In Credit

10 August 2026

A little less conversation

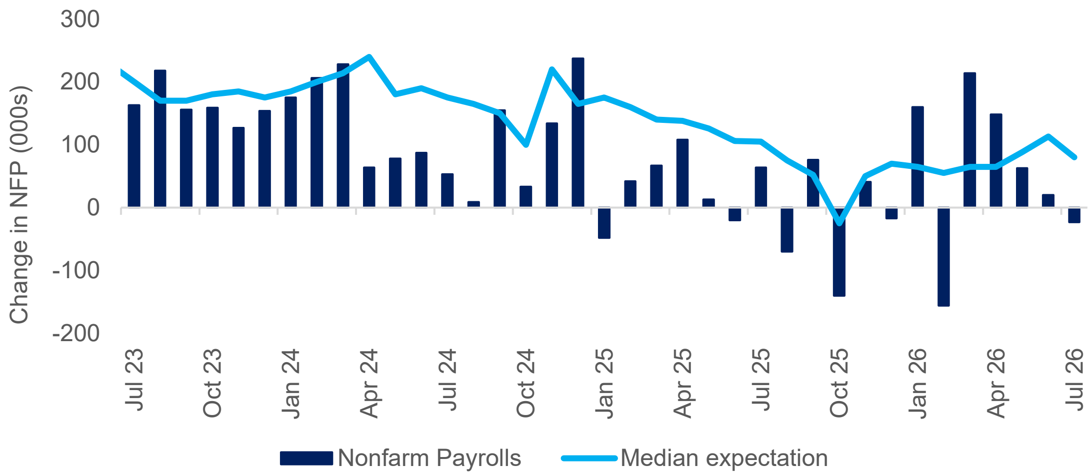
The US July jobs report had plenty to say – little of it good. The economy shed 23,000 jobs versus consensus expectations for an 80,000 gain. Rates markets reacted swiftly, trimming expectations for future rate rises. Read on for a breakdown of fixed income news across sectors and regions.

Chart of the Week

Steven Nelson,
Client Portfolio Manager, Investment grade

The US economy shed 23,000 jobs in July, against a consensus estimate for 80,000 new jobs – a miss of more than 100,000 that ranks among the largest in recent history. A further 103,000 jobs were 'lost' to downward revisions to the May and June figures. This added to the downside surprise and suggested the labour market has been softer than previously thought. Markets reacted swiftly, with two-year Treasury yields falling by as much as 9bps on Friday as traders scaled back expectations of a US Federal Reserve (Fed) rate hike in September, with the implied probability falling from approximately 60% to just above 40%.

US nonfarm payrolls underperform expectations



Source: Bloomberg, US Bureau of Labor Statistics. US employees on Nonfarm Payrolls, total (Thousands), MoM net change seasonally adjusted.

However, the headline conceals important nuance. Unemployment fell to 4.1%, below the consensus estimate of 4.2%, but for the wrong reasons. Labour force participation continued to decline, indicating fewer people were actively seeking work rather than more finding jobs. The prime-age employment rate for workers aged 25-54 also fell during the period, a development

Market dashboard

G4 rates

	Ccy	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	2.76	-0.01	-0.06	0.64	0.80
	GBP	4.28	-0.02	-0.12	0.55	0.38
	JPY	1.62	0.04	0.12	0.44	0.86
	USD	4.20	-0.05	-0.09	0.73	0.44
5 Year	EUR	2.87	-0.01	-0.08	0.42	0.59
	GBP	4.47	-0.01	-0.13	0.54	0.43
	JPY	2.09	0.04	0.06	0.55	1.06
	USD	4.36	-0.04	-0.09	0.63	0.53
10 Year	EUR	3.13	-0.01	-0.07	0.28	0.44
	GBP	4.92	-0.02	-0.13	0.45	0.32
	JPY	2.83	0.02	0.02	0.76	1.34
	USD	4.65	-0.03	-0.09	0.48	0.36
30 Year	EUR	3.64	0.00	-0.07	0.16	0.43
	GBP	5.67	-0.02	-0.11	0.46	0.24
	JPY	3.97	-0.01	-0.02	0.57	0.90
	USD	5.20	-0.02	-0.07	0.36	0.35

Yield-spreads

	Mkt	Level	YDAY	MTD	YTD	12MO
10 Year	US-DE	1.51	-0.02	-0.01	0.20	-0.08
	UK-DE	1.79	-0.01	-0.05	0.17	-0.12
	FR-DE	0.78	0.00	-0.01	0.07	0.12
	IT-DE	0.77	0.00	-0.05	0.07	-0.02

Inflation breakevens

	Market	Level	YDAY	MTD	YTD	YTD
10 Year	France	1.79	0.03	-0.01	0.04	-0.13
	Italy	2.04	0.03	0.00	0.31	0.33
	Germany	2.05	0.02	0.02	0.30	0.30
	UK	3.18	0.00	-0.05	0.24	0.13
	US	2.25	0.01	-0.03	0.01	-0.14

G10 FX

FX	Level	YDAY	MTD	YTD	12MO
EUR	1.156	0.3	0.3	-1.6	-0.5
GBP	1.350	0.3	0.1	0.1	0.5
JPY	158.49	0.4	-0.7	-1.1	-6.5
CAD	1.394	0.5	0.6	-1.6	-1.2
AUD	0.707	0.5	0.7	5.9	8.6
NZD	0.589	0.4	0.3	2.4	-0.7
CHF	0.807	0.5	0.0	-1.8	0.6
NOK	9.511	0.4	-0.4	6.0	7.6
SEK	9.472	0.1	0.6	-2.8	1.7

Key references

Mkt	Level	YDAY	MTD	YTD	12MO
DXY	99.64	-0.4	-0.3	1.3	1.5
BRENT	83.76	1.3	-7.1	37.6	25.8
GOLD	4,355	2.4	7.6	0.8	30.3
BITCOIN	65,193	0.8	3.6	-25.6	-44.9
SPX	7,758	0.6	3.6	13.3	21.4
FTSE	10,891	0.3	0.2	9.7	19.7
VIX	15	0	-1	0	0

Credit spreads - OAS, bp

Mkt	Level	YDAY	MTD	YTD	12MO
Global IG	79	0	-1	-1	-3
USD IG	77	0	-1	-1	-1
EUR IG	77	-1	-2	-1	-4
Global HY	277	1	-10	-14	-38
USD HY	264	1	-15	-2	-22
EUR HY	286	0	-1	5	-10
EMBI-GD	237	1	-8	-17	-66

Source: Bloomberg/Columbia Threadneedle Investments as of 7 August 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).

economists have flagged as a structural concern. Treasury Secretary, Scott Bessent, moved quickly to push back on the data, although the market reaction suggests limited conviction in that view.

Critically, this is one datapoint. Weekly jobless claims – a more timely and harder-to-revise measure – remained well below 220,000 in July, with the 18 July reading touching 187,000, the lowest since 1969. The July CPI release will be the next test, with Bloomberg consensus expecting some moderation in inflationary pressures. The nonfarm payrolls miss warrants attention, but a single month's data – particularly one subject to significant revision – should not be read as a definitive turn in the cycle.

Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

We saw a modest bull steepening trend in the US, with the two-year yield falling by just over 4bps and the 30-year yield by just under 3bps between the market open on 3 August and the close on 7 August. The US set the tone for bond markets globally, although Japan was an outlier, with the 30-year yield declining 7bps over the period.

The main driver of downward pressure on front-end US yields was a weaker-than-expected nonfarm payrolls print, a key measure of the US labour market (see Chart of the Week). The data chimed with the ADP employment report, released earlier in the week, which also signalled labour market weakness.

The one market to buck the broader bull steepening trend was Japan, where yields fell meaningfully at the long end. Robust investor appetite for longer-dated Japanese sovereign bonds was reflected in a successful 30-year auction, which had a bid-to-cover ratio of 3.86x and an average yield of 3.94%. Attractive yield levels drew demand from Japanese pension funds and insurance companies. The converse of greater demand at the long end was reduced appetite at the front end, as market participants continue to anticipate further monetary tightening from the Bank of Japan (BoJ).

Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Global investment grade (IG) credit spreads tightened modestly over the week, with iTraxx Main closing at 51.3bps, from 52.7bps, as the weaker-than-expected US nonfarm payrolls print drove government bond yields lower and reduced near-term rate hike expectations (see Chart of the Week). Sterling credit was the standout performer, tightening 3bps to 80bps, versus 1bp moves in both US credit, at 78bps, and European credit, at 77bps. The relative outperformance reflected more dovish messaging from the Bank of England (BoE) and the effective closure of sterling primary markets.

Primary markets were bifurcated. In the US, IG supply reached approximately $80 billion for the week, well above forecasts, driven by a surge of issuers emerging from earnings blackout periods. Alphabet’s $25 billion 10-tranche offering, linked to its AI capital expenditure programme, anchored the week alongside AbbVie’s $10 billion deal, HSBC’s $6.75 billion transaction and Charter Communications’ acquisition-related issuance, with most new issues continuing to tighten in secondary trading. Conversely, European primary markets were effectively closed, recording their quietest week since December, with the seasonal lull expected to persist into next week before activity picks up in the latter part of August.

The corporate credit backdrop was broadly constructive, although the continued weight of hyperscaler supply remained a technical headwind, with the TMT sector trading relatively cheap as investor appetite for AI infrastructure becomes more selective. In real estate, Prologis agreed terms to acquire Segro, valuing the company at approximately £14 billion, and Fitch placed Segro’s long-term issuer rating on Rating Watch Evolving, pending clarity on the combined entity’s capital structure. European financials continued their strong run, with Generali, Allianz, NN Group and Legal & General all reporting constructive results; Munich Re was the exception, cutting full-year insurance revenue guidance to €62 billion on weaker reinsurance renewal volumes. Finally, in mining, Glencore reported a strong first half, with its trading unit generating near-record profits on energy market dislocations.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European high yield (HY) markets had a broadly constructive week, recovering from the prior week’s volatility as geopolitical tensions eased. A US-Iran ceasefire in the Strait of Hormuz drove Brent from $100 back towards $80, supporting meaningful spread tightening. European HY returned 0.39% in the first week of August, with a modest skew towards buying from both real money and ETFs, which recorded inflows of €248 million. Single Bs moderately outperformed BBs, while CCCs again lagged the other credit ratings.

Primary markets were quiet, with no new issues over the past week. The forward pipeline remains substantial, with €50 billion of M&A-related bond and loan financing expected in H2, while JP Morgan flagged a surge in leveraged buyout announcements, bringing underwritten deals to $33 billion – levels last seen in 2021.

VMED remained a key focus. Bonds stayed under pressure, with secured paper in the mid-80s and vendor-financed notes in the mid-60s, although multiple real-money buyers stepped in mid-week, helping to clean up the technical. An FT article reported that shareholders were weighing options to address the £22 billion debt pile, including cutting the £200 million dividend and reducing capital expenditure.

Aston Martin remained deeply distressed, with bonds trading in the mid-50s. Bondholders sent a ‘letter before action’ to the board threatening legal proceedings to unwind the £550 million HPS drop-down financing and block the disposal of certain intellectual property and branding rights.

Antolin restructuring continued to escalate, with the company filing a motion in the US to enforce provisional relief against bondholders who had filed winding-up petitions in the UK. An expedited hearing was scheduled for 31 July.

In ratings news, S&P downgraded Aston Martin's senior secured notes to CCC and revised the outlook to negative, affirming the issuer at CCC+, following Fitch's similar action the prior week. S&P revised Valeo's outlook to positive, affirming at BB, reflecting improving profitability and cash flow.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Structured products delivered a broadly constructive week, with the rates rally sparked by the weaker-than-expected July employment report providing a tailwind across the sector. In agency mortgage-backed securities (MBS), the Bloomberg US MBS Index returned 83bps for the week, with the 30-year outperforming the 15-year and lower coupons outperforming higher coupons. The sector recovered approximately half of the 5bps-10bps of widening seen over the prior few weeks, when spreads had been grinding wider amid elevated volatility. Weekly mortgage applications fell 2.9%, unsurprising given mortgage rates were up 4bps week-on-week. July prepayment speeds came in 3%-5% slower than expected as seasonal factors overwhelmed the one extra day count. Looking ahead, a key watchpoint for the second half of the year is foreign participation in the agency MBS market, particularly in light of the recent high-profile Japanese yen intervention, which was structured in part to preserve foreign demand at the long end of the US bond market across Treasuries and agencies.

Non-agency MBS spreads were largely flat on the week, although the gap between AAA and BBB non-qualified mortgage spreads has compressed to historic tights of approximately 65bps. Non-agency MBS saw 10 new issues totalling $3 billion price last week, bringing year-to-date gross issuance to $1.158 trillion – 39% ahead of the same period last year.

Commercial mortgage-backed securities (CMBS) spreads tightened by 1bp week-on-week, with the market seeing six new issues totalling approximately $3.5 billion. Asset-backed securities (ABS) volumes remained elevated, with 11 deals pricing at $9.5 billion and secondary trading activity of $7.4 billion, above the year-to-date average of $5.9 billion. Spreads were mixed, with prime auto widening modestly by 2bps while other sectors held relatively steady.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI delivered a 38bps positive return, supported by spread tightening, which contributed 26bps, and rates, which added 12bps. HY outperformed, returning 61bps, ahead of IG at 35bps.

ICTSI reported strong Q2 performance despite continued Basra port disruptions. Contributions from recently acquired terminals lifted throughput by 15% year-on-year and revenue by 25% year-on-year. The EBITDA margin remained broadly stable at 64%, with improved yield per TEU (standard shipping container) and a favourable cargo mix supporting profitability.

In South Korea, POSCO Holdings reported Q2 results with margin improvement across its steel and energy/materials businesses. Higher steel volumes supported sequential profit growth, while POSCO International delivered record earnings on stronger energy prices and materials volumes, helping to lift group EBITDA to KRW1.9 trillion.

PTTGC posted robust Q2 earnings, supported by Middle East-related supply disruptions that boosted petrochemical spreads and upstream profitability. Strong EBITDA drove deleveraging. While Q3 is expected to soften as spreads normalise, earnings should remain above pre-conflict levels, supported by healthy petrochemical prices and refining margins.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) bonds came under modest pressure over the week, delivering returns of -0.1%. EM corporates outperformed sovereigns, returning 0.32%, while local currency markets led performance with returns of 1.04%, supported by broad US dollar weakness.

In Malaysia, markets continued to assess the implications of the Negeri Sembilan state election, where Barisan Nasional (BN) increased its representation to 18 of 36 seats from 14 previously, while Prime Minister Anwar Ibrahim’s Pakatan Harapan (PH) coalition saw its seat count decline to 11 from 17. The outcome reinforced perceptions of BN’s growing political momentum and raised questions around the balance of power within Malaysia’s federal unity government, where BN and PH govern together nationally. Malaysian 2036 bonds rose approximately 0.11% over the week as investors viewed the result as supportive of political stability and BN’s growing influence within the ruling coalition.

In Indonesia, President Prabowo Subianto formally nominated central bank deputy, Destry Damayanti, as the sole candidate to succeed Perry Warjiyo as governor of Bank Indonesia. The nomination was well received by markets, although the reaction was relatively muted given it had been anticipated. The announcement nonetheless helped reassure investors on policy continuity and central bank independence, supporting sentiment towards the rupiah.

Colombia was struck by a powerful 7.4 magnitude earthquake on Monday, with tremors felt across neighbouring Ecuador and Panama. Colombian 2036 bonds initially fell 0.34% on the news, but the reaction proved short-lived as the earthquake’s epicentre was in a sparsely populated area, limiting concerns around economic disruption. President Abelardo de la Espriella subsequently declared a state of emergency to accelerate recovery efforts, while offers of international assistance were forthcoming. Colombian bonds recovered to finish the week marginally higher, with investors placing greater emphasis on improving security cooperation with the US.

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