Information for investment professionals

In Credit

18 May 2026

Burnham down the house

Gilts were inflamed as a path opened up for the mayor of Greater Manchester, Andy Burnham, to return to Westminster and potentially replace Keir Starmer as UK prime minister. Elsewhere, the global sovereign bond sell-off accelerated. Read on for a breakdown of fixed income news across sectors and regions.

Chart of the Week

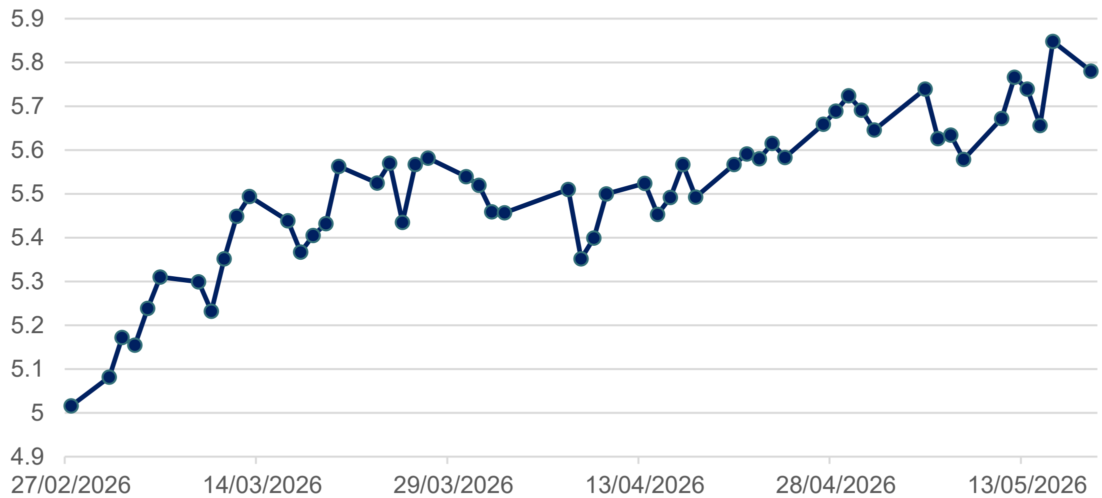
Gary Smith,
Head of Client Portfolio Management team, Fixed Income, EMEA

Political turmoil continues to light a fire under the UK gilt market. The 30-year gilt yield jumped 20bps last week as a route opened for Greater Manchester mayor, Andy Burnham, to return to parliament. The sitting MP for Makerfield resigned, triggering a by-election that will likely be held on 18 June, with Burnham set to be confirmed as Labour's candidate.

Gilts were inflamed because, if elected as an MP, Burnham will be the favourite to replace Keir Starmer as Labour leader and hence prime minister. Burnham is well-known for having declared last year that the UK should not be "in hock to the bond markets". Markets will fear higher fiscal spending if he were to become PM.

However, winning the by-election will not be a formality. Nigel Farage's Reform UK performed very strongly there at the recent local elections. Apologies to Talking Heads, but they did warn that "we're in for nasty weather … burning down the house".

30-year gilt yield



Source: Bloomberg, May 2026

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.58%	23 bps	-1.0%	-0.9%
German Bund 10 year	3.15%	14 bps	-0.6%	-0.9%
UK Gilt 10 year	5.11%	20 bps	-1.5%	-3.4%
Japan 10 year	2.74%	25 bps	-1.8%	-3.4%
Global Investment Grade	76 bps	-4 bps	0.2%	-0.4%
Euro Investment Grade	77 bps	-2 bps	0.7%	-0.2%
US Investment Grade	75 bps	-4 bps	0.0%	-0.4%
UK Investment Grade	66 bps	0 bps	-0.2%	-1.8%
Asia Investment Grade	100 bps	-5 bps	0.5%	0.4%
Euro High Yield	279 bps	-12 bps	2.4%	0.7%
US High Yield	280 bps	-1 bps	1.4%	0.8%
Asia High Yield	385 bps	-6 bps	2.1%	2.3%
EM Sovereign	216 bps	0 bps	2.1%	1.0%
EM Local	6.3%	13 bps	2.2%	-0.1%
EM Corporate	212 bps	-9 bps	1.4%	1.2%
Bloomberg Barclays US Munis	3.8%	11 bps	0.8%	0.6%
Taxable Munis	5.2%	20 bps	-1.4%	-1.0%
Bloomberg Barclays US MBS	26 bps	7 bps	-0.9%	-0.5%
Bloomberg Commodity Index	361.29	1.9%	4.7%	30.2%
EUR	1.1652	-1.4%	0.6%	-1.0%
JPY	158.73	-1.3%	0.0%	-1.3%
GBP	1.3395	-2.2%	0.7%	-1.1%

Source: Bloomberg, ICE Indices, as of 15 May 2026. *QTD denotes returns from 31 March 2026.

Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

Last week the global sovereign bond sell-off accelerated, with yields hitting new highs in multiple countries. That came as the Strait of Hormuz remained blocked, and President Donald Trump said the US-Iran ceasefire was on “massive life support”, which pushed oil prices higher. Brent crude ended the week up +7.87% (+3.35% on Friday alone) at $109.26 a barrel.

Inflation fears were compounded by strong CPI and PPI reports from the US, which led to mounting anticipation about a Federal Reserve rate hike. The probability of an increase by year-end surged from 6% the previous week to 62% by Friday’s close. The probability of a hike by the European Central Bank (ECB) at its upcoming June meeting rose from 79% to 89%.

The backdrop led to significant pressure on sovereign bonds.10-year Treasury yields were up 23.9bps last week (+11.1bps on Friday) to 4.59% – their highest level since May 2025. The two-year Treasury yield was up 18.6bps (+5.2bps on Friday) to 4.07% – its highest level since February 2025. In Germany, 10-year bunds rose 16.2bps (+12.4bps on Friday) to 3.17% – their highest level since 2011.

In the UK, gilts struggled on political turmoil. 10-year gilt yields rose 26bps last week (+17.8bps on Friday) to close at a post-2008 high of 5.17%. Meanwhile, the pound weakened -2.24% against the US dollar, marking its worst weekly performance since 2024. Long ends were battered: the 30-year gilt yield was up 21.3bps to a level last seen in 1997; the 30-year US yield hit its highest level since 2007; the 30-year Japanese yield reached its highest since being introduced in 1999; and 30-year German yields returned to 2011 levels**.**

Positioning The global rates desk currently has little outright duration risk.

Liability driven investments (LDI)

Arthur Stroij,
Client Portfolio Manager, LDI

Early in the week, markets were buoyed by optimism surrounding a peace proposal aimed at resolving the US-Iran war. However, sentiment soured quickly after Iran submitted a counterproposal that was swiftly rejected by Trump as "totally unacceptable", leaving negotiations at an impasse. The situation remains highly fluid, with only a fragile ceasefire in place and considerable uncertainty over the path to a lasting resolution.

The persistence of geopolitical tensions in the Middle East has prompted a notable shift in the global monetary policy outlook. Central banks have pivoted away from rate cuts – or a hold stance – towards a more aggressive tightening cycle. Norges Bank (Norway's central bank) led the way on 7 April, raising rates by 25bps in response to persistently elevated inflation and heightened economic uncertainty. The ECB looks set to follow, with markets pricing in three 25bps hikes for the remainder of the year, with the first expected as early as June.

Eurozone year-on-year inflation has crept higher from 2.0% towards 3.0% during 2026. One-year inflation swaps have moved from a pre-war level of 1.8% to 3.8%, reflecting the impact of the ongoing Strait of Hormuz blockade on near-term energy and price pressures. Notably, the one-year forward rate for one-year inflation swaps stands at a considerably lower 2.3%, suggesting markets still expect inflation to normalise once the blockade is resolved.

The swap curve retained its inverted shape, with ultra-long swap rates remaining well below 20-year rates, reverting from a short-lived steepening seen during the brief period of optimism over a peace settlement. The 30-year swap rate rose from 3.20% to 3.28% over the week while swap spreads for AAA- and AA-rated euro government bonds remained broadly stable – a sign of relative resilience in high-quality sovereign markets despite the volatile backdrop.

Investment grade credit

Luke Copley,
Client Portfolio Manager, Fixed Income

Risky assets shrugged off the volatile interest rate backdrop. Global investment grade (IG) corporate spreads were 4bps tighter on the week (the US dollar market was 4bps tighter versus a 2bps tightening in Europe). IG credit investors have been seemingly enticed by the higher "all-in" yield backdrop, with the asset class seeing some of the strongest inflows since 2020.

Primary markets were active for much of the week, at least until Friday's surge in bond yields paused the new issue pipeline. In the US, 34 companies raised $52 billion, with 92% of new deals tightening upon re-offer. In Europe, €18 billion of new issuance printed (in a holiday-shortened week). To free up space in portfolios for new issue participation we elected to trim exposure to names that have experienced impressive tightening in recent weeks, including French banks, and in the US Verizon's hybrids.

In corporate news, NextEra Energy was rumoured to be in discussions to acquire utility rival Dominion Energy. This would be a mostly stock deal aimed at helping address the growing demand for power from data centres. Florida-based NextEra has a market cap of $195 billion. Dominion Energy bonds traded at more than three times their daily average volume on Friday.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

As of last week, the high yield market was approximately two-thirds of the way through the first quarter earnings season and results have been robust. Companies are beating expectations at a healthy rate thus far and guidance has been strong – specifically in chemicals, services and technology. Negative guidance has been rare (less than 15%) and concentrated mainly in housing and cable. US high yield (HY) bond spreads tightened around 5bps this week. According to Lipper, US HY bond retail funds reported an inflow of $943 million, marking their sixth consecutive weekly inflow. The new issue market continues to be robust with 14 deals priced last week for a total of $9.6 billion.

The leveraged loan market can be described by steady inflows, solid earnings, healthy collateralised loan obligation (CLO) origination and heavy issuance. The average price of the S&P UBS Leveraged Loan Index finished the week down $0.06 at $94.57. Loans also reported their sixth weekly inflow for a total of $408 million. The loan market priced 30 new loans for a total of $32.4 billion, making it the heaviest new issuance week of the past four months.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

Returns were subdued within European HY last week, with the strategy returning -0.07% even as compression continued with CCCs outperforming (+0.87%). Market spreads tightened despite the volatility in underlying interest rates, this time by -12bps to 279bps, even as the German 10-year rose 16bps to 3.17% – which was a 15-year high. GBP HY took a real beating, returning -0.94% on the back of higher underlying gilt yields (+18bps in the 10-year). This came as the UK Labour government's house appeared to be on the brink of collapse with the departure of numerous ministers and talk of a leadership challenge. Inflation worries dominated fixed income markets, pushing core government bond yields higher as central bank speak tilted more towards rate hikes given higher inflation figures and as oil prices (Brent) rose another 8% last week.

New issuance remained strong albeit moderated after the bumper offering the previous week. This week saw €4.1 billion in corporate bonds come to market. This included a CCC-rated issuer PIK for Synlab (LT Corp rating B2 by Moodys). New issuers were well received (with one being 8x oversubscribed), including Synlab's PIK. Also in issuer news, healthcare firm CERBA announced the launch of a consent solicitation to clear the path for a French restructuring.

In rating news, pharmaceuticals firm Teva was upgraded to BBB- by Fitch, becoming a rising star on the road to moving to the IG universe.

Earnings reports generally continue to show strength and improvement with the reiteration of earlier 2026 guidance.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

There was a full week of economic data releases as the market digested information across existing home sales, CPI and PPI – all against the continuation of the Iran conflict and impacts on oil and rates. Housing data continues to suggest a relatively balanced market. Existing home sales rose modestly (+0.2% month-on-month in April) with forecasts projecting flat growth for 2026 as elevated interest rates constrain activity.

Agency mortgage-backed securities (MBS) returned -139bps for the week, with current and higher coupons outperforming lower coupons as they widened less. Spreads have continually tightened over the past month and are now essentially in line with long-term averages. We saw 15-year agency MBS outperform the 30-year as the curve continued bear flattening week-on-week. More than 10 new issues priced last week, taking the year-to-date total issuance to $99 billion, potentially on course to surpass 2019 post-global financial crisis peak issuance. Spreads in private label Residential MBS were mostly flat to around 5bps tighter week-on-week.

The asset-backed securities new issue market continues to be strong (+19.2% year-on-year), pricing nine new deals for a total of $6.7 billion. Secondary benchmark spreads were unchanged week-on-week. In Commercial MBS, three new issues totalling $4.2 billion were priced last week, putting issuance on track to surpass the 2021 record. Secondary trading activity was heavier with a quieter primary market. Benchmark conduit spreads were relatively unchanged across the capital stack as investor demand remains robust.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI posted negative returns of 55bps last week due to higher rates (65bps). JACI IG delivered a negative return (-59bps) while HY generated a loss of 26bps.

SJM Holdings, the gaming operator with the smallest market share in Macau, was downgraded a notch by Moody's to B1. Earnings growth has been sluggish and leverage remains elevated, with adjusted debt/EBITDA expected to stay above 7x through year-end.

S&P upgraded Vedanta Resources Ltd by two notches to BB. This reflects improvement in its cost structure and higher products prices that are strengthening earnings and credit metrics.

Tencent delivered positive Q1 results, driven by its value-added services segment (which includes gaming) and marketing services segment. On the supply bottleneck between GPU, CPU and networking chips, Tencent stated that GPU constraint has been more pronounced in China due to the restriction on importing them. Additionally, China-designed GPUs are facing the constraint in domestic fab capacity. That said, Tencent pointed out that the GPU/ASIC capacity limitation is being addressed, and it expects to see more supply from domestic fabs and those located in neighbouring countries. On the other hand, Tencent does not face supply constraints around CPU and networking chips thanks to its long-term relationships with the suppliers.

Turning to the Adani Group, both Gautam Adani and his nephew Sagar Adani have reportedly reached settlements with the US Department of Justice (DoJ) and the Securities and Exchange Commission (SEC). The DoJ had issued a criminal indictment against the pair for securities fraud and bribery, while the SEC brought a civil charge alleging that Adani's bond prospectus – specifically for the Adani Green Energy bond – contained false or misleading disclosures to US investors. The DoJ is reportedly looking to withdraw the criminal indictment and the SEC will settle directly with the individuals for approximately $18 million. Separately, there is a civil probe by the US Treasury Department's Office of Foreign Assets Control relating to allegations that Adani Enterprises purchased liquefied petroleum gas from Iran in violation of US sanctions. This probe is also reportedly close to being settled for approximately $275 million.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt posted a modestly weaker performance over the week, returning -1.12% with spreads widening 2bps. Corporate bonds outperformed sovereigns, posting returns of -0.41%, while local markets underperformed, returning -1.76%.

In the Philippines, political chaos developed as the vice president, Sara Duterte, was impeached for a second time amid allegations of misuse of public funds and public threats directed at President Ferdinand Marcos. Concurrently, Senator Tito Sotto was replaced by Senator Alan Cayetano, a known Duterte ally, in a move viewed as strategic positioning ahead of the impeachment trial. Against this backdrop, Philippine 10-year sovereign bonds declined by 1.58% over the week.

Elsewhere, Ghana reached a staff-level agreement with the International Monetary Fund following the final review of its existing programme. This paves the way for a successor Policy Coordination Instrument (PCI). While the non-financing nature of the PCI has resulted in a muted immediate market reaction, the agreement signals continued commitment to reform, which we expect to be positively received by investors over time.

In Venezuela, initial steps were taken towards a potential restructuring of external debt estimated at $160 billion-$180 billion, supported by a sustained rally in sovereign bonds (34-year Venezuelan bonds are priced at $53.92, a gain of around 15.5% year-to-date). While the immediate market response was measured pending further clarity, the restructuring process is expected to be complex, with access to external financing likely to be dependent on how the default situation is managed.

In ratings news, S&P affirmed Romania's BBB- sovereign rating with a negative outlook, citing expectations of a relatively swift political stabilisation following the recent government collapse. In contrast, Nigeria's long-term rating was upgraded to B from B- reflecting improved oil production and prices, expanded domestic refining capacity, and the ongoing benefits of the 2023 exchange rate liberalisation.

• There will be no In Credit next week due to the UK bank holiday. It will return on 1 June 2026.

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 18.5.2026, 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.