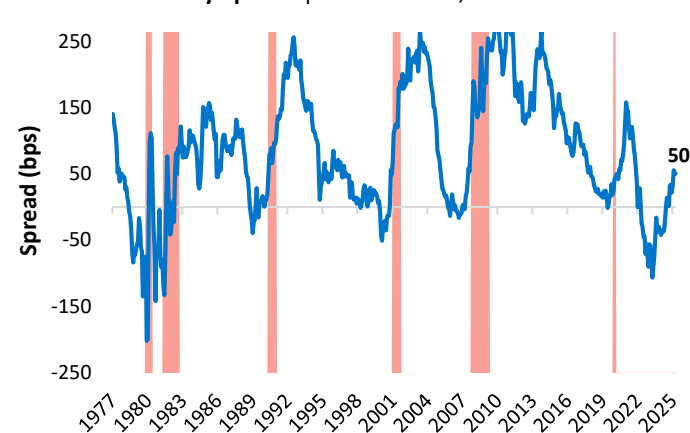


Figure 6  
Source: DoubleLine, U.S. Treasury, Macrobond  
Red-shaded areas indicate recessionary periods.

### Agency Mortgage-Backed Securities

#### Agency MBS Could Emerge as a Safe Haven Amid Rising Fiscal Uncertainty

Agency mortgage-backed securities (MBS) returned 1.14% in the second quarter and 4.23% during the first half of the year, outpacing Treasuries, which returned 0.85% and 3.79%, respectively.<sup>2</sup> Lower coupons continued to outperform in the quarter, buoyed by longer duration and muted prepayment risk. Current-coupon spreads ended the period at 146 bps, approximately 6 bps wider from the end of the first quarter, though tighter than their local wide of 164 bps in mid-April. Spread tightening in May and June was driven largely by reduced rate volatility, improving technicals and renewed demand from money managers and banks given attractive relative value versus corporate bonds. (Figure 7)

Gross issuance is projected at \$1.1 trillion for 2025, with net supply revised slightly downward to \$184 billion amid continued housing market softness and affordability constraints.<sup>3</sup> Notably, money manager demand has rebounded, resulting in a 5.7% overweight to the sector.<sup>4</sup> Bank flows also remained positive, with net additions of \$4.5 billion in the first quarter, the latest data available, particularly to Ginnie Mae and collateralized mortgage obligation (CMO) positions.<sup>5</sup> (Figure 8) We expect banks will continue to add Agency MBS in 2025 as deposit growth resumes and Treasury allocations moderate.

Despite a hawkish Fed stance, the market is pricing in potential rate cuts later in 2025 and early 2026, which could further support Agency MBS valuations. The Fed's MBS runoff continues at a reduced pace, with no active sales expected, and reinvestment is likely to favor Treasuries once quantitative tightening ends. While chatter around the privatization of government-sponsored enterprises (GSEs) has resurfaced, particularly around administrative changes, we believe any material moves are unlikely before 2026. Near term, policy uncertainty might affect investor sentiment, but the fundamental backdrop remains favorable.

We maintain a constructive view on Agency MBS heading into the second half of the year. Overall, we believe there are multiple opportunities across the coupon stack for attractive risk-adjusted returns. Lower coupons may offer optionality through lower dollar prices and potential upside from increased prepayments. Coupons trading slightly below par may provide advantageous carry without significant convexity risk, as less than 2% of the market is currently refinancable at prevailing mortgage rates.<sup>6</sup> In addition, there are opportunities in Agency derivatives that may allow for targeted exposure to higher yields and/or increased prepayments in the future. Risks include policy shifts related to GSE reform and elevated long-end Treasury supply, but supportive technicals and resilient demand point toward a firmer footing into year-end.

#### Agency MBS vs. Corporate Bond Spreads | As of June 30, 2025

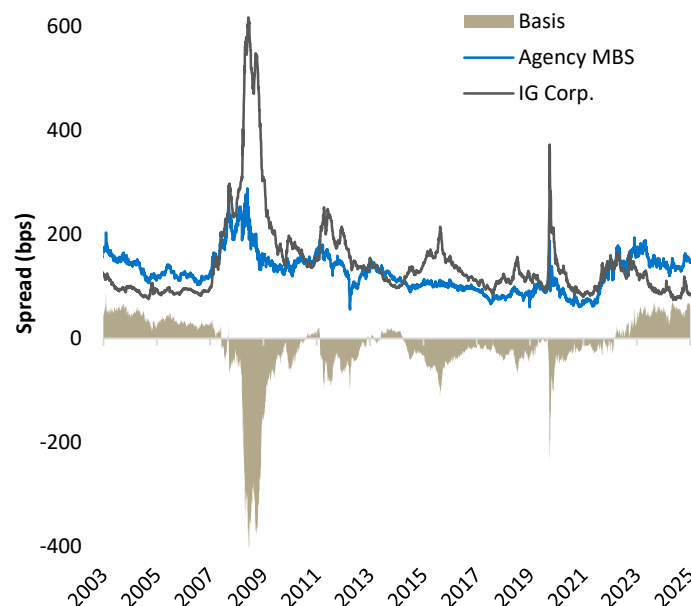


Figure 7  
Source: DoubleLine, Bloomberg

#### Banks' MBS Holdings | As of March 31, 2025

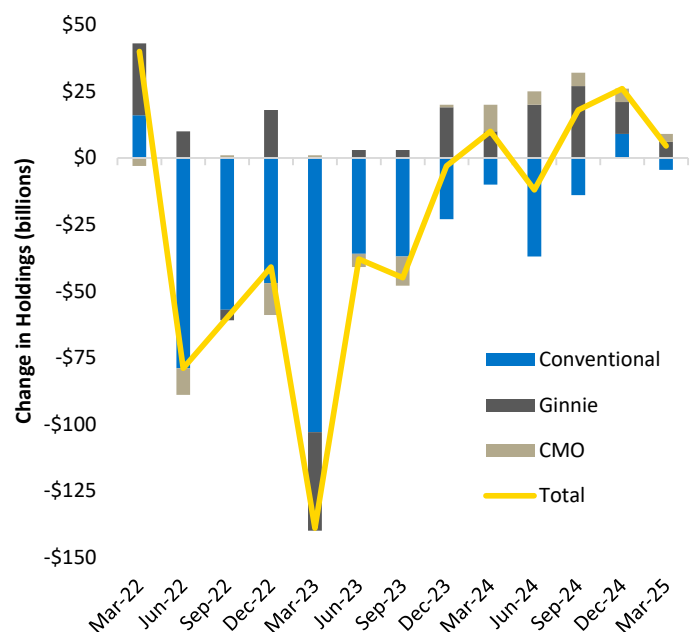


Figure 8  
Source: DoubleLine, Citi Research  
Ginnie = Ginnie Mae, CMO = Collateralized Mortgage Obligation

### U.S. Investment Grade Corporates

#### Tariff Rates Higher, Spreads...Tighter?

Investment grade (IG) corporate bonds posted a positive return of 1.82% during the second quarter and 4.23% year-to-date (YTD), as measured by the Bloomberg US Corporate Index, boosted primarily by tightening credit spreads. Tariff expectations drove the markets during the quarter, with index spreads initially jumping 26 bps from April 2 to April 8 before settling 11 bps tighter at 83 bps as most tariffs were paused.

On the technical front, demand from foreign investors remained strong, with many seeking to capture the attractive all-in yields offered by U.S. corporate bonds – particularly in a Fed easing cycle. However, European corporate bonds have become increasingly competitive. Demand from Asian investors is expected to remain stable, as many regional insurers are structurally constrained from purchasing sufficient local bonds to meet their liability-matching needs. Net issuance for the quarter was just \$32 billion, providing a strong technical tailwind that helped spreads grind tighter.<sup>7</sup> The yield on the index closed the quarter lower at 4.99%, well over the 10-year average of 3.77%. (Figure 9)

Fundamentals for IG corporate issuers have remained strong, creating a modest tailwind to spread performance. (Figure 10) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margins for nonfinancial companies are at an all-time high, with companies displaying conservative management against an uncertain backdrop.<sup>8</sup> Gross and net leverage remain strong, and interest coverage ratios are still above 2019-2020 levels, signaling a continuation of conservative financial management. While tariffs didn't take effect in the first quarter, it may be important to monitor corporate profitability and management commentary in the second and third quarters. Earnings outlook is growing more cautious, particularly for consumer products companies, which are more exposed to potential tariff pressures.

U.S. monetary policy remains on pause as the Fed assesses the impact of tariffs on the broader economy. Higher input costs could pressure margins and sales, but the conservative balance sheets of IG issuers should offer some cushion. The current backdrop is unlikely to lead to identical outcomes across subsectors, so industry and security selection will likely play a large role in performance going forward.

We remain cautiously optimistic on U.S. IG corporates, supported by historically strong margins and marginally more attractive spreads amid tariff-related market weakness. However, the ongoing uncertainty surrounding trade negotiations tempers our enthusiasm for deploying new capital into the sector. The

team holds a negative view on health insurance providers, citing rising utilization costs, Affordable Care Act-related uncertainty, political volatility and pressure from the "Make America Healthy Again (MAHA) movement." In contrast, we remain constructive on regulated utilities, which continue to trade at wider spreads than earlier in the year despite their defensive characteristics, namely, stable regulated revenues and limited exposure to tariffs or economic cycles.

#### U.S. IG Corporate Bond Yields | As of June 30, 2025

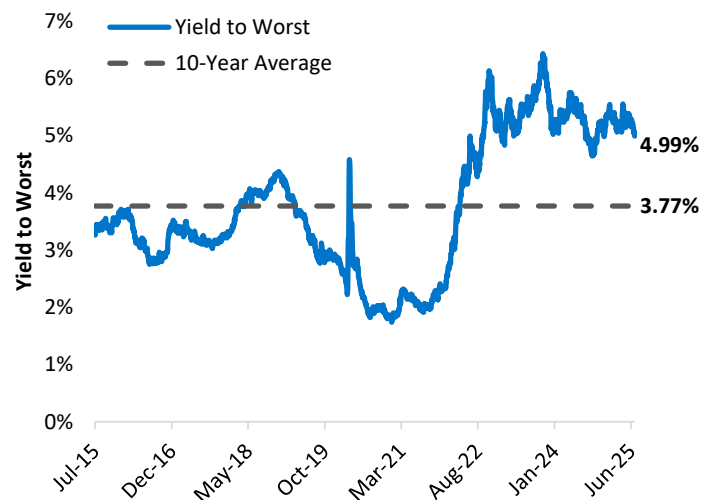


Figure 9

Source: DoubleLine, Bloomberg

#### EBITDA Margins at All-Time Highs | As of March 31, 2025

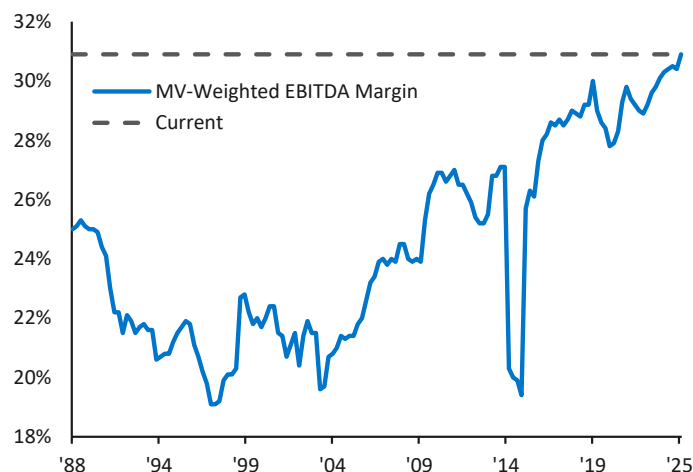


Figure 10

Source: DoubleLine, Bloomberg

MV = market value



### U.S. High Yield Corporates

#### Everything's Coming Up Milhouse

U.S. high yield (HY) corporate bonds returned 3.53% in the second quarter and 4.57% YTD, driven by falling yields, tightening spreads and high interest income.<sup>9</sup> HY index spreads tightened 57 bps quarter-over-quarter (QoQ), ending the quarter at 290 bps following the Trump administration's announcement of 90-day tariff pauses – most notably with China, where trade tensions had previously escalated. Adding to the positive impact from spread tightening, the front end of the curve provided additional gains as Treasury yields declined, with the three-year note falling 19 bps and the five-year note falling 15 bps QoQ.

HY issuers benefited from improved refinancing conditions, easing the pressure of the previously looming maturity wall. June marked the highest level of HY issuance since September 2021, as falling yields in May and June created a window to refinance debt after a sharp rise in yields in April.<sup>10</sup> Of the \$78 billion in issuance, \$54 billion was used to refinance existing debt. Demand remained strong for most of the quarter as investors continued to favor higher-yielding securities with recent risk-on rallies compressing spreads by 70 bps in May and an additional 24 bps in June.

Fundamentals remained strong with low default rates, low net leverage ratios and stable interest coverage ratios. (Figure 11) HY default rates remained low, with the 12-month par-weighted default rate sitting at 1.1% including distressed exchanges.<sup>11</sup> (Figure 12) All-in HY yields remained above their 10-year average despite the index having increased in credit quality with more bonds rated BB and fewer bonds rated CCC and below. (Figure 13) Expectations for additional fallen angels could further boost BB exposure, which could potentially enhance overall index quality going forward.

The strong fundamental backdrop and continued conservative financial management by issuers support a constructive view of the asset class, though there are pockets of concern. For example, the team is constructive on companies that are focusing on balance-sheet repair and free-cash-flow generation but remains cautious on companies such as metals and mining that are at higher risk of weakening economic conditions. The tariff risks are especially notable in highly cyclical sectors like consumer discretionary and autos.

#### High Yield Balance Sheets | As of June 30, 2025

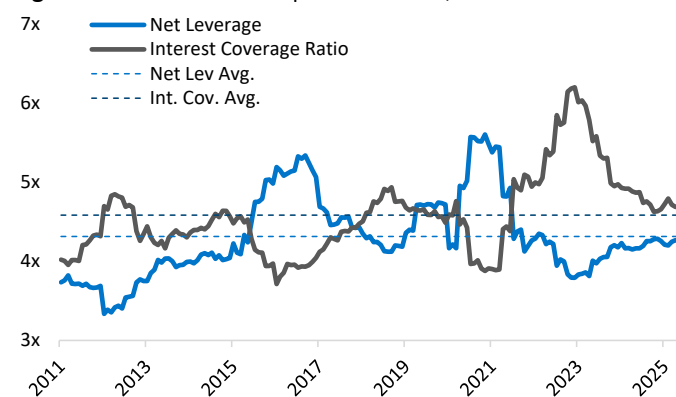


Figure 11

Source: DoubleLine, BofA Research

#### High Yield Default Rates | As of June 30, 2025

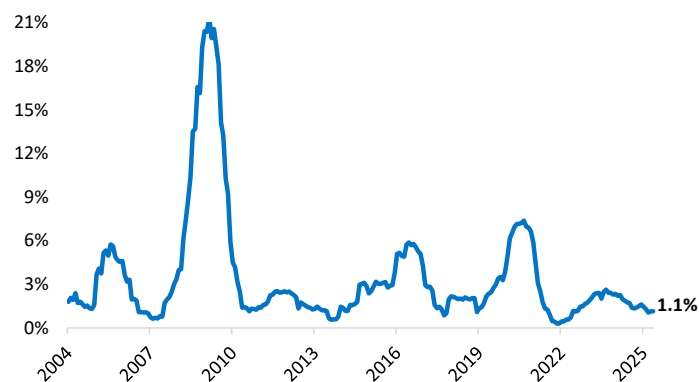


Figure 12

Source: DoubleLine, BofA Research

#### U.S. HY Corporate Bond Yields | As of June 30, 2025

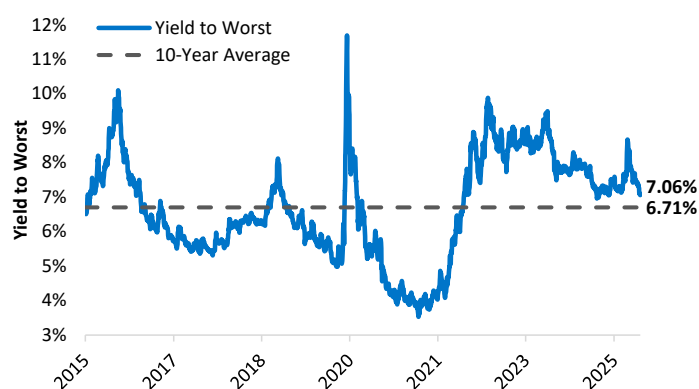


Figure 13

Source: DoubleLine, Bloomberg

### U.S. Bank Loans

#### A Tale of Two Halves

The bank loan sector, along with much of the rest of the market, had a volatile start to the second quarter. Index spreads for the asset class widened 53 bps in the first seven trading days of April before tightening 73 bps from their local highs to the end of June. The sector ended the quarter with a discount margin of 399 bps, 21 bps tighter over the period, and a yield to maturity of 8.42%. Overall, bank loans returned 2.31% in the quarter and 2.81% YTD, as measured by the Morningstar LSTA US Leveraged Loan TR USD Index. The Fed maintained its policy stance, helping to preserve the floating-rate income received by bank loan investors.

Issuance volume slowed sharply over the period, with gross volume totaling \$113.4 billion, down 72% YoY. Repricing volume came in at \$28.5 billion, which marked the first sub-\$100 billion quarter of repricing amendments since the fourth quarter of 2023, as volatility stemming from the April 2 “Liberation Day” tariff announcement presented a challenging market backdrop. Retail sentiment cooled as well, with \$6.4 billion in net outflow from bank loan mutual funds during the period. Despite the weaker demand environment, bank loan prices recovered over the second half of the quarter, with the share of loans in the index priced at par and above increasing from 10% to 41%. (Figure 14) Finally, broadly syndicated loans (BSLs) took market share from direct lending for the second quarter in a row. (Figure 15)

Looking ahead to the second half of the year, DoubleLine maintains a cautious outlook on the bank loan sector. Uncertainty around monetary policy and broader macro conditions could contribute to spread widening, particularly as the Fed appears increasingly likely to cut rates. With the yield advantage of floating-rate instruments potentially diminishing, relative value across the capital structure could shift.

At an industry level, the team typically favors health-care providers benefiting from enhanced procedure volume and normalizing labor inflation, and power companies exposed to growing electricity demand trends. We remain cautious on cable and telecommunication names with shifting consumer preferences as well as airline transportation credits facing uncertain consumer demand.

**% Bank Loans Priced at Par and Above | As of June 30, 2025**

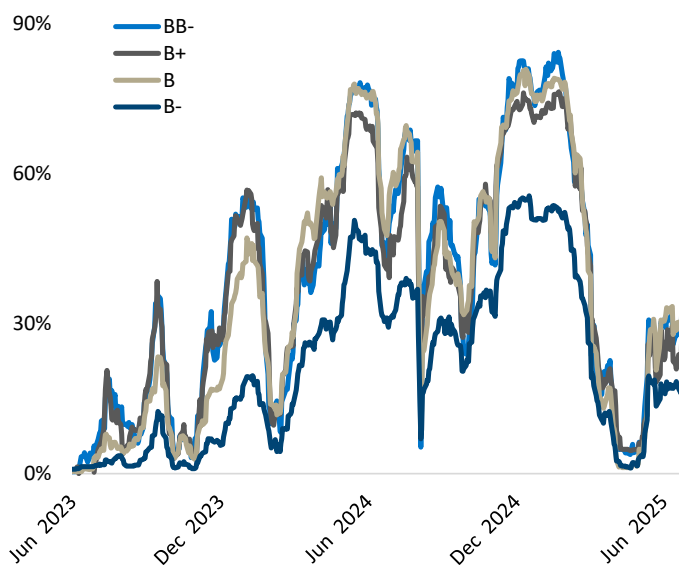


Figure 14

Source: DoubleLine, Pitchbook

**Direct Lending/BSL Market | As of June 30, 2025**

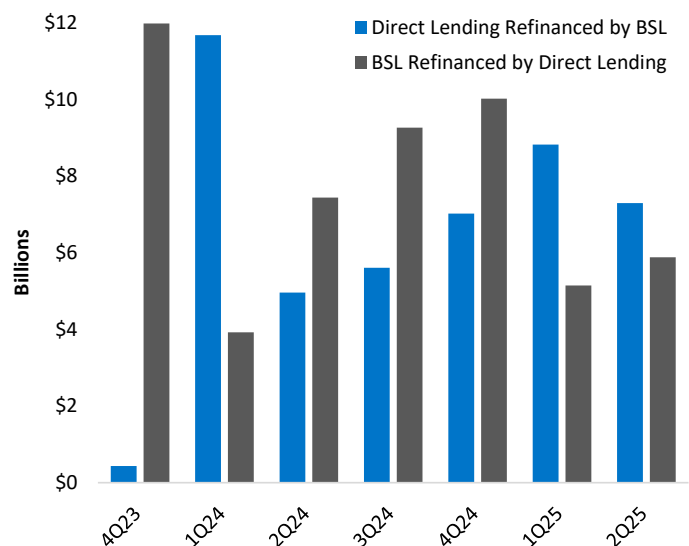


Figure 15

Source: DoubleLine, Pitchbook



### Non-Agency Residential Mortgage-Backed Securities

#### Mortgage Market Still Well Grounded

Residential credit performance remained firm during the quarter, supported by resilient borrower behavior, improved rate expectations and a gradual easing in home price appreciation. While home prices continued to rise on a national basis, the pace decelerated to 2.7% year-over-year (YoY) through May, down from 4.8% in February.<sup>12</sup> Inventory levels continued to rise, with the number of homes available for sale up 32% YoY, but still 13% below pre-pandemic norms, helping to support price levels in most markets. (Figure 16)

The national delinquency rate for first-lien mortgages marked a modest decrease during the period, registering 3.20% in May.<sup>13</sup> Mortgage rates rose roughly 20 bps during the quarter, with the 30-year fixed-rate mortgage ending the period at 6.82%.<sup>14</sup> Higher home insurance premiums – projected to rise 8% nationwide – will likely worsen affordability and keep home sales constrained.<sup>15</sup> (Figure 17) That said, purchase application activity rose for 21 consecutive weeks through late June, suggesting underlying demand remains even in the face of stretched affordability.

Non-Agency RMBS issuance for the quarter was approximately \$35 billion, bringing the YTD total to just over \$71 billion, an increase from the \$56 billion priced in the first half of 2024.<sup>16</sup> Strong issuance came despite credit spread volatility in April, as spreads widened approximately 25 bps to 50 bps across senior portions of the capital structure due to risk-off sentiment from tariffs and impending trade wars. While this move eventually reversed by mid-May as macro concerns subsided, there was some resistance due to new-issue supply. Spreads ultimately ended the quarter 5 bps to 10 bps wider across senior tranches and 10 bps to 20 bps tighter in mezzanine tranches. All-in yields remained range-bound as Treasury rates rallied roughly 15 bps in the short to intermediate portions of the yield curve.

Heading into the second half of the year, residential credit remains well supported by strong household balance sheets, tight loan underwriting and still low, albeit rising, supply. Potentially lower rates are poised to improve affordability on the margin, which could help offset increases in supply. While an economic downturn could lead to a rise in borrower delinquencies due to unemployment and other financial stressors, the prevalence of forbearance and other loss-mitigation programs – utilized and refined by servicers during the COVID-19 era – should help contain both defaults and resulting losses.

**Supply vs. Prices | As of May 31, 2025**

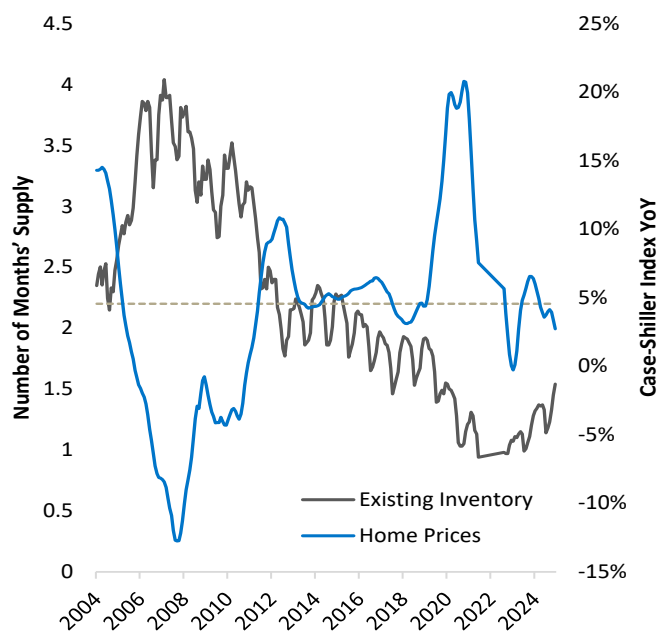


Figure 16

Source: DoubleLine, National Association of Realtors

Dashed line represents the average number of months' supply.

**Home Sales vs. Mortgage Rates | As of June 30, 2025**

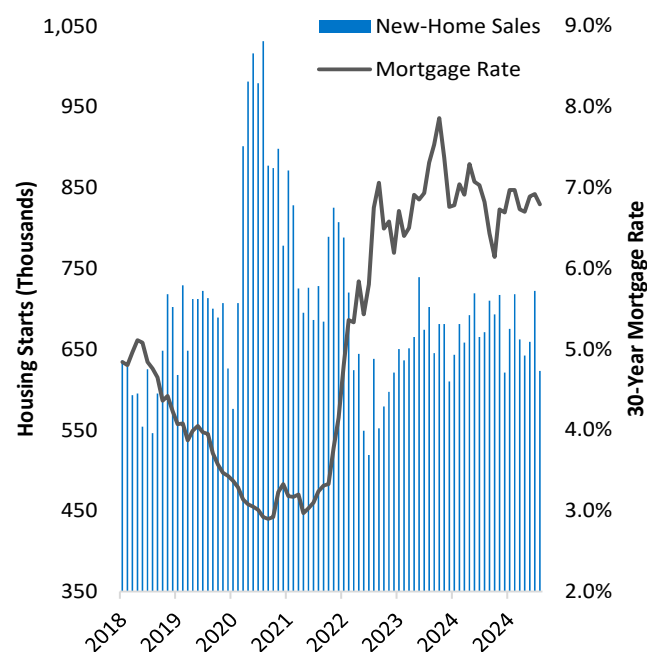


Figure 17

Source: DoubleLine, U.S. Census Bureau

### Non-Agency Commercial Mortgage-Backed Securities

#### Security Selection Remains Key

Non-Agency CMBS delivered positive performance in the quarter, with tranches rated AAA and BBB- returning 1.83% and 2.11%, respectively.<sup>17</sup> The on-the-run, fixed-rate conduit CMBS credit curve steepened in the period as broader markets recovered and investors navigated continued uncertainty – particularly around tariffs and trade policy – amid robust primary issuance. Last-cash-flow bonds rated AAA tightened 12 bps quarter-over-quarter (QoQ) to 86 bps over duration-matched Treasuries, though they remained 11 bps wider YTD.<sup>18</sup> In contrast, credit-sensitive tranches rated BBB- widened 15 bps QoQ and 90 bps YTD to close the quarter 515 bps over Treasuries.

Investor sentiment became more cautious in the quarter in response to heightened policy and economic uncertainty. While long-term expectations remain more stable, the shift in sentiment reflects a market grappling with slower capital flows, property price discovery and a more complex near-term outlook. (See: [Commercial Real Estate Update](#)) This dynamic contributed to a meaningful slowdown in CRE transaction activity, ending a modest recovery trend that began in mid-2024, as total deal volume fell 11% YoY through May.<sup>19</sup> Property prices, which had shown signs of stabilizing earlier in the year, resumed their decline. The RCA U.S. All-Property Commercial Property Price Index (CPPI) fell 1.0% YoY in May, accelerating from a 0.6% decline earlier in the year. (Figure 18)

Despite the more cautious sentiment, private-label CMBS issuance reached \$30.0 billion in the quarter, 7.7% above the same period in 2024. Total private-label CMBS issuance hit \$78.1 billion YTD, the highest level recorded in the first half of a year since 2007. (Figure 19) This suggests to us that issuers are continuing to find willing buyers amid renewed demand for income-generating credit and resilient loan performance.

We remain constructive on non-Agency CMBS heading into the second half of 2025. ([U.S. Commercial Real Estate Outlook](#)) Elevated yields, improving credit transparency and a recalibrated CRE price base offer compelling entry points, especially in seasoned conduit and multifamily deals. While the idiosyncratic office subsector is still challenging, we believe that the worst is behind us, having already observed the cyclical lows in nationwide CRE prices.

#### RCA All-Property CPPI | As of May 31, 2025

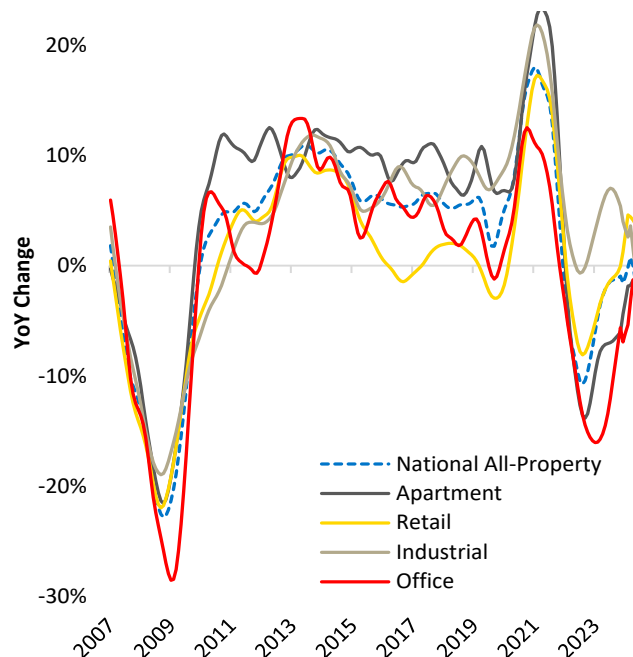


Figure 18

Source: DoubleLine, RCA

#### YTD Private-Label CMBS Issuance | As of June 30, 2025

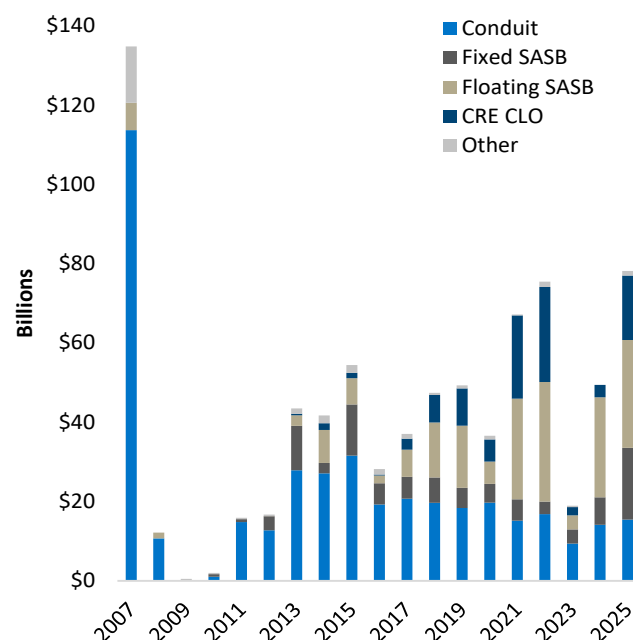


Figure 19

Source: DoubleLine, J.P. Morgan Research  
Single Asset, Single Borrower (SASB)

### Asset-Backed Securities

#### Credit Check, Please

Returns for ABS were positive during the quarter, with mezzanine tranches generally outperforming senior bonds.<sup>20</sup> New issuance continued its steady pace during the quarter, with YTD issuance reaching \$177 billion, just shy of the same period a year ago.<sup>21</sup> Despite concerns around student loans and consumer delinquencies, investor demand remained robust, particularly for higher-quality tranches given the still-attractive relative value and yield pickup in ABS versus comparable corporate credit. (Figure 20)

The U.S. consumer has remained more resilient than expected – supported by steady job growth and rising wages. (see: [The State of the U.S. Consumer](#)) However, this strength is increasingly uneven across income cohorts. Higher-income households continue to spend money on travel and services while lower-income groups are scaling back discretionary purchases and showing early signs of credit fatigue. (Figure 21) Delinquencies are rising but remain largely concentrated among subprime borrowers. While tighter lending standards and weaker credit demand might curb further strain, they could also weigh on consumer spending in the second half of the year.

Our general outlook for consumer-related ABS remains stable, though increasingly cautious. While a relatively strong labor market offers support, elevated interest rates, persistent inflation and rising delinquencies pose risks, particularly within the subprime segment. Early stage delinquencies have begun to increase – especially in credit card and auto loan ABS pools – signaling potential stress.

Within hard-asset ABS subsectors, we anticipate continued growth in infrastructure-related ABS, such as digital network data centers and fiber networks. (See: [Investing in Infrastructure Debt](#)) This subsector has emerged as a key growth driver within the esoteric ABS market. Through the end of June, \$12.5 billion in digital infrastructure ABS had been issued, more than double the volume at the same point in 2024.<sup>22</sup>

Heading into the second half of the year, we maintain a selectively constructive view on ABS. We continue to favor new-issue, post-COVID-19 ABS structures – across both consumer and hard-asset subsectors – that typically offer enhanced investor protections in the form of increased credit enhancement and more-conservative leverage ratios. These factors could help create durable structures capable of withstanding adverse economic conditions, should they materialize.

**Yield vs. Spread | As of June 30, 2025**

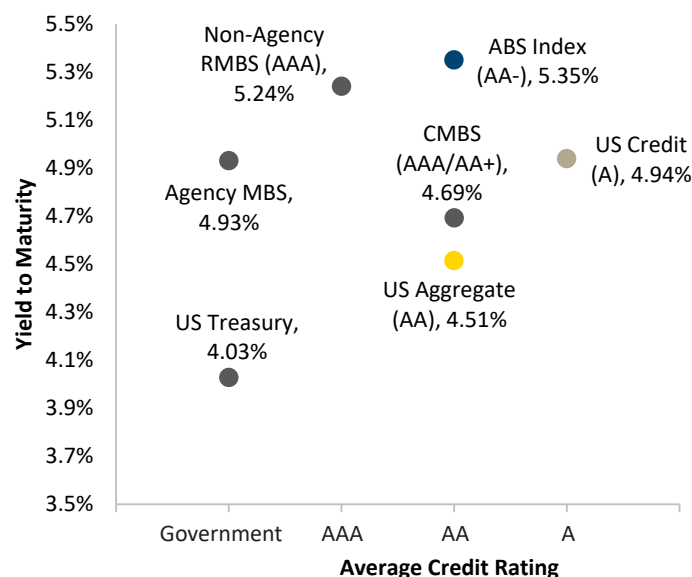


Figure 20  
Source: DoubleLine, BofA Global Research  
You cannot invest directly in an index.

**Discretionary Travel and Entertainment Spending by Income Cohort | As of June 30, 2025**

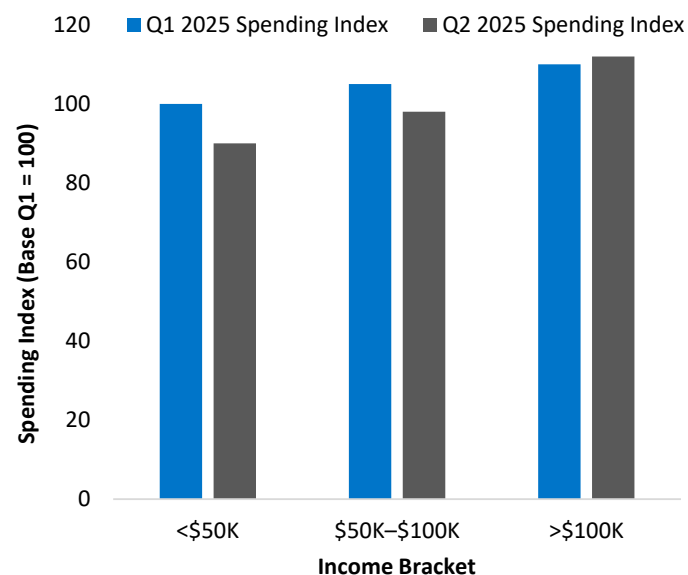


Figure 21  
Source: DoubleLine, Barclays

### Collateralized Loan Obligations

#### Brisk Issuance, Resilient Demand but Cracks Emerge

CLOs remained resilient through a turbulent quarter marked by April's "Liberation Day" tariff shock and subsequent market volatility. CLOs rated AAA and BBB returned 1.60% and 2.08%, respectively.<sup>23</sup> Spreads modestly widened in the period, with the discount margin for CLOs rated AAA ending the quarter at 136 bps – 17 bps wider than March 31; CLOs rated BBB widened 39 bps to 318 bps.<sup>24</sup> Lower-tier managers priced wider, with AAAs averaging SOFR +144 bps, while top-tier issuers averaged SOFR +134 bps, a 10-bp premium for reputation and execution quality. (Figure 22) While spread widening and soft loan issuance pressured resets and refinancings early in the period, CLO managers responded with strong new-issue volumes, pricing \$51.3 billion across 109 deals, exceeding first quarter totals and pushing YTD issuance to \$99.9 billion – on pace to rival 2024's record.<sup>25</sup>

Loan prices dropped nearly two points in the first week of April, with secondary bids bottoming at \$94.40 – the lowest since mid-2023.<sup>26</sup> Activity froze as no broadly syndicated loans launched for 15 consecutive business days, marking the longest issuance drought since the onset of COVID-19. However, sentiment rebounded in May and June as secondary loan prices rallied, loan fund outflows reversed and repricing activity resumed.

Despite macro volatility, CLOs absorbed the loan market's swings with relative resilience, supported by structural protections and active management. Overcollateralization and interest coverage remain intact for most CLOs, though stress is building at the margins – particularly in portfolios with retail or commodity-linked exposure. CCC buckets are ticking higher, but most managers have adjusted trading to stay below par subordination triggers. Loan default rates have ticked higher but remain below long-term averages. (Figure 23)

Heading into the second half of the year, we believe CLOs remain well supported by technical demand, despite soft loan supply and macro risk. That said, manager dispersion is widening, and risk remains skewed to the downside for portfolios overweight tariff-impacted sectors like retail, chemicals and consumer durables. As the downgrade cycle matures, seasoned Tier 1 managers with disciplined credit selection and active trading capabilities are best positioned to outperform. We continue to favor higher-quality, seasoned managers with a strong track record of navigating volatile credit cycles, disciplined portfolio construction and lower CCC exposure.

**CLO Manager New-Issue Spreads** | As of June 30, 2025

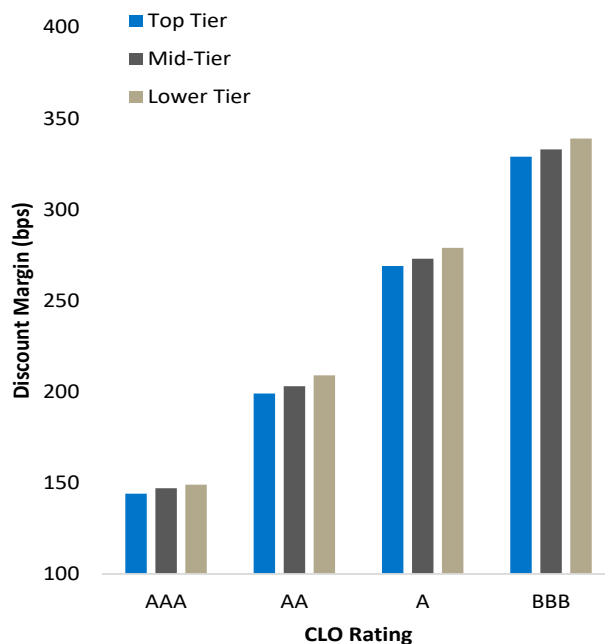


Figure 22  
Source: DoubleLine, LCD

**Loan Default Rate by Principal Amount** | As of June 30, 2025

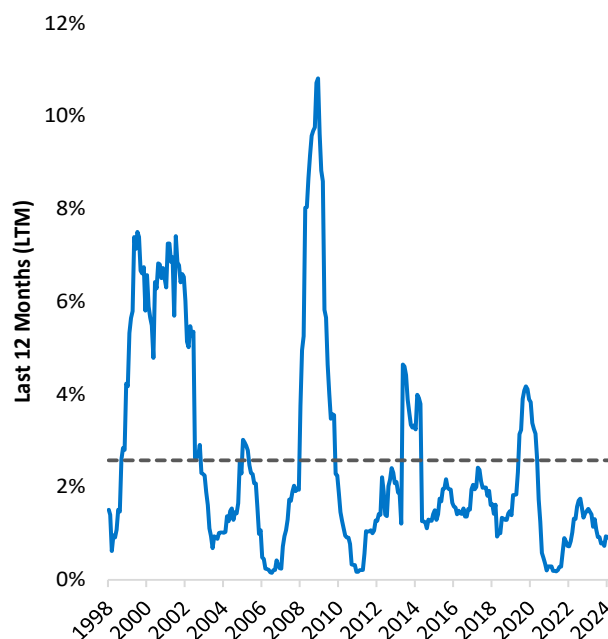


Figure 23  
Source: DoubleLine, Pitchbook | LCD  
Dashed line represents the average LTM default rate.

### International Fixed Income (Rates and FX)

#### Repatriation Flows?

Global government bonds posted positive returns over the second quarter, mainly driven by foreign currency appreciation against the U.S. dollar. Developed market government bonds, as measured by the FTSE World Government Bond Index, returned 4.58% in the period, bringing YTD return to 7.27%. Emerging markets (EM) local currency government bonds, as measured by the J.P. Morgan Government Bond Index Emerging Markets Global Diversified, returned 7.62% in the quarter and 12.26% YTD.

The U.S. dollar weakened meaningfully during the quarter, with the U.S. Dollar Index declining sharply amid heightened policy volatility and weaker investor confidence. The Trump administration engaged in a series of escalations and reversals on trade policy over the period following an April announcement to impose sweeping tariffs on U.S. trading partners. Treasury yields at the short end of the curve moved sharply lower over the quarter on expectations for faster rate cuts by the Fed, driving further dollar weakness.

The euro strengthened against the dollar over the quarter as the European Central Bank signaled that it is nearing the end of its rate-cutting cycle after cutting by 25 bps in both April and June. The Japanese yen strengthened sharply over the period as the Bank of Japan held rates steady and cut its economic growth outlook due to the uncertainty over global trade tensions. EM currencies also strengthened, fueled mainly by the weaker dollar trend.

DoubleLine believes U.S. policy uncertainty could potentially prompt foreign investors to diversify away from the U.S. and increasingly hedge their dollar exposure. This rebalancing, against the backdrop of large twin deficits in the U.S., may likely continue to underpin a structurally lower dollar over the rest of the year. (Figure 24) In this environment, EM local currency bonds could continue to perform, especially given that the asset class is underowned. EM currencies could also be boosted if growth differentials begin to favor EM as the U.S. potentially slows.

In developed markets, the team is short the broad dollar as U.S. policy and trade uncertainty weighs on the U.S. growth outlook. We are monitoring international repatriation flows out of the U.S. and rising hedge ratios, which are longer-term bearish for the dollar. (Figure 25) We are overweight non-U.S. developed market sovereign bonds, favoring the front and belly of the local government curves. We maintain a steepening bias for most G-10 government bond curves, as longer-term rates are being impacted by rising fiscal pressures and we still expect some room for additional monetary policy easing.

In emerging markets, the team is long EM currencies, as repatriation flows are bullish in the longer term for low-yielding countries with current account surpluses and EM currencies with high local real rates could see appreciation versus the dollar. We are overweight Latin America and select Central and Eastern Europe, Middle East and Africa (CEMEA) local currency bonds, as a weaker dollar, lower oil prices and slowing inflation provide additional space for central banks to ease monetary policy rates. We continue to maintain underweights in countries facing elevated geopolitical risks.

#### U.S. Twin Deficits vs. DXY | As of March 31, 2025

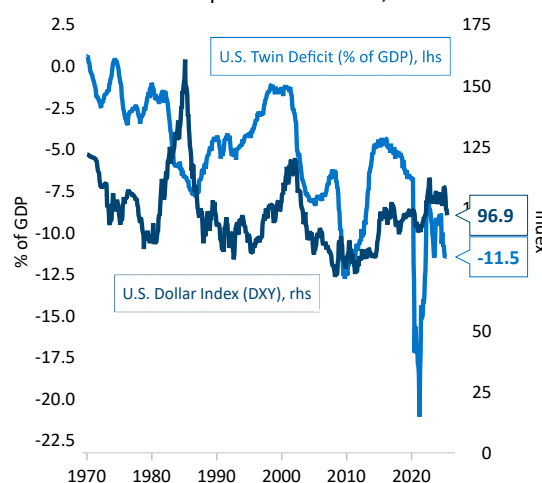


Figure 24

Source: DoubleLine, U.S. Treasury, BEA, ICE, Macrobond

#### U.S. International Investment Position | As of March 31, 2025

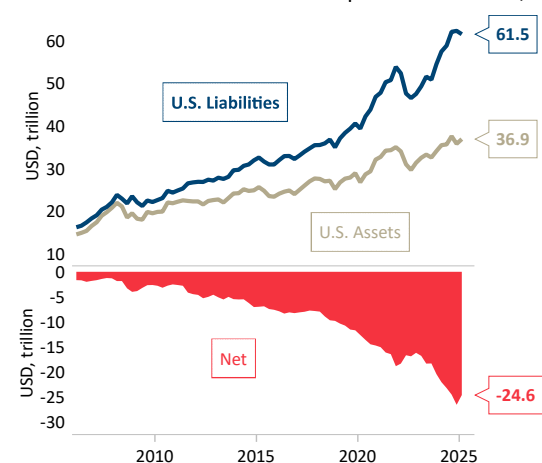


Figure 25

Source: DoubleLine, BEA, Macrobond

### Emerging Markets Fixed Income

#### Tariff Impact Scaled Back but Remains Significant

EM sovereign and corporate bonds returned 3.32% and 1.57%, respectively, for the second quarter and 5.64% and 4.03% YTD.<sup>27</sup> Credit spreads for the EMBI GD tightened 27 bps during the quarter while spreads were flat for CEMBI BD. (Figure 26)

Throughout the period, markets seemed to interpret the worst of trade uncertainty as being behind us, with trade negotiations between the U.S. and EM countries attaining a positive trajectory. While the projected global gross domestic product drag from higher tariffs was scaled back during the quarter, tariffs could likely weigh on EM growth in the second half of 2025.

EM issuance reached \$180 billion for sovereigns and corporates in the quarter, with EM hard currency supply reaching \$413 billion for the first half of 2025, up 27% YoY. (Figure 27) Net financing ended June at positive \$52 billion YTD, mostly coming from sovereigns (\$49 billion).

EM bond flows were negative \$6.7 billion YTD as of July 3. Concerns over a potential global growth slowdown could continue to pressure inflows in the near term.

DoubleLine expects EM growth to slow in the remainder of 2025 amid macro uncertainty. That said, EM corporate fundamentals started from a strong base, and as such, we believe they are in a good position to weather the volatility and uncertainty. More broadly, the net rating action had been positive since the fourth quarter of 2023 and into the first quarter of this year before dipping marginally negative in the second quarter. (Figure 28)

In response to the more challenging macro backdrop, the team has adopted a defensive stance, maintaining an up-in-quality bias. The team continues to be overweight Latin America relative to benchmarks, as the region offers attractive return-per-unit-of-risk profiles with less geopolitical risk, while being cognizant of critical credit selection and differentiation, focusing on economies and companies with strong fundamentals in industries less susceptible to tariffs. For now, Latin America appears to be less impacted by U.S. trade actions than other regions.

While opportunities in dislocated credits are being monitored, the team remains cautious amid rising recession risks in the U.S. and the potential for credit spread widening. As such, we are currently in a wait-and-see position.

#### EM Sovereign and Corporate Spreads (USD) | As of June 30, 2025

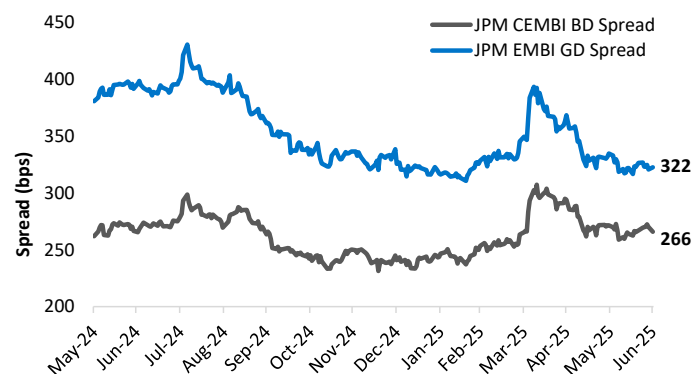


Figure 26

Source: DoubleLine, J.P. Morgan

#### EM Corporate External Bond Financing | As of June 30, 2025

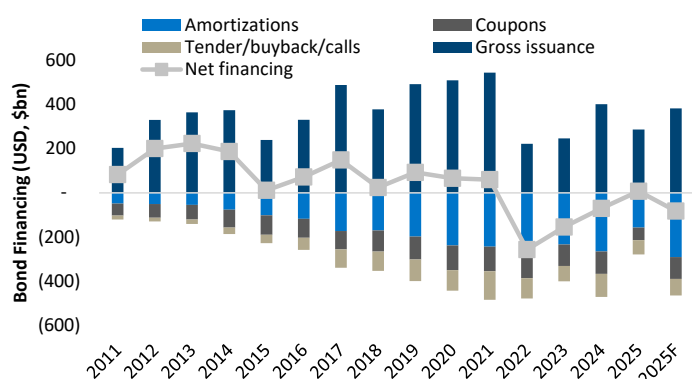


Figure 27

Source: DoubleLine, J.P. Morgan

#### Net Rating Volume | As of March 31, 2025

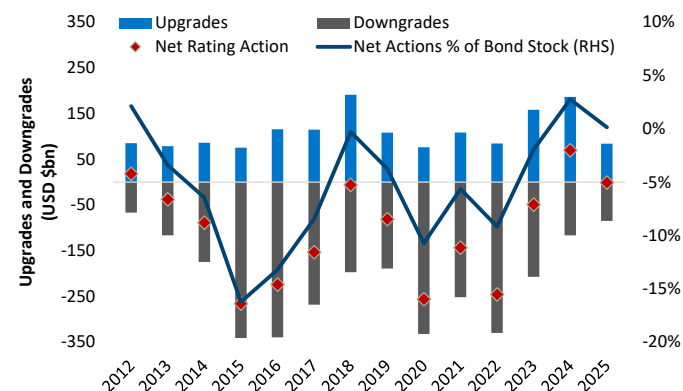


Figure 28

Source: DoubleLine, J.P. Morgan





**Chris Stegemann**  
Manager, Client Portfolio Management

Mr. Stegemann joined DoubleLine in 2017. He is a Client Portfolio Manager and Manager of the Client Portfolio Management team. In this capacity, Mr. Stegemann is responsible for communicating DoubleLine's macroeconomic views and portfolio positioning via client engagement, published market commentary and dedicated strategy content, with a focus on DoubleLine's Fixed Income Asset Allocation strategies. Prior to DoubleLine, Mr. Stegemann was in mutual fund distribution for Putnam Investments. He holds a B.S. in Finance and minors in Accounting and Economics from Elon University's Martha & Spencer Love School of Business. Mr. Stegemann holds the FINRA Series 3, 6, 7 and 63 licenses.



**Carl Compton, CFA**  
Product Associate

Mr. Compton joined DoubleLine in 2024 as a Product Associate on the Investor Services team. He is responsible for communicating DoubleLine's portfolio positioning via client engagement, published market commentary, competitor analysis and dedicated strategy content. Prior to DoubleLine, Mr. Compton was with WAMCO as a Product Analyst-IG Credit/LDI. Prior to that, he was with Cincinnati Asset Management as a Junior Credit Analyst. Mr. Compton holds a B.S. in Business Administration from Washington University in St. Louis. He is a CFA® charterholder and holds the FINRA Series 7 and 63 licenses.



**Phil Gioia, CFA**  
Client Portfolio Manager

Mr. Gioia joined DoubleLine in 2018 and serves as a Client Portfolio Manager. In this capacity, he is responsible for communicating DoubleLine's macroeconomic views and portfolio positioning via client engagement, published market commentary and dedicated strategy content, with a focus on DoubleLine's Securitized Product strategies. Prior to DoubleLine, Mr. Gioia was an Investment Product Manager for Fidelity Investments. He holds a B.S. in Financial Management and Business Administration with a minor in Accounting from Salve Regina University, and he earned a certification for the Applied Data Science Program from the Massachusetts Institute of Technology. Mr. Gioia is a CFA® charterholder and holds the FINRA Series 7 and 63 licenses.



**Michael Marsalla**  
Product Associate

Mr. Marsalla joined DoubleLine in 2024 as a Product Associate on the Investor Services team. He is responsible for communicating DoubleLine's portfolio positioning via client engagement, published market commentary, competitor analysis and dedicated strategy content. Prior to DoubleLine, Mr. Marsalla was with PIMCO as an Institutional Account Senior Associate. He holds a B.A. in Business Administration from Arizona State University and an MBA from the UCLA Anderson School of Management. Mr. Marsalla holds the FINRA Series 7 and 63 licenses.

### Endnotes

- <sup>1</sup> Bloomberg World Interest Rate Probability function, as of June 30
- <sup>2</sup> Bloomberg US MBS and Bloomberg US Treasury indices
- <sup>3</sup> Inside Mortgage Finance
- <sup>4</sup> Citi Research
- <sup>5</sup> J.P. Morgan Research
- <sup>6</sup> BofA Global Research
- <sup>7</sup> Source: Barclays Research
- <sup>8</sup> Source: DoubleLine, Barclays
- <sup>9</sup> Bloomberg US Corporate High Yield Bond Index
- <sup>10</sup> J.P. Morgan Research
- <sup>11</sup> J.P. Morgan Research
- <sup>12</sup> S&P CoreLogic Case-Shiller U.S. National Home Price SA Index
- <sup>13</sup> July 2025 ICE Mortgage Monitor Report
- <sup>14</sup> Freddie Mac Primary Mortgage Market Survey, May 31, 2025
- <sup>15</sup> "Homeowners' Insurance Premiums Vary Widely From State to State, but They Are All Going Up," CNBC, July 2, 2025
- <sup>16</sup> BofA Global Research
- <sup>17</sup> ICE BofA CMBS indices
- <sup>18</sup> Bank of America Research
- <sup>19</sup> Real Capital Analytics
- <sup>20</sup> ICE BofA indices
- <sup>21</sup> BofA Global Research
- <sup>22</sup> Morgan Stanley Research
- <sup>23</sup> J.P. Morgan indices
- <sup>24</sup> Pitchbook | LCD
- <sup>25</sup> Pitchbook | LCD
- <sup>26</sup> Barclays Research
- <sup>27</sup> J.P. Morgan Emerging Market Bond Index Global Diversified, J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified

### Index Definitions and Terms

#### Indices used in Figure 1:

**US Agg Index:** Bloomberg US Aggregate Bond Index; **EMFI Corporate:** J.P. Morgan CEMBI Broad Diversified; **EMFI Sovereign:** J.P. Morgan EMBI Global Diversified; **Leveraged Loans:** Credit Suisse Liquid Leveraged Loan Index; **U.S. HY Corporate:** Bloomberg US Corporate HY Index; **U.S. IG Corporate:** Bloomberg US Corporate Index; **CLOs:** J.P. Morgan CLO Index; **ABS AA-BBB:** ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index; **ABS AAA:** Bloomberg US ABS Index; **Non-Agency CMBS:** Bloomberg US Non-Agency CMBS Index; **RMBS:** Citi Research; **Agency CMBS:** Bloomberg US Agency CMBS Index; **Agency CMO:** ICE BofA U.S. Agency CMO Index; **Agency MBS:** Bloomberg US MBS Index; **U.S. Treasuries:** Bloomberg US Treasury Index

#### Indices used in Figure 2:

**US Agg Index:** Bloomberg US Aggregate Bond Index; **U.S. Treasuries:** Bloomberg US Treasury Index; **Agency MBS:** Bloomberg US Agency MBS Index; **U.S. IG Corporate:** Bloomberg US Corporate Index; **U.S. HY Corporate:** Bloomberg US Corporate High Yield Index; **EMFI Corporate:** J.P. Morgan CEMBI Broad Diversified; **EMFI Sovereign:** J.P. Morgan EMBI Global Diversified; **Leveraged Loans:** Credit Suisse Liquid Leveraged Loan Index; **ABS AA-BBB:** ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index; **CMBS BBB:** Bloomberg US Non-Agency CMBS Index; **CLOs:** J.P. Morgan

#### Indices used in Figure 3 & 4:

**US Agg Index:** Bloomberg US Aggregate Bond Index; **Agency MBS:** 30-Year FNCL Par Coupon Index; **U.S. IG Corporate:** Bloomberg US Corporate Index; **U.S. 1-3 Yr Corp.:** Bloomberg US Corporate Index; **CMBS:** Bloomberg US Non-Agency CMBS Index; **RMBS (Non-QM) AAA:** Wells Fargo; **CLOs:** J.P. Morgan; **U.S. IHY Corporate:** Bloomberg US Corporate High Yield Index; **EMFI Corp.:** J.P. Morgan CEMBI Broad Diversified; **EMFI Sov.:** J.P. Morgan EMBI Global Diversified; **Bank Loans:** Credit Suisse Liquid Leveraged Loan Index; **ABS AA-BBB:** ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index

**Asset-Backed Securities (ABS)** – Investment securities, such as bond or notes, that are collateralized by a pool of assets, such as loans, leases, credit card debt, royalties or receivables.

**Basis Points (bps)** – Basis points (or basis point (bp)) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points; 0.01% = 1 basis point.

**Bloomberg US Agency Commercial Mortgage-Backed Securities (CMBS) Index** – This index measures the U.S. market of Agency conduit and fusion CMBS deals.

**Bloomberg US Agency Mortgage-Backed Securities (MBS) Index** – This index tracks Agency mortgage-backed pass-through securities guaranteed by government-sponsored enterprises (GSEs).

**Bloomberg US Aggregate Bond Index** – This index (the “Agg”) represents securities that are SEC registered, taxable and U.S. dollar denominated. It covers the U.S. investment grade, fixed-rate bond market, with components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

**Bloomberg US Asset-Backed Securities (ABS) Index** – This index is the ABS component of the Bloomberg US Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos and utility.

**Bloomberg US Corporate High Yield (HY) Index** – This index measures the U.S. dollar-denominated, HY, fixed-rate corporate bond market. Securities are classified as HY if the respective middle ratings of Moody’s, Fitch and S&P are Ba1, BB+ or BB+ or below. The Bloomberg US HY Long Bond Index, including bonds with maturities of 10 years or greater, and the Bloomberg US HY Intermediate Bond Index, including bonds with maturities of 1 to 9.999 years, are subindices of the Bloomberg US Corporate HY Bond Index.

**Bloomberg US Corporate Index** – This index measures the investment grade, fixed-rate taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Bloomberg US Mortgage-Backed Securities (MBS) Index** – This index measures the performance of investment grade, fixed-rate, mortgage-backed, pass-through securities of the government-sponsored enterprises (GSEs): Federal Home Loan Mortgage Corp. (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae).

**Bloomberg US Non-Agency Commercial Mortgage-Backed Securities (CMBS) Index** – This index measures the market of non-Agency conduit and fusion CMBS deals with a minimum current deal size of \$300 million.

**Bloomberg US Treasury Index** – This index measures U.S. dollar-denominated, fixed-rate nominal debt issued by the U.S. Treasury with a remaining maturity of one year or more. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

**Bloomberg World Interest Rate Probability (WIRP)** – Statistical function developed by Bloomberg that uses fed funds futures and options to assess the probability of future Federal Open Market Committee (FOMC) decisions. It seeks to calculate the chances of a rate hike at each of the FOMC meetings using futures trading data.

**Broadly Syndicated Loan (BSL)** – Any loan to an obligor issued as part of a loan facility with an original loan size (including any first and second lien loans in the facility) greater than \$250 million.

**Collateralized Loan Obligation (CLO)** – Single security backed by a pool of debt.

**Collateralized Mortgage Obligation (CMO)** – Refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. In turn, CMOs distribute principal and interest payments to investors based on predetermined rules and agreements.

**Conduit Loans** – Type of loans, also known as commercial mortgage-backed securities (CMBS) loans, that are commercial real estate loans pooled together with similar commercial mortgages and sold on the secondary market. On the secondary market, conduit loans are divided into tranches based on risk, return and loan maturity.

**Credit Quality** – Determined from the highest available credit rating from any nationally recognized statistical rating organization (NRSRO, generally S&P, Moody’s or Fitch). DoubleLine chooses to display credit ratings using S&P’s rating convention, although the rating might be sourced from another NRSRO. The rating organization evaluates a bond issuer’s financial strength, meaning its ability to pay a bond’s principal and interest in a timely fashion. Ratings are

expressed as letters ranging from “AAA,” the highest grade, to “D,” the lowest grade. In situations where the rating organization has not issued a formal rating on a security, the security will be classified as “nonrated.”

**Credit Risk Transfer (CRT)** – Pioneered by Freddie Mac in 2013, CRT programs structure mortgage credit risk into securities and (re)insurance offerings, transferring credit risk exposure from U.S. taxpayers to private capital.

**Credit Suisse Liquid Leveraged Loan Index (LELI)** – This index is a subindex of the Credit Suisse Leveraged Loan Index, which, with over 1,664 fully funded term loan facilities as of December 2018, is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. LELI contains about 284 term loan facilities as of December 2018 and seeks to track the liquid segment of the loan market. LELI includes only large loan facilities, over \$1 billion in face value, in order to sample loans that are actively traded in the secondary market.

**Duration** – Measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

**Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** – Measure of a company’s overall financial performance that is used as an alternative to net income in some circumstances.

**Earnings Per Share (EPS)** – Calculated as a company’s profit divided by the outstanding shares of common stock. The resulting number is an indicator of company profitability. In general, a higher EPS is better.

**Fallen Angel** – A bond that was initially given an investment grade rating but has since been reduced to junk-bond status. The downgrade is caused by a deterioration in the financial condition of the issuer.

**Federal Funds Rate** – Target interest rate, set by the Federal Reserve at its Federal Open Market Committee (FOMC) meetings, at which commercial banks borrow and lend their excess reserves to each other overnight. The Fed sets a target federal funds rate eight times a year, based on prevailing economic conditions.

**Federal Open Market Committee (FOMC)** – Branch of the Federal Reserve System that determines the direction of monetary policy specifically by directing open market operations. The FOMC comprises the seven board governors and five (out of 12) Federal Reserve Bank presidents.

**Freddie Mac Primary Mortgage Market Survey (PMMS)** – This weekly national survey tracks the most-popular 30- and 15-year fixed-rate mortgages, and 5-1 hybrid amortizing adjustable-rate mortgage products among a mix of lender types. The survey is compiled Monday through Wednesday and released (as average rates and points) on Thursday.

**G-10 (Group of Ten)** – The G-10 comprises 11 industrialized nations that meet on an annual basis, or more frequently as needed, to consult each other, debate and cooperate on international financial matters. The member countries are: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

**Ginnie Mae (GNMA)** – The Government National Mortgage Association (Ginnie Mae) is a federal government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities (MBS) issued by approved lenders. Ginnie Mae’s guarantee allows mortgage lenders to obtain a better price for MBS in the capital markets.

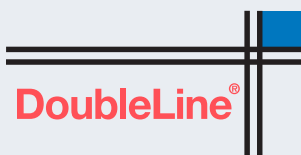
**Government-Sponsored Enterprise (GSE)** – Quasi-governmental entity established to enhance the flow of credit to specific sectors of the American economy. Created by acts of Congress, these agencies – although they are privately held – provide public financial services. GSEs help to facilitate borrowing for a variety of individuals, including students, farmers and homeowners.

**High Yield (HY)** – Bonds that pay higher interest rates because they have lower credit ratings than investment grade (IG) bonds. HY bonds are more likely to default, so they must pay a higher yield than IG bonds to compensate investors.

**ICE BofA U.S. Agency Collateralized Mortgage Obligation (CMO) Index** – This index tracks the performance of U.S. dollar-denominated, fixed-rate Agency CMOs publicly issued in the U.S. domestic market. Qualifying securities must have at least one year remaining to final maturity, a fixed coupon schedule, an original deal size for the collateral group of at least \$250 million and a current outstanding deal size for the collateral group that is greater than or equal to 10% of the original deal size.

**ICE BofA U.S. Fixed-Rate Miscellaneous Asset-Backed Securities (ABS) Index** – This index tracks the subset of the ICE BofA U.S. Fixed-Rate ABS Index rated AA to BBB and includes all ABS collateralized by anything other than auto loans, home equity loans, manufactured housing, credit card receivables and utility assets.

**Investment Grade (IG)** – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as high yield (HY) or “junk bonds.” The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.



# DoubleLine Fixed Income Briefing

## Second Quarter 2025

**J.P. Morgan Collateralized Loan Obligation Index (CLOIE)** – This market value-weighted index comprises U.S. dollar-denominated collateralized loan obligations (CLOs).

**J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI BD)** – This index is a uniquely weighted version of the CEMBI, which is a market capitalization-weighted index consisting of U.S. dollar-denominated emerging markets corporate bonds. The CEMBI BD limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

**J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD)** – This index is a uniquely weighted version of the EMBI. The EMBI tracks bonds from emerging markets (EM), and comprises sovereign debt and EM corporate bonds. The EMBI GD limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

**J.P. Morgan Government Bond Index Emerging Markets Global Diversified (GBI-EM GD)** – This custom-weighted index tracks local currency bonds issued by emerging markets governments, excluding China and India, and has a broader roster of countries than the base GBI-EM, which limits inclusion to countries that are readily accessible and where no impediments exist for foreign investors.

**Last Cash Flow (LCF)** – Last revenue stream paid to a bond over a given period.

**Mezzanine Debt** – Occurs when a hybrid debt issue is subordinated to another debt issue from the same issuer. Mezzanine debt has embedded equity instruments attached, often known as warrants, which increase the value of the subordinated debt and allow greater flexibility when dealing with bondholders. Mezzanine debt is frequently associated with acquisitions and buyouts, for which it may be used to prioritize new owners ahead of existing owners in case of bankruptcy.

**Morningstar LSTA US Leveraged Loan TR USD Index** – This index (formerly the S&P/LSTA Leveraged Loan Index) tracks the market-weighted performance of institutional weighted loans based on market weightings, spreads and interest payments.

**Mortgage-Backed Securities (MBS)** – Investment similar to a bond that is made up of a bundle of home loans bought from the banks that issued them. Investors in MBS receive periodic payments similar to bond coupon payments.

**Net International Investment Position (NIIP)** – Includes overseas assets and liabilities held by a nation's government, private sector and citizens. The NIIP is analogous to net foreign assets (NFA), which determine whether a country is a creditor or debtor nation by measuring the difference in its external assets and liabilities.

**Non-Qualified Mortgage (Non-QM)** – Any home loan that doesn't comply with the Consumer Financial Protection Bureau's existing rules on qualified mortgages (QMs). Usually this type of alternative mortgage loan accommodates people who are not able to prove they are capable of making the mortgage payments. Just because it is a non-QM mortgage loan does not necessarily mean high risk or subprime mortgage risk, and in many cases these non-QM mortgage loans require a high FICO score but simply do not check all the boxes associated with a QM loan. Non-QM loans for mortgages are protected by the lender against any type of lawsuit should the borrower become unable to afford the loan.

**On the Run** – Most recently issued bonds or notes of a particular maturity. For example, "on-the-run" U.S. Treasuries are the opposite of "off-the-run" Treasuries, which refer to Treasuries issued before the most recent issue and are still outstanding.

**Par** – Short for "par value," par can refer to bonds, preferred stock, common stock or currencies, with different meanings depending on the context. Par most commonly refers to bonds, in which case, it means the face value, or value at which the bond will be redeemed at maturity.

**Personal Consumption Expenditures (PCE) Price Index** – This index, published by the U.S. Bureau of Economic Analysis, measures price changes in consumer goods and services exchanged in the U.S. economy to reveal underlying inflation trends.

**Prime** – Classification of borrowers, rates or holdings in the lending market that are considered to be of high quality. This classification often refers to loans made to high-quality "prime" borrowers that are offered "prime" or relatively low interest rates.

**Quantitative Tightening (QT)** – Reverse of quantitative easing (QE); a central bank that acquired financial assets under QE undertakes steps to reduce its balance sheet.

**RCA Commercial Property Price Index (CPPI)** – This index describes various nonresidential property types for the U.S. (10 monthly series from 2000). It is a periodic same-property round-trip investment price-change index of the U.S. commercial investment property market. The dataset contains 20 monthly indicators.

**RCA U.S. All-Property Commercial Property Price Index (CPPI)** – This index is a component of the suite of price indices that comprise the RCA CPPI.

**Re-Performing Loan (RPL)** – A mortgage that became delinquent because the borrower was behind on payments by at least 90 days, but it is "performing" again because the borrower has resumed making payments.

**S&P CoreLogic Case-Shiller U.S. National Home Price SA Index** – This index tracks on a seasonally adjusted (SA) basis the value of single-family housing within the United States and is a composite of single-family price indices for the nine Census Bureau divisions.

**Secured Overnight Financing Rate (SOFR)** – Benchmark interest rate for U.S. dollar-denominated derivatives and loans that replaced the London Interbank Offered Rate (LIBOR). Interest rate swaps on more than \$80 trillion in notional debt switched to the SOFR in October 2020. This transition is expected to increase long-term liquidity but also result in substantial short-term trading volatility in derivatives.

**Spread** – Difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings or risk.

**Subprime** – Below-average credit classification of borrowers with a tarnished or limited credit history, and which are subject to higher than average interest rates. Subprime loans carry more credit risk and, as such, will carry higher interest rates.

**Summary of Economic Projections (SEP)** – Four times a year, the Federal Reserve releases a summary of Federal Open Market Committee (FOMC) participants' projections for gross domestic product (GDP) growth, the unemployment rate, inflation and the appropriate policy interest rate. The summary also provides information regarding policymakers' views on the uncertainty and risks attending the outlook. The projections provide information on the values that participants view as the most likely to prevail in the current year and the subsequent two years as well as over the longer run. The FOMC chair presents information about these projections in the press conference following the FOMC meeting for which they were prepared.

**Tenor** – Length of time remaining before a financial contract expires. It is sometimes used interchangeably with the term maturity, although the terms have distinct meanings. Tenor is used in relation to bank loans, insurance contracts and derivative products.

**2s10s** – Shorthand term used in tracking the spread between the two-year U.S. Treasury note (2s) and the 10-year Treasury bond (10s). The inversion of the yields, when the two-year is higher than the 10-year, is seen by some economists as an indicator of impending recession, which has historically happened after the yields de-invert.

**U.S. Dollar Index (DXY)** – A weighted geometric mean of the U.S. dollar's value relative to a basket of six major foreign currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

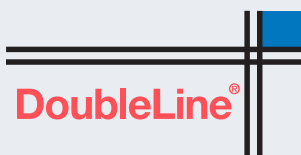
**U.S. Existing-Home Sales: Housing Inventory Index** – This index tracks the number of properties marked as "active" on the market or those pending sales. When a seller lists a property, it becomes counted as inventory. This data is part of the National Association of Realtors' U.S. Existing-Home Sales Index.

**U.S. Existing-Home Sales Index** – This index, published by the National Association of Realtors, reflects the total unit sales of homes that are already built in the United States. This is a lagging indicator tracking the U.S. housing market, which is impacted by a change in mortgage rates.

**Yield to Maturity (YTM)** – The total return anticipated on a bond if the bond is held until it matures. Yield to maturity is considered a long-term bond yield but is expressed as an annual rate.

**Yield to Worst (YTW)** – The lowest yield of a bond that can be received short of default.

You cannot invest directly in an index.



# DoubleLine Fixed Income Briefing

## Second Quarter 2025

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