

13 April 2026

Rock the boat

With the US now enforcing closure of the Strait of Hormuz – despite demands last week that the Iranians open it – it’s a case of same song but a different singer. So, what will it mean for credit markets? Read on for a breakdown of fixed income news across sectors and regions.



Chart of the Week

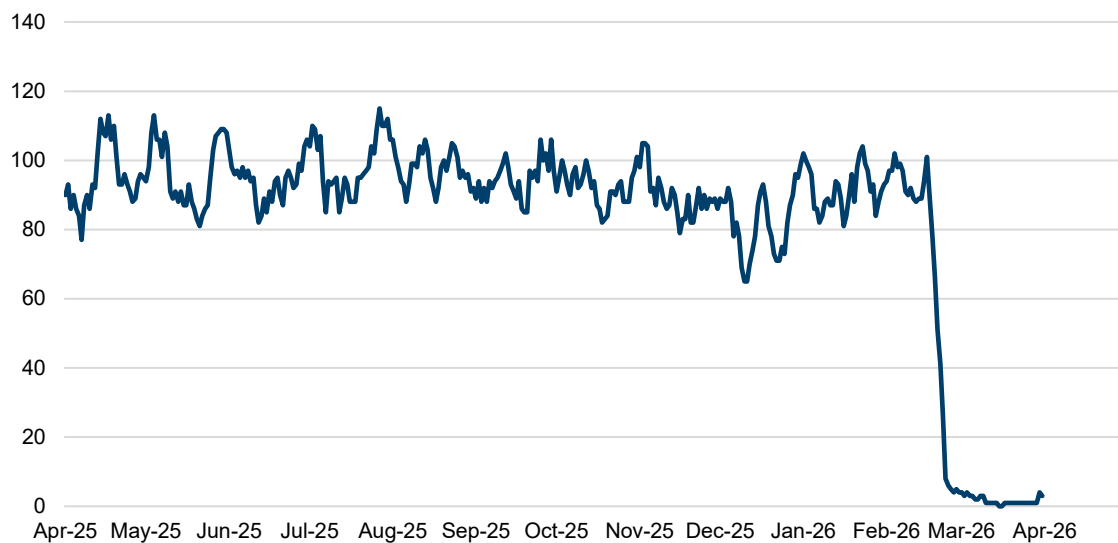
Gary Smith,
Head of Client Portfolio Management team, Fixed Income, EMEA

The chart (once again) highlights that almost no vessels have passed through the Strait of Hormuz since the Iran conflict began. Consequently, there are more than three thousand boats trapped in the Gulf. Let’s hope they all have sufficient food and drink, as well as access to a music library that includes the 1974 disco track from the Hues Corporation.

Despite his demand last week that the Iranians open the strait, US president, Donald Trump, has now said that the US will enforce a continued closure. A case of same song but a different singer. The oil price is a helpful barometer of how the crisis will impact the global economy, and in turn affect fixed income markets. It’s a stagflationary outlook.

Rock the boat, don’t tip the boat over.

Strait of Hormuz West to East crude tanker crossings (seven-day rolling)



Source: Bloomberg, 13 April 2026

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.32%	-2 bps	0.1%	0.2%
German Bund 10 year	3.09%	10 bps	-0.2%	-0.5%
UK Gilt 10 year	4.87%	3 bps	0.8%	-1.2%
Japan 10 year	2.47%	8 bps	-0.2%	-1.9%
Global Investment Grade	83 bps	-5 bps	0.7%	0.1%
Euro Investment Grade	82 bps	-9 bps	0.7%	-0.2%
US Investment Grade	82 bps	-4 bps	0.7%	0.3%
UK Investment Grade	69 bps	-4 bps	1.0%	-0.6%
Asia Investment Grade	114 bps	2 bps	0.5%	0.4%
Euro High Yield	317 bps	-27 bps	1.5%	-0.2%
US High Yield	294 bps	-19 bps	1.3%	0.8%
Asia High Yield	419 bps	-14 bps	1.4%	1.6%
EM Sovereign	231 bps	-22 bps	2.1%	0.9%
EM Local	6.1%	-17 bps	3.9%	1.6%
EM Corporate	234 bps	-9 bps	1.0%	0.8%
Bloomberg Barclays US Munis	3.6%	-12 bps	1.1%	1.0%
Taxable Munis	5.0%	-4 bps	0.0%	0.4%
Bloomberg Barclays US MBS	19 bps	0 bps	0.4%	0.8%
Bloomberg Commodity Index	341.50	-3.6%	-2.2%	21.7%
EUR	1.1713	1.8%	1.5%	-0.2%
JPY	159.63	0.3%	-0.3%	-1.6%
GBP	1.3456	2.0%	1.8%	-0.1%

Source: Bloomberg, ICE Indices, as of 10 April 2026. *QTD denotes returns from 31 March 2026.



Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

We saw more restrained yield volatility in G7 rates markets over the past week, despite ongoing geopolitical tensions. Trump postponed the bombing of Iran's civilian infrastructure for a two-week ceasefire, which allowed negotiations to take place between the US and Iran over the weekend. However, after 20 hours of talks in Islamabad, Pakistan, agreement failed to emerge. Trump has responded by implementing a blockade of all traffic from Iranian ports, potentially creating conflict with China, which is the major recipient of Iranian oil. The price of oil, which had initially fallen during the week, climbed higher on Monday.

Economic data from the US pointed to increased consumer caution and higher inflationary pressures. Real personal spending came in at 0.1% for February, while there was a dip in the University of Michigan's consumer sentiment index. CPI on a year-on-year basis to the end of March came in at 3.3% – a reading that captures the effects of some of the recent events in the Gulf. Higher inflation in the US will create a conundrum for incoming Federal Reserve (Fed) Chair, Kevin Warsh, who will find it difficult to justify any easing in US monetary policy if inflation remains elevated.

In Europe there was no major economic data. The market continued to price in two rate hikes before year-end from both the Bank of England and the European Central Bank. Unlike the Fed, which has a dual mandate, both European central banks are only focused on inflation.

Positioning There was no activity in global rates mandates last week.



Investment grade credit

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

Indices of global investment grade (IG) bonds retreated in March, with coupon income more than offset by a sharp rise in core government bond yields and a relatively modest widening in corporate credit spreads. As the US-Israeli war with Iran drove energy prices higher, core bond yields jumped and credit spreads widened as fears mounted that higher input costs and reduced demand would hit corporate earnings.

The outlook for all fixed income sectors will be driven in the first instance by the oil price, which is currently hostage to the effective closure of the Strait of Hormuz (see **Chart of the Week**). However, if the conflict is resolved quickly, our pre-war view might be worth revisiting.¹ We foresaw three structural themes: asynchronous monetary policy; expansion in corporate capital expenditure around AI; and shifts in supply-demand dynamics. However, we would expect the related rise in issuance to be a meaningful but orderly driver of IG supply rather than a destabilising wave.

Despite the recent widening, valuations remain a little on the rich side. Global IG spreads are still inside long-run averages, and both US dollar and euro markets are modestly expensive on a quality- and duration-adjusted basis. Nevertheless, technicals remain supportive, and IG still offers an attractive yield entry point, while strong demand from long-horizon investors continues to anchor spreads and limit widening pressure.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

High yield (HY) had a strong week. Following the Iran war ceasefire announcement and potential easing geopolitical tension the market compressed almost 20bps, recovering much of the Middle East war-related volatility losses. The ICE BofA US HY CP Constrained Index returned +0.90% with spreads ending the week at 306bps – 15bps wider than where we started the year. Lower quality outperformed, with CCCs returning +1.19% and distressed rising 1.53%.

According to Lipper, US HY funds also reported their first weekly inflow in nine weeks. The new issue market priced three deals last week for \$3.1 billion. An additional standout theme was renewed pressure on software and technology credits driven by AI disruption concerns, with the high yield technology index -1.4% over the last three days of the week.

In terms of leveraged loans, software names declined – though less dramatically than in high yield. The average price of the S&P UBS Leveraged Loan Index finished the week up \$0.16 at \$94.03. Loan funds reported their second inflow in three weeks, this time of \$103 million for the week. For the loan primary market, two new deals priced for a total of \$1 billion.

¹ Columbia Threadneedle Investments, [2026 credit thoughts – here comes the capex](#), 18 February 2026



European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

Last week's ceasefire announcement tipped the 'on' switch for risk assets. European HY experienced a strong relief rally as spreads tightened 27bps to 317bps and yields fell 25bps to 6.35%, with the market returning 1.01% for the week. Single Bs were the outperformers with only BBs underperforming the market. CCCs came in flat. This occurred even as the market turned its focus away from the Middle East and back to AI worries, this time focusing on cyber security concerns. As such, the technology sector underperformed last week. Technicals also bottomed out as five weeks of outflows were brought to an end with a €65 million inflow into EHY last week. This was largely via ETFs, with managed accounts seeing a small outflow.

The primary market showed signs of picking, up with €2.25 billion of new issuance. This was largely due to a two-tranche inaugural hybrid deal from General Mills that was oversubscribed. It could be a busy week given the number of expected deals (there is talk so far of seven) as issuers look to take advantage of the improved market sentiment. Given the breakdown in US-Iran talks it will be interesting to see how many of these deals come to market. Bid offer spreads have widened from early year tights of 60 cents to 80 cents.



Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Mortgages tightened modestly last week as rates rallied and risk assets outperformed. Agency mortgage-backed securities (MBS) returned +35bps for the week, with the lower coupon performing better. The 30-year outperformed the 15-year, driven by the rate rally that followed last week's ceasefire announcement. March prepayments rose +22% month-on-month, which was slower than expected. This largely reflects mortgage rates before the recent geopolitical shock, with the circa 50bps rise in 30-year mortgage rates to 6.5% occurring late in the month and may not yet have fully captured the impact of tighter rate conditions. This suggests that April and May prepayment data could show further deceleration. Non-agency MBS issuance was \$3 billion last week. AAA spreads for non-qualified mortgages tightened 5bps and remained attractive verses other fixed income sectors.

Single-asset/single-borrower (SASB) investors remained selective last week as four new deals priced for a total of \$3 billion. Three of the deals were pricing at or below guidance with one pricing wide of guidance. Finally, in ABS the basis between AAA and AA-BBB-rated securities widened 7bps to +121bps, remaining slightly below the two-year average.



Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI generated positive returns of 52bps last week, split across spread return (13bps) and rates (39bps). While IG delivered a respectable 39bps weekly return, HY outperformed with 140bps thanks to strong spread compression (+114bps).

Hon Hai reported March 2026 revenues of TWD804 billion (+35% month-on-month and +46% year-on-year), marking a record high for the month. Q126 revenue reached TWD2.13 trillion, which was down 18% quarter-on-quarter but up 29.7% year-on-year. Growth was driven primarily by strong demand for cloud and networking products, and particularly AI server racks, alongside continued expansion in components and other products. This more than offset a

slight decline in computing products. Looking ahead, management noted that Q2 is typically a seasonal low for information and communication technology amid product transitions. However, shipments of AI server racks are expected to sustain momentum, with guidance for both quarter-on-quarter and year-on-year revenue growth.

Freeport Indonesia expects its mining operations at Grasberg Block Cave (GBC) to return to close to 100% by the end of 2026, following a mud rush incident in September 2025, reaching full production capacity in early 2027. Overall, the company has been making good progress in the phased restart and ramp-up of production blocks.

CK Hutchison Holdings Ltd (CKHH) has started arbitration against Maersk in relation to the Panamanian government's annulment of the former's port concessions at Cristobal and Balboa in February. The Panamanian government awarded the Balboa port concession to APM Terminals, which is owned by Maersk. The arbitration against Maersk follows earlier arbitration proceedings initiated against the Panama government in February by Panama Ports Company, a subsidiary of CKHH.



Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) sovereign debt returned +1.83% over the week, with spreads tightening by 26bps as markets took initial comfort from the two-week ceasefire announcement between the US and Iran and peace talks in Pakistan. EM local returned +2.78%, while corporates returned +0.86%.

EM market sentiment was volatile over the week. Early-week market optimism was tempered by caution, which proved well-founded as the week ended with reports that US/Iran negotiations had failed. This was followed by a US announcement of a blockade on maritime traffic through the Strait. Brent crude has since climbed back above \$100 having traded as low as \$94 last week when a resolution appeared underway.

Hungary held parliamentary elections over the weekend, resulting in an opposition landslide victory that ended Viktor Orbán's 16-year tenure. Market reaction was positive, with Hungary's 10-year bond prices rising 2.33% by Monday's open. A peaceful transition is anticipated following Orbán's concession, and we expect the change in leadership to usher in meaningful policy and institutional shifts over the coming years.

In Peru, first-round presidential elections initially saw Keiko Fujimori lead with 16%-18% of the vote and advancing to a second round. However, voting was disrupted by logistical issues, leaving thousands unable to mark their ballot on Sunday. This prompted authorities to extend voting by a day. Despite declining confidence in domestic institutions following this delay, global market reaction has been muted as investors await final first-round results.

In ratings news, S&P revised the Philippines' BBB+ outlook to stable from negative, citing favourable economic developments over the past 12 months. The 37-year bond rose 1.2% on the announcement.

Although the 2026 Spring International Monetary Fund meetings will take place this week, we suspect developments related to the Middle East war will drive every agenda at the event.



Fixed Income Asset Allocation Views

13th April 2026

Strategy and positioning (relative to risk free rate)	Views	Risks to our views
Overall Fixed Income Spread Risk 	<ul style="list-style-type: none"> Spreads remain very tight across nearly all sectors and current valuations leave limited upside to returns in most areas. US macroeconomic growth fundamentals remain solid around 2.5 – 3%, though employment growth has slowed and key labor tensions persist. The group maintained a moderately underweight view on credit risk, with no changes to their underlying sector views. 	<ul style="list-style-type: none"> There's expectations for the Federal Reserve to pause rate cuts in Q1 2026, given the conflicting signals between stable inflation and deteriorating employment metrics. There's also expectations for fiscal policy to be supportive this year, starting with the MBS purchase program. Employment faces potential deterioration that could impact consumer-facing sectors.
Duration (10-year) ('P' = Periphery) 	<ul style="list-style-type: none"> Longer yields remain elevated as perma-loose fiscal keeps term premium in place. Inflation to continue to slowly normalise, although some sectors may remain sticky. Full tariff passthrough remains ahead in US, but shelter will continue to aid the Fed. Central Banks still predominantly searching for neutral, paths may diverge over coming quarters. 	<ul style="list-style-type: none"> Fiscal drives stronger growth, leading to rebounding inflation pressures. Central Banks shift focus to fighting inflation once more. Yields break higher and curves drive flatter as policy hikes get repriced.
Currency ('E' = European Economic Area) 	<ul style="list-style-type: none"> After tracking sideways vs the Euro in H2 2025, the dollar may face a challenge in 2026 if the ECB stays on hold (or even raises rates) and the Fed implements an easing process under new leadership. 	<ul style="list-style-type: none"> 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)) 	<ul style="list-style-type: none"> US dollar 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. 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Sovereign and corporate spreads are back to cycle highs. Pockets of opportunity in BB credits and select quasi-sovereigns/corporates. Record issuance in January across sovereigns and corporates signals HY markets fully open. EM growth run rate holding in well supported by strong Chinese exports, with upgrades outnumbering downgrades. Technicals have been well supported with dollar weakening, US Federal reserve accommodation, and positive 2026 fund flows. 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Spreads are at historically tight levels...at the 1st percentile of the last 25 years. Fundamentals remain solid with 4Q earnings coming in better than expectations. Expectations for a strong 2026 supply have increased again with over \$600 billion coming from just 4 companies. This surge in supply is coming from the technology and utilities sectors, propelled by AI infrastructure investment. Credit curves are likely to continue their steepening path given increased capital expenditure and M&A funding needs. 	<ul style="list-style-type: none"> Tighter financial conditions lead to European slowdown, corporate impact. Rate environment remains volatile. Consumer profile deteriorates. Geopolitical conflicts worsen operating environment globally.
High Yield Bonds and Bank Loans 	<ul style="list-style-type: none"> Spreads remain near historically tight levels, especially for BBs. 4Q earnings have been within expectations so far. The uncertainty of AI's impact on software and tech-affiliated industries has become a major theme, though no concrete impact is expected in the short term. The group has added exposure in select high quality battered names as industry dispersion has increased. Loan market default rate fell to 2.78% in January, down 9bps from December. 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Spreads significantly tightened in January following President Trump's announcement of a \$200 billion buying program, effectively pulling forward a year's worth of support into prices. The value proposition has shifted but carry and convexity still offer value. Outlooks for 2026 look modestly constructive. Falling mortgage rates accelerated prepayment speeds during Q4, though they are still muted. Technicals remain stable with REITS demand and increased GSE holding limits; the buying program shifted the market from reducing to maintaining Agency MBS. 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The group maintains a large allocation of high-quality carry positions. RMBS: Spreads have been range-bound. Delinquencies have been stable and housing activity remains near historic trough on a population-adjusted basis. CMBS: AAA spreads at multi-year highs; availability of credit continues to improve for quality loans. Expectations for 2026 CMBS supply to set new post-GFC record. CLOs: New year started with resurgence of repricing activity, BB spreads repriced wider in sympathy with Tech concerns while senior tranches mostly unchanged. ABS: Spreads have continued to narrow across sectors and delinquencies have been mostly stable. The group prefers higher quality, liquid securities. 	<ul style="list-style-type: none"> 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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