

15 September 2025

Je ne regrette rien?

France is embroiled in political turmoil, with knock-on effects for its sovereign rating and debt. Meanwhile, it's all eyes on the US labour market and rates. Read on for a breakdown of fixed income news across sectors and regions.



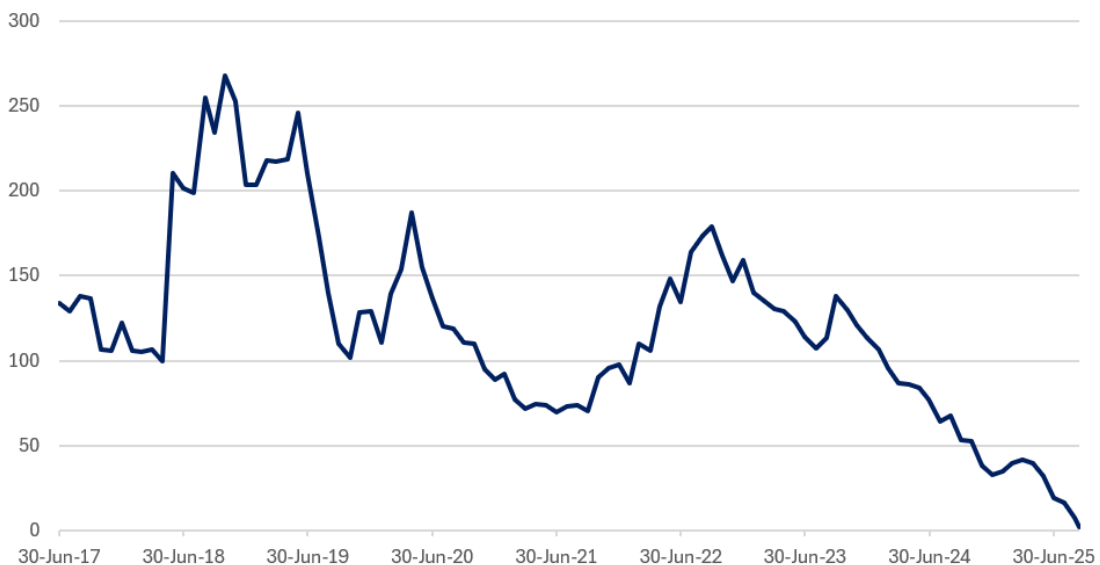
Chart of the Week

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

French president Emmanuel Macron's decision to call an early parliamentary election in 2024 has been described as an error. His centre party was crushed between the socialist left and the far right of Marine Le Pen. Since then he has appointed three prime ministers, the latest being long-time ally Sebastien Lecornu. Macron's choices have led to a level of political turmoil not seen since the founding of the Fifth Republic in 1958. Will it be third time lucky for Macron?

The parliamentary numbers have not changed, so passing a 2026 budget with credible measures to narrow the deficit will be tough. Political paralysis is not usually a recipe for fiscal toughness. Fitch has downgraded France's sovereign rating from AA- to A+, justifying its decision on France's deteriorating fiscal outlook and debt profile. The markets are also unimpressed, ranking France and Italy as an even trade at the 10-year part of the bond market. Ouch.

Italy versus France 10-year yield spreads (bps)



Source: Bloomberg, 15 September 2025

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.07%	-1 bps	1.8%	5.7%
German Bund 10 year	2.70%	3 bps	-0.5%	-1.1%
UK Gilt 10 year	4.64%	0 bps	-0.6%	1.8%
Japan 10 year	1.59%	1 bps	-1.4%	-4.0%
Global Investment Grade	78 bps	-3 bps	2.1%	5.6%
Euro Investment Grade	78 bps	-5 bps	0.7%	2.6%
US Investment Grade	77 bps	-2 bps	2.9%	7.2%
UK Investment Grade	71 bps	-4 bps	0.5%	3.9%
Asia Investment Grade	127 bps	-13 bps	2.5%	6.4%
Euro High Yield	299 bps	-10 bps	1.5%	4.5%
US High Yield	279 bps	-4 bps	2.2%	6.9%
Asia High Yield	465 bps	-16 bps	3.7%	7.4%
EM Sovereign	264 bps	-6 bps	4.3%	10.1%
EM Local	5.9%	-2 bps	2.8%	15.4%
EM Corporate	243 bps	-7 bps	3.1%	7.2%
Bloomberg Barclays US Munis	3.6%	-20 bps	3.1%	2.7%
Taxable Munis	4.8%	-2 bps	3.1%	6.7%
Bloomberg Barclays US MBS	29 bps	-3 bps	2.8%	7.1%
Bloomberg Commodity Index	258.35	1.4%	2.6%	8.3%
EUR	1.1731	0.1%	-0.4%	13.3%
JPY	147.45	-0.2%	-2.5%	6.5%
GBP	1.3580	0.3%	-1.3%	8.3%

Source: Bloomberg, ICE Indices, as of 12 September 2025. *QTD denotes returns from 30 June 2025.



Macro/government bonds

Simon Roberts

Product Specialist, Global Rates

The bias in the US Treasury market was to marginally lower yields last week. The yield on the US 10-year fell by 1bp, while the yield on the German 10-year rose by 5bps. The divergence in directionality between these markets reflects differing stages in the monetary policy cycle.

The US looks set to ease monetary policy in September, amid increasing evidence of a weakening labour market and muted inflationary pressures, while the European Central Bank (ECB) appears to have reached the end of its cutting cycle.

US producer price inflation came in weaker than expected while CPI was in line. There was little in the inflation data to suggest tariffs have meaningfully impacted inflation. With inflation quiescent, markets have focused on jobs weakness. The non-farm payrolls revision on job market growth for the year ending March 2025 showed that the US economy had created 911,000 fewer jobs than previously thought. Initial jobless claims also came in higher than expected. While this revision increased focus on the labour market, the stock market saw the rise in claims as cementing a cut in interest rates. A full quarter point reduction is now fully priced in for September, with a further four additional 25bps cuts by next June.

Last week, the ECB left rates on hold for the second successive time, as expected. At the press conference bank president, Christine Lagarde, said the disinflationary process was by and large over. No further forward guidance was given. With many traders viewing the hold hawkishly,

valuations weakened at the front-end of the euro curve, with the yield on the German 2-year rising 9bps.

We remain constructive on duration and maintain strategic yield curve steepening positions, although we trimmed the size of the steepening positions last week



Investment grade credit

Sarah McDougall,
Product Specialist, Investment Grade Credit

The investment grade credit market showed impressive resilience last week. Spreads tightened in the face of what might have been considered headwinds, namely a heavy supply calendar, political crisis in France, and the uncertainty that generally surrounds an ECB policy meeting. The Global Corporate Bond index offered a spread of between 78 and 81bps during that period, according to data from ICE indices.

Spreads are almost back to the tights we saw in August. Year-to-date, euro spreads are 23% tighter and the US dollar market has seen a 6% tightening. In both cases, spreads are around 1.3 standard deviations tight to five-year averages, and around 0.8 on a two-decade comparison. The IG sector is still benefitting from generally helpful credit rating trends and positive inflows into the sector. Outright yields are still attractive despite tight spreads.

In the US there were rumours of a jumbo merger between Paramount and Warner Bros Discovery. Bond prices in the latter, which is currently in high yield, rallied 5-10 points.

In the UK there was the announcement of a merger between Greenwich and Kent universities. This could be an emerging trend in this sector given higher costs, fee caps putting pressure on revenues and declining numbers of overseas students.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield bond valuations continued to narrow, with inflation data cementing a cut at the next Federal Open Market Committee (FOMC). Capital markets remained active while inflows resurfaced to balance market technicals. The ICE BofA US HY CP Constrained Index returned 0.27% and spreads tightened 5bps. The index yield to worst was stable at 6.62%, remaining near three-year lows. According to Lipper, US high yield bond retail funds saw a \$1.2 billion inflow following three weeks of modest outflows.

US leveraged loan prices were stable amid the first fund outflows in months and the expected near-term resumption of Federal Reserve easing. The S&P UBS Leveraged Loan index average price was unchanged at \$96.6. Floating rate funds saw a \$160 million outflow, marking the first withdrawal for the asset class in 20 weeks.



European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European High Yield picked up last week, following two weeks of subdued performance. The market returned +0.18% with BBs and single Bs both outperforming, while CCCs once again had another week of negative performance. This came as spreads tightened -10bps to 299bps,

while yields held steady at 5.8% due to a rise in underlying Bund yields across the curve. Inflows continued – €86 million – bringing the year-to-date figure to €7.4 billion. The primary market was busy with offerings of €3.7 bn of high yield senior corporate debt. Data solutions firm Iron Mountain led with an upsized €1.2 billion offering. Issuance focus remained on refinancings, leaving the year-to-date net issuance unchanged, while year-to-date gross issuance hit €93 billion. This is higher than 2019's total issuance.

In rating news, Finnish real estate company CityCon was downgraded by S&P to BB+, bringing it into the high yield universe. S&P said this was due to management change, with the firm on its fifth CEO since the start of 2024.

In stock-specific news, a cyberattack forced Jaguar Land Rover to shut down production last week, which has continued into this week.

Defaults are not looking like defaults as we know them. The trailing 12-month default figure to the end of August has fallen to 3.4% – down from the May high of 5.2%. Excluding distressed exchanges, the trailing default rate has dropped to 2.3%. However, with the recovery rate continuing to hold at 70%, this brings 12-month losses to just 1%.



Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI index generated 67bps of returns last week, helped by spread tightening (+38bps) and rates (+29bps). JACI investment grade and high yield delivered +64bps and +90bps returns respectively.

In China, August economic data showed a broad-based slowdown. Industrial production growth decelerated to 5.2% year-on-year from 5.7% in July, while retail sales growth slipped to 3.4% from 3.7%. Fixed asset investment declined further to -6.3% from -5.2% in July, missing out on expected growth of 0.9%. Export performance weakened, turning negative at -0.4% compared with 0.8% growth in July. Overall export growth slowed sharply to 4.4% from 7.2% in July. The services sector provided mixed signals: while overall services growth moderated to 5.6% from 5.8%, the financial sector accelerated to 9.2% driven by increased stock trading activity. The property sector continued to deteriorate.

Alibaba issued US\$3.17 billion in convertible notes, due in 2032, with 80% of proceeds being allocated to cloud infrastructure and 20% to international commerce expansion. The company is purchasing capped call options to offset potential share dilution, with the cap set at a 60% premium to current Hong Kong share prices. This follows a trend since 2024 of technology companies using convertible bonds as an efficient capital-raising method, allowing them to effectively sell shares at a premium while buying them back at current prices. The capped call options help mitigate typical share price drops that occur due to dilution concerns from convertible bond issuances.

On the operational side, Alibaba is intensifying its competition with Meituan around local services by launching AI-powered business rankings through its AMAP digital mapping service for restaurants, hotels and other attractions. The 'Street Explorer' feature covers seven million restaurant locations and receives 120 million daily searches. Alibaba is investing CNY1 billion in subsidies to attract users and merchants. This escalates the battle in the 'in-store' segment, where platforms earn commissions from bookings and ads.



Emerging markets

Priyanka Prasher,
Product Specialist, Emerging Market Debt

Emerging market (EM) sovereigns posted strong returns over the week – 0.81% in US dollar terms – while sovereign spreads tightened -9bps over the week. African sovereigns led regional returns (+1.68%) while Lebanon drove country-level returns (+4.57%). EM local returned 0.80% in US dollar terms on the week.

Lebanon's defaulted sovereign bonds outperformed last week after rising above 20 cents, a level previously thought to be a 'ceiling'. Spreads on 10-year benchmark bonds compressed by -124bps (-4%) over the week as political and economic reforms appear to be gaining momentum.

Argentina's sovereign bonds and currency fell last week after President Javier Milei's party suffered defeat in a key election in Buenos Aires. 10-year spreads widened 36bps on the week (+3%) while the Argentine peso reached 1,453.85 (+66.8 over the week). Milei's party fell short of market expectations, conceding 14% of votes against an expectation of 5%. This slide in assets was compounded after Canadian fertiliser company Nutrien Ltd announced an agreement to sell its 50% stake in an Argentinian nitrogen producer, highlighting the nation's continued struggle to garner foreign direct investment.

In Turkey, the crackdown on political opposition continued. In a bid to extend his time in power, President Recep Tayyip Erdoğan launched impropriety allegations against the opposition Republican People's Party (CHP). At least 50,000 people protested against this move, which aims to overturn the results of a CHP congress in November 2023 on account of alleged vote-rigging. Earlier this week, the court adjourned a case questioning the legitimacy of CHP's leadership, offering markets some respite. Bonds were not strongly affected as this escalation had been expected.

Last week's sovereign issuance came from Colombia and Turkey.

The week ahead The US Federal Reserve's FOMC meeting will influence EM monetary policy. Central banks from Brazil, South Africa, Ghana, Taiwan, Indonesia and Pakistan will announce policy rates.



Responsible investments

Sarah McDougall,
Product Specialist, Investment Grade Credit

Bloomberg says labelled environmental, social and governance (ESG) debt sales have exceeded \$780 billion year-to-date – an increase of 1.7% compared with the same period last year. Green bond sales, meanwhile, reached \$441 billion. However, corporate ESG bond issuance has declined significantly, reflecting the growing challenges facing the asset class, including US political backlash and Wall Street firms pulling back from climate commitments.

A headline issuance last week was Finnish nuclear power producer Teollisuuden Voima Oyj (TVO), who issued the first nuclear-focused green bond under the European Green Bond Standard. The €500 million deal was more than 3.5x oversubscribed, demonstrating the traction nuclear is gaining among eco-conscious investors who recognise its carbon reduction benefits. Europe's attitude toward nuclear energy is evolving, with the technology enjoying stronger political support driven by energy independence concerns and its potential to help achieve climate goals.

However, the EU's second-highest court will soon issue a verdict on whether the European Commission properly classified certain nuclear (and natural gas) initiatives as 'green' under its taxonomy.

Fixed Income Asset Allocation Views

15th September 2025



Strategy and positioning (relative to risk free rate)	Views	Risks to our views
Overall Fixed Income Spread Risk 	<ul style="list-style-type: none"> During the second half of 2025, markets have become less reactive to global trade developments and credit valuations have become richer. The group has continued to reduce credit risk but still holds much of what was added during April's volatility. The conversation largely focused on dissecting fundamental and technical outlook for each of the sectors because valuations remain challenging. The group maintained a negative outlook on credit risk overall but upgraded their Emerging Market outlook to neutral. 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Dollar has been supported by US growth exceptionalism and deprecating 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. 	<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 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"> The group upgraded to a neutral outlook given an improving technical backdrop. Emerging Markets offers better relative value than other credit sectors The group maintains discipline regarding valuations and will take advantage of compelling, higher quality opportunities as they arise Tailwinds: Reduced default tail risks, ratings trend positive, dollar weakness Headwinds: US tariff and trade policy, global trade disruption, lower oil prices, higher debt to GDP ratios, wider fiscal deficits and slow restructurings 	<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 have tightened in the past month. The group added IG during the early April volatility and has continued reducing those allocations. Companies reported solid earnings and forecasts as the tariff furor had faded. Despite fundamental stability, the group remains a negative view on the sector given near all-time tight spreads and lingering uncertainty. Spread of long duration IG are especially attractive. 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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. Companies have reported strong earnings and guidance, generally beating expectations. The team is seeing greater differentiation in Loans sectors. Despite the negative outlook on the sector, the group still sees pockets of good opportunity, especially in higher quality issuers. 	<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 remain wide relative to other high-quality sectors 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. As the group reduces credit risk, they are reinvesting that allocation in Agency MBS. Prefer call-protected inverse IO CMO's, a large beneficiary of aggressive cutting cycle. 	<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 tightened, and credit curves have flattened MoM. Fundamental metrics, like delinquencies, prepayments, and foreclosure, remain solid. CMBS: Stress continues with the highest delinquencies in office, but multi-family is increasing. New issue is plentiful, but valuations are unattractive & underwriting is weak. CLOs: AAA spreads are tighter MoM. Defaults remain low, but CCC buckets are rising with lower recoveries. AAAs are attractive for a defensive high quality credit play. 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. 	<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.

Important Information

For use by professional clients and/or equivalent investor types in your jurisdiction (not to be used with or passed on to retail clients). Source for all data and information is Bloomberg as at 15.9.2025, unless otherwise stated.

For marketing purposes.

This document is intended for informational purposes only and should not be considered representative of any particular investment. This should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. Investing involves risk including the risk of loss of principal. Your capital is at risk. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The value of investments is not guaranteed, and therefore an investor may not get back the amount invested. International investing involves certain risks and volatility due to potential political, economic or currency fluctuations and different financial and accounting standards. The securities included herein are for illustrative purposes only, subject to change and should not be construed as a recommendation to buy or sell. Securities discussed may or may not prove profitable. The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Threadneedle Investments (Columbia Threadneedle) associates or affiliates. Actual investments or investment decisions made by Columbia Threadneedle and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. This document and its contents have not been reviewed by any regulatory authority.

In Australia: Issued by Threadneedle Investments Singapore (Pte.) Limited ["TIS"], ARBN 600 027 414. TIS is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) and relies on Class Order 03/1102 in respect of the financial services it provides to wholesale clients in Australia. This document should only be distributed in Australia to "wholesale clients" as defined in Section 761G of the Corporations Act. TIS is regulated in Singapore (Registration number: 201101559W) by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289), which differ from Australian laws.

In Singapore: Issued by Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07, Winsland House 1, Singapore 239519, which is regulated in Singapore by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289). Registration number: 201101559W. This advertisement has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong: Issued by Threadneedle Portfolio Services Hong Kong Limited 天利投资管理香港有限公司. Unit 3004, Two Exchange Square, 8 Connaught Place, Hong Kong, which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 regulated activities (CE:AQA779). Registered in Hong Kong under the Companies Ordinance (Chapter 622), No. 1173058.

In Japan: Issued by Columbia Threadneedle Investments Japan Co., Ltd. Financial Instruments Business Operator, The Director-General of Kanto Local Finance Bureau (FIBO) No.3281, and a member of Japan Investment Advisers Association and Type II Financial Instruments Firms Association.

In the UK: Issued by Threadneedle Asset Management Limited, No. 573204 and/or Columbia Threadneedle Management Limited, No. 517895, both registered in England and Wales and authorised and regulated in the UK by the Financial Conduct Authority.

In the EEA: Issued by Threadneedle Management Luxembourg S.A., registered with the Registre de Commerce et des Sociétés (Luxembourg), No. B 110242 and/or Columbia Threadneedle Netherlands B.V., regulated by the Dutch Authority for the Financial Markets (AFM), registered No. 08068841.

In Switzerland: Issued by Threadneedle Portfolio Services AG, Registered address: Claridenstrasse 41, 8002 Zurich, Switzerland.

In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge who meet the regulatory criteria to be classified as a Professional Client or Market Counterparty and no other person should act upon it. This document and its contents and any other information or opinions subsequently supplied or given to you are strictly confidential and for the sole use of those attending the presentation. It may not be reproduced in any form or passed on to any third party without the express written permission of CTIME. By accepting delivery of this presentation, you agree that it is not to be copied or reproduced in whole or in part and that you will not disclose its contents to any other person.

This document may be made available to you by an affiliated company which is part of the Columbia Threadneedle Investments group of companies: Columbia Threadneedle Management Limited in the UK; Columbia Threadneedle Netherlands B.V., regulated by the Dutch Authority for the Financial Markets (AFM), registered No. 08068841.

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.