In Credit

20 April 2026

All around the world

After another week in which geopolitics set the stage for wider market moves, latest data shows a stabilisation in the decline of global democracy scores. Read on as we breakdown the latest fixed income news across sectors and regions.

Chart of the Week

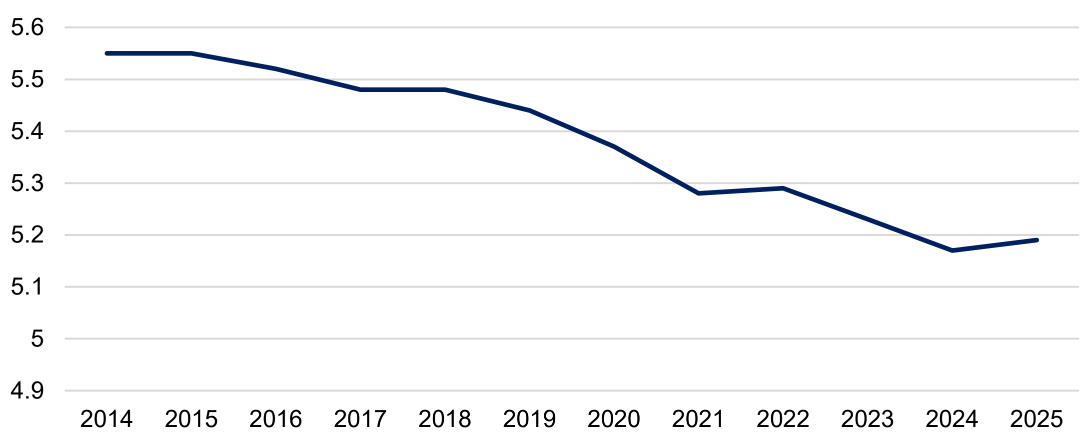
Gary Smith,
Head of Client Portfolio Management team, Fixed Income, EMEA

The good news is that after eight consecutive years of decline, the Economist Intelligence Unit's (EIU) global democracy index stabilised in 2025. The bad news is that the global score remains close to the historic 20 year low seen in the previous year. We wrote about the potential impact of this on financial markets last year.[1]

Might there be light at the end of the tunnel? The EIU highlights that scores across the Americas have improved (except in the US) and 85% of scores in what are described as the 45 "full democracies" have either stabilised or improved (again, except in the US).

Still in the top 10 are the Scandinavian nations, as well as New Zealand and Switzerland. Canada is a new arrival. The UK was stable at 18 while the US slipped two places to 36. At the bottom end of the list were China (142), Russia (148), Iran (152) and North Korea (165).

Global average democracy index



Source: Economist Intelligence Unit, April 2026

[1] Columbia Threadneedle Investments, Democracy in decline the impact on financial markets, 15 April 2025

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.26%	-5 bps	0.6%	0.7%
German Bund 10 year	2.99%	-7 bps	0.4%	0.1%
UK Gilt 10 year	4.80%	-3 bps	1.3%	-0.7%
Japan 10 year	2.39%	-4 bps	0.0%	-1.7%
Global Investment Grade	80 bps	-3 bps	1.3%	0.8%
Euro Investment Grade	77 bps	-5 bps	1.5%	0.5%
US Investment Grade	80 bps	-2 bps	1.4%	0.9%
UK Investment Grade	67 bps	-2 bps	1.6%	-0.1%
Asia Investment Grade	117 bps	0 bps	0.7%	0.6%
Euro High Yield	313 bps	-4 bps	2.1%	0.4%
US High Yield	283 bps	-11 bps	2.0%	1.5%
Asia High Yield	418 bps	-4 bps	1.9%	2.0%
EM Sovereign	221 bps	-10 bps	3.3%	2.1%
EM Local	6.1%	-8 bps	5.2%	2.8%
EM Corporate	234 bps	-1 bps	1.7%	1.5%
Bloomberg Barclays US Munis	3.6%	-3 bps	1.5%	1.3%
Taxable Munis	4.9%	-7 bps	0.7%	1.0%
Bloomberg Barclays US MBS	19 bps	0 bps	0.9%	1.4%
Bloomberg Commodity Index	338.36	-0.4%	-2.6%	21.2%
EUR	1.1764	0.4%	1.8%	0.2%
JPY	158.94	0.4%	0.0%	-1.2%
GBP	1.3513	0.4%	2.2%	0.3%

Source: Bloomberg, ICE Indices, as of 17 April 2026. *QTD denotes returns from 31 March 2026.

Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

Geopolitics set the stage for the market last week. The context for price action was the announcement of the Israel-Lebanon ceasefire, the partial reopening of the Strait of Hormuz, and talk by US president Donald Trump of an imminent deal. This led to a bull steepening trend across core fixed income markets as the prospect of a sustained inflationary uptick appeared to fade.

But the more favourable market environment did not persist. Iran reclosed the Strait on Saturday, while the US attacked and seized an Iranian cargo ship. This led to a predictable market reaction in the early hours of trading on Monday morning. Bond valuations weakened and the oil price rose.

US economic data, which has diminished in importance as a market mover during the conflict, saw PPI come in lower than expected, while the Beige Book highlighted slowing consumer spending and a ‘low fire, low hire’ US labour market.

John Williams, New York Federal Reserve (Fed) president, commented that monetary policy was in the right place while Chris Waller, Fed Governor, warned of the difficult trade-offs the Fed would face if the closure of the Strait of Hormuz were prolonged.

In the UK, the weakening of Keir Starmer’s position as prime minister due to the appointment of Peter Mandelson as US ambassador led to speculation he could be replaced. All the likely candidates would be viewed as more fiscally expansive left-wing candidates. This led to upward pressure on long-dated gilt yields, as market participants priced in a greater political risk premium.

Investment grade credit

Luke Copley,
Client Portfolio Manager, Fixed Income

Global investment grade (IG) corporate spreads tightened 3bps on the week (the US dollar market was 2bps tighter, with the euro 5bps tighter). By sector, more cyclical and lower-rated names led the move. The positive tone was driven by growing confidence that Iran and the US could extend their truce and shipping lanes in the Gulf reopen.

Issuers took advantage of the constructive backdrop, with primary markets active on both sides of the Atlantic – led by the big six banks in the US who predictably came to market following their earnings releases (which were generally strong across the board). In the US we saw $57 billion of new issuance, with the Bank of America, JP Morgan, Morgan Stanley and Goldman were responsible for 63% of this supply. New issue concessions were, on average, a skinny 3bps, with deals oversubscribed by an average of 2.7x. This shows that overall demand is still solid despite the volatile market backdrop. In Europe, it has so far been the third busiest April on record for new supply. We also saw some GBP issuance, with interesting deals such as retailer Westfield printing a five-year ABS and housing association Saltaire coming to market – we participated in both.

In corporate news, Eli Lily is reportedly in advanced talks to acquire Kelonia Therapeutics for $2 billion. In Europe, Spain's competition and markets watchdog, the CNMC, opened sanctions proceedings against various companies over alleged infringements during the nationwide blackout in April 2025. While the potential for utility firms to be fined looks somewhat limited (fines are capped at 10% of regulated revenues), if blame is assigned it could lead to downstream claims from other businesses that suffered disruption. Repsol has already announced that it plans to pursue Iberdrola, Endesa and Naturgy for €125 million given the disruption to its refining operations.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

High yield (HY) had a strong week, tightening 10bps to a spread just under 300bps. This is essentially where the market started the year. The continued improvement of the situation in Iran and the ‘opening’ of the Strait of Hormuz on Friday provided a strong tailwind. April has been one of the strongest months in recent years, more than offsetting the earlier pullback seen in Q1. Lower-quality CCC-rated credits outperformed higher-quality BBs in the rally last week, as the market showed a broad bid for risk. Energy lagged while other sectors were rallying. HY funds had an inflow of $2.8 billion for the week, their largest weekly inflow since June. The new issue market priced 16 deals last week (versus three the week before) for $16.6 billion.

The leveraged loan market showed early signs of recovery, driven by renewed collateralised loan obligation (CLO) issuance activity. Similarly, relative geopolitical stability towards the end of the week also supported the improved tone. Spreads tightened around 8bps last week, leaving the spread inside 500bps for the first time since the end of February. The average price of the S&P UBS Leveraged Loan Index finished the week up $0.34 at $94.39. For the loan primary market, four new loans priced this week for $2.3 billion. Loans had their largest weekly inflow in 10 weeks at $398 million.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

Despite opening softly at the start of week, European HY ended last week significantly stronger. Spreads tightened by 4bps to 313 and yields fell 14bps to 6.21%, with the market returning 0.61%. Compression returned with CCCs strongly outperforming BBs and Bs (+1.7% versus +0.51% and +0.75% respectively). In sector news, real estate rebounded and was the only sector returning more than 100bps for the week (1.14%). Flows into the asset class also improved (€296 million) after a modest inflow the previous week. This was via both ETFs and managed accounts. The primary market picked up with a bang as €6.3 billion came to market via seven issuers. These were largely BBs with one single-B issuer (assisted care home provider Clariane).

Despite concerns last month that M&A deals could be shelved for the year given the increased uncertainty, the past week saw numerous potential deals in the news. Evoke confirmed a long-rumoured bid from Bally's Intralot for £225 million (50p a share). Pharmaceutical firm Grunenthal aired the possibility of bidding for Organon, and a consortium including Bouygues returned to the negotiations table with an improved €20.35 billion offer for Altice France.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Mortgages outperformed last week as rates fell and volatility declined. Agency mortgage-backed securities (MBS) returned +55bps for the week, with current coupons outperforming lower coupons. Spreads tightened across the coupon stack and are now essentially in line with long-term averages. 30-year agency MBS outperformed 15-year MBS as the curve bull steepened week-over-week. Last week, non-agencies finally participated in the broader rally. Spreads in private label residential MBS tightened around 10bps on the week given the robust issuance pipeline and risk-on environment.

Latest data showed that existing home sales declined 3.6% in March to the lowest level since June 2025, with all four regions posting declines. The weakness reflects the housing market's sensitivity to rate volatility and structural supply constraints. Mortgage rates reversed sharply in March, climbing from less than 6% at the end of February to more than 6% by late March as geopolitical tensions, and particularly the Iran conflict, pushed oil prices and Treasury yields higher. Supply-side pressures intensified as builder sentiment deteriorated to a seven-month low in April. Around 70% of builders reported cost uncertainty as a primary concern, with energy costs representing roughly 4% of input costs. Combined with elevated borrowing costs, this uncertainty has weighed on new construction activity.

New issuance in the asset-backed securities market continues to be strong (+28% year-on-year), pricing 13 new deals for $10.5 billion and the pipeline expected to remain strong. Secondary benchmark spreads were unchanged at 5bps-15 bps tighter week-over-week. In commercial MBS, secondary trading activity picked up week-on-week with the risk-on environment. Benchmark conduit AAA spreads were mostly unchanged at the top of the capital stack, with tightening further down. While there were only two new deals this week, totalling $1 billion, more than $45 billion remains in the pipeline, mostly in single asset, single borrower (SASB) transactions.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI posted positive returns of 29bps last week, largely driven by spread returns (26bps). IG delivered 26bps over the week while HY generated 43bps.

TSMC delivered strong Q1 results with revenue of US$35.9 billion (+6.4% quarter-on-quarter, +40.6% year-on-year) and a gross margin of 66.2% (+3.9 percentage points quarter-on-quarter, +7.4 percentage points year-on-year), just ahead of guidance. TSMC does not expect major near-term disruption from input constraints such as energy, helium and hydrogen as it has multiple sources for these input materials. The company also raised 2026 capex guidance to the upper end of $52 billion-$56 billion. It also expects 2026 revenue growth to be more than 30%.

Adani Energy Solutions Ltd has refinanced its ADTIN 4% August 2026 bond using a US$500 million 15-year private placement with Apollo. This shows that Adani entities continue to retain good access to funding. In February 2026, AESL secured a $750 million loan (five-year, +200bps) from Japanese lenders.

Moody's downgraded Greenko Energy Holdings (GEH) a notch to Ba3. The agency also downgraded the senior unsecured ratings of Greenko II Limited and Greenko Wind Projects (Mauritius) Ltd to Ba3 from Ba2. The outlook for all ratings has been revised from negative to stable. Moody's highlighted that the financial metrics of GEH will stay at levels more consistent with a B2 standalone profile for longer than expected. This is attributed to the lengthy timeline to construct and ramp up its major pumped hydro storage projects and the restoration of the Teesta III hydropower project.

In South Korea, Naver Corp issued two tranches of green bonds – a five-year US$500 million issuance and a seven-year €500 million issuance.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) sovereign debt returned +1.25% over the week, with spreads tightening 12bps and retracing to pre-US/Iran conflict levels (around 243bps). Corporate bonds posted a +0.66% return, and local markets outperformed, returning +1.23%.

Attention was continually on the Strait of Hormuz, which was closed within 24 hours of Iran briefly reopening it to commercial shipping. Iran cited the continued US blockade of Iranian ports as the reason for the renewed closure. Oil prices were volatile on the back of this, ricocheting between $90 and $100 last week, before settling at around $95 by Monday morning.

Lebanese bonds were in focus as the US imposed on Israel a formal 10-day ceasefire agreement between Israel and Lebanon. Market reaction was positive, with Lebanon 2037s rallying +2.45% to finish at 28.4 on last week's close.

Elsewhere, a group of Ethiopian bondholders initiated legal action against the government over a defaulted bond. This is the first time a country will be sued under the Common Framework. The move threatens to disrupt Ethiopia's efforts to restructure around $13 billion of external debt and saw government bonds open 0.26% lower on the news.

In Asia, Pakistan announced a $3 billion financial support package from Saudi Arabia, aimed at mending a funding gap linked to an upcoming $3.5 billion debt repayment to the UAE. Markets responded positively, with 10-year Pakistani government bonds tightening 12bps over the week.

Upcoming: China will issue CNY15.5 billion (around $2.3 billion) of sovereign bonds this week.

Fixed Income Asset Allocation Views

20th April 2026

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 and key labor tensions persist. ▪ **The group maintained a moderately underweight view on credit risk, with no changes to their underlying sector views.**	▪ 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 $ £ 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. ▪ Record issuance in January across sovereigns and corporates signals HY markets fully open. EM growth run rate holding in well supported by strong Chinese exports, with upgrades outnumbering downgrades. ▪ Technicals have been well supported with dollar weakening, US Federal reserve accommodation, and positive 2026 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 are at historically tight levels…at the 1st percentile of the last 25 years. ▪ Fundamentals remain solid with 4Q earnings coming in better than expectations. ▪ Expectations for a strong 2026 supply have increased again with over $600 billion coming from just 4 companies. This surge in supply is coming from the technology and utilities sectors, propelled by AI infrastructure investment. ▪ Credit curves are likely to continue their steepening path given increased capital expenditure and M&A funding needs.	▪ 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, especially for BBs. ▪ 4Q earnings have been within expectations so far. The uncertainty of AI's impact on software and tech-affiliated industries has become a major theme, though no concrete impact is expected in the short term. The group has added exposure in select high quality battered names as industry dispersion has increased. ▪ Loan market default rate fell to 2.78% in January, down 9bps from December.	▪ 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 significantly tightened in January following President Trump's announcement of a $200 billion buying program, effectively pulling forward a year's worth of support into prices. The value proposition has shifted but carry and convexity still offer value. ▪ Outlooks 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; the buying program shifted the market from reducing to maintaining Agency MBS.	▪ 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 have been stable and housing activity remains near historic trough on a population-adjusted basis. ▪ CMBS: AAA spreads at multi-year tights; availability of credit continues to improve for quality loans. Expectations for 2026 CMBS supply to set new post-GFC record. ▪ CLOs: New year started with resurgence of repricing activity; BB spreads repriced wider in sympathy with Tech concerns while senior tranches mostly unchanged. ▪ ABS: Spreads have continued to narrow across sectors and delinquencies have been mostly stable. The group prefers higher quality, liquid securities.	▪ 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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