In Credit

2 November 2026

Tech it to the limit

The AI financing wave is weighing on the weakest credits within high yield. The key question is, will the stress be contained at the bottom of the spectrum? Read on for a breakdown of fixed income news across sectors and regions.



Chart of the Week

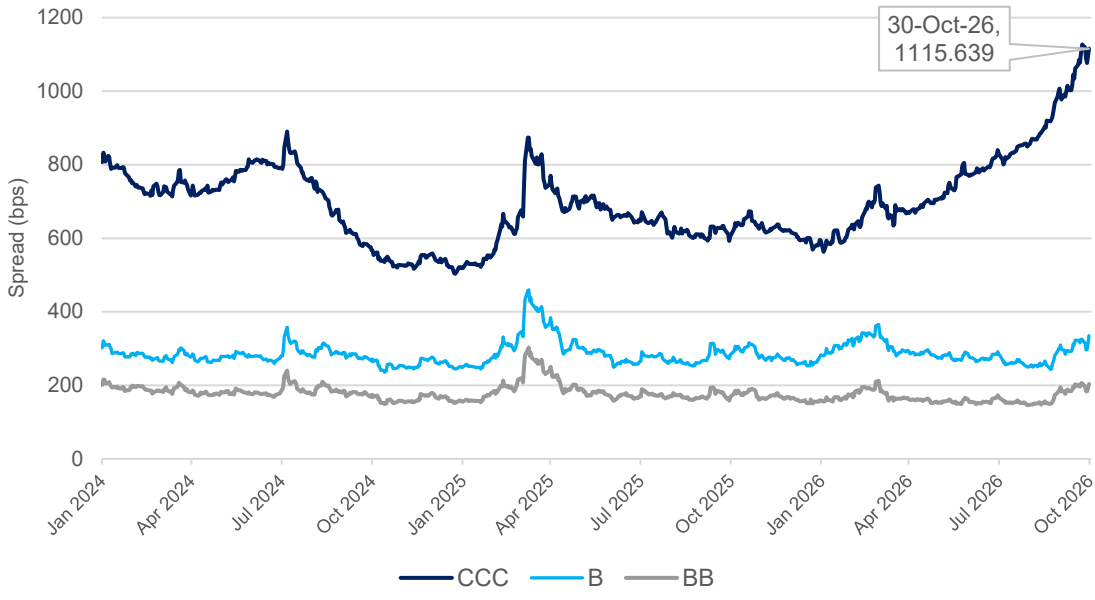
Gary Smith,
Head of Client Portfolio Management team, Fixed Income, EMEA

The lowest-rated high yield (HY) credits are being pushed to the limit, with CCC spreads widening to 1,100bps versus US Treasuries. Worries over artificial intelligence (AI) capex and a looming financing wave are weighing on sentiment, compounded by higher rates and weaker technicals.

The HY market is increasingly driven by idiosyncratic stories and wide dispersion. The quality gap is at historic extremes, with BB-CCC spreads around 1,260bps and B-CCC around 1,140bps. Such bifurcation looks more like the early-to-mid stage of a credit stress cycle than its end.

Weakness in CCCs and distressed names, along with sharp single-name moves, has rattled the market and stalled primary issuance. The caveat: CCCs make up only around 6% of the HY index, and the broader BB and B universe still looks fundamentally sound. The key question is whether stress stays contained at the bottom or migrates up the quality spectrum. Watch BB and B spreads for a signal that CCC weakness is spilling over into a broader HY event.

US high yield spread by rating bucket vs US Treasuries (Jan 2024-Oct 2026)



Source: Bloomberg, November 2026

Markets dashboard

G4 rates

	Ccy	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	3.06	-0.03	0.01	0.93	1.09
	GBP	4.83	-0.03	-0.04	1.10	1.06
	JPY	1.89	-0.03	0.01	0.72	0.97
	USD	4.59	-0.01	0.00	1.11	1.01
5 Year	EUR	3.13	-0.04	0.01	0.69	0.90
	GBP	4.89	-0.03	-0.04	0.96	1.00
	JPY	2.24	-0.05	0.01	0.69	1.01
	USD	4.71	-0.02	-0.01	0.98	1.02
10 Year	EUR	3.32	-0.03	-0.01	0.46	0.68
	GBP	5.24	-0.01	-0.05	0.76	0.83
	JPY	2.78	-0.06	0.00	0.72	1.11
	USD	4.91	-0.01	-0.02	0.74	0.83
30 Year	EUR	3.67	-0.02	-0.01	0.19	0.46
	GBP	5.67	0.01	-0.05	0.46	0.49
	JPY	3.89	-0.07	0.04	0.49	0.82
	USD	5.28	0.01	-0.03	0.44	0.63

Yield-spreads

	Mkt	Level	YDAY	MTD	YTD	12MO
10 Year	US-DE	1.59	0.02	-0.01	0.28	0.15
	UK-DE	1.92	0.02	-0.04	0.29	0.14
	FR-DE	1.61	-0.04	-0.04	0.90	0.82
	IT-DE	1.15	-0.04	-0.04	0.46	0.40

Inflation breakevens

	Market	Level	YDAY	MTD	YTD	YTD
10 Year	France	1.82	0.02	-0.03	0.08	0.07
	Italy	2.02	0.01	-0.03	0.30	0.29
	Germany	2.19	0.00	-0.03	0.44	0.43
	UK	3.36	-0.02	-0.03	0.43	0.43
	US	2.35	-0.01	0.01	0.10	0.03

G10 FX

FX	Level	YDAY	MTD	YTD	12MO
EUR	1.124	-0.2	0.7	-4.3	-2.5
GBP	1.345	0.1	0.4	-0.2	2.3
JPY	157.65	0.1	-0.1	-0.6	-2.2
CAD	1.395	0.1	0.1	-1.6	0.7
AUD	0.703	0.0	0.0	5.3	7.5
NZD	0.565	-0.1	0.2	-2.0	-1.1
CHF	0.819	-0.1	0.7	-3.2	-1.3
NOK	9.220	0.5	-0.2	9.4	9.8
SEK	9.727	0.2	1.0	-5.3	-2.5

Key references

Mkt	Level	YDAY	MTD	YTD	12MO
DXY	101.45	-0.2	-0.4	3.2	1.6
BRENT	109.06	2.4	-7.3	79.2	67.6
GOLD	3,902	-3.7	0.7	-9.7	-2.5
BITCOIN	78,161	-2.6	1.0	-10.8	-28.9
SPX	7,580	-1.8	0.0	10.7	10.8
FTSE	10,722	0.1	-0.1	8.0	10.3
VIX	19	2	0	4	2

Credit spreads - OAS, bp

Mkt	Level	YDAY	MTD	YTD	12MO
Global IG	96	2	11	16	18
USD IG	90	3	10	12	14
EUR IG	105	2	14	27	29
Global HY	353	13	39	62	51
USD HY	340	17	29	74	62
EUR HY	385	7	64	104	95
EMBI-GD	206	4	0	11	5

Source: Bloomberg/Columbia Threadneedle Investments as of 30 October 2026. OAS – option-adjusted spread; Yield spreads are the spreads over German Bunds (DE); DXY – US dollar Index; SPX – S&P 500 Index; FTSE – FTSE All-Share index; VIX – CBOE Volatility Index; HY – High yield bonds; EMBI-GD – JPMorgan Emerging Markets Bond Index (Global Diversified).



Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

We saw a steepening of the yield curve in core markets of the US, Germany and the UK last week. To illustrate this, the US two-year yield fell by around 9bps while the US 30-year yield fell by around 1bps. This reflected a mix of safe-haven demand, with French politics and AI concerns both remaining in focus, and a partial repricing of near-term growth risk, which offset the inflationary impact of higher energy prices.

The US Federal Reserve (Fed) held rates at 3.75%-4% at its latest meeting. Chair, Kevin Warsh, framed the hold as needing to “accumulate more information”, acknowledging that tighter financial conditions were already beginning to work through the economy. The rally in front-end Treasury yields indicated that markets were leaning towards a less persistent hiking cycle, with the probability of a December rate hike falling from around 90% to around 70%.

Like the Fed, the European Central Bank (ECB) kept rates on hold at 2.5%. It rejected a hike, pointing to a lack of evidence that higher energy prices were feeding into broader second-round effects on wages and prices. Markets pared back their expectations of the amount of monetary tightening required over the next 12 months, supporting the rally in front-end eurozone bond yields. The other idiosyncratic story creating a safe-haven bid for German Bunds was continuing

political volatility in France and the ongoing deterioration in debt dynamics. The French spread over German Bunds finished the week at around 164bps.

The Bank of Japan kept rates on hold at 1.25%, but delivered a hawkish message, with Bank governor, Kazuo Ueda, stating that policy remains beneath the neutral rate. Although the market reaction was measured, markets expect a rate hike in December.

Last week also brought AI jitters, as investors questioned whether the scale of AI capex would be reflected in future commercial returns. This provided a continuing asset allocation bid for high-quality government bonds.

There was also renewed escalation in the Middle East, with the Houthis continuing to attack Saudi Arabia. Brent oil finished the week at $118 a barrel. The impact on bond markets was relatively muted as investors regarded the disruption as temporary.

Positioning There were no changes ton global rates mandates last week.



Liability driven investments (LDI)

Guy Bottomley,
Client Portfolio Manager LDI, UK and Ireland

The fortnight was defined by the UK budget on 28 October, which delivered the first sustained gilt rally since the start of the summer. The Office for Budget Responsibility (OBR) confirmed fiscal headroom of £15 billion against the spending rule, in line with dealer expectations, and certified compliance with the fiscal rules. This removed the uncertainty that had kept a risk premium embedded in long-dated gilts.

The 30-year gilt fell 18bps to 5.714%, with the sharpest move concentrated on and immediately after budget day. Notably, breakeven inflation fell modestly over the period, despite September CPI accelerating to 3.5%, a fourth consecutive monthly increase, suggesting the rally was driven by compression of the fiscal and term premium rather than any re-rating of inflation expectations. The OBR confirmed the budget would reduce inflation by only 0.1 percentage points next year, providing essentially no relief, and markets continue to price a near-certain hike to 4% at the 5 November Bank of England (BoE) meeting.

The more significant structural development for LDI was the Debt Management Office's (DMO) revised issuance remit. Although total FY2026-27 gilt supply was raised slightly to £250.6 billion, planned issuance of gilts with maturities of 15 years or more was cut to less than 7% of the total, the lowest share since 1990/91. Combined with the BoE's QT overhaul in September, this represents a meaningful shift in supply dynamics at the long end and may increase the relative attractiveness of using swaps alongside physical gilts to implement longer liability hedges efficiently.

For UK DB pension schemes, the rally was a timely reminder that yields can move sharply in either direction around discrete events. With CPI at 3.5% and breakevens still well above target at 3.33%, the case for reviewing inflation hedge ratios remains compelling.



Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Investment grade (IG) credit indices delivered a mixed picture on the week, masking a more volatile intra-week session driven by the AI earnings cycle. Over the week, Global IG widened 1bp to 96bps, US IG widened 2bps to 93bps, and Sterling IG was flat at 96bps. Euro IG outperformed, tightening 4bps to 103bps. The iTraxx Main tightened approximately 2bps to

66bps and CDX IG tightened 1bp to 62bps, although both indices were materially wider mid-week before recovering. The week opened with AI and technology, media and telecommunications names leading a risk-on tone, before earnings misses from Alphabet and Amazon reversed sentiment.

European IG corporate and financial issuance totalled €16.4 billion for the week, consistent with the cautious tone set by the mid-week AI earnings volatility. US supply reached $57 billion, dominated by banks and AI-linked names.

Corporate credit news flow was dominated by AI hyperscaler earnings. Alphabet's Q3 2026 results missed on revenue and earnings per share as capex more than doubled year-on-year, while a slowdown in “search” raised concerns that AI is cannibalising core advertising revenue. Amazon similarly missed, with free cash flow (FCF) of -$42.4 billion for the trailing 12 months versus +$14.8 billion a year prior. S&P revised Meta's outlook to negative, citing uncertainty over capex guidance and free operating cash flow trajectory. Oracle provided a partial offset as management committed to just $10 billion of gross debt growth through to FY2030 and guided to $30 billion of FCF in FY29, with bonds rallying on the news.

In European credit, Fitch placed France on negative watch during the week. Were a downgrade to occur, it would mechanically pressure ratings on French banks, given sovereign-linked rating methodologies, creating a tail risk for European financials. Elsewhere, Stellantis was a notable outperformer. Its bonds widened early in the week on turnaround uncertainty, but a Q3 2026 earnings beat drove a sharp reversal. In UK telecoms, VMED-O2 is reportedly in talks to use BT's Openreach network. If confirmed, this would reduce the competitive threat on fibre for BT following its acquisition of TalkTalk out of administration earlier in October.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US HY bond spreads tightened through the Fed meeting, then widened with late-week volatility, ending the week 6bps wider. Several of October's main concerns, including AI financing, have started to ease, but credit quality is still showing dispersion as last week's widening was concentrated in the lowest-quality names (see Chart of the Week). JPMorgan reports that CCC-rated bonds widened 108bps in October and 380bps year-to-date, compared with 23bps for BBs and 43bps for single Bs. About a third of companies have reported earnings so far. Results are softer than the previous quarter, which was the strongest quarter of HY earnings growth in four years. This was due to weakness in consumer gaming, travel-sensitive credits and healthcare, where recent regulatory changes are now taking effect. The ICE BofA US HY CP Constrained Index returned -0.38%. According to Lipper, US HY bond retail funds reported an inflow of $1.3 billion, the largest in 12 weeks. The new issue market continued to price five deals last week for $4.4 billion.

In leveraged loans, the market posted positive total returns last week, with spreads tightening across the board. Spreads are now 18bps inside last week’s 18-month high of 519bps. The average price of the S&P UBS Leveraged Loan Index finished the week up $0.21 at $93.56. Loan funds reported their first weekly outflow in 18 weeks. In the loan primary market, six new loans priced last week, totalling $3 billion.



European high yield credit

Angelina Chueh,
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October was the third-worst month for European HY year-to-date, with the market returning approximately -1.2%, EUR hedged. Three consecutive weeks of losses were only partially offset by the final week's recovery. BBs outperformed single-Bs for most of the month given lower duration, while CCCs bore the brunt of rates and idiosyncratic credit stress, returning -7%. Month-to-date spreads for European HY widened 60bps to 376bps while yields rose 43bps to 7.15%. Exchange-traded fund (ETF) demand provided a consistent technical floor even as managed accounts reduced exposure.

October's final week was the best since mid-August, with the European HY market returning +0.65%. Single-Bs (+0.945%) outperformed BBs (+0.57%) in a classic risk-on compression signal, while CCCs (-0.30%) lagged on continued idiosyncratic stress. Flows were a net outflow of €118 million, driven entirely by managed account redemptions, as ETFs continued to see net inflows.

In the primary market, Italian specialty pharma group Recordati priced a landmark €4.5 billion-equivalent multi-tranche leveraged buyout (LBO) financing – the largest European HY deal of 2026 – lifting weekly issuance to €5.7 billion, the highest since before the summer. On the rating changes front, Recordati was downgraded to BB-/B1 by S&P/Moody's following the LBO. Loxam was upgraded to Ba2 by Moody's, a second upgrade in two weeks after Fitch's 15 October action, reflecting continued deleveraging progress. The week finished with Telecom Italia being upgraded to IG.

On the liability management exercise (LME) front, debt collector Intrum reached agreement in principle on a comprehensive debt restructuring, including a debt-for-equity swap. Grupo Antolin's bondholders reportedly negotiated a better-than-expected outcome at 25% and *pari passu* with bank debt. Virgin Media explored a possible BT fibre-sharing arrangement, flagged as a potential capex positive.



Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Mortgages closed out a decent October following a bruising September, winning back roughly half of September's one point of underperformance. Last week's rate rally and lower implied volatility extended the rebound, and the Bloomberg US MBS Index returned +75bps for the week. In agency mortgage-backed securities (MBS), 30-years beat 15-years on total return, while 15s edged ahead on excess returns. Lower coupons tightened and led in 30s, while higher coupons tightened most in 15s.

Housing data was mixed. Home prices rose 0.3% in August on both the FHFA House Price Index and the S&P Cotality 20-City index. New home sales slipped 0.6% in September because builder incentives did not offset higher mortgage rates, and final building permits fell 0.4%, led by a 9.5% month-on-month drop in the US West. Those higher rates, along with seasonal factors and day count, are expected to slow November prepayment speeds by about 15%. Non-agency spreads widened 10bps in CRT M1 and non-qualified mortgage (non-QM) A1 bonds and 20bps in BBB-rated non-QM M1s. Seven-plus deals totalling roughly $7 billion priced last week, lifting year-to-date volume to $232 billion, a post-global financial crisis record.

Commercial mortgage-backed securities (CMBS) were quiet last week. Secondary volume was lighter than average and benchmark conduit spreads widened, with data centre single-asset single-borrower (SASB) deals 5bps-40bps wider and CRE collateralised loan obligations

(CLOs) 5bps wider. Four new issues – three SASB and one conduit – priced for $2.2 billion, bringing year-to-date volume to $143 billion, with another $20 billion expected by year-end.

In asset-backed securities (ABS), the tone firmed after a few soft weeks, and secondary volume of $7.4 billion topped the $6 billion weekly average. Benchmark spreads were mixed: prime auto and credit cards tightened 2bps, subprime widened 5bps, and data centre ABS widened 10bps. The AAA-to-below-AAA spread widened 2bps to +103bps, and the spread between AAA-A ABS and AAA-A corporates tightened 3bps to +35bps. Both are still below their two-year averages of +115bps and +38bps. Nine deals brought $7.9 billion of new supply, up 6.1% year-on-year.



Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt ended October on a firmer footing despite a choppy macro backdrop, with sovereigns returning +0.58%, corporates +0.22% and local markets +0.11%.

In the Middle East, geopolitical risks remained elevated, although sentiment improved after talks between Iran and Qatari mediators in Doha over a potential agreement to end the conflict. Iran's foreign minister, Abbas Araghchi, said the Strait of Hormuz could reopen within two days of an agreement. Although oil reached US$118 a barrel on Friday amid concerns over possible escalation following the US midterms, prices fell to $106 at Monday's open as prospects for peace improved.

Israel's election produced no parliamentary majority, with neither Benjamin Netanyahu's bloc nor Gadi Eisenkot's opposition reaching the required 61 seats despite turnout hitting a multi-decade high. Arab parties increased their projected representation to 19 seats, potentially becoming key to coalition negotiations, while President Herzog called for an "open mind" to avoid another election.

Argentina secured a staff-level agreement (SLA) with the IMF following the third Extended Fund Facility review, paving the way for US$900 million of disbursements. The review noted continued disinflation, a strong external position and net international reserves above programme targets, alongside disciplined fiscal and monetary policies. Market reaction was muted.

Elsewhere, Egypt raised its deposit and lending rates by 100bps to 20% and 21%, respectively, its first hike since March 2024, amid external uncertainty and recent EGP weakness. In primary markets, Colombia raised US$5.2 billion across 2032, 2037 and 2056 bonds, pricing 25bps-30bps through IPTs on a US$16 billion order book, equivalent to around 3.1x coverage.

This week, focus turns to monetary policy meetings in Poland, Brazil and Mexico.

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