Information for investment professionals

In Credit

10 November 2025

Let's go 'round again

Are we approaching the end of a rate cutting cycle? There does appear to be a dampening of several key themes, reflected in the dollar finally plateauing a little after a tumultuous 12 months. 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

After a rollercoaster 12 months the US dollar has entered a sea of relative calm. The trade weighted index is almost back to the level seen when then-presidential candidate Trump gave his manifesto interview on Bloomberg TV, which triggered a dollar rally. That rally was spiked in April by liberation day tariff news.

The view that interest rate cutting cycles in the US and Europe might be close to concluding could be a reason for calm. Add in tariff news fatigue and the fact that many key deals have now been done, and we are in a less exciting period. The absence of US economic data due to the ongoing government shutdown might also have contributed to the decline in volatility. That is, at least until the next time … lets go 'round again, one more time.

Dollar trade weighted index

Source: Bloomberg, November 2025

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.10%	2 bps	0.7%	6.1%
German Bund 10 year	2.67%	3 bps	0.5%	-0.5%
UK Gilt 10 year	4.46%	5 bps	2.5%	4.3%
Japan 10 year	1.71%	4 bps	0.0%	-4.1%
Global Investment Grade	83 bps	4 bps	0.3%	5.9%
Euro Investment Grade	83 bps	7 bps	0.3%	3.1%
US Investment Grade	84 bps	4 bps	0.3%	7.3%
UK Investment Grade	68 bps	2 bps	1.7%	5.9%
Asia Investment Grade	114 bps	2 bps	0.6%	7.2%
Euro High Yield	306 bps	8 bps	-0.1%	4.7%
US High Yield	315 bps	21 bps	-0.1%	6.9%
Asia High Yield	449 bps	7 bps	0.9%	8.9%
EM Sovereign	244 bps	8 bps	1.8%	12.1%
EM Local	5.9%	1 bps	0.7%	16.2%
EM Corporate	241 bps	5 bps	0.5%	7.9%
Bloomberg Barclays US Munis	3.6%	0 bps	1.3%	4.0%
Taxable Munis	4.8%	0 bps	1.1%	7.6%
Bloomberg Barclays US MBS	27 bps	-1 bps	1.0%	7.9%
Bloomberg Commodity Index	270.92	0.1%	3.0%	12.6%
EUR	1.1565	0.3%	-1.4%	11.7%
JPY	154.08	0.4%	-3.6%	2.5%
GBP	1.3166	0.1%	-2.1%	5.2%

Source: Bloomberg, ICE Indices, as of 7 November 2025. *QTD denotes returns from 30 September 2025.

Macro/government

Simon Roberts
Product Specialist, Global Rates

US and eurozone bond yields were broadly unchanged during the week. Only in the UK did we see more pronounced upward pressure on yields. On the week, the yield on the US 10-year rose 2bps to 4.10%, the German 10-year rose 3bps to 2.67%, and the UK 10-year rose 5bps to 4.47%

However, there was volatility during the week. The US 10-year rose 10 bps on Wednesday on the back of buoyant ISM services data. However, the following day Challenger Jobs data revealed 153,000 cuts in October. It was the highest reading in more than two decades. The US 10-year declined by 8bps on the day in response.

One of the challenges for US policymakers and market participants continues to be the reduced level of economic data during the shutdown. On Sunday it emerged that a moderate group of Democratic senators are willing to support Republican proposals to end the shutdown in return for a vote on health care tax credits.

Turning to interest rates, the Bank of England left rates on hold at 4% in a split 5-4 vote. This gradualist message was a disappointment to the market and exerted upward pressure on gilt yields. The Reserve Bank of Australia left rates on hold at 3.6%, justifying its cautious approach on the recovery in private demand following previous easing and a relatively tight labour market.

Lastly, the Bank of Japan published the minutes of its October meeting, which emphasised a desire to tighten monetary policy sooner rather than later. The market is currently pricing an 84% probability of a quarter point hike by January.

Activity We took partial profits on our long position in the gilt market.

Investment grade credit

Luke Copley,
Client Portfolio Manager

Global investment grade corporate spreads widened 4bps on the week given the general macro-driven risk-off tone: extended US government shutdown, tempering of AI optimism, mixed US jobs data.

Euro spreads saw modest underperformance versus the US dollar. Issuer level highlights included: ITV in preliminary discussions to sell its media business to Sky for £1.6 billion; SSE exploring a large share sale, translating to a likely net leverage reduction/credit positive outcome; Sir Dave Lewis (aka 'Drastic Dave') announced as the CEO of Diageo – given his successful turnaround story at Tesco, a similar feat at Diageo could be a bondholder tailwind; and Trump announcing a deal with Novo/Eli Lilly to reduce GLP1 drug pricing, largely in line with market expectations.

Earnings generally continued on the stronger side, although at the margin some companies (Airbus, Saint Gobain) sought to guide H2/FY expectations lower. New issuance totalled $56 billion in the US while Europe saw a more modest €10 billion supply, with books reported to be 4.3x oversubscribed on average.

Private credit remained in the news as the governor of the Bank of England, Andrew Bailey, warned of 'alarm bells' in the sector after recent defaults. In addition, the chairman of UBS warned that some private capital insurers were shopping around for favourable ratings. The suspicion is that small agencies are giving generous ratings, and with inadequate due diligence. These stories have not impacted IG credit names in any significant way, but we will continue to monitor this story closely.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield bond spreads widened over the week amid US equity declines, soft unofficial labour market data indicators, and a sharp increase in fund outflows. The ICE BofA US HY CP Constrained Index returned -0.34% and spreads widened 21bps.The index yield-to-worst increased 19bps to 6.97%. According to Lipper, US high yield bond retail funds saw a $955 million outflow over the week. This was the largest weekly outflow since April's trade-driven volatility.

US leveraged loan prices paused their streak of modest price increases, as lower quality loans and the chemicals/housing/packaging sectors pulled the average price lower. The S&P UBS Leveraged Loan index average price decreased $0.10 to $96. Floating rate fund outflows continued, albeit at a steady rate, with $137 million withdrawn over the week. This marked the fourth consecutive weekly outflow for the asset class.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European high yield had a weak week, returning -0.22% as spreads widened 8bps to 306bps and yields rose 6bps to 5.81%. After the large decompression in October, last week saw a pause as CCCs outperformed both BBs and Bs – though only by a modest amount. Market flows remain positive, albeit subdued compared to recent weeks, with inflows of €135 million into EHY, equally via both ETFs and managed accounts. The primary market was relatively subdued, with only €1.5 billion of corporate new issuance coming to market. Still, there is an expectation of pick-up in GBP issuance before the UK budget on 26 November.

In sectors, chemicals continued to suffer as bonds traded lower, including stronger names like Ineos and Styro. At a recent broker meeting, when sharing sector positioning, it became clear that much of the market is short chemicals. Cyclicals were also generally weak, although autos got a much needed boost towards the end of the week with news that China would exempt Nexperia chips from export restrictions. These chips play a key role in automotive manufacture, as indicated by recent warnings from car companies including Honda and Volkswagen on the potential impact a shortage would have on production.

Structured credit

Kris Moreton,
Client Portfolio Manager, Structured Credit

In agency mortgage-backed securities (MBS), returns were positive: +18bps. A slight bear steepening was beneficial to both 15s and 30s, with lower coupons doing best. The Trump administration launched the idea of a 50-year mortgage, but it is too early in the process to handicap the likelihood of that getting done. Prepayment speeds were reported for October, which came in 35% higher month-on-month, driven by lower mortgage rates. While this sounds significant, the starting point is low. Gross issuance in the sector increased from $108 billion to $124 billion, while net issuance decreased from $12 billion to $1 billion and Federal Reserve paydowns stayed flat at $16 billion.

In Commercial MBS, spreads remained unchanged last week with four private label deals pricing. In the ABS primary market, 17 deals priced for more than $12 billion. Many deals were done through initial price talk, with subscription levels well over 1x. This coming week sees a further nine deals in the pipeline for just under $6 billion. As we head into month-end and the holiday season, we should start to see a slowdown within the ABS primary space.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

New World Development (NWD) has launched an exchange offer for its senior unsecured notes and perpetuals through two newly incorporated subsidiaries (PerpCo and BondCo). The existing senior notes and senior perps can be exchanged with new securities with enhanced credit profiles linked to Victoria Dockside. The exchange will entail a significant haircut for existing bondholders and the accrued distribution on the existing perps will be forfeited. In addition, there is structural subordination, and the new instruments do not come with direct claims to Victoria Dockside (structurally subordinated to an HKD loan).

Elsewhere, Genting Berhad has increased its stake in Genting Malaysia Berhad to slightly above 50%. The privatisation offer (MYR2.35/share) will remain open until 24 November 2025. The next catalyst is the decision by the New York Gaming Board on the award of the commercial casino licenses (scheduled for 1 December 2025). GENM hopes to secure one of three available.

Moody's has upgraded Bharti from Baa3 to Baa2 to reflect the company's strong market position and improved financial profile. Fitch has revised the outlook on both Adani Ports and Special Economic Zone, and Adani Energy Solutions, to stable from negative. According to the agency the contagion risks across the Adani Group have eased, thanks to the group's solid access to diversified funding sources and despite the US indictment (November 2024) involving the board members of Adani Green Energy Ltd.

Emerging markets

Omotoke Jospeh,
Product Specialist, Emerging Market Debt

It was a softer week for emerging markets last week, with the EMBIG diversified hard currency index widening 9bps, albeit on relatively little news. This follows a strong run for emerging markets versus other fixed income asset classes since July. Typifying the move was Mexico, a benchmark credit that had been a leader during the rally, where prices drifted lower despite the central bank instigating a 25bps cut (to 7.25%) in the main lending rate.

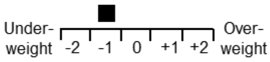
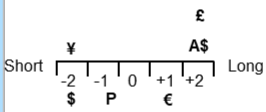
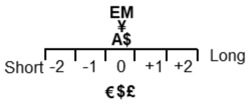
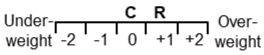
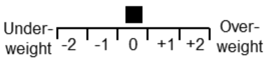
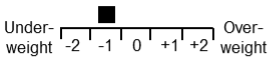
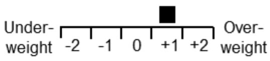
Senegal was again in the headlines for the wrong reasons. Rumours of a near-term restructuring were circulating on the back of recent discussions with the IMF. Venezuela also drifted lower as uncertainty swirled around the news that the USS Gerald R. Ford aircraft carrier is heading to the Caribbean from the Mediterranean.

Although the prospect of heavy supply before the end of the year may weigh on wider sentiment in coming weeks, it is worth noting that new supply from Qatar and Nigeria last week was heavily subscribed. Qatar issued $1 billion three-year and a $3 billion 10-year Sukuk. These were priced at a skinny 15bps and 20bps over equivalent US Treasury bonds, 20-30bps inside of initial price talk. Nigeria also made headlines as it issued 10- and 20-year bonds that were around four times oversubscribed.

Over the coming weekend we will have national elections in Chile and a referendum in Ecuador on a proposal for constitutional reforms.

Fixed Income Asset Allocation Views

10th November 2025

Strategy and positioning (relative to risk free rate)		Views	Risks to our views
Overall Fixed Income Spread Risk		▪ Spreads are historically tight across nearly all sectors. Investor demand post-tariff volatility has been robust as balance sheets of borrowers remain strong. However, current valuations leave limited upside to returns in most credit sectors. ▪ The group discussed relative value across sectors, specifically considering the best places to invest new money. Despite September's flurry of global political news, the global markets remained remarkably steady. During the US government shutdown, the group is using data vendors to monitor macroeconomic trends. ▪ **The group maintained a moderately underweight view on credit risk, with no changes in views since last month.**	▪ Upside risks: the Fed achieves a soft landing with no labour softening; lower quality credit outlook improves as refinancing concerns ease; consumer retains strength; end to Global wars ▪ Downside risks: Fed is not done hiking and unemployment rises, or the Fed pivots too early and inflation spikes. Restrictive policy leads to European recession. China property meltdown leads to financial crisis. 2024 elections create significant market volatility.
Duration (10-year) ('P' = Periphery)		▪ Longer yields to be captured by long-run structural downtrends in real yields ▪ Inflation likely to normalize over medium term, although some areas will see persistent pricing pressures ▪ As markets have reduced the amount of cuts expected by the FED in 2025, we have used the back- up in yields to go long US duration	▪ Inflationary dynamics become structurally persistent ▪ Labour supply shortage persists; wage pressure becomes broad and sustained ▪ Fiscal expansion requires wider term premium ▪ Long run trend in safe asset demand reverses
Currency ('E' = European Economic Area)		▪ Dollar has been supported by US growth exceptionalism and depricing of the Fed while the ECB looks set to embark on a cutting cycle. ▪ Dollar likely to continue to be supported into year end, where a Trump presidency looks most likely, and with it a return to tariffs and America First policy.	▪ Central banks need to keep rates at terminal for much longer than market prices, to the detriment of risk and growth and to the benefit of the Dollar
Emerging Markets Local (rates (R) and currency (C))		▪ US weakness can enable EM currency performance. ▪ Inflation normalisation and currency strength allows EM central banks to stimulate domestic demand. ▪ Risk premium to leak out of local bond curves.	▪ Global risk aversion restores bid for US dollar. ▪ Weaker oil environment requires fiscal premium among exporters ▪ Higher global term premium.
Emerging Markets Sovereign Credit (USD denominated)		▪ Even after good performance, Emerging Markets offer a somewhat unique set of risks relative to other sectors. In addition, spreads are not as historically tight despite stellar performance. ▪ EM High Yield and local currency bonds provide more value than EM Investment Grade, though this varies on an issuer-by-issuer basis. ▪ The expected headwinds from tariffs have been more issuer specific, especially because broad weakening of the US dollar has eased EM financial conditions.	▪ US trade policy aggression strengthens USD against EM currencies. ▪ EM policy makers constrained by currency pressure; rates remain tight. ▪ Fiscal concerns leak into local risk premia.
Investment Grade Credit		▪ Spreads are as tight as they have been since before the 1998 Asian Financial Crisis. ▪ Demand has remained strong despite spread, as a function of the high all-in yield, especially for long maturity Investment Grade. ▪ IG analysts are predicting industrial leverage near the lows of the last decade and margins near all-time highs. M&A activity has been increasing. ▪ The group discussed that the AI infrastructure build out will increasingly be funded via debt instead of equity, as many of the large tech issuers will no longer be able to use retained earnings to do so.	▪ Tighter financial conditions lead to European slowdown, corporate impact. ▪ Lending standards continue tightening, even after Fed pauses hiking cycle. ▪ Rate environment remains volatile. ▪ Consumer profile deteriorates. ▪ Geopolitical conflicts worsen operating environment globally.
High Yield Bonds and Bank Loans		▪ The group has reduced some of the risk that they added during April's dramatic spread widening. The group remains cautious on the sector because current rich valuations are hard to square with weaker fundamental outlook. ▪ Most companies continue to report solid earnings and financials. However, companies that report weak earnings are being increasingly punished in financial markets. ▪ Despite the negative outlook on the sector, the group still sees pockets of good opportunity, especially in higher quality issuers.	▪ Lending standards continue tightening, increasing the cost of funding. ▪ Default concerns are revised higher on greater demand destruction, margin pressure and macro risks ▪ Rally in distressed credits, leads to relative underperformance ▪ Volatility in the short end of the curve, eroding potential upside where we are positioned for carry.
Agency MBS		▪ Spreads remain wide relative to other high-quality sectors ▪ The Administration has signalled it wants to use Agency reform to lower mortgage rates, and the basis has tightened, but still lags what is implied by rate volatility. ▪ The group remains positive on Agency MBS because the carry and convexity are still attractive, and pre-payment risk is low because of the elevated mortgage rates. ▪ Prefer call-protected inverse IO and Agency Floaters, a large beneficiary of aggressive cutting cycle.	▪ Lending standards continue tightening even after Fed pauses hiking cycle. ▪ Fed fully liquidates position. ▪ Market volatility erodes value from carrying. ▪ More regional bank turmoil leads to lower coupons to underperform.
Structured Credit Non-Agency MBS & CMBS		▪ The group maintains a large allocation of high-quality carry positions. ▪ RMBS: Spreads have tightened but are still wide of longer-term medians. Delinquencies remain low, and home equity is at the highest levels ever. ▪ CMBS: Stress continues with the highest delinquencies in office, but multi-family is increasing. New issue is plentiful but unattractive. ▪ CLOs: AAAs are attractive for a defensive high-quality credit option but are nonetheless fairly tight. Extra spread compensation for taking on more credit risk is low. ▪ ABS: The group prefers higher quality, liquid securities. Fundamentals have deteriorated (60+ delinquencies are elevated, debt service ratios worsening) but not to a degree to affect bond performance, especially higher-quality tranches.	▪ Weakness in labour market ▪ Consumer fundamental position (especially lower income) weakens with inflation and Fed tightening. Consumer (retail/travel) behaviour fails to return to pre-covid levels ▪ Student loan repayments weaken consumer profile more than anticipated, affecting spreads on a secular level. ▪ High interest rates turn home prices negative, punishing housing market. ▪ Cross sector contagion from CRE weakness.

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