In Credit

14 September 2026

No more zeros

With average interest rates of 14.7% over the past four millennia, and 4.7% over the past 400 years, the real anomaly was the zero-rate period of the 2000s. 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

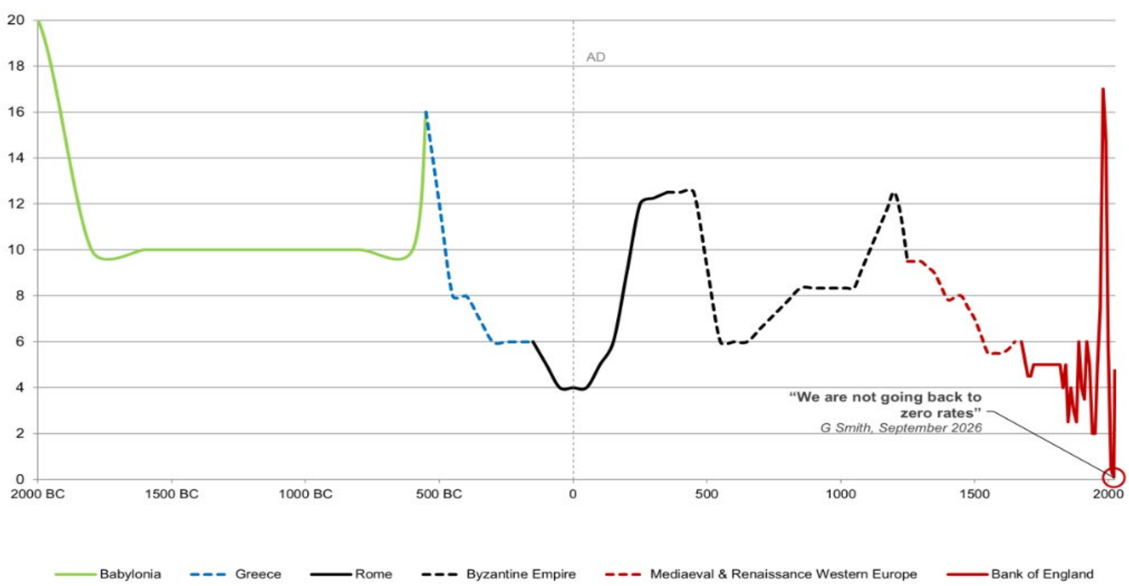
No more zeros, anymore. While central banks may cut interest rates in future, a return to the near-zero rate environment that defined 2008-21 looks unlikely for three reasons.

1. Structural inflation drivers have changed. Decades of disinflation from globalisation, abundant labour and weak wage growth are fading. Ageing populations, tighter labour markets, supply-chain reshoring and geopolitical uncertainty all point to more persistent inflation.

2. Fiscal dynamics point to a higher-rate environment. Across the G7, spending on defence, infrastructure, the energy transition, healthcare and pensions is rising. Large fiscal deficits suggest the equilibrium level of interest rates has shifted higher.

3. After the inflation surge of 2021-23, central banks are likely to be more cautious about returning rates to emergency levels. The "new normal" should therefore sit materially above zero, making the ultra-low rates of the 2010s an exception rather than a benchmark.

Four thousand years of interest rates (%)



Source: Homer & Sylla/Edward Chancellor/Bank of England/Paul Temperton/LSEG, September 2026

Markets dashboard

G4 rates

Tenor	Ccy	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	3.23	-0.04	0.29	1.11	1.21
	GBP	4.88	-0.06	0.48	1.14	0.90
	JPY	1.85	0.02	0.13	0.68	0.98
	USD	4.62	0.04	0.28	1.15	1.06
5 Year	EUR	3.32	-0.02	0.26	0.87	1.02
	GBP	4.96	-0.05	0.34	1.03	0.86
	JPY	2.30	0.04	0.09	0.75	1.16
	USD	4.78	0.02	0.28	1.05	1.14
10 Year	EUR	3.53	0.00	0.20	0.67	0.81
	GBP	5.38	-0.03	0.32	0.90	0.71
	JPY	3.01	0.06	0.05	0.94	1.42
	USD	4.96	0.00	0.21	0.80	0.90
30 Year	EUR	3.90	0.01	0.09	0.43	0.61
	GBP	5.93	-0.02	0.15	0.72	0.44
	JPY	4.09	0.05	-0.05	0.69	0.87
	USD	5.35	-0.01	0.11	0.51	0.67

Yield-spreads

Tenor	Mkt	Level	YDAY	MTD	YTD	12MO
10 Year	US-DE	1.44	0.00	0.01	0.12	0.09
	UK-DE	1.86	-0.03	0.12	0.23	-0.10
	FR-DE	0.97	0.02	0.11	0.26	0.17
	IT-DE	0.88	0.03	0.05	0.18	0.07

Inflation breakevens

Tenor	Market	Level	YDAY	MTD	YTD	YTD
10 Year	France	2.05	-0.01	0.10	0.31	0.18
	Italy	2.17	-0.01	0.09	0.44	0.47
	Germany	2.26	-0.01	0.10	0.51	0.52
	UK	3.47	0.00	0.15	0.53	0.36
	US	2.37	-0.04	0.05	0.13	0.00

G10 FX

FX	Level	YDAY	MTD	YTD	12MO
EUR	1.154	-0.1	-0.7	-1.7	-1.9
GBP	1.349	0.1	-0.4	0.1	-0.8
JPY	154.38	0.5	3.5	1.5	-4.5
CAD	1.388	-0.3	-0.2	-1.1	-0.7
AUD	0.714	0.2	-0.4	6.9	7.0
NZD	0.578	0.3	-2.4	0.3	-3.2
CHF	0.819	-0.5	-1.3	-3.2	-3.0
NOK	9.309	-0.1	0.4	8.4	5.6
SEK	9.760	-0.2	-1.9	-5.6	-5.0

Key references

Mkt	Level	YDAY	MTD	YTD	12MO
DXY	99.50	0.1	0.1	1.2	2.0
BRENT	107.75	-2.8	19.1	77.1	60.8
GOLD	4,312	0.7	-2.8	-0.2	17.2
BITCOIN	77,792	0.1	-1.3	-11.2	-32.9
SPX	7,657	0.9	-0.4	11.9	16.3
FTSE	10,695	0.4	-1.2	7.7	15.2
VIX	18	-2	3	3	3

Credit spreads - OAS, bp

Mkt	Level	YDAY	MTD	YTD	12MO
Global IG	81	0	1	1	1
USD IG	78	0	0	0	3
EUR IG	82	1	3	4	1
Global HY	274	-3	2	-17	-32
USD HY	265	-7	4	-1	-3
EUR HY	286	5	9	5	-6
EMBI-GD	236	0	2	-17	-64

Source: Bloomberg/Columbia Threadneedle Investments as of 11 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

Global government bonds sold off sharply last week, with yields rising across major markets and the average G7 government bond yield reaching its highest level since November 2000. The move was broad-based, driven by inflation surprises, renewed central bank hawkishness and heavier supply concerns.

The trigger was a surge in oil above $100 a barrel after renewed military engagement in the Middle East, reigniting inflation concerns. In the Red Sea, Houthi advances near Mokha and Perim Island sharpened Bab el-Mandeb shipping risks, compounding worries over oil supply and global price pressure.

Macro data reinforced the move. Friday's hotter-than-expected US CPI print, with core inflation up 0.3% month-on-month, lifted the probability of a US Federal Reserve (Fed) hike this week to 86% in OIS markets, from 36% three weeks ago. The European Central Bank (ECB) added to the hawkish tone, raising rates 25bps to 2.5% on Wednesday, with markets now pricing three further hikes by summer 2027.

The front end bore the brunt of the selloff last week. US two-year yields rose nearly 25bps to 4.62%, while 10-year yields climbed 18bps to 4.96%. Gilts were among the weakest performers, with the UK two-year up almost 28bps to 4.85% and a 30-year auction clearing at 5.82%, the highest gilt auction yield since 1998. German 10-year Bund yields rose 14bps to 3.53%, their highest since 2009, while Japanese government bond moves were more contained despite the 10-year briefly breaching 30%.

In Monday trading, the US 10-year yield breached 5% – the last time it did so was July 2007.

At a structural level, the selloff reflects a repricing of term premia alongside more hawkish policy expectations, with real yields in the US, UK and Japan approaching post-global financial crisis highs. The Federal Open Market Committee and Bank of Japan (BoJ) meetings are this week's key risk events.

Liability driven investments (LDI)

Guy Bottomley,
Client Portfolio Manager LDI, UK and Ireland

Gilt yields rose sharply over the period, reaching levels not seen since the late 1990s. The 10-year gilt peaked at 5.37% on 10 September before settling at 5.34%, while the 30-year reached 5.93%, its highest level since 1998. Crucially, this selloff differed from August's move. Then, higher real yields drove the shift; in September, markets repriced inflation risk. Breakeven inflation rose sharply across the curve, while real yields were broadly unchanged. With the Bank of England (BoE) policy rate still at 3.75%, OIS markets now imply a meaningful chance of a rate hike at the 17 September meeting. The CPI release the day before adds significant near-term event risk.

Politics added further pressure. The combination of a global bond selloff and July's deficit surprise is estimated to have reduced the UK government's fiscal headroom from £23.6 billion to around £12 billion. Since parliament returned on 2 September, both Prime Minister Andy Burnham, and Chancellor John Healey have stressed fiscal discipline, while stopping short of ruling out higher borrowing or tax increases. With the Budget scheduled for 28 October, uncertainty around future spending plans continues to support a political risk premium, particularly in longer-dated gilts.

The UK's fiscal backdrop remains a structural challenge. Gilt issuance continues at historically expensive levels. The Debt Management Office sold £4.25 billion of January 2056 gilts at 5.82%, the highest borrowing cost since its creation, while a £900 million 25-year index-linked sale cleared at a record real yield of 2.496%. Rising debt, heavy financing needs and higher servicing costs are keeping term premia elevated.

For UK defined benefit pension schemes, higher yields remain broadly positive for funding levels, reducing the present value of liabilities and creating opportunities to lock in improvements through higher hedge ratios. However, sharp volatility, concentrated in just a few trading days, reinforces the need for robust LDI frameworks, adequate collateral buffers and strong liquidity management. The shift from real yields to inflation expectations as the main driver of nominal yields also highlights the risk for schemes with unhedged inflation exposure.

Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Global investment grade (IG) credit tightened 1bp on the week to 80bps. The regional picture was more varied: US IG tightened 1bp to 80bps, sterling IG widened 2bps to 83bps in sympathy with the gilt market, and euro IG edged 1bp wider to 79bps as the post-ECB rates selloff weighed on European credit. The iTraxx Main widened to 53bps and CDX IG to 51.4bps. Fund flows were constructive: short and intermediate IG bond funds recorded inflows of $3.9 billion for the week, suggesting investors used the yield backup to add duration. Longer-duration passive ETFs saw outflows, consistent with a rotation towards active and shorter-duration vehicles as rates continued to rise.

US primary activity reached around $69 billion, the fourth-busiest week of 2026, with September forecasts at $190 billion-$215 billion. Euro IG supply restarted after a quiet summer, at around €20 billion for the week. Among financials, Santander priced a $2.5 billion offering and UBS a $6 billion deal, both with material concessions to initial price talk, while Crédit Agricole priced a $1.8 billion deal. The standout sterling transaction was Amazon's debut £4.25 billion offering on Wednesday.

Corporate news flow was dominated by European financials. In Italy, Banco BPM priced a €750 million green bond and simultaneously tendered for its 2027 notes. Monte dei Paschi filed offers for Banco BPM and Banca Generali, while the UniCredit/Commerzbank situation moved closer to resolution after UniCredit's board approved the capital increase required to fund its takeover offer. Consolidation also extended to real estate lenders, with Aareal Bank reportedly in talks to acquire Hamburg Commercial Bank. In UK retail, Next won its equal-pay employment appeal, with the tribunal finding that warehouse workers can legitimately be paid more than shop staff on recruitment and retention grounds – a positive read-across for retailers including Tesco. In tech, Oracle beat consensus on revenue and earnings, although capex of $28.49 billion drove negative free cash flow of $5.4 billion, with the company guiding to full-year capex of $90 billion-$95 billion.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield (HY) bond yields rose 24bps to a five-month high, while spreads ended 2bps tighter on the week. Market sentiment continued to be shaped by Middle East tensions, higher oil prices and rising Treasury yields. The ICE BofA US HY CP Constrained Index returned -0.53%, with spreads tightening 3bps. According to Lipper, US HY bond retail funds reported a third consecutive outflow, although milder than in previous weeks, with $271 million withdrawn. The new issue market priced 13 deals for $12 billion.

In leveraged loans, floating-rate coupons remained a tailwind in the current rising-rate environment. The average price of the S&P UBS Leveraged Loan Index finished the week up $0.01 at $94.76. Loan funds reported their eleventh consecutive weekly inflow, at $930 million, while six new loans priced in the primary market, totalling $4.4 billion.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

It was a difficult week for European HY, which returned -0.65%, its worst week since the post-summer selloff began. The ECB's hawkish press conference on 10 September drove much of the move, as President Lagarde signalled further hikes beyond the widely expected 25bps increase, sending European government bond yields sharply higher. Friday compounded the losses after a hotter-than-expected US August CPI print reinforced the global higher-rates narrative. Spreads were unchanged at 283bps, reflecting the dominant impact of the underlying rates move rather than credit-specific widening. CCCs outperformed higher-rated BB and single-B credits, while rates-sensitive paper and BB names were under the most pressure. Flows turned negative, with €270 million of outflows driven by ETFs, while managed accounts saw a modest inflow. ETF discounts widened to around 30bps by the end of the week. Despite the difficult backdrop, primary activity was robust, with €2.8 billion of largely BB-rated bonds from four issuers, bringing year-to-date issuance to €89 billion gross and €25 billion net. A sizeable pipeline remains, with talk of €18 billion of HY issuance, including €11 billion of new money.

High-beta names such as CoreWeave weakened, falling a further 1.5 points on Thursday. By contrast, Virgin Media O2 was a notable outperformer, gaining 0.5-1.75 points across the curve following Financial Times headlines that Liberty and Telefónica were targeting approximately £600 million of cost cuts through job reductions and operating and capital expenditure savings. Merlin Entertainments was another standout, rallying two to three points on Monday after Sky News reported a £650 million secured term loan to refinance its senior notes due 2027.

Earnings reports were generally upbeat, with most issuers meeting or beating expectations. In restructuring news, a Spanish court approved Grupo Antolin’s restructuring plan as bondholder discussions continued. The company’s post-restructuring business plan targets 20% revenue growth and €470 million of profitability.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

It was a tale of two cities, with rate-sensitive products struggling while credit held up well. In agency mortgage-backed securities (MBS), the Bloomberg US MBS Index returned -143bps as the curve bear-flattened, helping 15-year MBS outperform 30-year securities. Spreads widened meaningfully across the coupon stack, with 30-year securities around 50bps wider and 15-year securities 6bps-40bps wider. Existing home sales for August fell 2% to a seasonally adjusted annual rate of 3.98 million, the weakest reading since June 2025, while housing supply hit its highest level since November 2019. Prepayment speeds continued to slow in August, with 30-year speeds down 13% and 15-year speeds down 9% as rates climbed; September speeds are expected to slow further. Non-qualified mortgages (non-QM) were a relative bright spot. Spreads tightened a few bps week-on-week, leaving AAA at approximately +123bps and AA at +140bps. Supply remained heavy, with more than nine deals totalling roughly $6 billion last week and $256 billion year-to-date, up 20% year-on-year.

Commercial mortgage-backed securities (CMBS) spreads have been largely unchanged for about three months despite the rising-rate environment. Last week saw two single-asset single-borrower (SASB) deals totalling $1.3 billion, putting issuance 10% ahead of last year’s year-to-date pace. In asset-backed securities (ABS), secondary benchmark spreads were mostly unchanged, though a few subsectors widened modestly. The AAA-to-below-AAA spread tightened 13bps to +96bps, well below the two-year average of +117bps. Issuance was heavy coming out of the holiday, with 10 new deals totalling $6.4 billion last week, bringing year-to-date issuance to $279 billion, up 12% year-on-year.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI posted a 65bps loss for the week, driven by rates, which detracted 72bps. JACI IG bore the brunt of the negative returns, losing 69bps, compared with a 37bps loss for HY.

In China, the Ministry of Finance announced the issuance of CNY300 billion in Central Government Special Bonds to capitalise eight state-owned financial enterprises and replenish their core Tier 1 capital. The institutions include two policy institutions – the Export-Import Bank of China and China Export & Credit Insurance Corporation; four state-owned commercial insurers – People's Insurance Company, China Life Insurance, China Taiping Insurance, and China Reinsurance; and two state-owned commercial banks – Industrial and Commercial Bank of China and Agricultural Bank of China. The capital replenishment follows a similar CNY500 billion injection into four major state-owned commercial banks in 2025. The latest measure is intended to strengthen capital buffers, improve risk resilience and enhance financial institutions' capacity to extend credit.

Fitch downgraded Genting Berhad and Genting Overseas Holdings by one notch to BBB-, and Resorts World Las Vegas to BB+, citing an expectation that Genting Berhad's proportionately consolidated EBITDA net leverage ratio will remain above 4x for the next three years, with deleveraging slowed by capex in Singapore and New York City. Fitch also downgraded Genting Malaysia Berhad, which is 73.8% owned by Genting Berhad, by one notch to BBB-.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt weakened last week amid a softer macro backdrop and broader risk-off tone. EM sovereigns returned -0.75%, while EM corporates and local markets fell -0.48% and -0.64%, respectively.

In Romania, President Nicușor Dan accelerated efforts to appoint a new prime minister ahead of S&P's October sovereign review, with a government expected before the agency's 24 September visit to Bucharest. Reports suggest OECD accession negotiator Luca Niculescu is the preferred candidate, though parliamentary approval remains challenging. Markets responded positively, with Romania's 10-year bonds ending the week 4bps tighter as investors anticipated greater political clarity. Elsewhere, Turkey's central bank kept its policy rate at 37%, despite August inflation falling to 31.5%, citing energy prices and geopolitical risks as persistent inflation threats.

Oil prices surged after Saudi Arabia closed a key pipeline following a drone attack from Iraq, highlighting spillover from regional conflicts. The pipeline had grown in importance after disruption to Strait of Hormuz traffic during the US-Iran conflict. The attack came as Iranian-backed Houthi rebels advanced in Yemen, adding pressure on global energy routes and reinforcing energy-security concerns. Brent crude closed Monday at $106.45 a barrel, around 9% higher than a week earlier.

In Latin America, Brazil outperformed as expectations of a potential Flávio Bolsonaro victory continued to build. Two polls showed Bolsonaro erasing Lula's previous lead and moving into a statistical tie, helping Brazil's 2033 bonds tighten 9bps as investors priced in a more market-friendly, fiscally conservative policy agenda.

Primary issuance included DP World, which launched a €750 million six-year green offering and a $750 million 10-year offering, with books reaching more than €1.5 billion and $1.4 billion, respectively. Jamaica also priced a successful $1 billion 11-year bond at 6.25%, 25bps inside initial guidance.

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