In Credit

19 January 2026

It's not easy being Greenland

US ambitions in Greenland, and the subsequent levying of tariffs on non-supportive European nations, have dominated headlines. Although the impact on bond markets has so far been limited, investors are wary. Read on for a breakdown of fixed income news across sectors and regions.

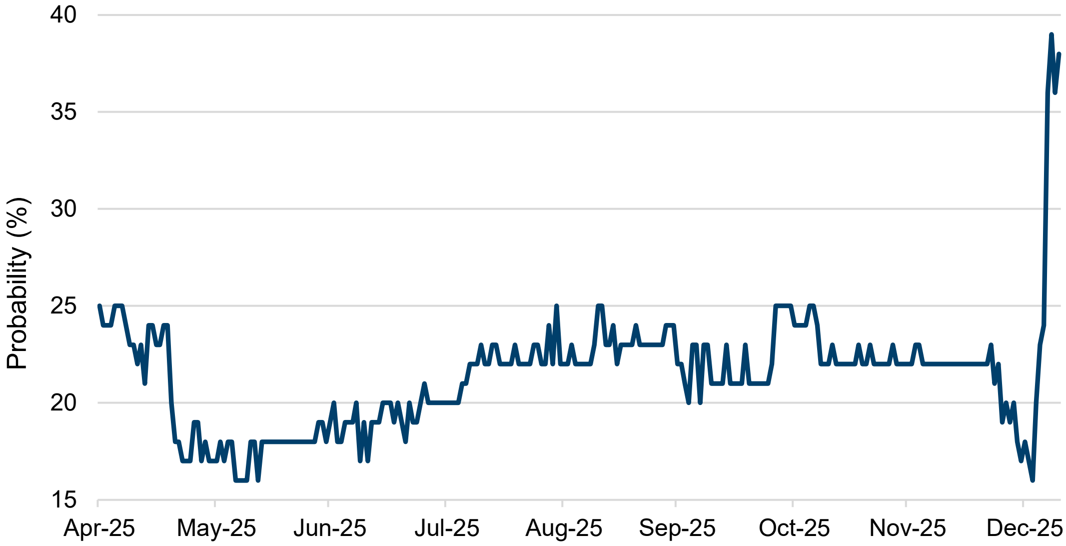
Chart of the Week

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

During his first term as US president, Donald Trump's claims on Greenland were viewed by many as a joke. Not anymore. After the ruthlessly efficient military operation in Venezuela, the world is scrambling to understand what might happen next. Hemispheric dominance appears to be an objective. The Chart of the Week shows that the betting market now prices a 41% chance of the US purchasing at least a part of Greenland before the end of the Trump presidency in January 2029.

Such a purchase would have historic parallels. Former president Thomas Jefferson purchased the Louisiana territories from France in 1803, Andrew Johnson presided over the agreement to purchase Alaska from Russia in 1867, and William Mckinley annexed Hawaii in 1898 after Queen Lili'uokalani was deposed. However, brace for turbulance: it is not clear what a change to Greenland's status would mean for the future of NATO.

Likelihood of the US purchasing part of Greenland before January 2029



Source: Bloomberg January 2026

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.22%	6 bps	0.0%	0.0%
German Bund 10 year	2.83%	-3 bps	0.4%	0.4%
UK Gilt 10 year	4.41%	3 bps	0.7%	0.7%
Japan 10 year	2.27%	17 bps	-0.8%	-0.8%
Global Investment Grade	76 bps	-2 bps	0.3%	0.3%
Euro Investment Grade	75 bps	-1 bps	0.4%	0.4%
US Investment Grade	75 bps	-3 bps	0.3%	0.3%
UK Investment Grade	64 bps	-2 bps	0.7%	0.7%
Asia Investment Grade	110 bps	-3 bps	0.1%	0.1%
Euro High Yield	275 bps	1 bps	0.6%	0.6%
US High Yield	265 bps	-9 bps	0.6%	0.6%
Asia High Yield	404 bps	-12 bps	1.1%	1.1%
EM Sovereign	226 bps	-4 bps	0.2%	0.2%
EM Local	5.9%	1 bps	0.2%	0.2%
EM Corporate	227 bps	-7 bps	0.4%	0.4%
Bloomberg Barclays US Munis	3.4%	-3 bps	0.9%	0.9%
Taxable Munis	4.9%	4 bps	0.0%	0.0%
Bloomberg Barclays US MBS	16 bps	2 bps	0.3%	0.3%
Bloomberg Commodity Index	286.53	1.4%	3.7%	3.7%
EUR	1.1620	-0.3%	-1.3%	-1.3%
JPY	158.02	-0.2%	-0.9%	-0.9%
GBP	1.3404	-0.2%	-0.7%	-0.7%

Source: Bloomberg, ICE Indices, as of 16 January 2026. *QTD denotes returns from 31 December 2025.

Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

There was a bias to higher yields in the US and Japan last week, with 10-year yields rising by 6bps and 9bps respectively. Yields were little changed in the eurozone and UK. Over the weekend, Trump announced a 10% tariff on numerous European countries as a punishment for failing to support US attempts to take over Greenland. Denmark, Norway, Sweden, France, Germany, the UK, the Netherlands and Finland were hit with the levy, which is effective from February and will rise to 25% by June. The impact on bond markets was limited, as market participants price for a negotiated settlement.

In Iran, although the prospect of a collapse in the regime seems to be rising, the prospect of US military action against the country has eased for the time being.

Still in the US, the issue of Federal Reserve (Fed) independence continues to swirl. All three living former Fed chairs and several former Treasury secretaries signed a letter in which they emphasised the importance of Fed independence. The following day, 11 leading central bankers from across the globe did the same. Signatories included Andrew Bailey, governor of the Bank of England, and Christine Lagarde, president of the European Central Bank.

US data showed that core CPI came in 0.2% for December, translating into a year-on-year figure of 2.6%. There was also publication of the Fed's Beige Book, which pointed to a still resilient economy. While US consumption continues to hold up, there is increasing evidence of a bifurcation between the spending patterns of higher income households and those of increasingly price conscious lower income households.

In Japan, the new prime minister, Sanae Takaichi, announced that she would call a snap election for 8 February. This was viewed as likely to the result in fiscally expansionary policies and tighter monetary policy, which triggered a further rise in Japanese bond yields.

Investment grade credit

Charlotte Finch,
Client Portfolio Manager, Investment Grade Credit

Investment grade spreads across the board are now 4%-5% tighter year-to-date. US IG spreads outperformed last week, tightening a further 3bps, led by the leisure and autos sectors.

Earnings season kicked off with results from the US banking sector, with JP Morgan, Citigroup, Bank of America and Goldman Sachs among those reporting. Results have generally been strong so far, despite the wider macroeconomic environment.

Earlier in the month, mining giants Rio Tinto and Glencore announced preliminary merger discussions involving an all-share acquisition. Chinese regulators are set to scrutinise the deal's impact on copper and iron ore markets, as was the case with previous mining mergers. The recent focus on copper assets is due to green energy and AI demand, following industry trends towards strategic copper positioning.

New issuance is keeping up pace, with Goldman Sachs raising the largest ever IG bond sale from a Wall Street bank at $16 billion. The offering exceeded Goldman's minimum target by $4 billion and came after strong quarterly profits. Morgan Stanley and Wells Fargo then simultaneously raised $8 billion each. The deals reflect a flood of issuance as companies capitalise on lower interest rates and surprising US economic resilience, which has bolstered investor confidence in corporate bonds.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield bond spreads tightened to 11-month lows as the market absorbed resilient macro data that continues to indicate favourable growth dynamics. The new issue calendar was slow to materialise over the second full week of the year, with just under $3 billion priced. The ICE BofA US HY CP Constrained Index returned 0.16% and spreads tightened 9bps. According to Lipper, US high yield bond retail funds reported a $371 million outflow. This marks the third outflow over the past four weeks, with more than $1 billion withdrawn over the period.

US leveraged loan prices were supported by a strong technical as the asset class saw large inflows and low net new issue activity. That said, the S&P UBS Leveraged Loan index average price was unchanged at $96.1 as much of the asset class remains capped near par. Floating rate funds saw their largest inflow in eight months with $1.1 billion contributed over the week.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

It was a sideways week for European high yield markets, resulting in an almost flat return (+0.02%) as spreads and yield were largely unchanged (the yield stayed at 5.73% while the spread widened +1bps to 275bps). BBs and CCCs modestly outperformed the market while single Bs underperformed – the only credit to record a negative return. This even came as the asset class saw strong inflows, with €391 million via both ETFs and managed accounts. For the first time in months the majority occurred via ETFs. Much of the strong inflows were mopped up by the large number of new issuances (all refinancings) that occurred in the primary market. The week saw 10 issues totalling €6.5 billion. The primary market should remain robust with M&A expected to help the flow of deals. Interestingly, corporate activity is proving quite busy at the start of the year. There are already rumours of two issuers (EG Group and Belron) looking at IPOs, while Telefonica has announced interest in acquiring Vodafone Espana.

The latest Trump tariff threat around Europe will most negatively affect the auto industry, technology and semiconductors, consumer goods, retail, and basic materials. Interestingly, Eastern Europe, Spain and Italy are not impacted.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI posted a 21bps return over the past week, helped by both spreads (15bps) and treasuries (6bps). JACI IG generated 15bps of returns while HY delivered 71bps.

CK Hutchison is reportedly planning to launch a dual listing of its retail business (AS Watson Group) in Hong Kong and London, potentially achieving a valuation of US$30 billion. China Vanke has improved its onshore bond extension proposal for three onshore bonds by offering an upfront payment of 40% and deferring the remaining 60% by a year. Separately, Dalian Wanda obtained approval from its creditors to extend the maturity of its 11% 2026 bond to 2028.

S&P upgraded Shriram Finance to BBB- (from BB+), thanks to a $4.4 billion investment from MUFG Bank for a 20% equity stake, which will strengthen Shriram's capitalisation. Moody's has revised the outlook of several Adani entities (Adani Ports & SEZ, Adani Transmission Step-One Ltd, Adani Electricity Mumbai Ltd and Adani Energy Solutions) to stable from negative. This largely reflects the view that the companies will continue to have solid access to liquidity. The US Attorney Office's indictment of the Adani chairman and two other senior executives in November 2024 did not impact the fundamental credit profile and liquidity access of the Adani operating companies.

In the primary market, Kuaishou, a short video social media platform, issued its debut two-tranche $1.5 billion bonds. ReNew Power Ltd is issuing a five-year bond with a new structure (issuance from an entity incorporated in Gujarat International Finance Tec-City International Financial Services Center, or GIFT.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) sovereign debt saw modest returns of 0.1% on the week. Corporates outperformed sovereigns with returns of 0.22%, while local returns remained relatively flat on the week.

Last Thursday, the Venezuelan opposition leader, María Corina Machado, met with Trump at the White House and gave him her Nobel Peace Prize medal for his intervention in Venezuela. (This was the medal only; the actual designation from the Nobel Committee cannot be transferred.) Trump softened his tone towards Machado but did not go so far as to endorse her as the next president of Venezuela or even give a timeline for holding new elections.

Meanwhile, CIA director, John Ratcliffe, met with Venezuela's acting president, Delcy Rodríguez, in Caracas. Ratcliffe is the first cabinet-level official to travel to Venezuela. The meeting aimed to start building trust between the two countries and discuss economic collaboration. Rodríguez announced a "partial reform" of the country's hydrocarbon legislation during the "Memoria y Cuenta" annual reporting, justifying the reform with the need to attract investment for the country's oil industry. Rodríguez went on to vow that the government would prioritize social spending, and infrastructure works with energy revenues. The legislative project will now be discussed by the National Assembly before going to a vote. Roderiguez continues to bridge the gap of trying to please the US while paying lip-service to Chavismo ideology.

Elsewhere, Ecuador announced a tender of their 6.9% 2030s and 6.9% 2035s. The offer commenced last Friday, and they are holding investor calls next week with a new "intermediate maturity" issuance to follow. Following the announcement, Ecuador 30s and 35s bond prices rallied, ending the week around 1.7% and 0.6% higher respectively.

This week we expect to see rate announcements for Indonesia and Turkey with the former expected to hold rates and the latter to cut.

Responsible investments

Charlotte Finch,
Client Portfolio Manager, Investment Grade Credit

In the labelled bond space, expectations remain robust for continued growth in the Blue Bond market this year. This is driven by escalating demand for securities focused on marine sustainability and ocean-based conservation initiatives. Issued under established green bond frameworks, blue bonds have steadily gained traction, with approximately $5 billion in issuances in 2025. The most recent notable transaction came from Emirates NBD Bank last week, which successfully launched a $300 million three-year maturity bond. The offering saw strong market appetite and was more than two times oversubscribed, reinforcing the sector's promising trajectory.

Fixed Income Asset Allocation Views

19 January 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)	Short -2 (¥) -1 (P; $, CAD$) 0 (£) +1 (€) +2 (A$) Long	▪ Longer yields remain elevated as perma-loose fiscal keeps term premium in place. ▪ Inflation to continue to slowly normalise, although some sectors may remain sticky. ▪ Full tariff passthrough remains ahead in US, but shelter will continue to aid the Fed. ▪ Central Banks still predominantly searching for neutral, paths may diverge over coming quarters.	▪ Fiscal drives stronger growth, leading to rebounding inflation pressures. ▪ Central Banks shift focus to fighting inflation once more. ▪ Yields break higher and curves drive flatter as policy hikes get repriced.
Currency ('E' = European Economic Area)	Short -2 -1 0 (€ £ A$; EM $¥) +1 +2 Long	▪ 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))	Under-weight -2 -1 0 +1 (R; C) +2 Over-weight	▪ 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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