

17 November 2025

Top of the world

From the relationship between democracy scores and flagpole height, to government bond yields and budget machinations, it was a busy week in fixed income. Read on for a roundup of news across sectors and regions.



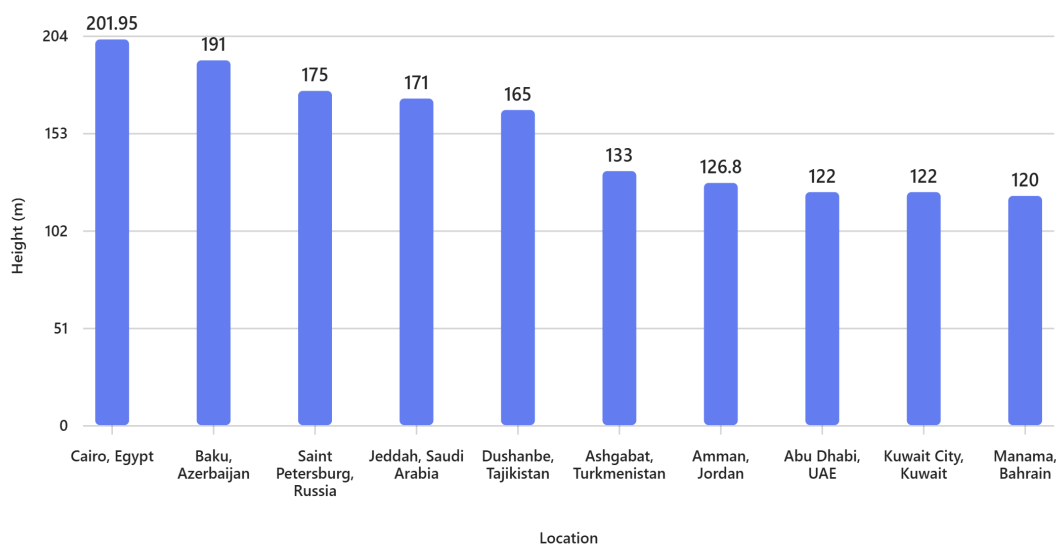
Chart of the Week

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

President Trump recently revealed two new impressive flagpoles at the White House. A proud moment, but the 30-meter poles do not make the top 10 list of the tallest flagpoles in the world. The very largest is in Egypt at more than 200 meters – literally looking down on creation – followed by Azerbaijan and Russia. The remainder are located across the Middle East and central Asia (see the chart below).

We were asked by a client how countries with the tallest poles ranked in the Economist Intelligence Unit's latest democracy scores. The best democracy score of the high pole nations belongs to Jordan, which is ranked 115th in the world (out of 167), and the lowest score belongs to Turkmenistan, which ranks 161st. For completeness, the US was ranked 28th (all EIU scores as at the end of 2024).

Poles apart: the world's tallest flagpoles



Source: Bloomberg, November 2025

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.12%	2 bps	0.4%	5.9%
German Bund 10 year	2.71%	4 bps	0.2%	-0.7%
UK Gilt 10 year	4.55%	8 bps	1.6%	3.4%
Japan 10 year	1.74%	5 bps	-0.4%	-4.4%
Global Investment Grade	83 bps	0 bps	0.1%	5.7%
Euro Investment Grade	82 bps	-1 bps	0.2%	3.0%
US Investment Grade	83 bps	-1 bps	0.1%	7.0%
UK Investment Grade	69 bps	1 bps	1.1%	5.3%
Asia Investment Grade	122 bps	4 bps	0.7%	7.2%
Euro High Yield	307 bps	1 bps	-0.2%	4.6%
US High Yield	307 bps	-8 bps	-0.1%	7.0%
Asia High Yield	453 bps	0 bps	1.0%	9.1%
EM Sovereign	239 bps	-6 bps	1.9%	12.2%
EM Local	5.9%	-1 bps	1.5%	17.2%
EM Corporate	239 bps	-2 bps	0.5%	7.9%
Bloomberg Barclays US Munis	3.6%	0 bps	1.4%	4.1%
Taxable Munis	4.8%	5 bps	0.8%	7.2%
Bloomberg Barclays US MBS	28 bps	1 bps	0.7%	7.6%
Bloomberg Commodity Index	273.04	1.7%	4.8%	14.6%
EUR	1.1601	0.5%	-1.0%	12.2%
JPY	154.81	-0.7%	-4.3%	1.7%
GBP	1.3179	0.1%	-2.0%	5.2%

Source: Bloomberg, ICE Indices, as of 14 November 2025. *QTD denotes returns from 30 September 2025.



Macro/government

Simon Roberts

Product Specialist, Global Rates

US and eurozone yields at the 10-year point were 5bps higher on the week, with yields settling at 4.15% and 2.72%, respectively. The yield on the 10-year gilt, in contrast, rose 11bps to 4.57%. This was in response to news that the UK chancellor was backtracking on an intention to raise income tax in the upcoming budget (see below).

In the US we saw an end to the 43-day shutdown as eight democrats agreed to vote with Republicans to reopen government in exchange for a senate vote on extending Obamacare subsidies. Despite the reopening there was still no release of data last week, which could be used to validate the remarks of Federal Reserve (Fed) speakers. It is only this week that we can expect to see the start of data releases, although doubts linger over its quality. Cautious language from senior Fed policymakers caused the market to move from pricing in a 66% probability of a quarter-point rate cut in December to 47%.

We continued to hear the message from influential policymakers at the European Central Bank, such as executive board member Isabel Schnabel, that eurozone interest rates were in an appropriate space.

In the UK, there were reports last Friday of a U-turn from Rachel Reeves on tax policy. She had been preparing the market, and the wider population, for income tax rises at the Budget, which she would use to create greater fiscal headroom – a message to which gilt market participants had responded positively. The expectation is that she will instead look at numerous small adjustments to the tax regime. An immediate spike higher in gilt yields reflected reduced market confidence in fiscal policy from the governing Labour party.

Positioning We closed a long position in the gilt market ahead of this heightened volatility.



Investment grade credit

Charlotte Finch,
Client Portfolio Manager, Investment Grade Credit

Investment grade (IG) credit spreads remained broadly tight globally but showed subtle divergence by region. In the US and Europe, IG spreads were 1bp tighter, reflecting strong demand and supply of new issues; in the UK spreads were 1bp wider.

As tech companies prepare to borrow hundreds of billions for AI investments, lenders are increasingly seeking protection against potential defaults. For example, credit derivatives demand more than doubled tech giant Oracle's bond protection costs since September. Meanwhile, credit default swap trading volume surged to \$4.2 billion over the six weeks to 7 November, up from less than \$200 million last year, according to Bloomberg. Morgan Stanley projects tech companies will spend \$3 trillion on AI infrastructure through to 2028, with debt funding roughly half of that cost after cash flow. Recent major issuances demonstrate this trend: Alphabet raised \$17.5 billion in US bonds, plus €6.5 billion in Europe; Meta sold \$30 billion in one of this year's largest US high-grade offering (following a \$27 billion private sale); and Oracle issued \$18 billion in September. This borrowing wave reflects tech companies' aggressive AI investments, betting on data center-powered futures.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield bond spreads stabilised over the week as we saw the reopening of the US government, muted capital market activity and reduced prospects for a Fed cut at the December meeting. The ICE BofA US HY CP Constrained Index returned 0.07% and spreads tightened 8bps. The index yield-to-worst remained largely unchanged at 6.93%. According to Lipper, US high yield bond retail funds saw a \$367 million outflow, marking the fourth outflow over the past five weeks.

US leveraged loan prices were unchanged over the week, with fund inflows returning and hawkish Fed rhetoric helping to offset sector-specific weakness and ongoing lower-rated loan underperformance. The S&P UBS Leveraged Loan index average price was stable at \$96. Floating rate funds saw a return to inflows, with \$388 million contributed. This was the first inflow over the past five weeks.



European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European high yield had a modestly negative week in terms of performance, returning -0.09%, with yields up 4bps to 5.85% but spreads almost unchanged at 307bps (widened +1bp). This is an interesting switch on closer inspection as, for the first time since July, CCCs outperformed BBs and Bs returning 0.48%. The higher-rated credits had almost the same return as the market, around -0.10%. On the flows side, inflows continued, albeit still at a decelerating pace, with €85 million coming in across both ETFs and managed accounts. The primary market picked up after the previous week's subdued performance, with €3.7 billion over six new corporate bond issues, still largely focused on refinancings.

In rating news, Aston Martin was downgraded from B to B- by Fitch. This came even as rumours arose that the Saudis were considering taking the car company private (note: this would not have triggered a change of control). The rumour was later denied by the Saudis.

In sector news, chemicals continued to occupy the spotlight as bonds deteriorated further on a report on the industry and its overall weakness with recovery pushed out from the second half of 2026 to 2027. Gaming was also prominent as issuers came to the market ahead of the UK budget on 26 November. High BB gaming company Entain (with 35% UK exposure) issued a bond with an IPT of 4.5%, but which ultimately priced with a higher yield of 4 7/8% (four and seven-eighths) while dropping the GBP tranche offering. This showed the overall nervousness in the gaming sector ahead of the budget.



Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI index generated a small 2bps return over the week, helped by rates (+17bps) compensating for a 15bps spread widening. JACI IG was flat while HY posted 16bps of returns.

China's October economic indicators revealed underlying challenges, particularly in fixed asset investment (FAI) and industrial production (IP).

FAI contracted by 1.7% year-to-date, reflecting ongoing 'anti-involution policies' aimed at curbing excess capacity and addressing the struggling property sector. IP growth also decelerated, rising 4.9% year-on-year in October, down from +6.5% year-on-year in September. Key sectors like steel and cement saw sharp declines, with production falling 12% and 15.8% respectively, further highlighting the property market's weakness.

Meanwhile, exports contracted 1.1% year-on-year in October, a first decline in eight months. Given that net exports have contributed significantly to GDP growth (around 25% in Q3), sustained weakness could undermine economic stability. The potential for a US-China trade truce could offer relief, but its impact remains uncertain.

Tencent reported strong Q3 results, with revenue and EBITDA growth of 15% year-on-year and 22% year-on-year respectively. Value-added Services revenue grew 16% year-on-year, driven by social networks (+5%) and online gaming (+24%), particularly international games (+43%). Fintech and business services revenue increased 10% year-on-year, boosted by cloud services. Marketing services revenue rose 21% year-on-year due to AI-powered ad targeting. In light of AI chip shortages, Tencent is prioritising chips for internal use over its cloud service.

Moody's has downgraded the ratings of LG Chem and LG Energy Solutions (LGES) by a notch to Baa2. However, the agency also revised the outlooks on both companies to stable from negative. Moody's expects the consolidated leverage of LG Chem, including LGES, to remain elevated over the next 18 months.



Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

After a strong rally in October, spreads in emerging market debt (EMD) drifted sideways in November. At 266bps, the EMBIG+ spread is now around 5bps wider than the tight levels seen last month, but is still 59bps tighter since the start of the year. EM corporates lagged modestly over the week, perhaps in part as their historic cheapness to other asset classes such as US IG has narrowed.

There was key news from South Africa last week where budget news was positive, inflation targets credible, and S&P delivered a welcome credit rating upgrade (to BB from BB-). Importantly, this was supported by a ratings outlook described as (still) positive. It is likely that Pretoria will look to issue paper on the back of this good news story in coming days.

Senegal continues to attract adverse headlines, as deficit and debt data weighs. Its credit rating was downgraded to CC from B-. In Ecuador, the referendum on constitutional reforms was rejected. The market weakened on fears that President Noboa has been weakened as a result, but on balance he probably has sufficient political support to continue in his position.

In Chile, the first round of presidential elections produced two candidates (communist Jeanette Jara, and right-wing José Antonio Kast) that are seen as front runners. The run-off vote will be held on 14 December, with Kast seen as a strong favourite.

We may see issuance wane as year-end approaches, although pre-funding of 2026 borrowing from strong names might occur where market opportunities arise. At the time of writing, Sharjah has just announced a 10-year bond with price talk of 145bps over the 10-year US Treasury.



Responsible investments

Charlotte Finch,
Client Portfolio Manager, Investment Grade Credit

According to Bloomberg data, the labeled bond market has reached just over \$930 billion in issuance this year. While still on track for a trillion-dollar year, it remains slightly behind 2024. Green bonds comprise approximately 60% of the market, with sustainability and social bonds making up the remainder. The market shows signs of maturity but faces headwinds from political pushback and evolving regulations that have slowed new issuance. However, strong investor appetite continues to maintain overall market balance.

Banca Monte dei Paschi di Siena, the world's oldest bank, successfully raised €500 million through its debut green bond offering last week. The 6.25-year callable senior bond attracted strong demand with €1.95 billion in orders. Proceeds will finance assets supporting UN Sustainable Development Goals and EU environmental objectives, including green buildings.

Fixed Income Asset Allocation Views

17th 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) (£, ¥, A\$, \$, P, €) (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) (EM, ¥, A\$, \$, €) 	- Dollar has been supported by US growth exceptionalism and depriving 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)) (C, R) 	- 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.

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 17.11.2025, 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 天利投資管理香港有限公司. 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.