Information for investment professionals

In Credit

21 September 2026

Encore une fois

The spread between French and German government debt has once again breached 100bps, reflecting a confluence of French fiscal and political pressures. 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

The spread between 10-year French OATs (government bonds) and German Bunds once again breached 100bps on Friday – the widest level for 14 years, since the European sovereign debt crisis. The move reflects a confluence of fiscal and political pressures: France missed its 2026 deficit target of 5% of GDP, with the Finance Ministry now guiding to 5.4%, while the 2027 budget, which targets a reduction to 5%, faces a parliamentary battle with presidential elections in April 2027. The government's pledge of €30 billion in spending savings, alongside an assertion that the budget respects European Union expenditure guidelines, has provided little reassurance to markets. The political backdrop adds further risk: far-left presidential candidate Jean-Luc Mélenchon's proposal to cancel European Central Bank (ECB)-held French debt drew a direct rebuke from bank president, Christine Lagarde, who described it as "financially dangerous". The exchange underscores a sovereign credibility risk that markets are beginning to price more structurally.

Spread of French 10-year OATs over 10-year German Bunds

Source: Bloomberg, 21 September 2026

Markets dashboard

G4 rates

	Ccy	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	3.23	0.05	0.29	1.11	1.21
	GBP	4.78	0.10	0.37	1.04	0.79
	JPY	1.86	-0.01	0.13	0.68	0.94
	USD	4.72	0.08	0.38	1.25	1.15
5 Year	EUR	3.31	0.06	0.24	0.86	0.98
	GBP	4.84	0.10	0.23	0.92	0.71
	JPY	2.29	-0.01	0.08	0.74	1.09
	USD	4.82	0.08	0.32	1.09	1.14
10 Year	EUR	3.47	0.04	0.15	0.62	0.72
	GBP	5.23	0.07	0.17	0.75	0.52
	JPY	2.99	-0.01	0.03	0.92	1.34
	USD	4.96	0.07	0.21	0.79	0.83
30 Year	EUR	3.82	0.01	0.01	0.34	0.48
	GBP	5.71	0.02	-0.07	0.51	0.16
	JPY	4.08	-0.01	-0.06	0.68	0.91
	USD	5.30	0.04	0.05	0.45	0.55

Yield-spreads

	Mkt	Level	YDAY	MTD	YTD	12MO
10 Year	US-DE	1.49	0.02	0.06	0.18	0.11
	UK-DE	1.76	0.03	0.02	0.14	-0.21
	FR-DE	1.00	-0.05	0.14	0.29	0.19
	IT-DE	0.88	-0.04	0.05	0.18	0.09

Inflation breakevens

	Market	Level	YDAY	MTD	YTD	YTD
10 Year	France	2.01	0.03	0.06	0.26	0.15
	Italy	2.11	0.02	0.04	0.39	0.41
	Germany	2.22	0.03	0.05	0.47	0.48
	UK	3.44	0.05	0.12	0.51	0.33
	US	2.32	0.01	0.00	0.07	-0.07

G10 FX

FX	Level	YDAY	MTD	YTD	12MO
EUR	1.148	0.1	-1.2	-2.3	-2.7
GBP	1.339	0.3	-1.2	-0.7	-1.0
JPY	157.14	-0.6	1.7	-0.3	-6.0
CAD	1.401	0.0	-1.1	-2.1	-1.4
AUD	0.713	0.1	-0.5	6.9	8.1
NZD	0.573	-0.2	-3.2	-0.5	-2.4
CHF	0.823	0.3	-1.8	-3.7	-3.7
NOK	9.416	0.2	-0.8	7.1	5.3
SEK	9.825	-0.1	-2.5	-6.3	-4.9

Key references

Mkt	Level	YDAY	MTD	YTD	12MO
DXY	100.31	0.0	0.9	2.0	2.7
BRENT	101.69	-0.9	12.4	67.1	52.5
GOLD	4,355	0.9	-1.9	0.8	16.2
BITCOIN	82,198	6.0	4.2	-6.2	-28.8
SPX	7,651	0.2	-0.5	11.8	14.8
FTSE	10,715	-1.5	-1.0	7.9	16.3
VIX	15	-1	0	0	-1

Credit spreads - OAS, bp

Mkt	Level	YDAY	MTD	YTD	12MO
Global IG	79	-1	-1	-1	2
USD IG	75	-1	-3	-3	3
EUR IG	84	1	5	6	5
Global HY	276	-3	5	-14	-30
USD HY	267	-2	6	1	5
EUR HY	287	-5	10	6	7
EMBI-GD	236	0	2	-17	-64

Source: Bloomberg/Columbia Threadneedle Investments as of 18 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

US and European bond markets flattened last week. The US two-year yield rose 12bps, while the 30-year fell around 3bps. In the UK, the two-year yield rose 2.6bps, while the 30-year fell around 15bps.

The dominant event in the US was the US Federal Reserve's (Fed) decision to raise its key benchmark rate by 0.25%. Markets reacted positively, with investors showing greater confidence in chair Kevin Warsh's inflation-fighting credibility. Bond traders are now fully pricing in three additional 25bps hikes by mid-2027. While higher front-end rates reflected expectations of tighter Fed policy, 30-year yields fell. President Trump called for rates of 1% and, while saying he still had confidence in Warsh, criticised the broader Fed board as "hostile".

The Bank of England (BoE) left rates unchanged at 3.75%, saying it needed further evidence that the energy shock was feeding through to wages and prices. Although a hold had been priced in, markets continue to position for a November rate rise.

The bigger surprise was an overhaul of the BoE's quantitative tightening programme. It scrapped long-dated gilt sales for securities maturing beyond 2049, amounting to around £120 billion, effectively removing that supply from the market. The BoE had been under pressure to pursue a less disruptive approach, and the removal of long-dated supply helped drive the strong performance of longer-maturity gilts.[1]

The Bank of Japan (BoJ) increased its policy rate by 0.25% to 1.25% in a 7-2 vote. The two dissenters were reportedly appointed by the prime minister Sanae Takaichi, implying that the pace of future tightening may be more gradual. The less hawkish outcome supported Japanese government bonds, while the yen weakened. The "higher-for-longer" regime is now global, with the BoE, BoJ and Fed all signalling tighter monetary policy.

Oil continued to drive fixed income markets, with Brent briefly spiking to around $109 a barrel before ending the week at $103.9.

Liability driven investments (LDI)

Arthur Stroij,
Client Portfolio Manager, Continental Europe

European long-dated swap rates sold off sharply, driven by hawkish central bank repricing, surging energy prices and French fiscal stress, before partially retracing. The EUR 10-year swap rate rose from 3.42% on 7 September to a two-week high of 3.57% on 15 September, before pulling back to 3.5%. The 30-year rate peaked around 3.48% before retreating to 3.38%. The long end of the curve flattened over the period, with the 10-year/30-year spread moving into positive territory and reaching 11.7bps on 18 September — a notable reversal from the regime that has prevailed for much of 2025-26.

The ECB delivered a widely anticipated 25bps hike to 2.5% on 10 September – its second increase since the energy shock – and struck a notably hawkish tone. Updated ECB projections revised 2026 HICP inflation to 3%, with markets now pricing three to four additional hikes over the next 12 months. With the Fed also tightening (see Macro/government bonds), the key divergence lies in starting points and transmission risk: the ECB faces more acute energy pass-through pressure than the US given Europe's greater import dependence.

European inflation re-accelerated, with August HICP confirmed at 3.2% year-on-year, up from 2.9% in July and driven almost entirely by energy. Core HICP held steady at 2.4%, and second-round effects remain absent for now, with wage growth slowing to 3.3% year-on-year in Q2 2026.

European sovereign spreads widened materially, with France the standout underperformer. The 10-year OAT-Bund spread surged to a 14-year high of 105bps on 18 September, breaching 100bps for the first time since 2012 (see Chart of the Week), before partially retracing to 99.5bps. The rest of the periphery proved more resilient, highlighting the idiosyncratic nature of French fiscal and political risk rather than broader peripheral contagion.

Consumer inflation expectations are drifting higher, with the ECB's three-year gauge at 2.9%, its highest since the tightening cycle began. If second-round effects begin to appear in wage data, the case for a more aggressive ECB path would strengthen considerably, with direct implications for real rates and liability valuations.

[1] Columbia Threadneedle Investments, Has QT pushed up gilt yields? Yes … and more than the BoE would admit, 19 November 2025

Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Global investment grade (IG) spreads tightened 1bp over the week to 79bps, although the headline masked a more volatile regional picture. US IG compressed 3bps to 77bps following the FOMC decision, while euro IG widened 2bps to 81bps, driven by renewed ECB hawkishness and French OAT volatility that spilled into French-linked credits. The impact on French bank spreads was partly mitigated, however, as many issuers had already pre-funded most of their annual issuance needs. Sterling IG tightened 1bp to 82bps on the back of the gilt rally. iTraxx Main closed the week at 54.6bps, having briefly dipped to 52.7bps mid-week before reversing as post-central bank relief gave way to renewed macro concerns.

European primary markets recorded €39.1 billion of IG issuance over the week, as the pace slowed from prior weeks amid the cautious rates backdrop. Volkswagen Bank priced a €2.5 billion green bond and AIG priced a €1.125 billion deal, upsized from €1 billion, with both tranches tightening materially from initial price thoughts. In the US, weekly IG volume reached around $53 billion, with Aon's $13.5 billion M&A-linked deal attracting approximately $65 billion in orders. Citigroup priced its reportedly largest-ever IG transaction of at least $10 billion alongside Wells Fargo's three-tranche offering, with both taking advantage of the post-FOMC window.

Corporate news flow was dominated by European financials. In real estate, hybrid securities from Aroundtown and CPI Property Group came under pressure, reflecting the sector's sensitivity to higher rates. In telecoms, Telefonica resumed discussions with Zegona Communications over a potential acquisition of Vodafone Spain, after talks had previously stalled over valuation expectations. Aareal Bank's acquisition of Hamburg Commercial Bank continued the consolidation theme in European financials. Ratings momentum was constructive across Western Europe, with 36 upgrades versus 20 downgrades over the week; financials accounted for the most upgrades.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield (HY) was modestly softer last week as Treasury yields moved higher, with the ICE BofA US HY CP Constrained Index returning -0.3%. HY bond yields rose 11bps to 7.62%, back to one-year highs, while spreads widened only 2bps to 281bps, underscoring that the move was primarily rate-driven rather than a reflection of deteriorating credit fundamentals. JP Morgan's Q2 2026 high yield credit recap painted a constructive fundamental picture: credit quality improved as leverage declined to 4.51x and interest coverage rose to 4.12x, marking the first quarterly improvement after more than a year of deterioration. Lipper reported the largest weekly retail fund outflow since March at $2.5 billion, or 0.87% of assets under management. Primary issuance remained active despite rates volatility, with seven deals pricing for a total of $6.4 billion, though volume slowed relative to the prior week.

In leveraged loans, their floating-rate structure remains a significant tailwind in the current rising-rate environment. The average price of the S&P UBS Leveraged Loan Index finished the week up $0.04 at $94.79. Loan funds reported their twelfth consecutive weekly inflow, at $701 million. The primary loan market was notably busy, with 29 new loans pricing for a total of $36.1 billion.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

It was a volatile week that ended on a firmer note. The market sold off sharply in the first half as rates pressure intensified, with the US 10-year Treasury yield briefly touching 5% for the first time since 2023 and Brent oil trading above $104. The exchange-traded fund (ETF) discount, which had been running at approximately 30bps for much of the week, narrowed sharply to 5bps-10bps by Thursday/Friday after the Fed delivered its first rate hike since 2023 with a hawkish tone. This provided some clarity and triggered a partial recovery. European HY finished the week with a modest negative return of -0.06%. Credit spreads were unchanged for the second consecutive week, while yields rose 3bps to 6.67%, with the modest negative return driven entirely by the rates component. Notably, BBs underperformed with lower-rated B and CCC credits outperforming both BBs and the broader market. This reflects the greater duration sensitivity of tighter BB paper and idiosyncratic positive catalysts in select high-beta names.

The asset class saw outflows accelerate to €348 million, a meaningful deterioration from the prior week's modest inflows. ETFs were again the primary driver, as managed accounts experienced only modest outflows, suggesting some broadening of selling pressure beyond the passive channel.

Nine HY deals priced during the week, totalling €6 billion, with most trading at or above reoffer by Friday, though with less initial price talk tightening than earlier in the summer. A third of the new offerings carried a single-B credit rating.

In ratings news, Cheplapharm was upgraded by Moody's to B2 positive following the Sanofi transaction that saw the latter buying a 26.4% stake in the former. Renault was upgraded to IG, at Baa3, by Moody's, following S&P's upgrade at the end of 2025, and has exited the HY universe. Advanz Pharma was cut to B3 by Moody's.

In issuer-specific news, Grupo Antolin extended its bondholder standstill to 16 October. Grunenthal announced it is buying cancer treatment Stivarga from Bayer for around €375 million. This is likely to increase leverage in the short term, though at a modest margin.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Structured products delivered mixed results last week. Within agency mortgage-backed securities (MBS), the Bloomberg US MBS Index returned -5bps over the week, with 30-year securities outperforming 15-year securities as rates bear-flattened. Spread widening was more pronounced in higher coupons, leaving lower coupons to outperform. Housing data continued to deteriorate: the NAHB Housing Market Index remained at 32, well below the neutral threshold of 50 and the lowest reading since 2022. Housing starts and permits were both down around 2.5%, led by the multifamily side. Weekly mortgage applications declined again, with the average 30-year rate close to 7%. Pending home sales were a touch higher, up 30bps, but remain subdued given the rate environment. August prepayment speeds fell as rates continued to climb, with 30-year speeds down 13% and 15-year speeds down 9%. September speeds are expected to slow a further 5% as mortgage rates continue to rise. Non-qualified mortgage (non-QM) spreads tightened a few bps week-on-week, leaving AAA at 123bps and AA at 140bps. Issuance was strong, with more than 10 new deals pricing for around $6.5 billion last week and $256 billion year-to-date.

Commercial mortgage-backed securities (CMBS) spreads were unchanged across the conduit capital stack, a pattern that has persisted for several months. CMBS new issuance continues to run well ahead of last year's pace, up 12% year-on-year, with six deals last week totalling $5.1

billion. In asset-backed securities (ABS), secondary benchmark spreads tightened 5bps, while a few esoteric subsectors widened modestly. The AAA-to-below-AAA spread remains at 96bps, well below the two-year average of 117bps. The spread between AAA-A ABS and AAA-A corporates remains in line with the two-year average of 39bps. Issuance was busy, with 10 new deals pricing for $10.1 billion, bringing year-to-date issuance to $289 billion, up 7% year-on-year.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI delivered 15bps of positive return for the week, helped by rates, which contributed 13bps, and slightly tighter spreads, which added 2bps. JACI investment grade (IG) generated a 19bps positive return, while high yield (HY) posted a 13bps loss.

Moody's upgraded the corporate family rating of ReNew Private Limited and the ratings on five bonds to positive from negative. Moody's expects the proposed take-private transaction by Canada Pension Plan Investment Board to complete, demonstrating shareholder support for ReNew. Two other major shareholders, Abu Dhabi Investment Authority and JERA, also support the deal, which is expected to complete by the end of the financial year ending March 2027. Over the coming year, ReNew has a sizeable maturity wall of around US$1 billion in the first half of calendar year 2027, with three US dollar bonds maturing between February and April 2027. As of June 2026, ReNew's liquidity was supported by cash and investments of around $940 million and an in-principle refinancing commitment of $400 million. ReNew is also likely to continue its capital recycling initiatives through the divestment of mature projects, through which it raised $375 million in the financial year ending March 2026.

The Hong Kong government released its Five-Year Plan for the Economic and Social Development, covering 2026-2030, which includes an accelerated plan to develop the Northern Metropolis. This covers certain agricultural landbanks in the New Territories, part of which are held by four property developers: Henderson Land, Sun Hung Kai Properties, New World Development and CK Asset. The government is targeting 900 hectares, or 9 million square metres/96.9 million square feet, of shovel-ready land by 2031, to enable the development of more than 70,000 housing units and 1 million square metres of economic floor space. This increases the scope for the four property developers to monetise land parcels that enter the government's development pipeline, albeit over a multi-year timeframe.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) sovereign debt returned 0.16% over the week despite a volatile backdrop. Corporate bonds lagged, returning -0.17%, while local markets declined 1.02%.

Middle East tensions remained elevated, although tentative signs of de-escalation emerged. Reports suggested Saudi Arabia had restored part of the disrupted East-West Pipeline, while diplomatic engagement with Iran increased ahead of next week's United Nations General Assembly (UNGA). Brent crude finished the week down around 1.7%, closing at US$103 after reaching highs of $109 during the week.

In Brazil, the Lula government announced a 15% increase in Bolsa Família benefits, estimated to cost around BRL5.8 billion in 2026 and BRL22 billion in 2027, equivalent to roughly 0.17%-0.18% of GDP respectively. Announced weeks ahead of October's election, the increase is likely to reinforce concerns around the country's fiscal trajectory. Market reaction was modest, with Brazil 2035 spreads widening around 1bp on the announcement and 5bps over the week.

Elsewhere in Latin America, the UK announced plans to elevate diplomatic relations with Caracas, potentially supporting Venezuela's efforts to regain access to gold reserves held at the Bank of England. Acting President Delcy Rodríguez is also reportedly planning to attend next week's UNGA, marking the first participation by a Venezuelan head of state in nearly a decade. Venezuela's 2034 bonds gained 0.3% over the week.

In Africa, Kenya's High Court ruled the government's sale of its Safaricom stake to Vodacom null and void, ordering the return of the 15% stake and approximately US$1.9 billion of proceeds to the Treasury. In Senegal, authorities reiterated their aim of securing board approval for the US$2.2 billion IMF programme by year-end and formally requested debt treatment under the Common Framework. Market reaction to both developments was limited.

In ratings news, Moody's downgraded Poland to A3 from A2, citing a deteriorating fiscal position and limited willingness or ability by policymakers to take corrective action. The downgrade is likely to increase borrowing costs and weigh on investor sentiment.

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