

8 June 2026

Movin' on up

US economic data keeps surprising to the upside, while a lack of progress on Middle East peace, and mounting speculation about a Federal Reserve rate rise, has put markets on shakier ground. Read on for a breakdown of fixed income news across sectors and regions.



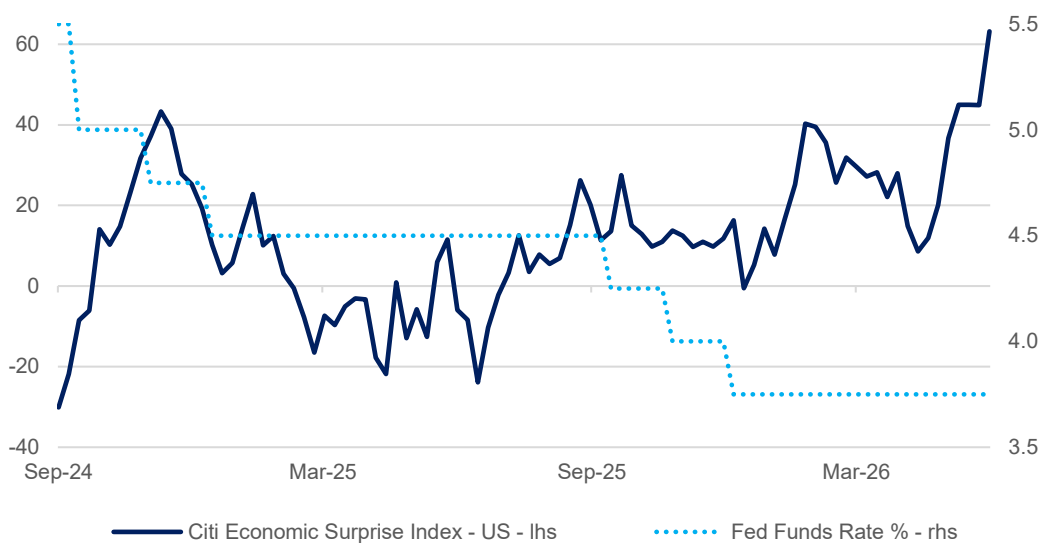
Chart of the Week

Gary Smith,
Head of Client Portfolio Management team, Fixed Income, EMEA

A blockbuster May jobs report in the US on Friday showed 172,000 new jobs created in the month (beating all forecasts and marking the strongest three-month hiring advance in more than two years). The good news was taken badly in rates markets, with the Federal Reserve (Fed) now fully priced to hike by year-end.

Despite the lingering energy price shock, there doesn't (yet) appear to be enough evident economic damage for policymakers to think about supportive measures. The Citi Economic Surprise Index for the US hit a new high since the Fed's current easing cycle started in 2024, meaning the US economy is strongly outperforming expectations. How will newly appointed Fed chair, Kevin Warsh, respond? His first policy meeting is next week.

Citi Economic Surprise Index US versus Fed Funds Rate (upper bound)



Source: Bloomberg, June 2026

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.57%	13 bps	-0.4%	-0.3%
German Bund 10 year	3.06%	12 bps	0.2%	-0.1%
UK Gilt 10 year	4.94%	13 bps	0.8%	-1.3%
Japan 10 year	2.73%	6 bps	-1.2%	-2.9%
Global Investment Grade	75 bps	0 bps	1.0%	0.4%
Euro Investment Grade	74 bps	-3 bps	1.5%	0.5%
US Investment Grade	74 bps	1 bps	0.7%	0.3%
UK Investment Grade	63 bps	-2 bps	1.5%	-0.1%
Asia Investment Grade	93 bps	-7 bps	1.0%	0.9%
Euro High Yield	278 bps	-10 bps	3.0%	1.3%
US High Yield	276 bps	4 bps	1.8%	1.2%
Asia High Yield	375 bps	-6 bps	2.7%	2.9%
EM Sovereign	215 bps	1 bps	3.1%	1.9%
EM Local	6.2%	5 bps	2.9%	0.6%
EM Corporate	211 bps	-8 bps	1.9%	1.7%
Bloomberg Barclays US Munis	3.6%	-5 bps	1.9%	1.7%
Taxable Munis	5.2%	8 bps	-0.2%	0.2%
Bloomberg Barclays US MBS	25 bps	3 bps	-0.3%	0.1%
Bloomberg Commodity Index	342.83	-1.8%	-1.3%	22.8%
EUR	1.1519	-1.2%	-0.3%	-1.9%
JPY	160.22	-0.6%	-1.0%	-2.2%
GBP	1.3331	-0.8%	0.9%	-1.0%

Source: Bloomberg, ICE Indices, as of 5 June 2026. *QTD denotes returns from 31 March 2026.



Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

Last week saw a rise in US Treasury yields across all maturities, being most pronounced at the short end of the yield curve. This resulted in a bear flattening of the Treasury curve – a trend replicated across core markets. One of the main catalysts for the rise in US bond yields was a better-than-expected US jobs report, which showed a clear acceleration in hiring and underlined the resilience of the US economy. Part of this was attributed to the World Cup effect given the increase in hiring in the hospitality sector.

While a decline in the price of oil had generally been supportive of US Treasury valuations, Iran's decision to attack Israel over the weekend, and Israel's subsequent retaliation, complicated negotiations between the US and Iran. Expectations that energy market normalisation had been delayed further drove oil prices higher in the early hours of Monday morning trading, pulling bond yields higher. US policy makers, sounding a more hawkish tone, expressed concerns over inflation. The market has moved to pricing in one full rate hike by December.

In Japan, a rise in real wages of 1.9% year-on-year reinforced the case for a June rate hike by the Bank of Japan. BoJ governor, Kazuo Ueda, signalled the increased likelihood of tighter monetary policy if upside inflation risks continue to outweigh downside growth risks. The prospect of tighter monetary policy would also provide room for yen intervention.

In the UK, the Bank of England's influential Decision Maker Panel published data on firms' price expectations: 57% expect to raise prices as a result of the Middle East conflict. Some policy makers at the bank are also arguing for tighter monetary policy. This is reflected in market pricing, which is currently factoring in as many as two rate hikes from the BoE by December.

Positioning In terms of activity, we reduced a small long in the US. The original position was a tactical position based on the relative cheapening of the US. With so much uncertainty, and with no resolution to the Gulf conflict in sight, we see little clarity on market direction at this time. This brings duration effectively back to neutral.



Liability driven investments (LDI)

Jan Willemsen,
Client Portfolio Manager, Fixed Income

European rates markets have seen modest upward pressure over the past week, with euro swap curves rising across most tenors as inflation concerns overshadow falling oil prices and geopolitical developments.

Euro swap rates have increased across the curve since the end of May, with the front and belly of the curve seeing the most pronounced moves. The 10-year rate rose 11.4bps to 2.97%, while the five-year climbed 13.9bps to 2.76%. The two-year increased 14.9bps to 2.72%, reflecting heightened near-term policy tightening expectations. The long end saw more modest increases, with the 30-year up 7.4bps to 3.15% and the 50-year rising 6bps to 2.90%, resulting in a bear steepening of the curve. Sovereign spreads have remained stable throughout the period, suggesting an orderly repricing driven by policy expectations rather than risk-off dynamics.

This move reflects markets repricing European Central Bank (ECB) policy expectations in response to stickier inflation dynamics. Eurozone CPI accelerated to 3.2% year-on-year in May from 3% in April – the highest level since September 2023 – with core inflation rising to 2.5% from 2.2%. Better-than-expected retail sales data – up 1% year-on-year versus an expected 0.3% – suggests underlying demand remains resilient, reinforcing concerns that inflation may prove more persistent than anticipated. Markets are now pricing almost three ECB rate hikes by the end of the year, with an implied terminal rate around 2.6% by early 2027. A rate hike at next week's meeting is now fully priced.

Notably, this repricing occurred despite oil prices falling 19% in May, suggesting markets are focused on broader inflation persistence and domestic demand dynamics rather than energy-driven factors. While geopolitical risks remain – illustrated by the recent flare-up of hostilities between Iran and Israel, and proposed US Section 301 tariffs of 10% on EU imports – market reaction has been muted, with investors focusing on the ECB's policy trajectory and core inflation dynamics. Key points ahead of the June ECB meeting include any signals on the pace of future tightening and whether policymakers share markets' concerns about inflation persistence.



Investment grade credit

Luke Copley,
Client Portfolio Manager, Fixed Income

Global investment grade (IG) corporate spreads were unchanged on the week – the US dollar market was 1bp wider, versus a 3bps tightening seen in Europe. The underperformance in the US was mostly a function of the shock jobs report on Friday, where the market's reappraisal of Fed hikes soured the backdrop for credit spreads.

Primary markets were exceptionally active once again, especially in the US with more than \$50 billion of new bonds printing. This saw year-to-date supply rise beyond \$1 trillion, the fastest pace since 2020. The week started with a slew of utility sector issuance, reflecting continued AI-driven power infrastructure demand. Other notable AI-linked issuance included Beacon Point's \$4.25 billion Nvidia-linked data centre deal¹, which drew \$17 billion in orders, while sub-IG-rated Elk Grove Property launched an \$850 million bond to fund a hyperscale facility fully leased to cloud provider CoreWeave. The largest deal of the week was Mastercard's \$5 billion five-tranche offering – the company's largest ever debt raise.

Positioning Our participation was mainly focused on new opportunities within utilities, adding ED, PEG and National Grid to portfolios.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

The US high yield (HY) market was generally stable last week as it benefited from the active new issue market and positive economic data releases – specifically labour market data. US HY bond spreads ended the week around 3bps tighter at 276bps, with basically all movement occurring on Friday during the rates sell-off. The ICE BofA US HY CP Constrained Index returned -0.39%. According to Lipper, US HY bond retail funds reported their first inflow in three weeks of \$882 million. The new issue market remained busy with 15 new deals coming to the market for a total of \$13 billion. These continued to be focused on net new issuance rather than refinancing. Our research team released its latest default outlook this week, projecting our bottoms-up par-weighted default rate of 2.5% over the next 12 months, down from the 2.8% forecast published in December.

In leveraged loans, the higher-for-longer rates narrative is driving inflows to loan funds, providing positive technicals. The average price of the S&P UBS Leveraged Loan Index finished the week nearly flat at \$94.43. Loan funds reported their ninth consecutive weekly inflow, totalling \$756 million for the week. The loan new issue market also showed continued strength this week with 18 new deals priced for a total of almost \$21 billion. This was dominated by repricings due to the negative convexity characteristics of loans.



European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European HY saw strong demand last week with credit spreads tightening 14bps to 278bps. However, returns were flat as yields held steady at 6.11% due to rising underlying government bond yields. Decompression continued as CCCs strongly underperformed higher-rated credit and was the only rating band with a negative return (-0.76%).

Inflows returned after last week's lull, with €296 million coming in via both managed accounts and ETFs, though largely dominated by the latter. The primary market saw a pick-up from the previous week's modest supply with €2.4 billion of new issuance. All refinancing deals were well received with only one issuer rated single B, while the others were higher-rated BBs.

¹ The mention of specific companies is not a recommendation to buy or sell.

In rating news, cruise line Carnival saw their corporate family rating (CFR) upgraded to Ba1 by Moody's. Technology firm Belden was downgraded to B+ from BB- by S&P, while the outlook remained negative. Virgin Media was also downgraded by Fitch to B+ from BB-.

In M&A news, there was an official announcement of Intralot's (Bally's) acquisition of Evoke (888): Intralot will acquire Evoke for £243 million in equity consideration with Intralot seeing £180 million of synergies from cost and marketing, plus significant opportunity in international assets. Evoke has obtained pre-emptive change of control consent waivers from holders of both the 2030 and 2031 senior secured notes, with a mandatory repayment of £200 million provided on the second liens. Finally, an agreement was reached last Friday for the sale of telecoms firm SFR to a consortium for €20.4 billion. This will split SFR's assets and customers among Bouygues Telecom, Orange SA and Iliad SA.



Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI posted negative returns of 7bps during the week, with wider rates (-52bps) offsetting spread compression (+18bps). JACI IG generated negative returns of -10bps and HY delivered +11bps.

Danantara Investment Management of Indonesia is potentially looking to access the US dollar bond market through its \$5 billion medium-term note program. San Miguel Global Power Holdings Corp (SMGP) will be issuing a new five-year perpetual (non-call five-year) in conjunction with a tender offer for an older perpetual that is callable in December 2026. If SMGP completes this round of issuance and tender offer, it will no longer have any perpetuals with first call dates until June 2029.

In India, the Reserve Bank of India kept policy rates unchanged and announced several measures to attract capital inflows. These include concessional FX swap windows for Public Sector Undertakings to carry out external commercial borrowings. Indian banks can also raise Foreign Currency Non-Resident (Bank) deposits, allowing non-resident Indians to deposit foreign currency in the domestic banking systems, while banks can swap those foreign currencies to rupees at a favourable rate. India will also expand the FAR-eligible (fully accessible route) government securities to foreign investors.



Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt performance was soft on the week, with sovereign delivering -0.22% and spreads widening by around 2bps. Corporate credit proved relatively resilient compared to sovereigns, posting returns of -0.15%, while local currency markets lagged, declining -1.46%.

In Indonesia, parliament passed sweeping legislation that expands the role of Bank Indonesia in supporting economic growth, as well as granting parliament powers to evaluate the central bank's performance. Though full details of the bill have not been made public, its passage – backed by President Prabowo's parliamentary majority – has raised investor concerns around potential political influence over monetary policy. Markets reacted negatively, with Indonesia's 10-year bond spreads widening by around 7bps.

In Africa, Zambia revised the terms of its tender offer for the \$1.36 billion Eurobond due in 2053, following resistance from a group of bondholders. The government is now offering 84.35 cents on the dollar for investors tendering by 9 June (extended from 5 June), while later participants

will receive 74 cents. Authorities described the revised proposal as their “best and final effort”. Markets responded positively, with the 2053 bond rising 2.14% over the week, reflecting investor support for the improved terms.

In Romania, towards the end of the week President Dan nominated Eugen Tomac as prime minister following the ousting of Bolojan last month. Tomac has 10 days to secure a confidence vote in parliament and will likely seek backing from the former pro-European coalition. If confirmed, his immediate priorities will include resuming fiscal consolidation efforts and addressing the country’s elevated budget deficit. Market reaction from this news was relatively muted.

In ratings developments, Fitch upgraded South Africa’s long-term issuer default rating to BB (Stable) from BB-, citing prudent fiscal management and progress on consolidation. Uzbekistan’s outlook was revised to Positive from Stable, reflecting ongoing reform momentum and a continued commitment to macroeconomic stability. The rating remains at BB.

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