In Credit

20 July 2026

London calling

As Andy Burnham swaps being Mayor of Manchester for UK Prime Minister, how much fiscal wiggle room does he actually have? Elsewhere, the Middle East continues to impact economic policy. Read on for a breakdown of fixed income news across sectors and regions.

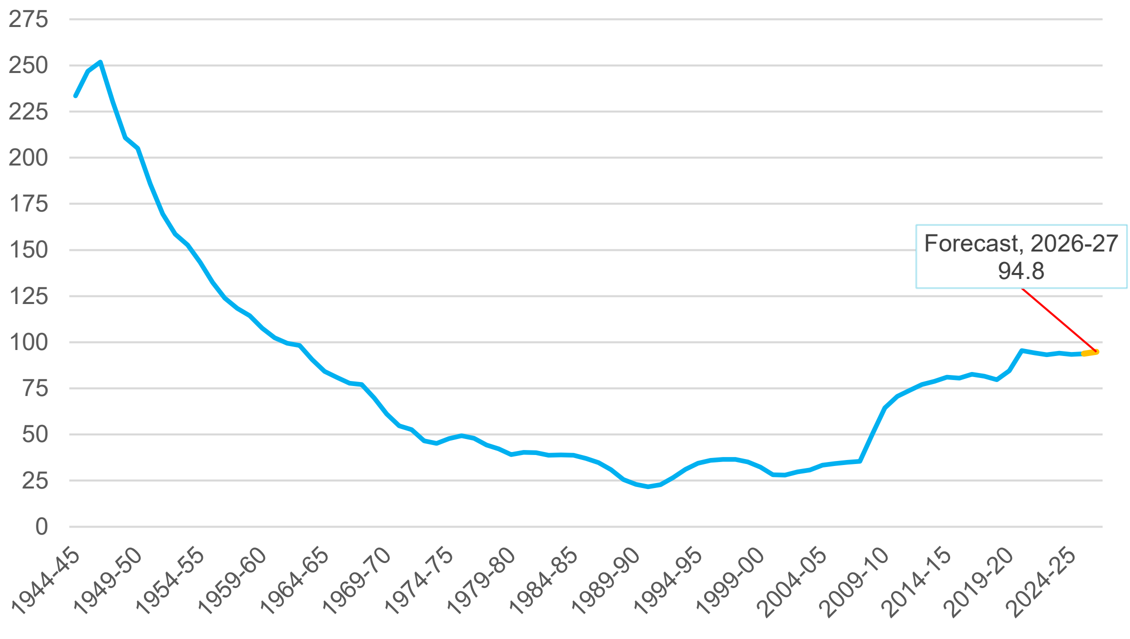
Chart of the Week

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

Andy Burnham has moved from Manchester and will now live in London (at least some of the time) as prime minister of the UK. We will watch with interest as he sets out his plans against a backdrop of an empty purse. This week's chart shows the UK debt-to-GDP ratio. Is there really any wiggle room?

Does this mean his promises will also be empty? A few of his favourite phrases are "making politics work" and "getting the country back on track", all within a framework of "sound public finances". Now he is PM, will he also slip into the cross-party favourite of "I have been (very) clear" with consummate ease?

UK government debt-to-GDP ratio (%)



Source: Bloomberg, July 2026. Numerator (£ public sector net debt) and denominator (nominal GDP financial year/centred end-March): reflects the latest available ONS data. Forecast year (in orange) from 2027 is consistent with the OBR economic and fiscal outlook forecast published March 2026.

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	**4.51%**	**11 bps**	**-1.0%**	**1.9%**
German Bund 10 year	2.58%	8 bps	1.4%	-0.5%
UK Gilt 10 year	**4.66%**	**1 bps**	**0.9%**	**1.3%**
Japan 10 year	1.47%	-3 bps	-0.4%	-2.8%
Global Investment Grade	**90 bps**	**-3 bps**	**0.3%**	**2.0%**
Euro Investment Grade	94 bps	-3 bps	1.3%	1.5%
US Investment Grade	**87 bps**	**-4 bps**	**-0.2%**	**2.1%**
UK Investment Grade	85 bps	-5 bps	1.5%	2.2%
Asia Investment Grade	**128 bps**	**-8 bps**	**0.5%**	**2.8%**
Euro High Yield	323 bps	-18 bps	2.0%	2.7%
US High Yield	**309 bps**	**-22 bps**	**2.0%**	**3.0%**
Asia High Yield	495 bps	5 bps	-0.6%	2.3%
EM Sovereign	**291 bps**	**-15 bps**	**1.2%**	**3.6%**
EM Local	6.1%	0 bps	5.5%	10.0%
EM Corporate	**259 bps**	**-13 bps**	**0.3%**	**2.7%**
Bloomberg Barclays US Munis	4.1%	1 bps	-0.8%	-1.0%
Taxable Munis	**5.3%**	**8 bps**	**-2.1%**	**0.7%**
Bloomberg Barclays US MBS	42 bps	0 bps	-1.1%	1.9%
Bloomberg Commodity Index	**253.79**	**3.4%**	**-2.1%**	**6.6%**
EUR	1.1407	0.4%	5.4%	10.1%
JPY	**144.61**	**-0.6%**	**3.5%**	**8.5%**
GBP	1.3545	0.5%	4.7%	8.1%

Source: Bloomberg, ICE Indices, as of 17 July 2026. *QTD denotes returns from 30 June 2026.

Macro/government bonds

Simon Roberts
Product Specialist, Global Rates

Two competing forces shaped markets last week: weaker-than-expected US CPI and renewed hostilities in the Gulf. In the US, this drove a bull-steepening trend, with the two-year yield falling 11bps and the 30-year yield down 4bps between Monday's open and Friday's close. In contrast, Europe saw a bear flattening at the front end as markets priced in higher short-term rates on the back of rising oil prices. In Japan, domestic factors drove a bull flattening around the five- to 10-year part of the curve.

US headline CPI fell 0.4% month-on-month in June, driven by lower energy prices and surprising to the downside. Producer Price Index (PPI) Final Demand also fell 0.3% month-on-month. The immediate market reaction was to lower expectations of a rate hike at the July US Federal Reserve (Fed) meeting from 46% to 16%.

While the CPI print put downward pressure on yields and supported risk assets, higher oil prices pulled in the opposite direction. Brent rose 6% over the week to $88 a barrel. The US carried out consecutive daily strikes against Iran, aimed at degrading its ability to attack commercial shipping. US president, Donald Trump, announced a 20% cargo fee for ships passing through the Strait of Hormuz, although he later reversed course in exchange for trade and investment commitments from Gulf states.

Positioning There were no changes to Global Rates portfolios. We remain constructive on the front end in Europe and the US and maintain a bias towards yield-curve steepeners.

Liability driven investments (LDI)

Arthur Stroij
Client Portfolio Manager, Continental Europe

European long-dated rates have risen materially over the past fortnight, driven by a fundamental repricing of central bank terminal rates following the flare-up in US-Iran hostilities. The 30-year euro swap yield – a key benchmark for European LDI investors – climbed from 3.19% to 3.28%, while the 10-year swap rate rose from 3% to 3.18%.

The market currently projects global policy rates to remain elevated by up to 50bps above prior forecasts for years to come because of the conflict's inflationary impact. Euro-area 2026 GDP forecasts have been cut to 0.5%, and the weaker growth outlook and (in particular) higher inflation outlook has compressed the 10-year-to-30-year spread from approximately 19bps to 10bps.

Against this backdrop of rising rates and curve flattening, European sovereign spreads have widened notably, with France emerging as the clear underperformer. The 30-year OAT-Bund spread has moved from 102.4bos on 6 July to 106.3bps today – its widest level in several years – driven by concerns over France's fiscal trajectory and political uncertainty.

The European Central Bank (ECB) is broadly expected to hold rates at 2.25% at its 23 July meeting, with markets pricing roughly 22bps of additional tightening for September when updated quarterly forecasts will be available. Projections on core inflation persistence and second-round effects will determine whether the ECB views 2.5% as the terminal rate or signals further potential tightening into year-end.

Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade, EMEA

Global investment grade (IG) credit markets came under pressure over the week as renewed Middle East tensions and a sell-off in AI-related securities weighed on risk appetite. Credit spreads drifted wider across major markets, with US corporate spreads 2bps wider at 79bps, Europe and the UK both 1bp wider at 76bps and 81bps respectively, and index credit default swaps (iTraxx Main) 1.5bps wider.

The dominant macro development was a flare-up in US-Iran hostilities, while UK markets were focused on Andy Burnham formally becoming prime minister on 20 July. Bond markets scrutinised the new administration's opening signals closely, with the gilt market particularly sensitive to any indication of fiscal loosening.

Euro-denominated supply slowed sharply to around €5.7 billion over the week, reflecting both the summer lull and the impact of renewed geopolitical volatility on borrower confidence. This followed a bumper €45 billion in the prior week. US IG issuance was ahead of expectations, dominated by banks following strong earnings from names including Goldman Sachs and JP Morgan.

Corporate news was broadly constructive, with several issuers reporting numbers ahead of expectations, although idiosyncratic credit stories continued to drive sentiment. In the UK, Thames Water remained in focus, with Burnham reportedly preparing a special administration regime. Creditors signalled a willingness to accept greater public control while preparing legal contingency plans. ABB delivered a standout quarter, with record orders and double-digit revenue growth. SSE and Publicis both raised guidance, Prologis announced a revised approach for Segro, and Experian's organic growth miss highlighted an uneven earnings season. European telecoms were mixed: Xavier Niel's Vega increased its stake in Vodafone to

16.2%, with its holding expected to reach 18.8% by year-end, while S&P affirmed Vodafone's rating at BBB/stable. Bouygues' move to acquire SFR assets was referred to the French competition authority, while Telenor cut guidance after a weak Q2 2026.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

High yield (HY) credit was modestly weaker last week, but held up well despite increased volatility and pressure on AI- and data-centre-related credits. The ICE BofA US HY CP Constrained Index returned 0.45%, while spreads widened by around 3bps to 286bps, still near recent tights, with CCC-rated paper underperforming. Large hyperscaler issuance contributed to see some spread widening in select technology and infrastructure names, but the broader HY market remained resilient. New issuance slowed sharply, with only $6.4 billion pricing in July versus $35 billion in June, as some issuers opt to wait out near-term rate volatility despite historically tight spreads.

Leveraged loans posted a gain last week, with spreads tightening by around 5bps-6bps. The average price of the S&P UBS Leveraged Loan Index finished the week up $0.04 at $94.44. Single-B paper led the asset class, with the strongest returns from technology (primarily software) and financials, including insurance brokers and fintech-adjacent names. New deal volume is accelerating, even for more complex credits, as the maturity wall is gradually addressed. Twelve new deals priced last week, raising $16.3 billion.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European HY credit ended an eight-week winning streak last week, returning -22.4bps as the re-closure of the Strait of Hormuz, escalating US-Iran tensions and AI investment concerns weighed on sentiment. Spreads nevertheless tightened 2bps to 267bps, although yields rose 3bps to 6.08% as underlying government bond yields moved higher. Single-Bs outperformed within the ratings stack, while CCCs lagged significantly, returning nearly three times worse than the broader market.

Technicals also deteriorated, with European HY recording net outflows of €373 million across ETFs and managed accounts, reversing four consecutive weeks of inflows. Primary market activity was light, with €1.6 billion pricing across three issuers. Iliad priced a €650 million five-year senior unsecured note at 4.125%, well inside initial price thoughts of 4.5%-4.625%, on books exceeding €2 billion. Conceria Pasubio priced a €400 million 6NC2 senior secured note at 9.5%, briefly trading through re-offer before softening, while Intrum launched a €525 million 5NC2 senior secured refinancing at 7% after a weak 23% tender take-up.

In single names, ION Platform gained around three points mid-week on positive management guidance, while CoreWeave continued to weaken. Virgin Media remained under pressure amid persistent selling and limited bank bids. Aston Martin softened on debt concerns, with reports of discussions with HPS around new financing and a potential debt drop-down.

Basic industries was the only positive sector, lifted by chemicals after a BASF beat-and-raise supported Ineos and Styro bonds. On ratings, S&P revised SoftBank's outlook to stable and affirmed BB+, while Moody's upgraded Asmodee to Ba3, aligning it across all three agencies as a solid BB credit. On the negative side, Cervino was placed on CCC by its rating agency late in the prior week.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Structured product markets were largely steady last week, with spreads across agency mortgages, non-agency mortgages, commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) finishing roughly unchanged. Agency mortgage-backed securities delivered modest carry returns as the rates and affordability backdrop continued to weigh on housing activity. Recent data showed mortgage applications falling 3% and pending home sales declining 5%, while 30-year mortgage rates rose to their highest level since last August. The Bloomberg US MBS Index returned 14bps for the week, with spreads ending broadly flat across the coupon stack and the middle marginally outperforming. Spreads in non-agency mortgages were flat to slightly tighter, with non-qualified mortgage spreads ending at 115bps.

Non-agency mortgage issuance remained robust, with around $5 billion pricing across nine deals as year-to-date volume continues to track towards a record. CMBS was quiet on the new-issue front, with only one $817 million deal pricing, although the pipeline remains substantial at roughly $100 billion targeting pricing this year, which would represent a post-global financial crisis record. ABS was the technical standout, with around $11 billion pricing last week across 17 deals. Demand across structured credit remains strong and supply is being readily absorbed, reinforcing the constructive technical backdrop that has characterised the asset class for much of the year.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

JACI posted a marginal loss of 1bp over the week, with lower rates contributing 17bps of gains, largely offsetting an 18bps loss from wider spreads. Emerging market (EM) bond flows reached almost $900 million last week, up 26% week-on-week, taking the year-to-date inflow to around $28.5 billion. Retail inflows were the key driver, evenly split between hard-currency and local-currency strategies.

Prosus has provided an irrevocable undertaking to tender its remaining 16.8% stake in Delivery Hero to Uber at the €41.50 offer price, generating around €1.2 billion in proceeds and satisfying the European Commission’s divestiture deadline. This follows Uber’s announcement of a voluntary takeover offer for Delivery Hero. Prosus previously held 27.4%, but sold down in April-May 2026, including 4.5% to Uber and 5% to Aspex, as required by the European Commission as a condition of its Just Eat Takeaway acquisition. Prosus must reduce its stake in Delivery Hero to below 10% by 11 October 2026.

TSMC delivered a strong Q2 2026, with revenue of $40.2 billion, up 34% year-on-year, and operating margins of 60.3%, comfortably ahead of its own guidance. Growth was driven by a rising N3 contribution, at 30% of revenue versus 25% in Q1 2026, while high-performance computing now represents 66% of revenue. The company raised full-year 2026 capex guidance to $60 billion-$64 billion, from the previous $52 billion-$56 billion high end, reflecting accelerating AI-driven demand. TSMC also announced an additional $100 billion US investment across four more plants, taking its total proposed US commitment to $265 billion, although no firm timeline was given. North America now accounts for 78% of revenue, underscoring the concentration of AI and hyperscaler demand. Q3 2026 guidance of $44.6 billion-$45.8 billion in revenue implies continued sequential growth, although gross margins are guided slightly lower at 65%-67%, – likely reflecting N2 ramp costs as that node scales from its current 3% revenue contribution.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

EM debt delivered another subdued performance over the week, returning -0.2%. EM corporates recovered from the previous week's weakness, returning 0.1%, while local markets continued to lag, declining 0.67%.

The US-Iran conflict intensified further as both sides exchanged military strikes following the collapse of the June Memorandum of Understanding. Tensions escalated after an Iranian strike on a US base in Jordan reportedly killed two US service members, prompting additional US retaliation. Disruption to shipping through the Strait of Hormuz persisted, helping to keep oil prices elevated, with Brent crude rising approximately 6% over the week to $88.10 per barrel.

Elsewhere, reports emerged that Senegal is set to appoint Lazard as financial adviser, fuelling speculation that the government may be exploring options to address its debt burden. Since the discovery in 2024 of approximately $7 billion of previously unreported liabilities, the nation's debt has risen above 130% of GDP. While it remains unclear whether discussions could lead to a restructuring or debt reprofiling, the news briefly supported Senegalese assets, with the 2048 sovereign bond gaining roughly 2% before ending the week broadly unchanged.

In Brazil, the US announced 25% tariffs on selected exports, citing practices it said had harmed US commerce. Brazilian authorities pledged to respond, arguing the measures were politically motivated ahead of the country's upcoming elections. Market reaction was limited, reflecting the narrow scope of the tariffs, which excluded key export categories such as beef and coffee. Elsewhere, the Bank of Korea raised rates by 25bps to 2.75%, citing inflation that remains above its 2% target.

Looking ahead, investors will focus on central bank meetings in Indonesia, South Africa and Turkey.

Responsible investments

Steven Nelson,
Client Portfolio Manager, Investment Grade, EMEA

The dominant story in responsible investment this year has been resilience. Global labelled bond issuance reached $1.2 trillion in H1 2026 and remains on track for a record year, despite the Iran conflict, which caused European green bond issuance to fall sharply in March. The recovery was swift, with June issuance the strongest on record at around €25 billion. European sovereign, supranational and agency issuers printed €70 billion of labelled bonds, the second-strongest quarter on record, with social and sustainability-linked bonds gaining share at the expense of green bonds. This reflects a shift in supranational and development bank priorities towards social impact mandates.

The Iran conflict is increasingly framed as a structural accelerant for transition finance. High energy prices and tighter European gas supply have reinforced the investment thesis for grid investment, energy storage and domestic renewable capacity, with these themes gaining prominence in use-of-proceeds frameworks across Europe and Asia.

The regulatory backdrop has also evolved rapidly. The EU Council's Sustainable Finance Disclosure Regulation reform introduced a new transition fund category, albeit stopping short of mandating fossil fuel exclusions. Separately, the European Commission's proposed post-2030 Emissions Trading System reform slows the annual cap-reduction rate from 4.4% to 3.7% for 2031-2035, reducing the near-term carbon price signal and complicating transition bond frameworks that reference ETS compliance as a key performance indicator.

The International Capital Market Association's Climate Transition Bond Guidelines, published in November 2025, represent a significant framework development for hard-to-abate sectors, yet only a trickle of issuance has followed. Stricter alignment requirements and uncertain transition pathways in steel, cement and chemicals appear to be deterring borrowers, raising the question of whether the label will catalyse a new instrument class or remain aspirational in the near term.

The primary market provided several points of interest. TenneT priced a €3.5 billion green offering, reflecting how energy security has become a structural concern. Vesteda Finance priced €500 million of green real estate debt on heavily oversubscribed books, while South West Water issued a £350 million green bond, using the label as a deliberate signal to investors and regulators amid active scrutiny of the sector.

Important Information

For use by professional clients and/or equivalent investor types in your jurisdiction (not to be used with or passed on to retail clients). Source for all data and information is Bloomberg as at 20.7.2026, unless otherwise stated.

For marketing purposes.
This document is intended for informational purposes only and should not be considered representative of any particular investment. This should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. Investing involves risk including the risk of loss of principal. Your capital is at risk. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The value of investments is not guaranteed, and therefore an investor may not get back the amount invested. International investing involves certain risks and volatility due to potential political, economic or currency fluctuations and different financial and accounting standards. The securities included herein are for illustrative purposes only, subject to change and should not be construed as a recommendation to buy or sell. Securities discussed may or may not prove profitable. The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Threadneedle Investments (Columbia Threadneedle) associates or affiliates. Actual investments or investment decisions made by Columbia Threadneedle and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. This document and its contents have not been reviewed by any regulatory authority.

In Australia: Issued by Threadneedle Investments Singapore (Pte.) Limited ["TIS"], ARBN 600 027 414. TIS is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) and relies on Class Order 03/1102 in respect of the financial services it provides to wholesale clients in Australia. This document should only be distributed in Australia to "wholesale clients" as defined in Section 761G of the Corporations Act. TIS is regulated in Singapore (Registration number: 201101559W) by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289), which differ from Australian laws.
In Singapore: Issued by Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07, Winsland House 1, Singapore 239519, which is regulated in Singapore by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289). Registration number: 201101559W. This advertisement has not been reviewed by the Monetary Authority of Singapore.
In Hong Kong: Issued by Threadneedle Portfolio Services Hong Kong Limited 天利投資管理香港有限公司. Unit 3004, Two Exchange Square, 8 Connaught Place, Hong Kong, which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 regulated activities (CE:AQA779). Registered in Hong Kong under the Companies Ordinance (Chapter 622), No. 1173058.
In Japan: Issued by Columbia Threadneedle Investments Japan Co., Ltd. Financial Instruments Business Operator, The Director-General of Kanto Local Finance Bureau (FIBO) No.3281, and a member of Japan Investment Advisers Association and Type II Financial Instruments Firms Association.
In the UK: Issued by Threadneedle Asset Management Limited, No. 573204 and/or Columbia Threadneedle Management Limited, No. 517895, both registered in England and Wales and authorised and regulated in the UK by the Financial Conduct Authority.
In the EEA: Issued by Threadneedle Management Luxembourg S.A., registered with the Registre de Commerce et des Sociétés (Luxembourg), No. B 110242 and/or Columbia Threadneedle Netherlands B.V., regulated by the Dutch Authority for the Financial Markets (AFM), registered No. 08068841.
In Switzerland: Issued by Threadneedle Portfolio Services AG, Registered address: Claridenstrasse 41, 8002 Zurich, Switzerland.
In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge who meet the regulatory criteria to be classified as a Professional Client or Market Counterparty and no other person should act upon it. This document and its contents and any other information or opinions subsequently supplied or given to you are strictly confidential and for the sole use of those attending the presentation. It may not be reproduced in any form or passed on to any third party without the express written permission of CTIME. By accepting delivery of this presentation, you agree that it is not to be copied or reproduced in whole or in part and that you will not disclose its contents to any other person.

This document may be made available to you by an affiliated company which is part of the Columbia Threadneedle Investments group of companies: Columbia Threadneedle Management Limited in the UK; Columbia Threadneedle Netherlands B.V., regulated by the Dutch Authority for the Financial Markets (AFM), registered No. 08068841.