

29 June 2026

The tied is high

Events in the Middle East continue to influence economic policy, with central banks revisiting future rate moves as the oil price returns to pre-conflict levels. Read on for a breakdown of fixed income news across sectors and regions.

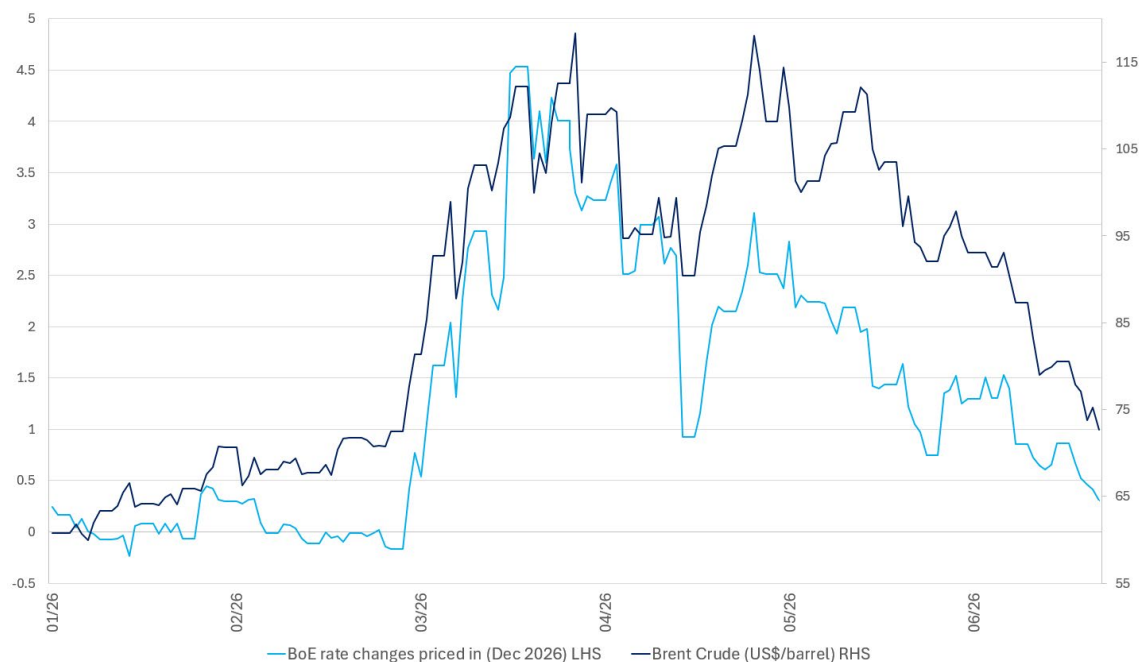


Chart of the Week

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

Tied together as if in lockstep, the chart of the week shows the relationship between the Brent oil price and Bank of England (BoE) rate expectations. After the outbreak of the Iran war the market perceived the UK economy as being more sensitive than most to wider inflationary consequences – and hence the BoE more likely than peers to respond with rate hikes. However, the flip side of that is that as the oil price has returned to pre-war levels, UK rate expectations have had further to fall. Ahead of the next MPC meeting on 30 July the betting has shifted towards the Bank of England holdin’ on.

Brent Crude v BoE 25bp rate changes priced in by end-2026 (YTD)



Source: Bloomberg, June 2026

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.51%	11 bps	-1.0%	1.9%
German Bund 10 year	2.58%	8 bps	1.4%	-0.5%
UK Gilt 10 year	4.66%	1 bps	0.9%	1.3%
Japan 10 year	1.47%	-3 bps	-0.4%	-2.8%
Global Investment Grade	90 bps	-3 bps	0.3%	2.0%
Euro Investment Grade	94 bps	-3 bps	1.3%	1.5%
US Investment Grade	87 bps	-4 bps	-0.2%	2.1%
UK Investment Grade	85 bps	-5 bps	1.5%	2.2%
Asia Investment Grade	128 bps	-8 bps	0.5%	2.8%
Euro High Yield	323 bps	-18 bps	2.0%	2.7%
US High Yield	309 bps	-22 bps	2.0%	3.0%
Asia High Yield	495 bps	5 bps	-0.6%	2.3%
EM Sovereign	291 bps	-15 bps	1.2%	3.6%
EM Local	6.1%	0 bps	5.5%	10.0%
EM Corporate	259 bps	-13 bps	0.3%	2.7%
Bloomberg Barclays US Munis	4.1%	1 bps	-0.8%	-1.0%
Taxable Munis	5.3%	8 bps	-2.1%	0.7%
Bloomberg Barclays US MBS	42 bps	0 bps	-1.1%	1.9%
Bloomberg Commodity Index	253.79	3.4%	-2.1%	6.6%
EUR	1.1407	0.4%	5.4%	10.1%
JPY	144.61	-0.6%	3.5%	8.5%
GBP	1.3545	0.5%	4.7%	8.1%

Source: Bloomberg, ICE Indices, as of 26 June 2026. *QTD denotes returns from 31 March 2026.



Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

Last week's fall in bond yields across core markets reflected a repricing of interest rate expectations. The catalyst was greater normalisation in the Middle East, notwithstanding isolated attacks, and the subsequent impact on oil prices. A barrel of Brent declined by around 11% over the course of last week, settling at \$72 – significantly lower than recent highs of \$108.

PMI survey data from the US also pointed to increasing business confidence on the back of brighter news from the Middle East, while Christine Lagarde, president of the European Central Bank (ECB), suggested that the bank may not have to react forcefully to events with inflation set to return to target over time. This position contrasted with that of ECB executive board member and leading hawk, Isabel Schnabel, who continued to call for tighter monetary policy.

The UK gilt market was impacted both by the fall in the oil price and elevated idiosyncratic political risk. Prime minister, Keir Starmer, resigned opening the path for challenger, Andy Burnham. Participants in the gilt market saw his candidature as likely to be unchallenged and instead focused on who his chancellor might be. This includes the less market friendly candidate and current energy secretary, Ed Miliband. UK idiosyncratic risk continues to exert upward pressure on long-dated gilt yields.

UK PMI survey data pointed to flatlining economic growth, stalling activity in the manufacturing sector, and increasing slack in the UK labour market.

Activity We increased exposure to interest rate risk at the front end in unconstrained global mandates and at the 10-year point in constrained global and regional mandates. This reflects our belief that markets have priced too much inflation risk into valuations.



Liability driven investments (LDI)

Richard Ferris,
Client Portfolio Manager, Fixed Income

Gilt yields moved lower over the week, driven primarily by a continued repricing of the UK rates outlook following softer inflation data. The May CPI held at 2.8%, which was below expectations. This reinforced the view that price pressures are easing and reduced the likelihood of further Bank of England tightening. This pushed the 10-year yield closer to 4.7%, close to two-month lows, as markets shifted towards a more benign policy path.

UK political developments drove notable intra-week volatility. The announcement that Prime Minister Starmer would step down triggered an initial sell-off, as investors priced in fiscal uncertainty and the risk of more expansionary policy. However, as Andy Burnham signalled commitment to fiscal discipline, yields retraced lower.

Gilt moves were also supported by global factors. Easing geopolitical tensions and lower oil prices reduced inflation risks and supported a broader rally in developed market bonds. As a result, gilts largely tracked global bond moves, with domestic factors acting mainly as volatility amplifiers rather than primary drivers.



Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Global investment grade (IG) credit spreads drifted wider over the week, with the move driven more by supply dynamics and positioning than changing macro conditions. The tone continued to be influenced by the prior week's hawkish US Federal Reserve (Fed) meeting, reinforced by persistently elevated inflation. Rates moved lower mid-week on falling oil and stabilising geopolitics, providing support on a total return basis.

Primary markets were active as US dollar supply reached \$50 billion for a third consecutive week, taking June issuance to a new monthly record. The standout transaction was SpaceX's \$25 billion debut, which initially saw strong demand but subsequently traded weaker, particularly at longer maturities.

More broadly, supply was well absorbed with books typically multiple times covered and new issue premia limited, although secondary performance was more mixed. In Europe, volumes also broke records with issuance exceeding €40 billion, although demand now appears to be slowing.

In spread terms, US credit widened to around 75bps, with European indices also modestly wider and markets orderly relative to the scale of recent issuance. All-in yields continue to provide a strong anchor for demand, with US fund flows modestly positive.

In corporate news, Segro rejected Prologis' all-share takeover offer, citing opportunistic timing and an insufficient valuation, highlighting ongoing M&A interest in logistics real estate. Anglo American confirmed its partnership with Codelco, supporting longer-term production visibility, while EDF agreed to sell its North American power assets to KKR. In the UK, Thames Water continued to generate headlines around potential restructuring outcomes and Heathrow published an updated investor report including softer traffic expectations. Elsewhere, FedEx

reported stronger volumes and package yields but issued materially weaker forward guidance. BT announced a joint venture with Verizon as part of ongoing balance sheet and strategic repositioning, while Vesteda provided an update on investor redemptions.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield (HY) bond spreads widened 17bps during the week to close at 283bps. The move was driven primarily by two factors: tech supply pressure, particularly around SpaceX's performance, and weakness in energy and chemicals following commodity price declines in the wake of geopolitical developments in the Middle East.

Despite this near-term volatility, the market's underlying fundamentals remain constructive. We saw another "rising star" upgrade Carnival Cruise Lines returned to IG, joining Royal Caribbean in successfully completing the round trip after Covid-era downgrades. Issuance activity remained robust, with 14 deals pricing for \$7.7 billion. Month-to-date issuance in June totalled \$34 billion, although net new supply was a more modest \$14 billion after accounting for refinancings. However, this was still the second-highest monthly volume in nine months. Investor demand remains healthy, with HY funds reporting their fourth consecutive weekly inflow of \$287 million.

The leveraged loan market experienced broader spread widening last week, with the market moving 8bps wider to 496bps, a multi-month high. The weakness was concentrated in lower-quality credits and technology names, which widened 24bps and represent approximately 15% of the index. The average price of the S&P/LSTA Leveraged Loan Index declined \$0.29 to finish at \$94.02. New issue activity was strong, with 14 loans pricing for \$19.9 billion during the week. Notably, technology and data centre issuance has remained limited in the loan market this year, representing just 10% of supply versus historical norms. After 12 consecutive weeks of inflows, loan funds reported an outflow of \$476 million.



European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European HY had another solid week of returns as yields fell 5bps to 5.97%, even as spreads widened 5bps to 280bps. The sharp fall in oil prices to pre-conflict levels helped ease expectations of central bank rate hikes, causing government bond yields to fall. Flows into EHY continued to improve with €438 million this week, for both ETFs and managed accounts. Primary market supply softened modestly from the previous week but was still an impressive €5.2 billion over eight corporate issuers, with more than 40% in single B-rated names. All were well oversubscribed.

Looking at liquidity management exercises, Antolin announced their restructuring plan. This initially seemed positive, pushing bond prices higher as the market digested the terms. But the euphoria dissipated as it became clear that bondholders were taking the brunt of the losses, while equity holders retained residual value. There is also risk that the plan is not legally implementable, as it breaches of Spanish restructuring principles (including absolute priority) and existing debt documents were cited.

Ratings-wise, there was also a critical view of the plan with S&P downgrading Antolin to CCC-negative, while Moody's downgraded Antolin's CFR to Caa2 and instrument ratings on their bonds to Caa3, with the outlook remaining negative. Both downgrades reflect ad hoc group ADH's rejection of the restructuring plan and the associated legal uncertainty. The ADH

represents 60% of the 2028 and 2030 bond holders who formerly rejected the proposed recapitalisation program.

Elsewhere, there was positive news for cruise line operator Carnival as S&P upgraded them to BBB- on strong forward bookings.

A noted change in the market has been the overt competition between bond and loan markets. Historically, capital market teams decided on the size of loans and bonds issuance. It has become apparent that this is being left more up to the market going where the best terms and prices are. As a result, we are seeing some bond offerings being pulled or downsizing.



Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

The structured products market benefited from a bull steepening yield curve environment combined with spread tightening. The agency mortgage-backed securities (MBS) market tightened a few basis points on the week, more so down the capital stack, with the Bloomberg US MBS Index returning +58bps for the week. 30-year securities continued to outperform 15-year securities, with spreads for both 15s and 30s now back inside long-term averages. On the fundamental side, weekly mortgage applications increased 1% led by refinancing activity. However, housing data was mixed: new home sales declined 7% (driven by a 27% drop in the West, partially offset by a 16% gain in the Midwest), and building permits weakened. In residential MBS, new issuance remained robust with 13 deals pricing last week totalling \$5.2 billion. The heavy supply led to modest spread widening, with non-qualified mortgage spreads trading in the 120bps-125bps range. Despite the widening, deals were well absorbed by the market.

Commercial MBS benchmark conduit spreads remained relatively flat week-on-week. Issuance was lighter last week with only two deals pricing. Benchmark asset-backed securities (ABS) spreads were mixed, with most traditional sectors tightening a few basis points while more esoteric sectors widened. Last week saw nine ABS issues price, for a total of approximately \$5 billion. This means year-to-date issuance is more than 15% above last year's pace. Data centre and digital infrastructure issuance continues to be a notable growth area, running at \$19 billion year-to-date versus \$29 billion for all of 2025, with full-year expectations of \$40 billion. While this represents a significant percentage growth, it accounts for roughly a quarter of the total ABS issuance increase, with growth broadly distributed across most sectors.



Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

New World Development (NWDEVL) is considering a rights issue to pay down bank loans and public debts. The controlling shareholder, the Cheng family, will potentially underwrite about half of the offering, with the remainder underwritten by institutional investors. This would be positive, although there have been multiple headlines regarding an equity injection.

Moody's has revised its ratings outlook for Thai Oil to stable from negative thanks to the lower execution risk of its Clean Fuel Project (CFP) and the steady progress under its current engineering, procurement and construction management model. As background, Vedanta aims to complete the CFP within its total investment scale of US\$7.15 billion and is aiming to commence full operations by Q3 2028.

Moody's also affirmed the Baa3 rating of Thai petrochemical company PTT Global Chemical to reflect improvement in the refining and petrochemical margins this year following the temporary

supply disruptions associated with the Middle East conflict. S&P upgraded Adani Ports & SEZ to BBB from BBB- due to its strong cash flow generation and financial profile, which is a source of flexibility to fund its sizable capex plans.

In the primary market, Vedanta Resources issued a three-tranche US\$1.75 billion bond deal to fund the tender offer for its existing high-coupon senior notes. Power Finance Corp also raised US\$300 million through a five-year bond, marking the second US dollar bond issuance from India since the Reserve Bank of India (RBI) opened the concessional swap window. For context, India issuers that borrow in US dollars usually hedge their INR/USD exposure through the forward market. RBI's concessional swap window helps to absorb around 200bps of an issuer's hedging cost.



Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt posted modestly negative returns of -0.16% over the week. Local markets were broadly flat, underperforming slightly at -0.02%, while corporates delivered positive returns of 0.17%, driven largely by IG credit.

The 60-day ceasefire remains the formal anchor for US-Iran relations, with negotiations in Switzerland progressing – albeit slowly. However, tensions resurfaced towards the end of the week with both sides accusing the other of violating ceasefire agreements.

Elsewhere in the Middle East, Lebanon and Israel signed a US-brokered framework agreement aimed at ending hostilities between the two nations. Israeli Prime Minister, Benjamin Netanyahu, and Lebanese President, Joseph Aoun, supported the agreement, but Hezbollah criticised it. We await Iran's position, but the market expects a negative reaction. Lebanese bond prices opened 0.4% lower on Monday.

In Venezuela, a 7.1 magnitude earthquake caused severe damage to infrastructure in Caracas and at the main airport. The US responded with a general licence to support reconstruction and pledged \$150 million in assistance, while the International Monetary Fund (IMF), the World Bank and the UN mobilised support. Estimated damage stands at around 6% of GDP. Venezuelan 2027 bond spreads have widened by approximately 7bps since the event.

In Africa, Egypt's state asset sale met IMF review targets, supporting the release of around \$1.6 billion in financing. Broader reform progress, including the adoption of a flexible currency regime, has also been recognised. Market reaction to this news was muted. In Latin America, Costa Rica continues to advance fiscal consolidation measures to stabilise debt. While supportive for bonds, attention remains on a potential Eurobond issuance. Costa Rica 2036 bond prices rose 0.31% on the week.

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