Information for investment professionals

In Credit

16 February 2026

Stuck in the middle with you

Core government bond markets are onlookers as equity markets are buffeted by AI uncertainty, with the US 10-year Treasury range-bound. Will further volatility affect the range trade? Read on for a breakdown of fixed income news across sectors and regions.

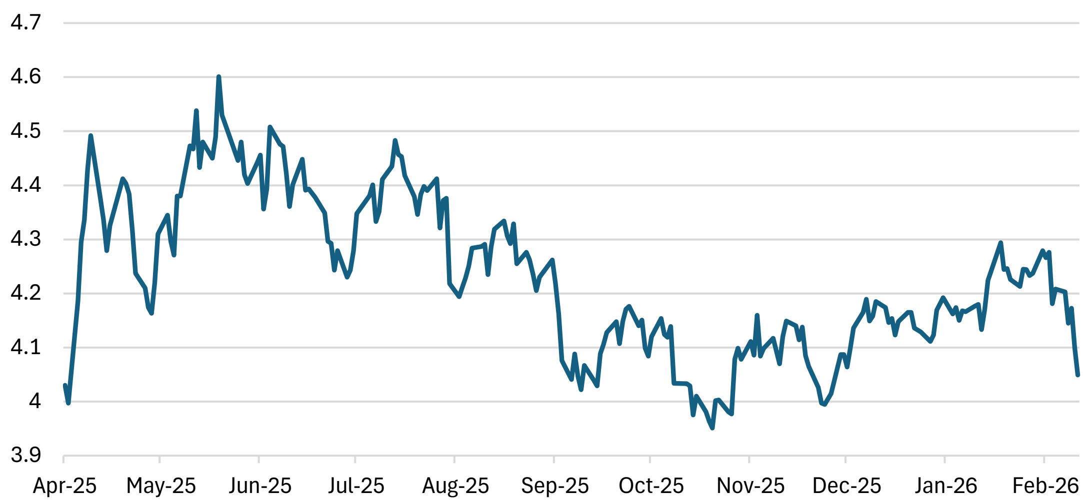
Chart of the Week

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

Although US economic data has recently been giving mixed signals, the pricing of Federal Reserve (Fed) rate cuts into December 2026 jumped by 8bps last week to 63bps. This helped push the 10-year Treasury yield down 15bps during the week to 4.05%. Despite this quite large move, and with apologies to Stealers Wheel, we are stuck quite close to the middle of the approximate range of 3.75%-4.75%.

It appears that core government bond markets are onlookers as equity markets are buffeted by waves of sometimes bewildering AI stories. This quiet period will not last. At the Munich security conference, US secretary of state, Marco Rubio, reminded Europe of the need to spend on defence, and we continue to monitor the progress of the USS Gerald Ford aircraft carrier as it heads towards Iran from the coast of Venezuela. Preapre for market volatility, and perhaps a challenge to the range trade.

US Treasuries 10-year yield



Source: Bloomberg, February 2026

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.05%	-16 bps	1.3%	1.3%
German Bund 10 year	2.76%	-8 bps	1.1%	1.1%
UK Gilt 10 year	4.42%	-10 bps	0.8%	0.8%
Japan 10 year	2.21%	-2 bps	-0.7%	-0.7%
Global Investment Grade	78 bps	3 bps	1.3%	1.3%
Euro Investment Grade	75 bps	2 bps	1.1%	1.1%
US Investment Grade	79 bps	3 bps	1.4%	1.4%
UK Investment Grade	66 bps	2 bps	0.8%	0.8%
Asia Investment Grade	119 bps	9 bps	0.7%	0.7%
Euro High Yield	286 bps	9 bps	0.8%	0.8%
US High Yield	295 bps	8 bps	0.7%	0.7%
Asia High Yield	399 bps	1 bps	2.2%	2.2%
EM Sovereign	225 bps	2 bps	1.9%	1.9%
EM Local	5.8%	-4 bps	3.1%	3.1%
EM Corporate	238 bps	10 bps	1.2%	1.2%
Bloomberg Barclays US Munis	3.3%	-6 bps	1.6%	1.6%
Taxable Munis	4.7%	-14 bps	2.0%	2.0%
Bloomberg Barclays US MBS	14 bps	-1 bps	1.6%	1.6%
Bloomberg Commodity Index	296.83	-0.4%	7.4%	7.4%
EUR	1.1866	0.4%	1.0%	1.0%
JPY	153.63	3.0%	2.6%	2.6%
GBP	1.3649	0.3%	1.3%	1.3%

Source: Bloomberg, ICE Indices, as of 13 February 2026. *QTD denotes returns from 31 December 2025.

Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

Last week saw a significant decline in yields across the core markets. The US 10-year fell by 16bps, the German 10-year by 9bps and the UK 10-year by 10bps. This was despite mixed US economic news. First, nonfarm payrolls came in at 130,000, when the market had been expecting 65,000. There was then an initial knee-jerk market reaction, with the US 10-year spiking higher from 4.1% to 4.2%. However, CPI on Friday then came in lower than expected: 0.17% for January, which was well below consensus expectations of 0.3%. On a year-on-year basis headline inflation fell to 2.4%.

The market is now pricing in a full rate cut by July, by which time Kevin Warsh should be firmly ensconced as the new chair at the Federal Reserve. The market is pricing in a further one or two rate cuts by end of the year and is cognisant that President Trump will expect interest rates to fall in return for his support for Warsh.

The decline in eurozone bond yields reflected an outlook of sluggish growth and subdued inflation, which is helping to make a case for rate cuts. A defining trend of the eurozone bond market remains the spread compression between Italy and Spain, and Germany. This reflects stronger economic growth in the eurozone periphery, credible fiscal consolidation plans, and relative political stability.

In the UK, Gilts were helped by subpar economic growth and a reduction in political instability, as prime minister, Keir Starmer, looked like he might hang on to his position. He could be safe from a leadership challenge until after the May local elections.

Positioning Last week we established a directional position in the New Zealand government bond market. Slowing growth in New Zealand should provide scope for easier monetary policy later in the year.

Investment grade credit

Charlotte Finch,
Client Portfolio Manager, Investment Grade Credit

It was an interesting week in the investment grade (IG) market as record breaking issuance in the technology space seemed to spark investor concern, sending spreads marginally wider. Global corporate bond spreads were up 3bps by the end of the week, taking us back to where we started the year.

Alphabet Inc raised approximately $32 billion in debt last week through offerings in the sterling and Swiss franc markets. These were record-breaking corporate bond sales in both currencies. According to Bloomberg, Alphabet's £5.5 billion sterling issuance exceeded the previous market record of £3 billion set by National Grid in 2016 and represents roughly 10% of the total expected sterling issuance for the whole of 2026. The multi-tranche deal included a 100-year bond, the first such ultra-long maturity issued by a technology company since the dotcom era. It attracted substantial investor interest, drawing nearly 10 times the £1 billion offered and pricing at 120bps above gilts. The shorter three-year tranche priced at 45bps over gilts. Investors were attracted to the long-dated securities despite uncertainties about the AI landscape over such extended timeframes. The transaction demonstrates both the substantial capital requirements of technology firms developing AI capabilities and the credit market's willingness to provide this funding.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European high yield (HY) had a risk-off tone last week. It returned -0.05% as spreads widened 9bps to 286bps and yields rose 3bps to 5.71%. It was a flight to quality within HY with single Bs the worst performing asset class, while BBs was the only rating band with a positive return (+0.07%) for the week. Still, inflows continued to improve with €221 million coming into the asset class via both ETFs and managed accounts. This brings the year-to-date net inflows to €1 billion. Corporate issuance also picked up with €2.8 billion in new bonds via four tranches from three issuers. All of these were BB-rated and well received with the final price coming inside of initial price talk. This brings year-to-date new issuance to €17.5 billion gross and €9 billion net. February remains subdued compared to January, which had higher issuance than the five-year average.

In ratings news, auto company Stellantis was downgraded to Baa3 from Baa2 by Moody's. This will also take its hybrids down one notch to Ba2. S&P kept the company at a BB+ rating.

Concerns around how AI will affect businesses permeated further last week. Although only a small subsector, EHY software names saw prices fall by three to five points, and concern spread into more service-based subsectors: for example, commercial real estate, insurance brokers, real estate services and travel agencies. However, the negative effect was seen at varying degrees.

In potential M&A news, there are rumours that Infrastructure Wireless Italiane, an Italian tower operator, may be taken private by private equity firms Ardian and Brookfield Asset Management.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI posted a 37bps positive return last week, with lower rates (+74bps) compensating for wider spreads (-37bps). JACI IG delivered 44bps of positive return, while HY generated 26bps.

In company-specific news, Melco Resorts and Studio City reported soft Q425 results with weaker margins and slight market-share slippage, although leverage continued to improve. Management highlighted a strong start to 2026 with regained gross gaming revenue share. The results were weighed by event-driven costs and a small bad-debt provision. More positively, debt metrics strengthened with net leverage down to 4.6x and no major maturities until 2027. Liquidity remains solid at US$2.2 billion. Share buybacks continued, while the City of Dreams Manila resort sale is on hold.

Meituan issued a FY25 profit warning, projecting a CNY23.3-24.3 billion net loss after FY24's strong profit. This reflects intensified food-delivery competition since Q325. Its Core Local Commerce is expected to post a FY25 operating loss of CNY6.87 billion, implying a deep Q425 loss as rivals Alibaba and JD.com gain share. Management expects difficult conditions to persist, with losses likely continuing into Q126. Last week, Moody's lowered Meituan's Baa1 ratings outlook to negative from stable to reflect the heightened uncertainty.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) sovereign debt delivered flat returns on the week, with spreads finishing 2bps wider. EM corporates posted a modest gain of +0.37%, while local currency assets outperformed both sovereigns and corporates, returning +0.78%.

During the week, discussions took place in Beirut between the International Monetary Fund (IMF) and Lebanon to assess the latter's progress on financial and economic reforms. The talks were described as constructive, and in a notable development the IMF signalled for the first time that Lebanon's central bank gold reserves could potentially be incorporated into a solution to repay depositors, as proposed in a draft law by Lebanese officials. That said, the IMF said it was "not fully satisfied" with the draft law's language on "the hierarchy of claims". It also stressed that Lebanon must demonstrate sufficient liquidity to meet future obligations. Markets responded with mild relief, with Lebanon's 37-year bonds rising around 2% in price terms over the weekend.

In Colombia, the Constitutional Court suspended President Gustavo Petro's proposed 23% hike in the national minimum wage, giving him eight days to submit a revised figure. Petro has since indicated that the labour minister will convene a meeting to draft a new decree on the minimum wage. Market reaction to this development was minimal.

New issue activity is expected to be light this week, both because of the start of Ramadan and the Chinese lunar new year celebrations.

Fixed Income Asset Allocation Views

16th February 2026

COLUMBIA THREADNEEDLE INVESTMENTS

Strategy and positioning (relative to risk free rate)		Views	Risks to our views
Overall Fixed Income Spread Risk	Under-weight -2 -1 0 +1 +2 Over-weight	▪ 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. The Fed delivered another 25bp cut in December. ▪ **The group maintained a moderately underweight view on credit risk, with no changes to their underlying sector views.**	▪ 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)	P ¥ € Short -2 -1 0 +1 +2 Long $ £ NZ$ A$ CAD$	▪ 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.	▪ 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)	€ £ A$ Short -2 -1 0 +1 +2 Long EM $ ¥	▪ 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.	▪ 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))	R Under-weight -2 -1 0 +1 +2 Over-weight C	▪ 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.	▪ 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)	Under-weight -2 -1 0 +1 +2 Over-weight	▪ Sovereign and corporate spreads are back to cycle tights. Pockets of opportunity in BB credits and select quasi-sovereigns/corporates. ▪ Expecting an increase in issuance in 2026. EM growth has been stable with upgrades outnumbering downgrades; EM growth has been supported by strong Chinese exports. ▪ Technicals have been well supported with dollar weakening, US Federal reserve accommodation, and positive fund flows.	▪ 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	Under-weight -2 -1 0 +1 +2 Over-weight	▪ Spreads remain near historically tight levels. ▪ Fundamentals remain strong with analysts predicting 2026 industrial leverage near decade lows and margins near all-time highs. Anticipating a jump in capital expenditures, largely from tech and utilities issuers.. ▪ The group is watching for strong 2026 supply, especially from M&A financing and AI infrastructure investment. Credit curves are likely to steepen from current flat levels.	▪ 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	Under-weight -2 -1 0 +1 +2 Over-weight	▪ Spreads remain near historically tight levels. ▪ 3Q earnings concluded on a positive note; Q4 earnings will focus on tariff impact assessment and AI implementation timelines. The group has added exposure in select battered industrials names as industry dispersion has increased. The group still sees pockets of good opportunity, especially in higher quality issuers. ▪ Despite Q4 defaults, the Loans LTM default rate fell to 2.87% in December, the lowest level in 2025.	▪ 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	Under-weight -2 -1 0 +1 +2 Over-weight	▪ Spreads have tightened in the past week as federal government began a new MBS purchase program. The value proposition for Agency MBS has waned but carry and convexity still offer value. ▪ Outlook 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, but continued large scale government purchases will impact market balance.	▪ 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	Under-weight -2 -1 0 +1 +2 Over-weight	▪ The group maintains a large allocation of high-quality carry positions. ▪ RMBS: Spreads have been range-bound. 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 elevated. Seeing differentiation depending on property type. ▪ CLOs: AAAs are modestly attractive for a defensive high-quality credit option. Extra spread compensation for taking on more credit risk is low. ▪ ABS: The group prefers higher quality, liquid securities. Fundamentals have deteriorated (60+ day delinquencies, debt service ratios, subprime sponsor risk) 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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