

19 October 2026

One night in Bangkok

Geopolitics remain a key market concern, despite being hard to measure, with tensions feeding through to oil prices, inflation concerns and bond markets. 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

A key concern at last week's IMF meetings in Bangkok was that geopolitical events could continue to unsettle markets. But can we measure the geopolitical temperature? As we have previously written about, declining EIU democracy scores may fuel conflict.¹ The chart of the week shows a respected conflict measure at a post-Second World War high of 65. Most conflicts are internal, but eight are state-on-state – also the highest since 1945.

Geopolitical events are harder to price than economic data because they often lack precedent, clear exit routes and predictable knock-on effects, making their market impact difficult to assess.

Active armed conflicts where at least one party is the government of a state



Source: The Uppsala Conflict Data Program (UCDP), October 2026

¹ Columbia Threadneedle Investments, [Democracy in decline: the impact on financial markets](#), 15 April 2025

Markets dashboard

G4 rates							G10 FX					
	Ccy	Level	YDAY	MTD	YTD	12MO	FX	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	3.10	0.00	-0.11	0.98	1.19	EUR	1.120	0.2	-1.1	-4.6	-3.8
	GBP	4.89	-0.01	0.00	1.15	1.00	GBP	1.332	0.4	0.4	-1.2	-0.7
	JPY	1.90	0.01	-0.04	0.73	0.99	JPY	158.14	0.0	-0.5	-0.9	-4.7
	USD	4.72	-0.03	-0.16	1.25	1.27	CAD	1.410	0.3	1.0	-2.6	-0.4
5 Year	EUR	3.22	0.00	-0.14	0.77	1.05	AUD	0.697	0.4	0.4	4.5	7.1
	GBP	4.97	0.00	-0.01	1.04	1.00	NZD	0.566	0.5	0.4	-1.7	-1.5
	JPY	2.32	0.03	-0.06	0.77	1.12	CHF	0.824	0.3	1.4	-3.8	-3.8
	USD	4.88	-0.01	-0.21	1.15	1.29	NOK	9.431	0.4	2.0	7.0	6.6
10 Year	EUR	3.42	0.01	-0.17	0.57	0.84	SEK	9.925	0.4	0.9	-7.2	-5.0
	GBP	5.38	0.00	-0.05	0.90	0.85	Key references					
	JPY	2.91	0.03	-0.16	0.84	1.28	Mkt	Level	YDAY	MTD	YTD	12MO
	USD	5.07	0.01	-0.21	0.90	1.06	DXY	102.03	-0.2	0.6	3.8	3.7
30 Year	EUR	3.79	0.02	-0.15	0.31	0.61	BRENT	107.13	3.7	3.5	76.1	74.8
	GBP	5.84	0.00	-0.11	0.63	0.50	GOLD	4,178	-0.1	0.5	-3.3	-4.1
	JPY	4.00	0.05	-0.15	0.60	0.87	BITCOIN	82,606	-0.5	-1.2	-5.8	-24.2
	USD	5.41	0.02	-0.22	0.57	0.81	SPX	7,659	-1.1	0.1	11.9	14.9
Yield-spreads							FTSE	10,793	0.4	1.8	8.7	15.4
	Mkt	Level	YDAY	MTD	YTD	12MO	VIX	19	4	2	4	-2
10 Year	US-DE	1.65	0.00	-0.05	0.34	0.22	Credit spreads - OAS, bp					
	UK-DE	1.96	-0.01	0.12	0.33	0.00	Mkt	Level	YDAY	MTD	YTD	12MO
	FR-DE	1.44	0.06	0.17	0.73	0.66	Global IG	89	1	4	9	8
	IT-DE	1.10	0.03	0.07	0.40	0.30	USD IG	84	1	4	6	5
Inflation breakevens							EUR IG	94	-1	3	16	14
	Market	Level	YDAY	MTD	YTD	YTD	Global HY	335	6	21	44	6
10 Year	France	1.96	0.00	-0.05	0.21	0.20	USD HY	331	10	20	65	39
	Italy	2.10	0.00	-0.01	0.38	0.41	EUR HY	357	-4	36	76	51
	Germany	2.24	0.01	0.03	0.49	0.52	EMBI-GD	193	2	7	-2	-24
	UK	3.44	-0.02	0.00	0.51	0.41						
	US	2.34	0.02	-0.03	0.10	0.07						

Source: Bloomberg/Columbia Threadneedle Investments as of 16 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

Government bond yield curves bull flattened last week: US two-year yields fell around 8bps and 30-year yields declined around 17bps. European and Japanese bond markets saw similar, smaller moves.

Concerns about artificial intelligence (AI)-led growth triggered safe-haven demand for government bonds, despite persistent worries about energy-led inflation.

September consumer and producer price inflation exceeded expectations, adding to concerns that higher energy costs were feeding through to core prices. The consumer price release initially prompted a sell-off, driving yields around 16bps higher. The move quickly reversed as attention shifted to cracks in the AI-led equity rally. Short covering amplified the subsequent bond rally as investors sought safe-haven assets. Questions about the sustainability of the AI supercycle dominated markets on Wednesday and Thursday.

Yields partially retraced their declines on Friday as attention returned to energy markets, with Brent crude rising from around \$106 to \$110 a barrel. Oil prices reflected continuing Iranian attacks, the collapse of the Trump-Putin diesel deal and renewed Ukrainian attacks on Russian refineries.

France remained a focus, with the French-German yield spread at 137-142bps last week. Ahead of next year's presidential election, extensive street violence continued over the weekend, complicating efforts to pass a budget. We maintain a strategic underweight in France versus sovereign, supranational and agency (SSA) debt. Former European Central Bank (ECB) president Mario Draghi said the bar for using the Transmission Protection Instrument (TPI) remained high and that the region was far from a repeat of the 2012 eurozone sovereign debt crisis.

Positioning There were no major changes to positions last week.



Liability driven investments (LDI)

Arthur Stroj,
Client Portfolio Manager, Continental Europe

European long-dated swap rates declined over the past fortnight amid hawkish ECB repricing and consolidation and French fiscal and political stress, partially offsetting signs of broader European fiscal discipline. From 6-16 October, the EUR 10-year swap rate fell from 3.58% to 3.54%, while the 30-year rate fell from 3.47% to 3.43%. The 50-year rate declined from 3.13% to 3.10%. This smaller move reflected lower sensitivity to near-term ECB repricing and support from pension and insurance demand. Rates reached a period low on 15 October before partially retracing the following day. Falling real rates drove the decline across all tenors, partly offset by modestly higher breakeven inflation, which was most stable at the long and ultra-long end.

At the IMF meetings in Bangkok, ECB Governing Council members signalled that further tightening remained likely, increasingly pointing to December for a third 25bps increase. September inflation exceeded expectations, with the final harmonised index of consumer prices confirming annual headline inflation of 3.8% and core inflation of 2.5%, while the labour market remained resilient. Bank president, Christine Lagarde, noted that energy-driven inflation had yet to produce second-round effects, although risks were rising. The US Federal Reserve (Fed) is widely expected to hold rates at its 28-29 October Federal Open Market Committee meeting, with December the most likely timing for its next increase. With both central banks focused on December, policy divergence remains limited for now.

French political and fiscal stress dominated sovereign markets, with the 10-year OAT-Bund spread widening from 127bps to 143bps amid nationwide protests and budget negotiations ahead of the 2027 election. The ECB's view that intervention was unwarranted left spread volatility elevated, with the TPI remaining a distant backstop. Signs of fiscal discipline elsewhere in Europe helped limit further widening towards period-end. For LDI portfolios managed against a swap benchmark, this underscores the importance of active country-risk management and duration flexibility, continued diversification across sovereign, supranational, and agency issuers, and close monitoring of upcoming Dutch WTP transition flows.



Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Regional investment grade (IG) performance diverged last week amid pronounced rates volatility. Global IG spreads widened 2bps to 88bps, led by US IG (+2bps to 85bps) and sterling IG (+1bps to 90bps). Euro IG outperformed, tightening 2bps to 93bps and partially reversing the previous week's 16bp widening as fears of contagion from French sovereign debt eased. The iTraxx Main widened 1bp to 65bps, while CDX IG widened 4.1bps to 30.3bps. The US index underperformed its European counterpart, reversing the previous week's pattern. Rates volatility remained the main driver of spreads.

European IG issuance slowed to around €8 billion as earnings season curtailed corporate supply. AusNet Services' €620 million deal highlighted strong demand for infrastructure credit. US issuance totalled around \$35 billion, dominated by banks following their earnings releases, including JP Morgan (\$7 billion) and Morgan Stanley (\$3 billion). However, several issuers stepped back on Wednesday as the consumer price release triggered rates volatility.

In corporate news, Credit Agricole agreed to acquire German lender IKB as it seeks to diversify beyond France. UniCredit received ECB approval to raise its Commerzbank stake above 30%, advancing European banking consolidation. Anglo American's CEO said Chinese regulatory approval for its Teck Resources merger was progressing as expected. Separately, Richemont is reportedly in talks to join a consortium seeking to acquire De Beers from Anglo American. In UK utilities, Ofwat proposed a net £240 million reduction in customer bills, with Yorkshire Water and Thames Water facing the largest penalties. Thames Water also sought to increase its super-senior facility from £3 billion to £5.4 billion to fund operations through autumn 2027. US financials reported eight earnings-per-share beats and two misses for Q3 2026. JP Morgan recorded an unexpected decline in fixed income, currencies and commodities trading revenue, while Goldman Sachs's bond traders also fell short of consensus.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield (HY) spreads widened 23bps last week to 331bps, while yield to worst rose 6bps to 8.28%. Broad index spreads reached their highest level since March this year, and CCC spreads their highest since around March 2023, as two stronger-than-expected inflation releases and scepticism about AI capital expenditure funding weighed on markets. Sector dispersion persisted: energy, utilities, consumer products, healthcare and retail were modestly tighter month-to-date, while telecoms, cable, media, housing, technology, transportation, autos and financials widened by at least 20bps. HY funds recorded further outflows of \$913 million, according to Lipper.

Leveraged loan spreads widened around 9bps last week, taking the index spread above 500bps. The index recorded its third consecutive weekly loss, returning -0.14%, with CCC loans bearing the brunt amid broader stress in lower-quality credit. Sensitivity to HY remained low: loan spreads widened around 34-35bps over the past month, compared with roughly 60bps for HY. More positively, upgrades continued to outpace downgrades, and loan funds attracted \$786 million in their 16th consecutive week of inflows.



European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European HY returned -0.13%, its second consecutive weekly loss and broadly in line with the previous week. Decompression remained the main theme: higher-rated BBs returned +0.18%, while lower-rated bonds bore the brunt of persistent rates volatility (Bs -0.72%, CCCs -0.81%). GBP HY returned -0.4% as spreads widened 8bps to 348bps, while yields rose 1bp to 7.09%. Fund flows were effectively flat, with net outflows of €5 million. Inflows into EUR HY exchange-traded funds (ETFs) and managed European HY accounts were offset by outflows from global HY funds. The constructive underlying European flow picture offered modest technical support despite negative returns. Primary issuance totalled €1.1 billion for the second consecutive week, with deals predominantly BB-rated, reflecting continued risk aversion among lower-rated borrowers.

TalkTalk confirmed the completion of the sales of its PXC wholesale network business and consumer broadband arm, concluding its restructuring. The dual sale process had driven a 19.40% weekly fall in bond prices in late September. Epiris acquired the consumer business, while a separate buyer was confirmed for PXC. Senior secured notes recovered sharply on the news, partially reversing previous weeks' losses. However, prices remained well below pre-crisis levels amid uncertainty about the remaining entity's credit profile and reduced asset base.

Moody's downgraded Virgin Media O2 UK Financing to B2 from B1, citing elevated leverage and execution risk in its fibre rollout programme. The downgrade followed sharp bond price declines the previous week. In contrast, Fitch upgraded French equipment rental group Loxam SAS to BB from BB-, citing deleveraging and strong free cash flow generation. This offered a rare positive development for French HY issuers facing both sovereign spread contagion and slowing domestic growth.



Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Structured credit spreads widened last week amid elevated rates volatility. Agency mortgage-backed securities (MBS) were broadly flat overall but volatile during the week, a pattern expected to persist. As the yield curve bull flattened, 30-year agency MBS outperformed 15-year securities on both total and excess returns. September prepayment speeds fell 6%-7% across both maturities, with similar or slightly steeper declines expected this month as seasonal factors and higher rates weigh. Non-agency MBS spreads widened 5bps-10bps, with AAA-rated non-qualified mortgage (non-QM) securities at 150-160bps. Issuance remained healthy despite a slower pace, with more than six deals totalling roughly \$4 billion priced last week.

Commercial mortgage-backed securities (CMBS) issuance was light, with just one commercial real estate collateralised loan obligation (CLO) priced. Conduit spreads widened 3bps week-on-week after three to four months of stability, with larger moves in lower-rated BB and BBB tranches. Asset-backed securities (ABS) spreads widened around 5bps. Although ABS issuance slowed, 13 deals totalling roughly \$8.5 billion were priced.



Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI gained 39bps last week, as a 52bps contribution from rates offset a 13bps loss from spreads. IG returned +46bps, while HY returned -9bps.

New World Development (NWD) launched an exchange offer for approximately US\$991 million of notes maturing in January 2027, June 2027 and February 2028. It offered up to \$600 million of new 7.375% senior secured notes due in December 2032. Bondholders were offered 95 points in new notes and 3.5 points in cash, plus 1.75 points for early tenders, bringing early participants' total consideration to 100.25 points per 100 of existing bonds. Early tender results announced on 14 October showed just \$199 million tendered, roughly 20% of eligible bonds. Despite the disappointing participation, the exchange is incrementally positive, reducing near-term maturities by \$199 million and extending that debt to 2032.

Genting Berhad proposed a renounceable rights issue to raise MYR1.25 billion (approximately US\$306 million). It plans to use MYR800 million (64%) to repay borrowings and MYR429.5 million for working capital. Kien Huat Realty, which holds 43.8%, and related entities together own 45.1% and have committed to take up their entitlements in full, representing approximately MYR564 million. The remaining portion is expected to be underwritten. The issue is

incrementally positive for credit, reducing near-term debt and financing costs, although proceeds are modest relative to the group's capital commitments. Heavy capital expenditure across several jurisdictions will continue to pressure free cash flow, making deleveraging challenging over the next two to three years.



Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt delivered modest positive returns over the week despite a volatile macroeconomic backdrop. EM sovereigns returned 0.40%, while EM corporates and local currency debt gained 0.26% and 0.31% respectively.

Geopolitical tensions remained a headwind. Relations between Saudi Arabia and the Houthis worsened while continued Russian attacks and Kyiv's signalling of fresh strikes against Russian infrastructure added to the risk of further disruption to global fuel markets. Meanwhile, rising tensions between Kyiv and Washington further complicated prospects for diplomatic de-escalation. Brent crude rose 3.95% over the week to around \$110 per barrel.

In Central and Eastern Europe, Romania benefited from an improving political backdrop after the PSD formally voted to join Niculescu's administration, shifting attention towards fiscal consolidation and the 2027 budget. Romanian 10-year bond prices rose 0.64% in response. Conversely, in Poland political tensions between Prime Minister Tusk and President Nawrocki intensified mid-week amid concerns over growth prospects and the reform agenda. Polish 10-year bond prices still gained 0.95% overall, although prices softened modestly following the news.

Primary-market activity also provided several notable developments. Angola explored alternative international funding options, including Panda bonds and sukuk, as it seeks to diversify its funding sources beyond traditional US dollar-denominated Eurobonds. Separately, Gabon successfully raised \$580 million through an eight-year bond carrying a 9.375% coupon, with the order book nearly doubling at \$1 billion.

Looking ahead, investors await the outcome of Brazil's presidential run-off on 25 October, with Lula facing Flávio Bolsonaro.

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