Information for investment professionals

In Credit

7 September 2026

China in your hand

China's bond market appears remarkably strong, but the real story lies under the surface. This comes against a wider backdrop of government bond volatility and renewed geopolitical risk. Read on for a breakdown of fixed income news across sectors and regions.

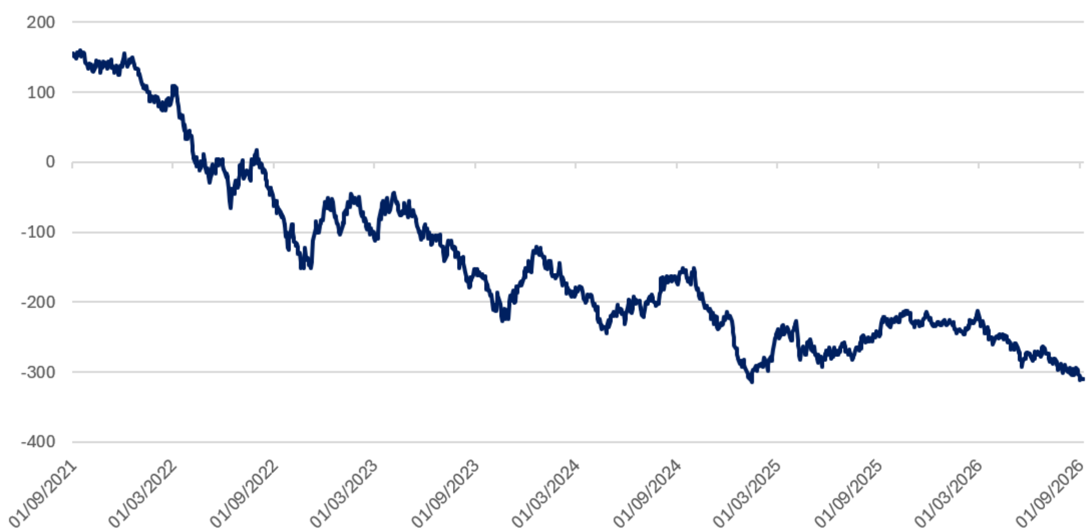
Chart of the Week

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

T'Pau! China's bond market is flashing a signal that looks impressive until you look under the bonnet. Ten-year Chinese government bonds now yield a record 315bps less than US Treasuries, despite deteriorating public finances, opaque local government debt and collapsing property-related revenues.

But this is not a story of superior creditworthiness. Rather, it highlights market structure. While Western bond markets depend on global buyers, China's is fed by a vast domestic savings pool trapped behind capital controls. Falling Chinese yields are less about low inflation than financial repression: abundant savings chasing too few credible assets. In the West, governments must compete for global capital; in China, savers have fewer alternatives. The conclusion is clear: the price of debt is shaped not only by how much is issued, but by who has little choice but to buy it.

Chinese 10-year bond yields are now a historic 310bps below US 10-year yields



Source: Bloomberg, September 2026

Market dashboard

G4 rates

	Ccy	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	3.02	0.06	0.08	0.89	1.09
	GBP	4.61	0.04	0.20	0.87	0.70
	JPY	1.85	0.01	0.12	0.67	1.02
	USD	4.38	0.00	0.04	0.91	0.89
5 Year	EUR	3.14	0.05	0.08	0.70	0.93
	GBP	4.70	0.04	0.09	0.78	0.68
	JPY	2.25	0.00	0.04	0.70	1.15
	USD	4.57	0.00	0.07	0.84	1.01
10 Year	EUR	3.40	0.05	0.07	0.54	0.75
	GBP	5.20	0.04	0.14	0.72	0.60
	JPY	2.90	0.01	-0.06	0.83	1.33
	USD	4.81	0.00	0.06	0.64	0.77
30 Year	EUR	3.85	0.04	0.04	0.38	0.59
	GBP	5.83	0.04	0.05	0.63	0.38
	JPY	3.97	0.02	-0.17	0.57	0.69
	USD	5.27	0.00	0.03	0.43	0.58

Yield-spreads

	Mkt	Level	YDAY	MTD	YTD	12MO
10 Year	US-DE	1.42	-0.05	-0.01	0.10	0.02
	UK-DE	1.81	0.00	0.07	0.18	-0.16
	FR-DE	0.87	0.01	0.02	0.16	0.11
	IT-DE	0.83	0.01	0.00	0.13	0.00

Inflation breakevens

	Market	Level	YDAY	MTD	YTD	YTD
10 Year	France	2.06	0.04	0.10	0.31	0.17
	Italy	2.13	0.01	0.05	0.40	0.45
	Germany	2.21	0.02	0.05	0.46	0.52
	UK	3.40	0.04	0.08	0.47	0.29
	US	2.36	0.00	0.03	0.11	0.00

G10 FX

FX	Level	YDAY	MTD	YTD	12MO
EUR	1.162	0.1	0.0	-1.1	-1.3
GBP	1.353	0.2	-0.1	0.4	-0.1
JPY	153.89	1.2	3.8	1.8	-4.2
CAD	1.380	0.2	0.4	-0.5	0.1
AUD	0.721	0.2	0.6	8.1	9.4
NZD	0.584	-0.1	-1.3	1.5	-1.6
CHF	0.811	0.0	-0.3	-2.2	-2.1
NOK	9.251	0.4	1.0	9.0	7.9
SEK	9.612	-0.2	-0.4	-4.2	-2.7

Key references

Mkt	Level	YDAY	MTD	YTD	12MO
DXY	98.94	0.0	-0.5	0.6	1.5
BRENT	99.09	0.7	9.5	62.8	50.1
GOLD	4,398	-0.6	-0.9	1.8	21.0
BITCOIN	78,475	-0.6	-0.5	-10.5	-29.9
SPX	7,719	0.0	0.4	12.8	18.8
FTSE	10,787	-0.1	-0.3	8.6	17.0
VIX	16	1	1	1	1

Credit spreads - OAS, bp

Mkt	Level	YDAY	MTD	YTD	12MO
Global IG	81	0	1	1	-1
USD IG	80	0	2	2	3
EUR IG	80	0	1	2	-5
Global HY	276	0	4	-15	-34
USD HY	267	0	6	1	-5
EUR HY	284	-1	7	3	-18
EMBI-GD	236	0	2	-17	-64

Source: Bloomberg/Columbia Threadneedle Investments as of 7 September 2026. QTD refers to the period from 30 June 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

Last week brought a yield curve flattening trend across core fixed income markets. The yield on the US two-year rose by 2.4bps, while the US 30-year was essentially unchanged, up 0.2bps. The UK and Japan diverged sharply from the US Treasury market, with long-end yields falling: the 30-year UK gilt yield declined by 8bps and the 30-year Japanese government bond yield by 14bps.

Following US Federal Reserve (Fed) Chair Kevin Warsh’s Jackson Hole speech, US Treasury yields had drifted modestly higher across the curve. That trend paused late in the week after Fed Governor Chris Waller made the case for leaving rates on hold if disinflation continued, while emphasising the importance of the August CPI print. His comments pushed back against the hawkish narrative of tighter US interest rates.

However, downward pressure on US bond yields proved short lived after a blowout payrolls number on Friday. Non-farm payrolls came in at 162,000 for August, versus consensus expectations of 55,000, with broad-based gains across sectors and positive revisions to previous months. The unemployment rate held steady at 4.1%, indicating no deterioration in the labour market. The data suggest the US labour market remains relatively insulated from tariffs, the Iran conflict and elevated inflation. The report removed a key objection to a September rate hike. Upward yield pressure was greatest at the front end as market participants priced in a higher probability of tighter monetary policy. The market is currently expecting around a 60% chance of a September rate rise.

Strong gilt market performance, particularly at the long end, followed a period of poor UK bond market performance that had pushed valuations to oversold levels.

The strong performance of the long end of the Japanese government bond market reflected increased demand from institutional investors for higher-yielding instruments, alongside reports of US Treasury sales to finance yen intervention.

Positioning There were no changes last week. We retain a constructive view on short-dated bonds, given valuation levels, as well as a steepening bias.

Liability driven investments (LDI)

Jan Willemsen,
Client Portfolio Manager LDI, Continental Europe

European long-dated swap rates moved materially higher over the past two weeks, with the 30-year rising 13bps to 3.465% and the 50-year adding 10bps to 3.168%. Since the start of Q3 2026, the move has been more pronounced: the 30-year is up 35.7bps and the 50-year 31.2bps from their 1 July levels of 3.108% and 2.856%, respectively. That rise has been driven by a combination of factors. Energy prices, both gas and crude, have pushed higher, prompting markets to materially reprice the European Central Bank (ECB) hiking path. Where two hikes by mid-2027 were priced a month ago, markets now expect more than three, with the September meeting widely expected to deliver the first move.

This repricing has been reinforced by supportive macro data. US employment and soft survey indicators have continued to surprise to the upside, while European data have also pointed modestly higher, collectively reducing the scope for any near-term dovish pivot on either side of the Atlantic. The long-end curve inversion has deepened modestly over the period. The 30s50s spread stands at -29.7bps, around 4.5bps more inverted than at the start of Q3, as structural liability-matching demand from pension funds and insurers continues to anchor the ultra-long end relative to the belly.

For LDI investors, this reinforces the importance of managing tenor exposure explicitly rather than relying on aggregate duration alone. Real rates have drifted higher, as nominal yields have outpaced inflation expectations. The 10-year HICPx inflation swap added approximately 7bps to 2.335%, lagging the 13bps rise in 30-year nominals, increasing real rates. European government bond (EGB) spreads remain a key focus. French spreads have been under sustained pressure, with political uncertainty ahead of the upcoming elections keeping the OAT-Bund spread elevated at levels consistent with recent crisis episodes – a theme that has driven widening over the past two months and shows little sign of near-term resolution given the current polling backdrop. Dutch WTP-driven selling continues to weigh on the structural outlook for long-dated swaps and EGBs, compounding supply pressures from elevated sovereign and corporate issuance this year.

Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Global investment grade (IG) credit weakened modestly over the week, with spreads widening 2bps to 81bps, according to the ICE BofA Global Corporate Index. Euro, US and sterling IG all moved 2bps wider against a backdrop of government bond volatility and renewed geopolitical risk. Credit indices were mixed: iTraxx Main edged 0.2bps wider to 51.3bps, while CDX IG tightened 0.3bps to 50bps.

Primary market activity remained constructive. US issuance was light at $9.3 billion, led by Yankee bank supply including Sumitomo Mitsui Banking, Bank of Montreal and Bangkok Bank. Despite the quieter week, August finished with a record $164 billion in issuance, with supply expected to remain elevated through September. In Europe, issuance reached €43 billion, dominated by financials as AT1, Tier 2 and senior non-preferred issuance accelerated. Demand remained robust, with new issue concessions tightening across most transactions.

Corporate developments were dominated by restructuring, consolidation and regulation. Volkswagen approved its “Future Plan 2030”, including a further 50,000 job cuts alongside lower capex and research and development spending. The measures are viewed as credit positive, strengthening financial flexibility and competitiveness, although execution risk remains.

In financials, Commerzbank launched a €1.2 billion share buyback while UniCredit is reportedly preparing to move towards control. Any deal could act as a catalyst for broader pan-European banking consolidation. Meanwhile, regulatory uncertainty continued to weigh on UBS. A Swiss parliamentary committee proposed a compromise capital framework allowing AT1 instruments to meet part of the additional capital requirements for foreign subsidiaries. However, uncertainty around the grandfathering of existing instruments remains, with UBS potentially requiring around $10 billion of additional AT1 issuance if the proposal is adopted.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

It was a difficult week for European high yield (HY) as the market returned -0.37% on the week, with losses concentrated in the first three sessions before stabilising over the last two days of the week as energy prices retreated. Spreads widened 3bps to 283bps, with the yield rising to 6.43% by Friday's close.

The primary driver of underperformance was the global government bond selloff, with the 10-year Bund yield reaching its highest level since 2011, driven by ECB rate hike expectations and elevated energy prices stemming from the Iran conflict.

The rates environment created a persistent aversion to duration risk throughout the week, with selling pressure most acute in longer-dated paper. Thursday's partial recovery was directly linked to a pullback in oil and gas prices, underscoring how closely HY sentiment tracked the energy complex during the period.

Market inflows improved from the previous quiet August weeks at €159 million, although this was entirely driven by managed accounts as ETFs were flat on the week. Despite the difficult macro backdrop, the primary market was notably active. Four HY/crossover names priced, all tightening meaningfully from initial price talks, reflecting solid underlying demand: Boels (€400 million 6NC2 at 5.125%), Nexans (€500 million five-year at 4.25%), New Immo Holding (€500 million six-year at 6% yield/5.875% coupon – with the full €15.5m allocation received), and NoHo Partners (€50 million floating rate note at 3mE+437.5).

Earnings reporting was mixed with Innomotics showed sequential improvement but remained weak; Cheplapharm continued lower post-results; Fedrigoni posted strong numbers; and Foncia disappointed.

In liquidity management exercise news, Lottomatica agreed to acquire Cirsa in an all-share deal, with portability clauses on all Cirsa bonds expected to be met comfortably. Grupo Antolin entered a two-week standstill with its bondholder SteerCo.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI generated negative returns of 18bps for the week, driven largely by higher rates, which detracted 57bps and more than offset a 39bps gain from tighter spreads. Both JACI IG and high yield (HY) delivered negative returns, of 20bps and 8bps, respectively.

China is overhauling its residential property sales process, shifting from a pre-sales model towards completed-home sales. Under the previous system, developers collected proceeds from homebuyers to fund construction. Where escrow regulations were lax, developers diverted those proceeds to acquire land or seed new projects, creating delivery risks that ultimately spiralled into the property crisis. The new rules require structural topping-out before pre-sales can begin, while escrow requirements are tighter and mortgage disbursement will be delayed until project completion. The aim is to shift construction-phase risk on to developers, impose more disciplined project-level underwriting on banks, and strengthen safeguards for homebuyers. The reforms could improve property market stability over the long term, although they will be challenging for developers still in financial distress. Development loans must now match the full project lifecycle, from project start to final completion and registration. Tenors are capped at five years for pre-sales projects and seven years for completed-home projects. Previously, there was no hard maturity cap, and developers routinely rolled over development loans.

In ratings, Fitch upgraded GMR Hyderabad International Airport Limited by one notch to BBB-, reflecting its expectation that the company can keep average net debt/EBITDA below 5x over the next five years.

Kasikornbank in Thailand will exercise the early redemption of its Tier II subordinated notes (US$800 million, KBANK 3.343% ‘31s). The call date is 2 October 2026. At the same time, the bank will issue new Tier II subordinated notes with a 10-year maturity and non-call five-year structure. Meanwhile, Tencent Music issued a $1 billion dual-tranche bond, with five- and 10-year maturities, using the proceeds partly to refinance offshore debt and fund share repurchases.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt sovereigns were broadly flat over the week. Corporate debt delivered slightly negative returns (-0.04%), while local markets outperformed, returning 0.5%.

Senegal was a key focus after the government announced a Debt Treatment Plan (PTDS) under the G20 Common Framework, alongside a staff-level agreement with the International

Monetary Fund on a new $2.2 billion programme. The plan aims to restructure foreign currency debt while excluding local currency (CFA franc) obligations. Finance minister, Cheikh Diba, stressed that this was “not a restructuring in the classic sense”, although implementation details remain unclear. Later in the week, S&P downgraded Senegal's long-term foreign currency rating to CC from CCC+ and its local currency rating to CCC from CCC+, maintaining negative outlooks. The agency cited a high likelihood of a distressed exchange or default on external commercial debt and warned that local currency debt could ultimately be drawn into the process. Senegal's 2033 bonds fell to 48.84 following the announcement, before recovering to 51.51 by the end of the week.

In Latin America, Venezuela outperformed amid a series of developments surrounding the US and foreign investment in the country's energy sector. Key announcements included Chevron's $7 billion five-year investment plan in the Orinoco Belt, which could more than double production to around 600,000 barrels a day by 2031, and Eni's commitment to increase output by 388,000 barrels per day by 2031 alongside annual investment of $1.5 billion over the next five years. Venezuela's 2038 bonds rose approximately 5.6% over the week.

Primary market activity remained robust. Pakistan launched new five- and 10-year US dollar bonds, while Kuwait International Bank issued a $500 million five-year senior unsecured sukuk and Arab National Bank launched a $750 million sukuk. In Jamaica, investor calls began ahead of a potential $1 billion SEC-registered 11-year US dollar bond.

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