

# In Credit



27 April 2026

## Down down

These are turbulent times for the UK, between the Iran war impacting energy prices, a constrained consumer and a political crisis that is weighing on gilts. Read on for a breakdown of fixed income news across sectors and regions.



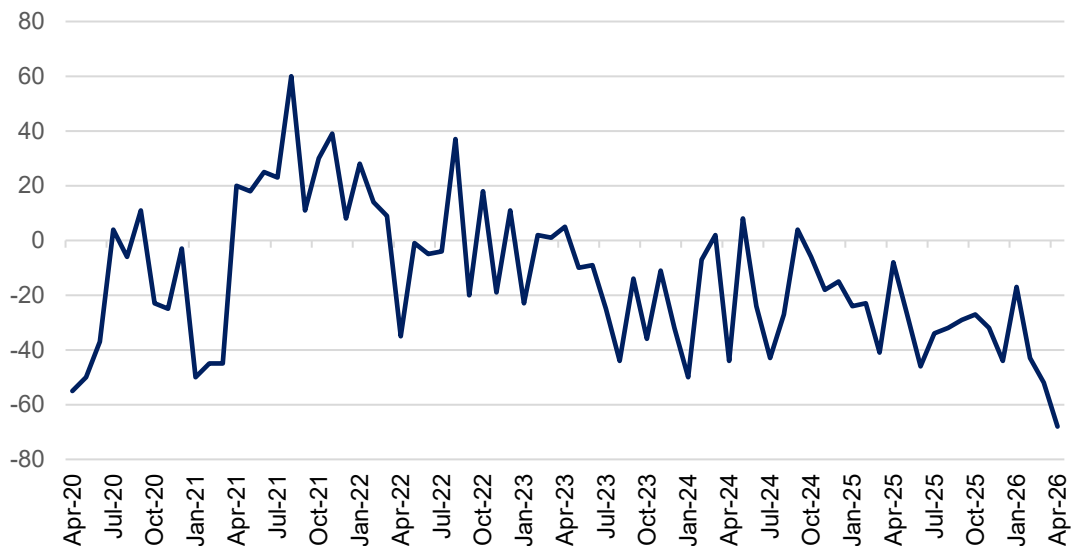
### Chart of the Week

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

UK survey-based retail sales data for April make for grim reading. The CBI's headline sales balance dropped to -68, down from -52 in March. This is the lowest in a 48-year history and below levels seen during the global financial crisis (GFC) and Covid. The impact of the war in Iran, and particularly the effect on energy prices, is continuing to drag on consumer activity.

It's a bleak outlook for the prime minister, Keir Starmer, heading into the much-anticipated local elections on 7 May. In terms of his leadership, he may be hoping for a continuation of the status quo, but there are gathering clouds and the outlook might be described as down, down, deeper and down.

### UK CBI distributive trades survey



Source: Bloomberg, April 2026

## Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
<b>US Treasury 10 year</b>	4.31%	7 bps	0.4%	0.5%
German Bund 10 year	3.01%	5 bps	0.2%	-0.1%
<b>UK Gilt 10 year</b>	4.95%	18 bps	0.1%	-1.9%
Japan 10 year	2.48%	5 bps	-0.1%	-1.7%
<b>Global Investment Grade</b>	81 bps	1 bps	1.1%	0.5%
Euro Investment Grade	80 bps	3 bps	1.1%	0.1%
<b>US Investment Grade</b>	80 bps	0 bps	1.1%	0.7%
UK Investment Grade	69 bps	2 bps	0.5%	-1.1%
<b>Asia Investment Grade</b>	115 bps	-2 bps	0.7%	0.6%
Euro High Yield	303 bps	-10 bps	2.1%	0.5%
<b>US High Yield</b>	286 bps	3 bps	1.8%	1.3%
Asia High Yield	420 bps	2 bps	1.7%	1.9%
<b>EM Sovereign</b>	224 bps	4 bps	2.8%	1.6%
EM Local	6.2%	12 bps	3.6%	1.3%
<b>EM Corporate</b>	229 bps	-5 bps	1.7%	1.5%
Bloomberg Barclays US Munis	3.6%	1 bps	1.5%	1.3%
<b>Taxable Munis</b>	4.9%	5 bps	0.4%	0.7%
Bloomberg Barclays US MBS	20 bps	1 bps	0.6%	1.0%
<b>Bloomberg Commodity Index</b>	350.22	3.6%	0.9%	25.5%
EUR	1.1745	-0.4%	1.5%	-0.2%
<b>JPY</b>	159.14	-0.5%	-0.4%	-1.7%
GBP	1.3554	0.1%	2.3%	0.4%

Source: Bloomberg, ICE Indices, as of 24 April 2026. \*QTD denotes returns from 31 March 2026.



## Macro/government bonds

Simon Roberts  
Product Specialist, Global Rates

We saw a bear flattening trend in core markets last week, which reflected a lack of progress on talks between the US and Iran on reopening the Strait of Hormuz. The oil price tracked higher from \$95 a barrel of Brent to more than \$108 by early Monday. US president, Donald Trump, survived another assassination attempt, but this had no impact on markets.

In the US, retail sales data for April came in much stronger than expected, reflecting a significant jump in spending on vehicle fuel. PMI data remained in expansionary territory. This can be partly attributed to the current strength of the economy and partly to the stimulus from tax rebates. In Europe, the PMI surveys pointed to a deteriorating economy. The conflict in the Gulf has hit the services sector hard, dampening growth at the same time as prices have been pushed higher. And in the UK, a stronger reading from the PMI surveys was largely illusory – strong growth in manufacturing reflected businesses bringing forward purchases to avoid higher war-related inflation at a later point.

Staying in the UK, Starmer, survived a stormy week regarding his appointment of Peter Mandelson – an associate of paedophile Jeffrey Epstein – as US ambassador. His position has clearly weakened as May elections loom. The prospect of a left-wing alternative, and rumours of his potential replacement of Rachel Reeves as chancellor, put upward pressure on gilt yields.



## Liability driven investments (LDI)

Jan Willemsen,  
Client Portfolio Manager, LDI, Continental Europe

The past week has witnessed further repricing of European Central Bank policy expectations, driven primarily by the escalating US-Israel war with Iran and its impact on energy markets. Markets have shifted from pricing in 1.8 rate hikes for 2026 last week to now expecting 2.5, reflecting heightened concerns about sustained inflationary pressures from elevated oil prices.

The yield curve has responded with renewed flattening, particularly at the ultra-long end where dynamics have reversed the steepening trend observed throughout 2025. The 50-year swap rate continues to trade well below the 20-year rate, reflecting market concerns about long-term European growth prospects under prolonged energy stress and geopolitical uncertainty. This curve inversion at the very long end has become a defining feature of the current market environment, with implications for LDI strategies that rely on ultra-long duration exposures.

Despite this volatility, European government bond spreads have demonstrated remarkable stability. The downgrade of Belgium by Moody's from Aa3 to A1 on 17 April – joining Fitch's existing A+ rating and leaving only S&P maintaining a AA rating – had minimal market impact. Belgian spreads versus Germany remain around 55bps at the 10-year maturity, which is well within recent ranges. This resilience suggests the rating action was largely anticipated. Long-term investors like pension schemes who invest primarily in AAA and AA-rated government bonds now have an even narrower investment universe, given that France was downgraded to single A in the fourth quarter of 2025.

Broadening the universe, combined with a pro-active investment approach, is therefore strongly recommended. Furthermore, curve matching remains critical during this period of non-parallel yield curve shocks, while sustained volatility underscores the importance of maintaining appropriate hedging strategies.



## Investment grade credit

Luke Copley,  
Client Portfolio Manager, Fixed Income

Global investment grade (IG) corporate spreads were 1bp wider on the week (the US dollar market was unchanged while the euro was 3bps wider). Stalled peace talks between the US and Iran set a choppy backdrop for risk sentiment, with Europe seen as more vulnerable to prolonged energy disruption.

Primary markets slowed down, with around \$20 billion in new deals in the US during the week (three times less than the previous week) and a similar amount in euros. However, it has still been one of the busiest Aprils for issuance in the past six years, and in Europe the year-to-date total new supply has increased to €164 billion – a 55% rise versus the same period in 2025. Overall, by the week's close around 78% of new issues were trading tighter. Infrequent issuer Rentokil (consumer services) led the outperformance upon re-offer, in which we participated. European pharma name Sanofi was the largest deal on Friday, with a €2.3 billion triple-tranche offering, which we also added.

Earnings reports generally had a strong tone through the week: 82% of S&P 500 companies have now topped earnings-per-share (EPS) estimates this quarter – ahead of the big tech earnings due this week. Of the Magnificent 7, Tesla reported on Wednesday, beating estimates for top-line growth and earnings. The company also raised its 2026 capex plans to more than \$25 billion, which is \$5 billion increase versus its prior estimate. Meta announced plans to cut 10% of its workers (around 8,000 roles) as well as cancelling hiring plans to fill 6,000 roles.

Microsoft said it will offer voluntary redundancy to around 7% of its US employees. Tech companies may be looking to cut expenses to offset investment in data centres and other AI infrastructure.

Consumer staples giant P&G's strong quarterly figures came with a health warning that rising oil prices caused by the Iran war could lead to additional costs of \$1 billion in its next fiscal year.



## US high yield credit and leveraged loans

Chris Jorel,  
Client Portfolio Manager, US High Yield

The high yield (HY) market returned -20bps for the week, with losses evenly distributed across the rating spectrum and volumes lower by 13%. As earnings kicked off, misses have been severely punished (one HY software company fell around 50% on a modest guide down), but overall disappointments have been limited. Technicals remained strong, supported by ample cash and inflows into HY funds – last week was the third consecutive week of inflows. The primary calendar remained active as the market priced 11 new deals for \$12.6 billion, with the monthly volume reaching \$31 billion. This makes it the busiest month since April 2021.

Data centre activity picked up again last week, with more than \$5 billion priced. The sector has rapidly grown from zero to almost 250bps of the index. However, the deals that came last week did not see the same level of demand as previous deals.

The leveraged loan market was up about an eighth of a point for the week, with gains distributed across sectors. The average price of the S&P UBS Leveraged Loan Index finished the week down \$0.12 at \$94.50. The market saw its largest weekly inflow in the past 14 weeks of \$705 million. The new issue market also increased, pricing 15 new loans for \$12.2 billion.



## Structured credit

Kinsey Wessels,  
Client Portfolio Analyst, Fixed Income

Structured products showed broad firmness across sectors, with most areas ranging from unchanged to around 5bps tighter. The US market gained some clarity late last week when the Department of Justice dropped its criminal investigation into the Federal Reserve (Fed) chairman, Jerome Powell. This also raised expectations that Kevin Warsh will be confirmed on time.

Despite the Warsh nomination, and the prospect of potentially more aggressive Fed balance sheet reduction, the mortgage market has not materially repriced this risk. Agency mortgage-backed securities (MBS) returned -33bps for the week, as current coupons continued to outperform lower coupons, with lower coupons widening while higher coupons tightened. Spreads have tightened around 25bps over the past three weeks and are now essentially in line with long-term averages. 30-year agency MBS outperformed 15-year MBS as the curve bear flattened week-over-week. More than nine new issues priced last week, making year-to-date total issuance a post-global financial crisis record at \$69 billion.

Spreads in private label residential MBS were mostly unchanged for the week. Recent pending home sales data rose 1.5% month-on-month driven by pent-up demand and increased inventory despite elevated mortgage rates. Growth was concentrated in the south due to population influx and job growth, while other regions lag. Sustained high interest rates are expected to keep housing activity at stable/modest growth levels in the near term.

The ABS new issue market continued to show strength, rising 22.5% year-on-year and pricing 13 new deals for \$7.6 billion. Secondary benchmark spreads were unchanged at 5bps-15bps tighter week-on-week. In commercial MBS, secondary trading activity picked up week-on-week with the risk-on environment. Benchmark conduit AAA spreads were mostly unchanged to slightly tighter at the top of the capital stack. There was an uptick in new deals last week, with five new issues totalling \$3.6 billion.



### Asian credit

Justin Ong,  
Research Analyst, Asian Fixed Income

The JACI posted negative returns of 8bps last week, due to spreads (-6bps) and rates (-1bp). Both JACI IG and HY generated losses of 7bps and 13bps respectively.

Freeport-McMoRan, parent company of Freeport Indonesia (PTFI), has delayed a production ramp-up at Indonesia's Grasberg Block Cave mine. PTFI must modify its ore loading infrastructure after discovering significantly wetter underground conditions following the September 2025-April 2026 shutdown. This will limit near-term production. PTFI's overall production timeline has been revised downward: the H2 target is now 65% capacity versus previous guidance of 85%; mid-2027 is targeting 80% capacity; and end-2027 is targeting full capacity (the target of full capacity by end-2027 is unchanged). PTFI has also lowered its 2026 sales guidance for Indonesia: copper is now at 663 million pounds (versus 900 million previously) and gold is 650,000 ounces (versus 800,000 previously).

Sands China Ltd (SCL) delivered strong Q1 results driven by renovated properties (Londoner Macau), cost savings, and improved mass spending. Management expects Chinese travellers to favour short-haul destinations (for example, Macau and Singapore) amid geopolitical uncertainty, which will benefit parent company Las Vegas Sands' Asian operations. SCL targets an average quarterly EBITDA of US\$700 million (its Q1 figure was \$633 million).

SK Hynix posted strong Q1 results and maintains a positive operating outlook. Management expects the memory price cycle to last longer than it has previously due to demand-supply imbalance. The ASP (average sales price) of dynamic random access memory (DRAM) rose by around 65% in the first quarter. For NAND, the shipments dropped 10% quarter-on-quarter due to high base and longer production lead time, but ASP increased by around 75% thanks to the shift towards high-value added products.

Fitch downgraded China Vanke to RD (restricted default) from CC following the completion of a distressed debt exchange. China Vanke has restructured CNY2 billion of bonds that were due to mature on 23 April 2026, by repaying 40% of the onshore bond principal and extending the maturity date of the remaining 60% by one year. Following this restructuring, Fitch upgraded the issuer default ratings to CC in accordance with its corporate rating criteria.



### Emerging markets

Omotoke Joseph,  
Product Specialist, Emerging Market Debt

Emerging market (EM) hard currency sovereign debt ended the week lower, opening Monday morning 0.47% down. Local markets also declined on the week, returning -1.53% (US\$). EM corporates were broadly flat, posting a marginal loss of 0.03%.

Early last week, Trump indefinitely extended the ceasefire with Iran, but tensions remain elevated as the US military blockade of the Strait of Hormuz continues. Peace talks failed to make progress as Trump decided against sending US officials to Pakistan for negotiations.

Against this backdrop, oil prices rose sharply and opened above \$107 on Monday amid the ongoing uncertainty.

In Colombia, markets reacted negatively as the government pressed ahead with plans to transfer approximately \$7 billion from private pension savings into the public retirement system. President Gustavo Petro ordered pension fund managers to complete the transfer within 15-30 days, accelerating a reform that had been intended to be phased over several years. The move drew criticism from the central bank, pension fund managers and opposition presidential candidates who warned of pressure on financial markets. Colombian 10-year bonds fell 1.64% upon the news.

In Europe, Romania entered a political crisis as the Social Democratic Party (PSD) moved to oust Prime Minister Ilie Bolojan. The PSD exited the four-party pro-EU coalition and joined the opposition, preparing a no confidence vote citing austerity measures that they argue are harming core voters. Romanian 10-year government bonds fell 1.24% by Monday's close.

On the ratings front, Fitch revised the Philippines' BBB outlook to negative, citing rising risks to the country's medium-term growth from disruptions to public investment, exacerbated in the near term by the global energy shock. Philippine 10-year bond prices subsequently fell 0.70%.

**Looking ahead** The coming week is heavy with central bank activity across emerging markets, with policy meetings scheduled in Hungary, Chile, Thailand, Brazil and Colombia.

- There will be no In Credit next week due to the UK bank holiday. It will return on 11 May 2026.

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