

# 2025 USD Liquid Indices Review

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## Market Review

Liquidity is one of the most fundamental features of a developed market, and well-constructed index methodologies are essential for supporting the broader financial ecosystem. This paper examines how key liquid fixed income indices performed in 2025—a year defined by shifting monetary policy, an evolving fiscal landscape and strong credit market performance.

The U.S. Federal Reserve cut rates three times in 2025, totaling 75 bps and bringing the Fed funds rate to 3.75%<sup>1</sup> by the end of the year. The cuts were driven by a softening labor market and weakening economic indicators, including a manufacturing PMI that fell to 47.9%<sup>2</sup> in December—its lowest reading of the year and a sign of continued contraction. At the same time, fiscal dynamics intensified. U.S. national debt reached a record USD 38.59 trillion<sup>3</sup> at the end of December, with the passage of the U.S. tax and spending bill projected to add another USD 3.4 trillion<sup>4</sup> over the 2025-2034 period. Record bond issuance in the AI sector—reaching USD 121.5 billion<sup>5</sup>—further expanded the supply landscape, raising questions about issuers' long-term ability to service that debt and achieve profitability.

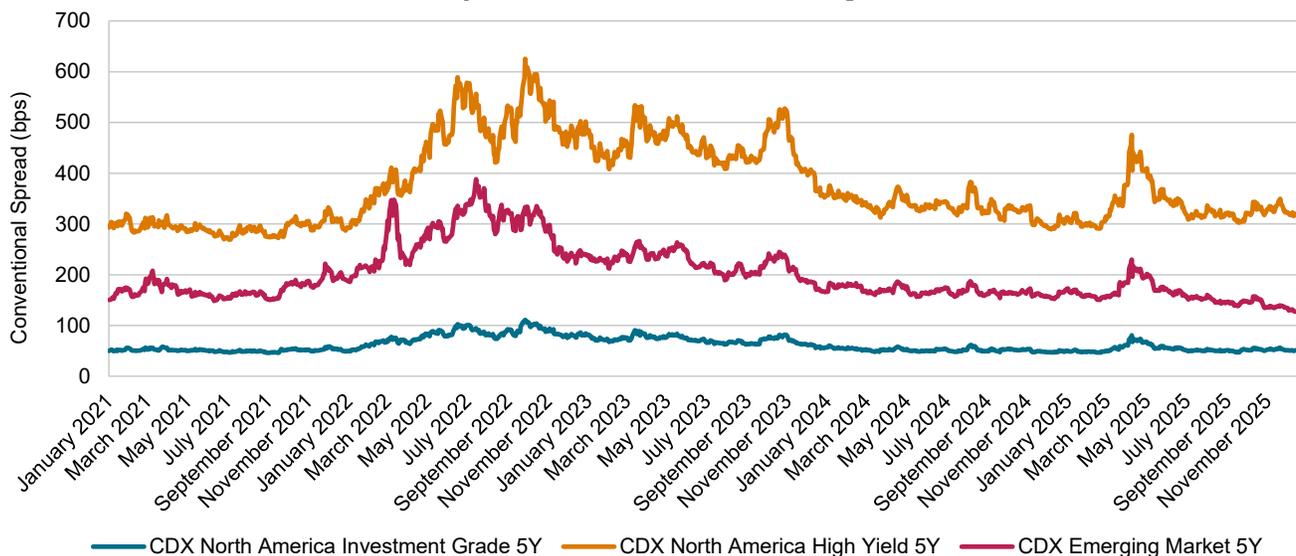
Despite this complex backdrop, 2025 proved to be a strong year for fixed income. Rate cuts supported duration-sensitive assets, credit spreads compressed to near multi-year tightness and the liquid indices posted positive performance—led by emerging market credit, which benefited from a weakening U.S. dollar. Credit default swap (CDX and iTraxx) indices offer a real-time lens into how the market priced risk throughout the year. We begin with a review of CDX spread activity across investment grade, high yield and emerging market credit segments.

# 2025 CDX Spread Activity

## All Spread Levels Reflect Conventional Spreads

Over the past five years, CDX markets have traced a full cycle of pandemic-era dislocation, inflation-driven repricing and subsequent normalization. Across investment grade, high yield and emerging market credit, year-end 2025 levels sit notably below their respective five-year averages—underscoring how much risk premia have compressed from the 2022-2023 wides.

### Exhibit 1: CDX Conventional Spreads – Five-Year History



Source: S&P Global Market Intelligence. Data from Dec. 31, 2019, to Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

## CDX North America Investment Grade

Over the five-year period, the CDX North America Investment Grade averaged 61.8 bps but traded through pronounced peaks above 110 bps in 2022, as interest rate volatility, inflation uncertainty and banking sector stress pushed spreads wider. The subsequent compression through 2023-2025 reflects the asset class's resilience, supported by strong balance sheets and muted downgrade/default activity.

Looking at the one-year trend, the CDX North American Investment Grade ended 2025 at 50 bps, nearly identical to 49.9 bps at the end of 2024. The index traded in a tight 50 bps-60 bps corridor through most of 2025, reinforcing how investment grade credit has re-anchored near the lower end of its post-COVID-19 range. The index briefly moved into the mid-60 bps area during early March 2025, reaching its intra-year high before tightening steadily into year end. Relative to its five-year average, the CDX North America Investment Grade closed 2025 roughly 12 bps tighter, highlighting a structurally healthier credit backdrop for this segment.

## CDX North America High Yield

High yield spreads averaged 374.5 bps over the past five years, with extreme dislocations in 2022 pushing the index above 580 bps. The broader five-year arc shows a market that steadily recalibrated as recession fears faded and the default cycle proved shallower than previously priced.

The CDX North America High Yield finished 2025 at 316 bps, essentially unchanged from 312 bps at the end of 2024. The index experienced a short-lived widening episode during March-April 2025, with spreads approaching 350 bps, before retracing. The relatively tight year-end level—roughly 60 bps inside the five-year average—highlights improved corporate fundamentals and a more constructive risk environment. Spread behavior in 2025 remained orderly, especially compared with the volatility cycles of the prior two years.

## CDX Emerging Markets

The CDX Emerging Markets averaged a spread of 199.6 bps over the five-year period and surpassed 340 bps in 2022 amid geopolitical shocks and emerging market uncertainty. The subsequent two-year recovery was more dramatic than in developed market credit, with sustained compression driven by improving sovereign risk sentiment and broader macro stabilization across emerging market regions.

CDX Emerging Markets spreads saw the most significant year-over-year tightening and ended 2025 at 124 bps, down sharply from 173 bps at the end of 2024. The CDX Emerging Markets index recorded one of its sharpest intra-year swings in April 2025, widening to 185 bps during a brief risk-off period before resuming its powerful compression. The year-end level marks the tightest full-year reading in the past five years—75 bps inside the long-run average.

## Intra-Year Dynamics (2025 Volatility Snapshot)

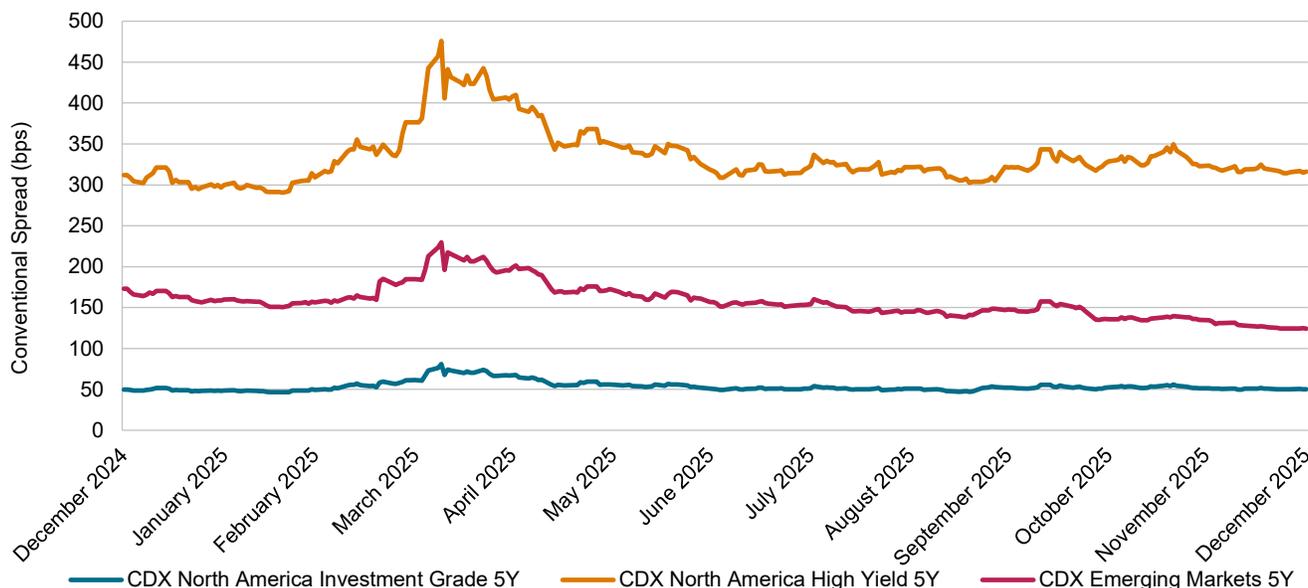
Although 2025 ultimately finished with spreads near multi-year lows, the year included several pockets of volatility. All three indices widened during March-April 2025, coinciding with a temporary pickup in global interest rate volatility and broader macro risk aversion. A smaller, shorter-lived widening episode occurred in early Q4 but was quickly retraced. These moves, while notable, remained modest relative to the 2022-2023 peaks and did not interrupt the broader normalization trend.

## Cross-Index Takeaways

The broad-based normalization across all three indices is evident in their year-end 2025 levels, which finished meaningfully tighter than their five-year averages, with CDX Emerging Markets showing the most pronounced divergence. The extreme highs of 2022-2023 across the CDX

North America Investment Grade, CDX North America High Yield and CDX Emerging Markets indices have fully unwound, replaced by tighter and more stable trading ranges. Corporate balance sheet resilience in the CDX North America Investment Grade and CDX North America High Yield indices, along with improved sovereign risk conditions in the CDX Emerging Markets index, underpin the multi-year compression in conventional spreads. As a consolidation year, 2025's movements were far more muted than the broader five-year window, indicating that credit markets have largely re-normalized.

**Exhibit 2: CDX Conventional Spreads – 2025 Intra-Year Moves**

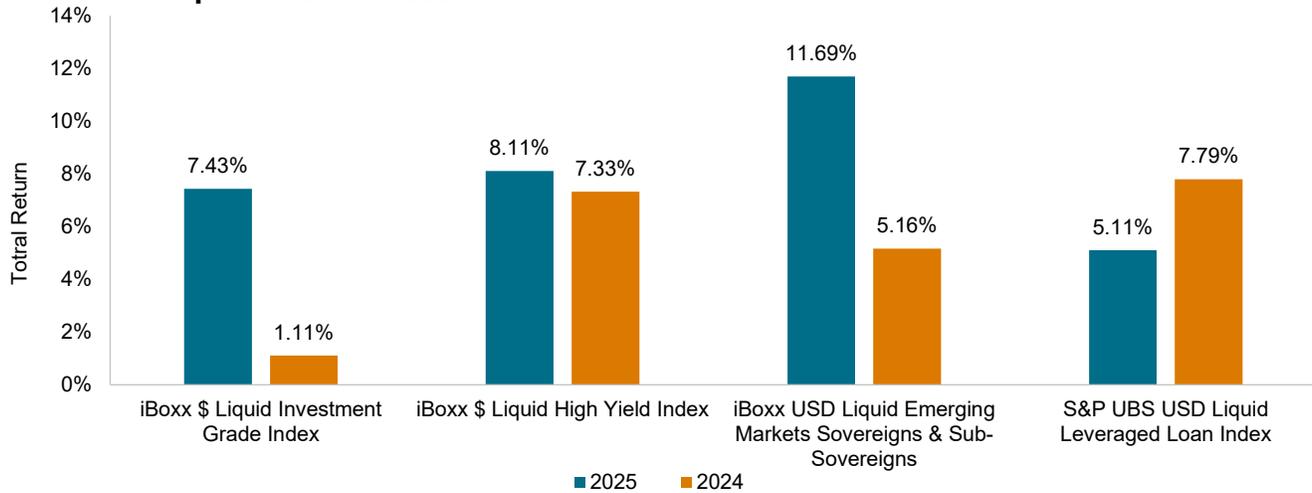


Source: S&P Global Market Intelligence. Data from Dec. 31, 2024, to Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

## Liquid USD Index Performance in 2025

The iBoxx USD Liquid Investment Grade Index gained 7.43% in 2025, up from 1.11% in 2024. That put investment grade credit broadly in step with riskier corporate debt. The iBoxx USD Liquid High Yield Index gained 8.11% in 2025, following 7.33% in 2024. The clear outperformer in 2025, however, was the iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns index, which gained 11.69%, more than double its 5.16% performance in 2024. Historically, a softer U.S. dollar has tended to be supportive for emerging market debt, easing pressure on borrowers' external funding costs and often improving the broader risk appetite—conditions that may translate into tighter spreads and stronger performance. For reference, the S&P U.S. Dollar Futures Index experienced a 9.46% decrease in 2025 primarily due to tariffs. The S&P UBS USD Liquid Leveraged Loan Index gained 5.11% in 2025, down from 7.79% in 2024. The lag reflects, in part, how Fed rate cuts can reduce coupon income on floating-rate loans, while a broader risk-off shift can steer investors toward higher-quality assets, leaving leveraged loans less favored even when credit remained broadly stable.

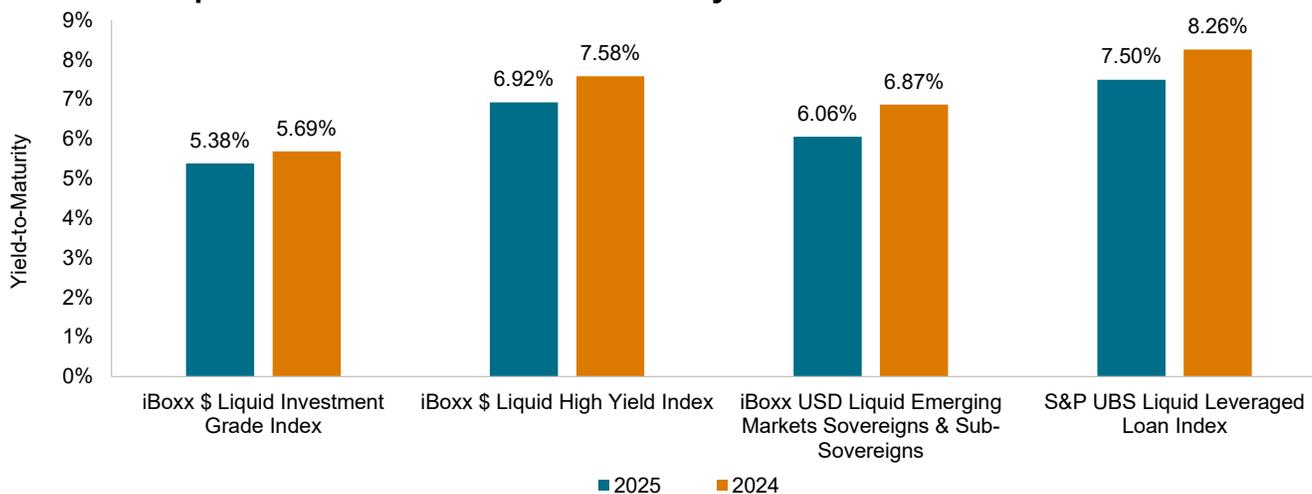
### Exhibit 3: Liquid Cash Indices Performance



Source: S&P Global Market Intelligence. Data from Dec. 31, 2024, to Dec. 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

As expected, yields fell across all liquid indices in 2025. The iBoxx USD Liquid High Yield Index had a yield of 6.92% at the end of 2025, a decrease of 66 bps when compared to last year. The iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns index yielded 6.06%, a decline of 81 bps. The S&P UBS USD Liquid Leveraged Loan Index saw its yield decline to 7.50% in 2025 versus 8.26% in 2024, yet it remained the highest-yielding index of the liquid group.

### Exhibit 4: Liquid USD Indices – Yield-to-Maturity



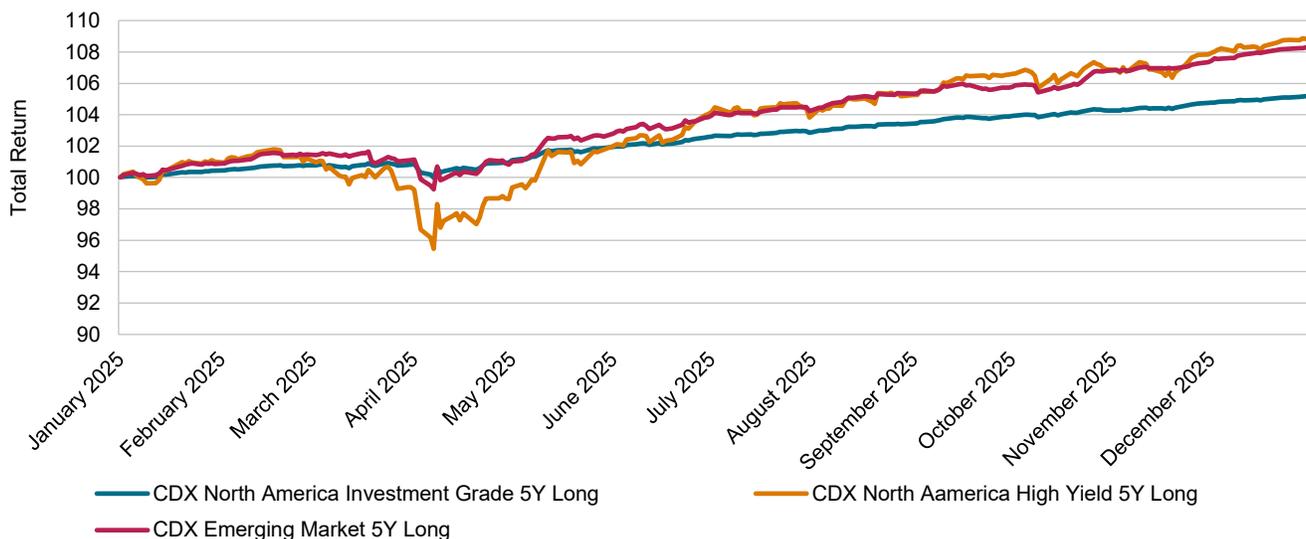
Source: S&P Global Market Intelligence. Data from Dec. 31, 2024, to Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

# 2025 CDX Total Return Performance

All total return levels reflect the CDX Total Return Indices, which reflect performance to a fully funded position selling protection on the on-the-run five-year index. These indices incorporate mark-to-market price changes, coupon carry, any credit-event realizations and the collateral yield earned at the overnight rate. These indices are administered and calculated by S&P Dow Jones Indices.

CDX total return performance in 2025 was broadly positive across investment grade, high yield and emerging market credit. Despite periods of spread volatility—most notably during March–April 2025—the recovery in risk sentiment, continued spread compression and steady carry contributed to solid full-year performance across all three indices.

**Exhibit 5: 2025 CDX Total Return Performance**



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2024, to Dec. 31, 2025. Indices rebased to 100 on Dec. 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

## CDX North America Investment Grade TR

The CDX North America Investment Grade index had a total return of 5.2% in 2025, following a stronger 6.5% gain in 2024. Performance was driven primarily by stable carry and modest spread tightening into the end of the year. The CDX North America Investment Grade total return path remained relatively steady compared with the CDX High Yield and CDX Emerging Markets indices, reflecting the historic lower volatility nature of the asset class. The brief widening episode in March–April 2025 produced a small dip but was quickly retraced as spreads normalized.

## CDX North America High Yield TR

The CDX North America High Yield index posted an 8.8% total return in 2025—lower than the 12.5% gained in 2024 but still the strongest performer among the three flagship CDX indices. The index experienced the sharpest mark-to-market drawdown during the April risk-off period, when high yield total returns briefly fell below 96.5% (rebased), before recovering steadily. Full-year performance benefited from higher coupon carry relative to the CDX North America Investment Grade index and meaningful spread tightening through the second half of the year.

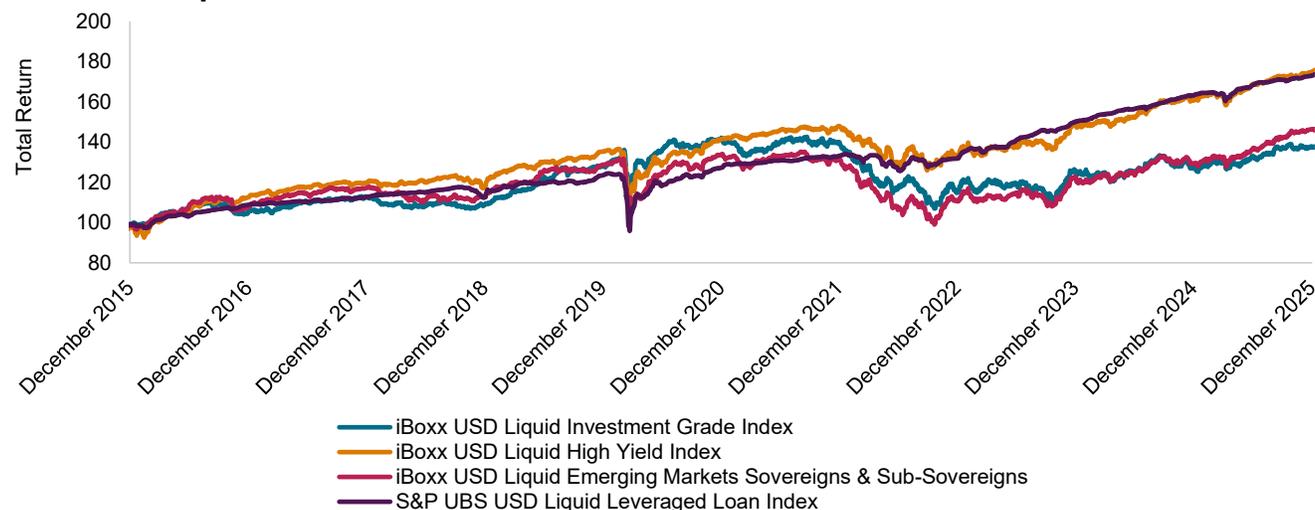
## CDX Emerging Markets TR

The CDX Emerging Markets index total return rose 8.3% in 2025, outpacing its 6.7% level in 2024. The CDX Emerging Market index’s performance path mirrored the year’s fundamental improvement: an early-year dip was followed by a sustained rally, as spreads compressed sharply from 185 bps in April to 124 bps at the end of the year. The index’s combination of spread tightening and elevated coupon carry made it a strong performer despite mid-year volatility.

## 10-Year Total Return Correlation

Next, we analyze the 10-year total return performance (rebased to 100) of the liquid indices. Notably, starting with December 2021, a grouping divergence begins: the S&P UBS USD Liquid Leveraged Loan Index followed a similar performance pattern as the iBoxx USD Liquid High Yield Index, while the iBoxx USD Liquid Sovereigns & Sub-Sovereigns index followed the iBoxx USD Liquid Investment Grade Index.

**Exhibit 6: Liquid USD Indices – 10-Year Total Return Performance**



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2014, to Dec. 31, 2025. Indices rebased to 100 on Dec. 31, 2014. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

**Exhibit 7: Liquid USD Indices – Total Return Correlations**

10-Year Correlation	iBoxx USD Liquid Investment Grade Index (%)	iBoxx USD Liquid High Yield Index (%)	iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns (%)	S&P UBS USD Liquid Leveraged Loan Index (%)
iBoxx USD Liquid Investment Grade Index	100.00	77.78	88.25	59.21
iBoxx USD Liquid High Yield Index	77.78	100.00	83.29	95.66
iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns	88.25	83.29	100.00	67.12
S&P UBS USD Liquid Leveraged Loan Index	59.21	95.66	67.12	100.00

Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2014, to Dec. 31, 2025. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Over the past 10 years, the iBoxx USD Liquid Investment Grade Index and the iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns index have moved in lockstep, posting a correlation of 88.3%. Two factors help explain this tight relationship: similar duration profiles (both indices carry comparable interest rate sensitivity, so shifts in rates affect them in much the same way); and converging option-adjusted spreads (at the height of the COVID-19 selloff in March 2020, spreads peaked at 386 bps for the iBoxx USD Liquid Investment Grade Index and 643 bps for the iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns index). By the end of December 2025, those spreads had narrowed to 87 bps and 180 bps, respectively, reflecting a parallel tightening of credit conditions. A comparable pattern emerges when analyzing the high yield and leveraged loans space. The iBoxx USD Liquid High Yield Index and S&P UBS USD Liquid Leveraged Loans Index had a 95.7% correlation over the same 10-year span. This convergence is expected, as both indices track sub-investment grade credit and therefore are affected by the same credit-risk sensitivities and market sentiment.

## Conclusion: 2025 in Review and the Road Ahead

The 2025 fixed income landscape reflected a market in transition, including the Federal Reserve's 75 bps in cumulative rate cuts, record U.S. debt levels and an evolving fiscal policy environment. Credit spreads across CDX investment grade, high yield and emerging market indices finished the year at or near multi-year tightness, with the extreme dislocations of 2022-2023 fully unwound. The liquid USD indices posted positive performance on a total return basis, led by the iBoxx USD Liquid Emerging Markets Sovereigns & Sub-Sovereigns index at 11.69%, buoyed by a weakening U.S. dollar and improving sovereign risk sentiment.

Several dynamics stood out. First, the convergence of spread levels across CDX indices toward the lower end of their post-COVID-19 ranges suggests that credit markets have largely re-priced for a more stable macro environment. Second, the strong 10-year total return correlations—particularly the 95.66% correlation between the iBoxx USD Liquid High Yield

Index and the S&P UBS USD Liquid Leveraged Loan Index—reinforce that these asset classes have increasingly moved in tandem. Third, the outperformance of emerging market credit, both in cash and CDS total return terms, underscores the asset class’s sensitivity to dollar dynamics and global risk appetite.

Looking ahead to 2026, several factors could influence the landscape. First is the trajectory of Fed policy: further rate cuts could extend the duration-friendly environment that benefited investment grade and emerging market credit in 2025, while any pause or reversal could unwind this effect. Second would be fiscal policy, as the market digests the long-term implications of the U.S. tax and spending bill and record debt levels on U.S. Treasury supply and term premia. Third is credit markets; as the market will see whether spreads near historical tightness adequately compensate for potential risks, such as a potential slowdown in corporate earnings, evolving trade policy and the sustainability of AI-driven capital expenditure.

As always, well-constructed, liquid indices will remain essential tools for market participants navigating this environment. Whatever 2026 has in store, fixed income indices that provide transparency, facilitate tradability and reliably measure performance will help track market dynamics in the year ahead.

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