

26 October 2026

Copacabana

His name is Lula, and a surprising election victory in Brazil saw spreads widen in local markets. Elsewhere, yield curves flattened in the US, Japan and Germany. Read on for a breakdown of fixed income news across sectors and regions.



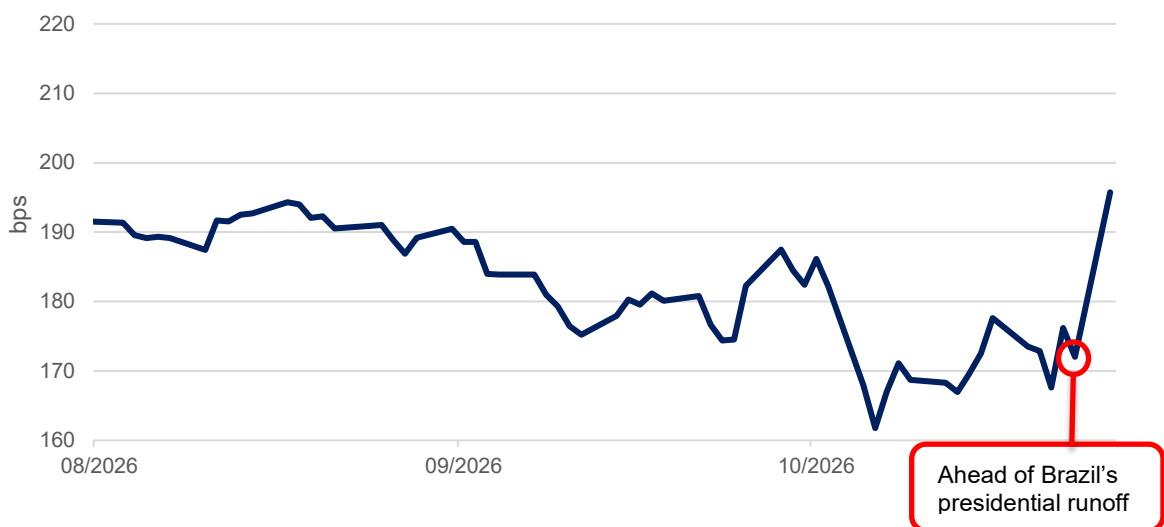
Chart of the Week

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

Brazilian President Lula led supporters in a celebratory dance on Rio de Janeiro's Copacabana beachfront on Sunday – an impressive display for an 80-year-old. As we have noted before, world leaders are getting older: the average age across the 10 most populous nations now exceeds 70, raising questions about transition risk in many of the world's largest countries.¹

For local debt markets, the immediate consequence was a 24bp widening in the 10-year dollar Brazil-US Treasury government bond spread to 152bps, amid fears of fiscal slippage. The spread began the year at around 200bps and tightened roughly 80bps between April and early October as US Treasury yields rose and investors anticipated a Bolsonaro victory and greater fiscal restraint. The sharp reversal highlights the risk of relying on opinion polls, even in a two-horse race, and the potential severity of market reactions to unexpected results.

Brazil 10-year US dollar eurobond spread vs 10-year US Treasury



Source: Bloomberg, 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	0.03	-0.11	0.97	1.13	EUR	1.121	-0.1	-1.1	-4.6	-3.8
	GBP	4.92	0.02	0.04	1.19	1.13	GBP	1.335	-0.2	0.7	-0.9	0.1
	JPY	1.89	-0.03	-0.06	0.72	0.96	JPY	157.20	-0.1	0.1	-0.3	-2.7
	USD	4.69	0.04	-0.19	1.22	1.21	CAD	1.402	0.0	1.5	-2.1	-0.2
5 Year	EUR	3.20	0.02	-0.16	0.75	0.97	AUD	0.703	0.2	1.2	5.3	7.2
	GBP	4.99	0.03	0.01	1.06	1.09	NZD	0.569	0.3	0.9	-1.2	-1.4
	JPY	2.25	-0.07	-0.13	0.70	1.02	CHF	0.825	-0.5	1.3	-4.0	-3.6
	USD	4.81	0.04	-0.27	1.09	1.21	NOK	9.339	0.1	3.0	8.0	6.9
10 Year	EUR	3.38	0.01	-0.21	0.52	0.75	SEK	9.939	-0.2	0.7	-7.3	-5.6
	GBP	5.35	0.03	-0.08	0.87	0.92	Key references					
	JPY	2.80	-0.06	-0.26	0.74	1.14	Mkt	Level	YDAY	MTD	YTD	12MO
	USD	4.99	0.04	-0.30	0.82	0.99	DXY	101.76	0.2	0.3	3.5	2.8
30 Year	EUR	3.70	0.00	-0.23	0.23	0.50	BRENT	114.88	3.1	11.0	88.8	74.2
	GBP	5.75	0.04	-0.20	0.54	0.53	GOLD	4,015	-0.7	-3.4	-7.0	0.8
	JPY	3.84	-0.07	-0.31	0.44	0.78	BITCOIN	80,093	0.2	-4.2	-8.6	-29.3
	USD	5.31	0.04	-0.32	0.47	0.72	SPX	7,624	-0.5	-0.4	11.4	12.3
Yield-spreads							FTSE	10,732	-0.3	1.2	8.1	11.3
	Mkt	Level	YDAY	MTD	YTD	12MO	VIX	20	0	3	5	3
10 Year	US-DE	1.61	0.03	-0.09	0.30	0.24	Credit spreads - OAS, bp					
	UK-DE	1.97	0.02	0.14	0.35	0.17	Mkt	Level	YDAY	MTD	YTD	12MO
	FR-DE	1.61	-0.06	0.34	0.90	0.80	Global IG	96	2	11	16	16
	IT-DE	1.19	-0.04	0.16	0.49	0.40	USD IG	89	2	9	11	12
Inflation breakevens							EUR IG	109	5	18	31	29
	Market	Level	YDAY	MTD	YTD	YTD	Global HY	350	1	36	59	24
10 Year	France	1.88	0.00	-0.12	0.13	0.12	USD HY	337	-1	26	71	49
	Italy	2.04	-0.01	-0.06	0.32	0.33	EUR HY	396	12	75	115	89
	Germany	2.22	0.01	0.01	0.47	0.47	EMBI-GD	204	-4	18	9	-3
	UK	3.45	0.01	0.01	0.52	0.50						
	US	2.35	0.01	-0.02	0.11	0.05						

Source: Bloomberg/Columbia Threadneedle Investments as of 23 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

Bond yields fell last week as an equity sell-off and a deepening French sovereign debt crisis boosted demand for US Treasuries and German Bunds. Yield curves flattened across core markets: US two-year yields fell around 3bps and 30-year yields around 10bps, with similar moves in Germany and Japan.

The midweek equity sell-off reflected concerns over artificial intelligence (AI) spending at Meta and disappointing earnings guidance from Lam Research, prompting a rotation from technology stocks into core government bonds.

France's 10-year spread over Germany widened from 138bps to 167bps, reaching an intraday high of 179bps on Wednesday. Against a backdrop of street violence and a presidential election next year, France must pass its 2027 budget by year-end. With little political consensus on spending restraint, its fiscal position is expected to deteriorate. Moody's provided some support on Friday by maintaining France's Aa3 rating with a negative outlook, rather than downgrading it as markets had expected.

Contagion affected Italian government bonds (BTPs), with spreads over Germany rising from around 106bps to 122bps. Italy had been viewed as the most likely market to come under pressure after France; Spain, Portugal and Greece saw less widening. Markets are watching when the European Central Bank (ECB) might deploy its Transmission Protection Instrument, balancing the risk of rewarding fiscal indiscipline against the need to protect the wider eurozone.

Yields partly retraced their declines on Friday as attention returned to oil. Increasing Houthi attacks on Saudi targets and limited prospects for a US-Iran diplomatic breakthrough helped lift Brent from around \$110 to \$117 a barrel.

The US Federal Reserve (Fed) announces its rate decision on Wednesday, having raised rates to 3.75-4.% in September. Thursday brings the advance estimate of Q3 2026 gross domestic product (GDP) and September personal consumption expenditures (PCE) inflation. Core PCE inflation was previously running at 3% year-on-year.



Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

US investment grade (IG) spreads widened as concerns over AI funding weighed on credit. The Bloomberg US IG option-adjusted spread (OAS) ended at 88bps, up 2bps, while the five-year CDX IG index rose 1bp to 63bps. Hyperscaler performance diverged. Oracle, the most reliant on debt, was hardest hit: its average OAS reached 318bps, with some bonds widening as much as 49bps, moving it towards high yield (HY) crossover territory. Meta widened to 179bps after signalling higher AI capital expenditure, while Amazon, Alphabet and Microsoft were broadly stable at 112bps, 107bps and 93bps respectively.

In Europe, the five-year iTraxx Main index widened 4bps to 68bps, with half the move occurring on Thursday as AI funding and geopolitical concerns intensified. Financials and utilities closed at their widest spreads in a year. Financials widened 26bps, more than twice the move in any other sector, reflecting risk aversion and heavy issuance. Utilities were affected by higher Bund yields. Industrials and technology widened 12bps and 10bps respectively, while energy's 12bps move was less notable given the sector's typical volatility.

The US IG primary market remained open despite a challenging backdrop. Bank of America issued three fixed-to-floating-rate tranches totalling \$7.5 billion on Monday and a \$2 billion perpetual at 7.2% on Thursday as other borrowers held back. Thursday's issuance totalled \$3.5 billion, including Workday's first deal since 2022: a \$2.5 billion offering comprising \$750 million at 5.7% due in 2029, \$500 million at 6% due in 2031, \$750 million at 6.3% due in 2033 and \$500 million at 6.5% due in 2036. Walmart also raised \$3 billion in US dollar tranches, alongside Canadian dollar tranches.

European IG issuance totalled around €25 billion, led by financials for the 10th week this year. Citigroup's €2.75 billion two-tranche deal was a highlight. Covered bond issuance rose to €3.9 billion, the highest since early September, although lower orderbook coverage ratios indicated weaker demand.



US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US HY spreads widened 8bps to 351bps last week. The ICE BofA US HY CP Constrained Index returned -0.13%, but performance varied widely: BB-rated credits posted small gains, while CCC-rated credits fell around 1.6% and distressed credits lost more than 4%. BB and B

spreads stood at roughly 70% of their March tariff-period peaks and around 50% of their 2022 peaks. CCC spreads, by contrast, reached 141% of their tariff-period peak and were in line with their 2022 peak, highlighting the concentration of volatility in the lowest-quality credits. According to Lipper, US HY retail bond funds recorded a seventh consecutive weekly outflow, with withdrawals of \$1.1 billion. Four new deals priced, totalling \$3.4 billion.

Leveraged loans caught up with the broader sell-off, with the average price in the S&P UBS Leveraged Loan Index falling \$0.43 to \$93.35. Strong amend-and-extend activity has reduced the share of the \$1.5 trillion market maturing through 2028 from 30% to 12%. Loan funds recorded a 17th consecutive week of inflows, attracting \$974 million. In the primary market, 15 new loans priced, totalling \$13.9 billion.



European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European HY had its worst week since early September as the French sovereign crisis, a global AI-related sell-off on Friday and persistent pressure from rates weighed on markets. The French government bond spread over Bunds reached 176bps on Thursday. European HY returned -1.13%, with CCC-rated bonds returning -3.28%, compared with -0.9% for BBs and -1.285% for Bs. Sterling HY returned -1.4% hedged to euros. Credit spreads widened 34bps to 382bps and yields rose 28bps to 7.37%. Losses came later in the week: after flat returns on Monday and Tuesday, the market fell 0.13%, 0.59% and 0.36% on Wednesday, Thursday and Friday respectively. French credits underperformed by 1-1.5 points in several sessions, real estate remained particularly weak and liquidity was extremely poor in some names. Despite the losses, European HY recorded net inflows of €86 million in a late Friday surprise, driven entirely by exchange-traded funds (ETFs), while managed accounts saw modest outflows.

Primary issuance remained subdued for a third consecutive week, at around €1 billion, with just one B-rated issue. Weak risk appetite, AI-related concerns, market volatility and poor execution by investment banks weighed on activity.

Rating actions were predominantly negative. Moody's placed VMED under review for downgrade, and Aston Martin's notes were cut to Caa2. Fitch downgraded Paragon to B-, while S&P cut it to B. S&P also downgraded OPmobility to BB with a stable outlook, and Purmo Group was cut to CCC. Across western Europe, downgrades outnumbered upgrades by 23 to 13.

In liability management exercise (LME) news, Grupo Antolin reached an agreement in principle with its bondholder steering committee on a €1.3 billion debt recapitalisation, although advisers cautioned that final terms remained outstanding. Shareholders blocked SBB's D-share buyback, delaying the resumption of hybrid coupon payments. Flora Food Group's sale process advanced with first-round bids from Apollo, CapVest and OneRock. Verisure bonds strengthened following reports by the Financial Times of a potential take-private by CVC.



Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Structured credit activity was subdued as many participants attended the ABS East conference in Miami, where sentiment was described as stable to constructive. Investors remained cautious amid broader volatility, but fundamentals and technical conditions appeared resilient relative to corporate credit. In agency mortgage-backed securities (MBS), the Bloomberg US MBS Index returned 75bps. A flight to quality linked to software and AI-related weakness supported agency

mortgages, with 30-year bonds outperforming 15-year bonds and lower coupons outperforming higher coupons on both a total and excess return basis. Spreads were flat to marginally tighter.

President Trump's executive order aimed at reducing refinancing costs is expected to have little market impact, benefiting existing homeowners more than new buyers while potentially increasing prepayment risk. Housing data remained weak: 43% of builders expected to cut prices and two-thirds were already offering incentives. Non-qualified mortgage (non-QM) spreads were unchanged at around 155bps-160bps. New issuance totalled approximately \$5 billion last week, with full-year 2026 issuance estimated to rise 20% year-on-year.

Commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) each saw one deal price, with year-to-date issuance in both markets ahead of last year's pace. CMBS secondary trading was lighter than average, and benchmark conduit spreads widened 2-5bps at the top of the capital structure. ABS secondary spreads were unchanged to 10bps wider.



Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI returned 12bps for the week, as a 62bps contribution from falling government bond yields more than offset a 50bps loss from spread widening. HY lost 55bps.

Jio Platforms priced its initial public offering (IPO) at INR1,119 per share, the top of the INR1,065-1,119 range. The sale of 270 million new shares raised approximately INR302 billion, or US\$3.2 billion. Existing shareholders, including RIL, Meta and Google, whose pre-IPO stakes were around 66.4%, 10% and 7.8% respectively, sold no shares. RIL therefore received no direct proceeds. Jio Platforms intends to use up to INR275 billion, or around US\$2.9 billion, to prepay debt at its operating business, reducing consolidated leverage across the RIL group.

Macau's gaming sector had a softer quarter, with gross gaming revenue (GGR) falling 1.3% quarter-on-quarter and 4.6% year-on-year to US\$7.45 billion in Q3 2026. The FIFA World Cup diverted spending and gaming activity during June and July. Increased Chinese scrutiny of cross-border capital flows, including taxation of offshore trusts and tighter oversight of cross-border brokerage activity, weighed on the VIP segment, alongside broader weakness in consumer spending. Conditions remained challenging entering Q4 2026, with National Day Golden Week data showing lower visitor spending and weaker visitation.

Sands China reported mixed results. Q3 2026 revenue rose 1.4% year-on-year to US\$1.93 billion and market share increased to 26.1% from 23.7% in Q2 2026. However, earnings before interest, taxes, depreciation and amortisation (EBITDA) fell 12% year-on-year to US\$529 million as operating expenses rose.



Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt traded with a risk-off tone last week amid broader macro weakness, with sovereign spreads widening 10bps and corporate spreads 15bps.

Brazil remained in focus after President Luiz Inácio Lula da Silva secured a fourth term in a close election against Flávio Bolsonaro. Bolsonaro, seeking to return his family to the presidency following his father's conviction over an attempted coup, refused to concede and said he would seek to annul the vote after the Supreme Court extended voting. The result disappointed investors positioned for a Bolsonaro victory and a stronger commitment to tackling Brazil's fiscal challenges. Brazilian 10-year bonds fell sharply at Monday's open, with spreads

widening 23bps and remaining under pressure throughout the session. Lula faces significant economic headwinds, including rising fiscal deficits and debt.

Political tensions resurfaced in Senegal after parliament postponed debate on the 2026 supplementary budget following disagreements with the government. This raised concerns over the proposed US\$2.2 billion International Monetary Fund (IMF) programme and the broader debt-treatment process.

Cameroonian eurobonds came under pressure after Fitch downgraded the sovereign from B to B-, citing heightened political risk and financing pressures. Cameroon's 2033 bond spreads ended the week 21bps wider. Fitch also highlighted the lack of a clear successor to President Biya.

Primary markets remained active. The Bahamas launched a US\$1.1 billion 13-year issue supported by healthy real-money demand, although spreads ended around 15bps wider than reoffer. Kuwait launched a US\$3.25 billion offering across three-year and 10-year tranches, with its existing bonds weakening modestly alongside the new supply.

EM bond flows softened in October, with US\$1.5 billion of outflows through 23 October. Year-to-date inflows nevertheless remained strong at US\$33.2 billion.

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