In Credit

24 November 2025

Tiptoe through the tulips

Is 21st century crypto akin to 17th century Holland? Are we seeing the madness of digital crowds? The Bitcoin price could suggest so. Elsewhere, government bond yields are tracking down in anticipation of further monetary policy easing. Read on for a breakdown of fixed income news across sectors and regions.

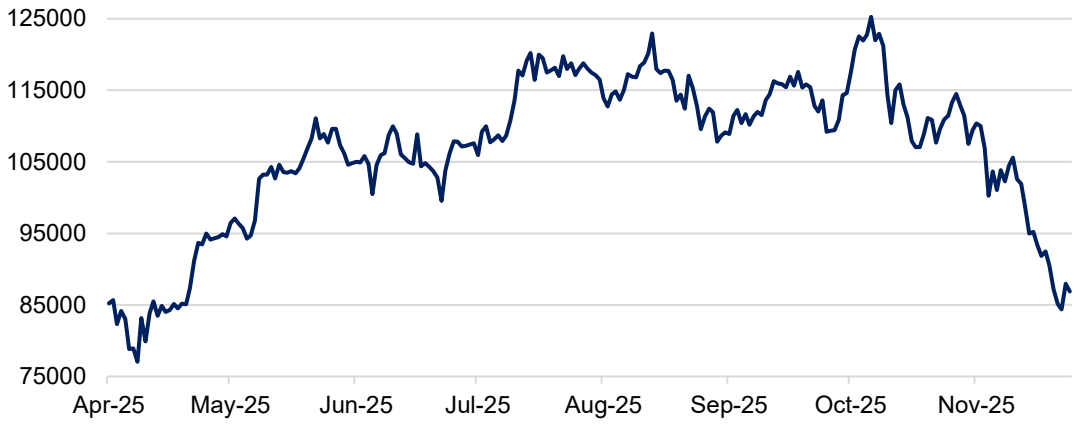
Chart of the Week

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

Earlier this year, Bundesbank president, Joachim Nagel, described Bitcoin as a digital tulip, thereby drawing comparisons between the crypto asset and the Dutch tulip mania of 1634-1637. The book Extraordinary Popular Delusions and the Madness of Crowds, by Charles Mackay, revealed that at the heights of tulip mania in February 1637 a single bulb could command a price equivalent to the annual salary of “10 skilled artisans”.

The recent sharp decline in the price of Bitcoin (down 40% in just six weeks) has stoked fears that Nagel may be correct. Even for believers it has heightened concerns at the role of leverage and uncertainty over the extent to which recent buyers have “weak hands”. What seems clear is that Bitcoin price movements currently act as an appetite barometer for risk assets in general. As the song goes, its a case of tiptoeing through the tulips.

Bitcoin price (US$)



Source: Bloomberg, November 2025

Markets at a glance

	Price / Yield / Spread	Change 1 week	Index QTD return*	Index YTD return
US Treasury 10 year	4.05%	-10 bps	1.0%	6.4%
German Bund 10 year	2.70%	-2 bps	0.3%	-0.7%
UK Gilt 10 year	4.54%	-3 bps	2.0%	3.8%
Japan 10 year	1.78%	7 bps	-1.0%	-5.0%
Global Investment Grade	85 bps	2 bps	0.4%	6.0%
Euro Investment Grade	84 bps	2 bps	0.3%	3.0%
US Investment Grade	86 bps	3 bps	0.4%	7.4%
UK Investment Grade	70 bps	1 bps	1.4%	5.6%
Asia Investment Grade	121 bps	-1 bps	0.9%	7.4%
Euro High Yield	316 bps	9 bps	-0.3%	4.5%
US High Yield	319 bps	12 bps	-0.1%	7.0%
Asia High Yield	457 bps	4 bps	1.2%	9.2%
EM Sovereign	247 bps	8 bps	2.0%	12.3%
EM Local	5.9%	1 bps	0.7%	16.2%
EM Corporate	250 bps	10 bps	0.6%	8.0%
Bloomberg Barclays US Munis	3.6%	2 bps	1.3%	4.0%
Taxable Munis	4.8%	-7 bps	1.3%	7.8%
Bloomberg Barclays US MBS	29 bps	1 bps	1.2%	8.0%
Bloomberg Commodity Index	269.26	-1.4%	3.3%	13.0%
EUR	1.1529	-0.9%	-1.9%	11.2%
JPY	156.78	-1.2%	-5.4%	0.5%
GBP	1.3096	-0.5%	-2.6%	4.7%

Source: Bloomberg, ICE Indices, as of 21 November 2025. *QTD denotes returns from 30 September 2025.

Macro/government

Simon Roberts
Product Specialist, Global Rates

Last week, two-year bond yields in the US and the UK declined by 10bps to 3.51% and 7bps to 3.78% respectively, in anticipation of further monetary policy easing. There was little change in two-year eurozone bond yields, reflecting the view that the policy rate might already be at neutral.

A trigger for the US bond rally was the September jobs report. Although the US economy created 119,000 net new jobs in September, there were significant downward revisions to the jobs data for August and July, while unemployment rose to 4.4% – its highest level in four years.

In addition, New York Federal Reserve president, John Williams, made the case for a cut in rates due to labour market softness. US Federal Reserve governor Chris Waller also argued that the market was underestimating the degree of downturn in the labour market. The market shifted the probability of a December rate cut from 47% to 75%.

In the UK, gilt yields edged lower on weaker economic data. UK inflation came in at 3.6% in the year to October, surprising to the downside, while retail sales fell more than 1% in October. The PMI report for the UK pointed to stalling economic growth, accelerating job losses and deteriorating household and business confidence linked to uncertainty surrounding the upcoming budget. The probability of a December rate cut rose from 76% to 88%.

In Japan, the new prime minister, Sanae Takaichi, approved a circa US$140 billion stimulus package, the objective of which will be to push down inflation and raise growth. The PMI report for Japan highlighted the continuing risk of inflation amid rising input and labour costs. The market continues to expect tighter monetary policy by the end of Q1.

Positioning The global rates desk increased their short position in Japan.

Investment grade credit

Charlotte Finch,
Client Portfolio Manager, Investment Grade Credit

Spreads held steady last week as the market got to grips with the US government reopening. Global IG spreads widened 2bps on the week, taking year-to-date spreads to 85bps – just a handful of basis points away from where we started the year. European IG spreads also widened 2bps, to 84bps, but are still a way off the 101bps mark we entered the year at.

In new issuance news, more debt has been raised in the tech space to fund AI infrastructure projects, with Amazon Inc raising $15 billion last week. It has been three years since Amazon came with a US dollar deal. Although use of proceeds has not been fully confirmed, market players are taking an educated guess that a decent portion will be funding AI-related developments. It follows the recent issuance spree from other tech firms such as Alphabet Inc, Meta Platforms and Oracle.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

Despite the setback in equities, US high yield bond returns were positive over the week, with wider spreads offset by a move lower in interest rates – albeit with notable underperformance in the chemical and housing sectors. The ICE BofA US HY CP Constrained Index returned 0.03% and spreads widened 13bps.The index yield-to-worst remained largely unchanged at 6.95%. According to Lipper, US high yield bond retail funds saw a $333 million outflow, the third consecutive weekly outflow, for a total of nearly $2 billion. US high yield fund inflows total $16.3 billion year-to-date.

US leveraged loan prices saw their largest decline in five weeks with continued weakness in lower quality issuers and the chemical sector. The S&P UBS Leveraged Loan index average price declined to $95.8. Floating rate funds saw a modest outflow, with $89 million withdrawn, leaving the year-to-date inflow at $4.5 billion.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European high yield had another modestly negative week in terms of performance, once again returning -0.09%, with yields up 4bps to 5.89% as spreads widened 9bps to 316bps. Decompression returned as CCCs underperformed BBs and Bs (returning -0.29% compared to -0.08% and -0.09% respectively). Net flows turned moderately negative (-€25 million) for the first time since April, specifically due to ETFs, which experienced outflows of €164 million. This was just enough to offset the inflows into managed accounts. The primary market for corporates was busy with five new deals at a total of €2.9 billion.

In rating news, pharmaceutical firm Organon was downgraded by Moody's to Ba3 with a negative outlook. The rating agency cited "weakened growth prospects through at least 2026" as well as governance risks. Chemical firm Celanese also saw a downgrade, this time by S&P, to BB from BB+ with a negative outlook. S&P cited the poor leverage outlook, with deleveraging taking longer than expected.

In auto news, Jaguar Land Rover reported earnings, which showed the impact of the recent cyberattack. Their margin for the full year fell from an earlier expected range of 5%-7% to 0%-2% with an expected cash burn of £2.5 billion. It was a stark reminder of how painful cyberattacks can be.

In M&A news, French waste management and recycling company Veolia announced plans to buy US hazardous waste specialist firm Clean Earth for $3 billion. The news was received positively by the market as it is thought to fit well with the company's US expansion strategy.

Structured credit

Kris Moreton,
Client Portfolio Manager, Structured Credit

The agency mortgage-backed security (MBS) sector generated a total return of 41bps last week, in line with other high quality bond market sectors. 30-year MBS outperformed 15-year as the curve bull steepened, but 15s did best on an excess return basis. Spreads widened across the coupon stack and the belly coupons were the best performers as prepayment speeds weighed on premium coupons. Speeds are expected to fall around 27% in November, primarily due to four fewer days, lower seasonals and marginally lower rates. Lukewarm bank demand and a preference for low duration securities continues to be the theme. Bank portfolios net reduced $13 billion in agency MBS holdings in Q3. However, going into 2026 tailwinds from fiscal policy, monetary policy and deregulation, combined with stronger growth and moderating inflation, should be supportive.

In asset-backed securities, spreads were mixed across subsectors. The new issue market continues to be robust with 26 deals totalling $16 billion pricing last week.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI index delivered a positive 14bps return over the week, with IG delivering (+15bps) and HY (7bps). The positive weekly return was driven by both spreads (8bps) and rates (6bps).

Tech firm Lenovo reported positive Q3 results, underpinned by a core segment (PCs, tablets) that benefited from higher AI PC penetration. The ISG segment (Infrastructure Solutions Group – server, storage, AI Edge etc) continued to be weak, with thin margins in selling servers to cloud service providers. Lenovo is looking to increase the higher-margin sales of servers to enterprises and small/medium businesses. It expects to manage rising memory and storage costs through its pricing strategy and is confident of protecting margins. Meanwhile, fellow tech business Xiaomi's Q3 results were uneven, with weakness in its core smartphone business due to gross margin pressure from higher input costs. This is expected to continue in 2026. According to management, the input costs (memory chip prices) will run for a long cycle. Xiaomi plans to partly compensate the higher input costs with price increases, but the latter would not fully cover the cost increase.

In Hong Kong properties, the early tender offer by New World Development (NWD) for exchanges into new perpetuals was met with higher-than-expected participation by existing perpetual holders. Around 37% of the senior perpetuals (with reset and coupon step-ups) were tendered, while 59% of the senior perpetuals (fixed-for-life) were also tendered. Conversely, the take-up rate for existing senior unsecured bonds was around 6%. NWD is extending the deadline of the liability management exercise to further reduce the outstanding amount of existing debt instruments.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) sovereign debt saw a modest return of +10bps in US dollar terms on the week. Sovereign debt led the way, as EM corporates lagged and returned just +2bps (US$). Local currency EM debt saw negative returns of -85bps.

Markets reacted positively to the progress made on the draft 28-point Ukraine peace plan being negotiated between US and Ukrainian officials in Geneva. Ukrainian bonds rallied with 10-year bonds opening at 54.8 – 4.6% higher than their close last week.

South Africa saw more good news, as sovereign bond yields fell to record lows after the country's S&P upgrade. Yields on rand-denominated 10-year sovereign bonds declined to 8.60% by Monday afternoon in Johannesburg – a 0.1% decline from yield highs the prior week.

Last week saw a lot of rating action. S&P upgraded Kuwait from A+ to AA- and maintained a stable outlook citing positive progress in public finance reforms. Kuwait bond prices opened around 0.4% higher this week following the news. S&P also upgraded Uzbekistan's sovereign debt to BB from BB- citing the country's improved economic policy outlook. Bond prices were little changed, however. Meanwhile, Bahrain's local currency debt was downgraded to B from B+ by S&P, and moved from a stable to negative outlook, citing a deteriorating fiscal outlook. Bond prices saw little reaction to this downgrade.

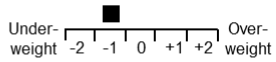
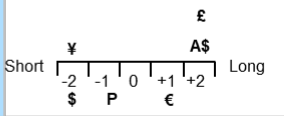
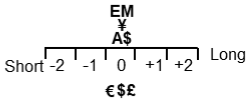
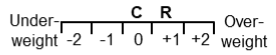
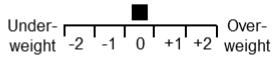
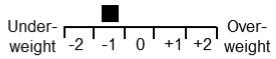
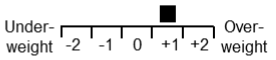
There were several new issues last week, including the Republic of Indonesia announcing a five- and 10-year US dollar sukuk, which priced with an approximate 40bps concession to the secondary Indonesia curve. Sharjah in the UAE announced a new 10.5-year sukuk with initial price talk of US Treasury +145, which is 35bps cheap relative to the secondary market curve.

Upcoming news We wait for the outcome of the Ukrainian peace talks in Geneva.

Fixed Income Asset Allocation Views

24th November 2025

COLUMBIA THREADNEEDLE INVESTMENTS

Strategy and positioning (relative to risk free rate)		Views	Risks to our views
Overall Fixed Income Spread Risk		▪ Spreads are historically tight across nearly all sectors. Investor demand post-tariff volatility has been robust as balance sheets of borrowers remain strong. However, current valuations leave limited upside to returns in most credit sectors. ▪ The group discussed relative value across sectors, specifically considering the best places to invest new money. Despite September's flurry of global political news, the global markets remained remarkably steady. During the US government shutdown, the group is using data vendors to monitor macroeconomic trends. ▪ **The group maintained a moderately underweight view on credit risk, with no changes in views since last month.**	▪ Upside risks: the Fed achieves a soft landing with no labour softening; lower quality credit outlook improves as refinancing concerns ease; consumer retains strength; end to Global wars ▪ Downside risks: Fed is not done hiking and unemployment rises, or the Fed pivots too early and inflation spikes. Restrictive policy leads to European recession. China property meltdown leads to financial crisis. 2024 elections create significant market volatility.
Duration (10-year) ('P' = Periphery)		▪ Longer yields to be captured by long-run structural downtrends in real yields ▪ Inflation likely to normalize over medium term, although some areas will see persistent pricing pressures ▪ As markets have reduced the amount of cuts expected by the FED in 2025, we have used the back- up in yields to go long US duration	▪ Inflationary dynamics become structurally persistent ▪ Labour supply shortage persists; wage pressure becomes broad and sustained ▪ Fiscal expansion requires wider term premium ▪ Long run trend in safe asset demand reverses
Currency ('E' = European Economic Area)		▪ Dollar has been supported by US growth exceptionalism and depricing of the Fed while the ECB looks set to embark on a cutting cycle. ▪ Dollar likely to continue to be supported into year end, where a Trump presidency looks most likely, and with it a return to tariffs and America First policy.	▪ Central banks need to keep rates at terminal for much longer than market prices, to the detriment of risk and growth and to the benefit of the Dollar
Emerging Markets Local (rates (R) and currency (C))		▪ US weakness can enable EM currency performance. ▪ Inflation normalisation and currency strength allows EM central banks to stimulate domestic demand. ▪ Risk premium to leak out of local bond curves.	▪ Global risk aversion restores bid for US dollar. ▪ Weaker oil environment requires fiscal premium among exporters ▪ Higher global term premium.
Emerging Markets Sovereign Credit (USD denominated)		▪ Even after good performance, Emerging Markets offer a somewhat unique set of risks relative to other sectors. In addition, spreads are not as historically tight despite stellar performance. ▪ EM High Yield and local currency bonds provide more value than EM Investment Grade, though this varies on an issuer-by-issuer basis. ▪ The expected headwinds from tariffs have been more issuer specific, especially because broad weakening of the US dollar has eased EM financial conditions.	▪ US trade policy aggression strengthens USD against EM currencies. ▪ EM policy makers constrained by currency pressure; rates remain tight. ▪ Fiscal concerns leak into local risk premia.
Investment Grade Credit		▪ Spreads are as tight as they have been since before the 1998 Asian Financial Crisis. ▪ Demand has remained strong despite spread, as a function of the high all-in yield, especially for long maturity Investment Grade. ▪ IG analysts are predicting industrial leverage near the lows of the last decade and margins near all-time highs. M&A activity has been increasing. ▪ The group discussed that the AI infrastructure build out will increasingly be funded via debt instead of equity, as many of the large tech issuers will no longer be able to use retained earnings to do so.	▪ Tighter financial conditions lead to European slowdown, corporate impact. ▪ Lending standards continue tightening, even after Fed pauses hiking cycle. ▪ Rate environment remains volatile. ▪ Consumer profile deteriorates. ▪ Geopolitical conflicts worsen operating environment globally.
High Yield Bonds and Bank Loans		▪ The group has reduced some of the risk that they added during April's dramatic spread widening. The group remains cautious on the sector because current rich valuations are hard to square with weaker fundamental outlook. ▪ Most companies continue to report solid earnings and financials. However, companies that report weak earnings are being increasingly punished in financial markets. ▪ Despite the negative outlook on the sector, the group still sees pockets of good opportunity, especially in higher quality issuers.	▪ Lending standards continue tightening, increasing the cost of funding. ▪ Default concerns are revised higher on greater demand destruction, margin pressure and macro risks ▪ Rally in distressed credits, leads to relative underperformance ▪ Volatility in the short end of the curve, eroding potential upside where we are positioned for carry.
Agency MBS		▪ Spreads remain wide relative to other high-quality sectors ▪ The Administration has signalled it wants to use Agency reform to lower mortgage rates, and the basis has tightened, but still lags what is implied by rate volatility. ▪ The group remains positive on Agency MBS because the carry and convexity are still attractive, and pre-payment risk is low because of the elevated mortgage rates. ▪ Prefer call-protected inverse IO and Agency Floaters, a large beneficiary of aggressive cutting cycle.	▪ Lending standards continue tightening even after Fed pauses hiking cycle. ▪ Fed fully liquidates position. ▪ Market volatility erodes value from carrying. ▪ More regional bank turmoil leads to lower coupons to underperform.
Structured Credit Non-Agency MBS & CMBS		▪ The group maintains a large allocation of high-quality carry positions. ▪ RMBS: Spreads have tightened but are still wide of longer-term medians. Delinquencies remain low, and home equity is at the highest levels ever. ▪ CMBS: Stress continues with the highest delinquencies in office, but multi-family is increasing. New issue is plentiful but unattractive. ▪ CLOs: AAAs are attractive for a defensive high-quality credit option but are nonetheless fairly tight. Extra spread compensation for taking on more credit risk is low. ▪ ABS: The group prefers higher quality, liquid securities. Fundamentals have deteriorated (60+ delinquencies are elevated, debt service ratios worsening) but not to a degree to affect bond performance, especially higher-quality tranches.	▪ Weakness in labour market ▪ Consumer fundamental position (especially lower income) weakens with inflation and Fed tightening. Consumer (retail/travel) behaviour fails to return to pre-covid levels ▪ Student loan repayments weaken consumer profile more than anticipated, affecting spreads on a secular level. ▪ High interest rates turn home prices negative, punishing housing market. ▪ Cross sector contagion from CRE weakness.

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