In Credit

27 July 2026

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As hyperscalers remain locked in an AI-funding arms race, are we seeing signs of indigestion in credit markets? Read on for a breakdown of fixed income news across sectors and regions.

Chart of the Week

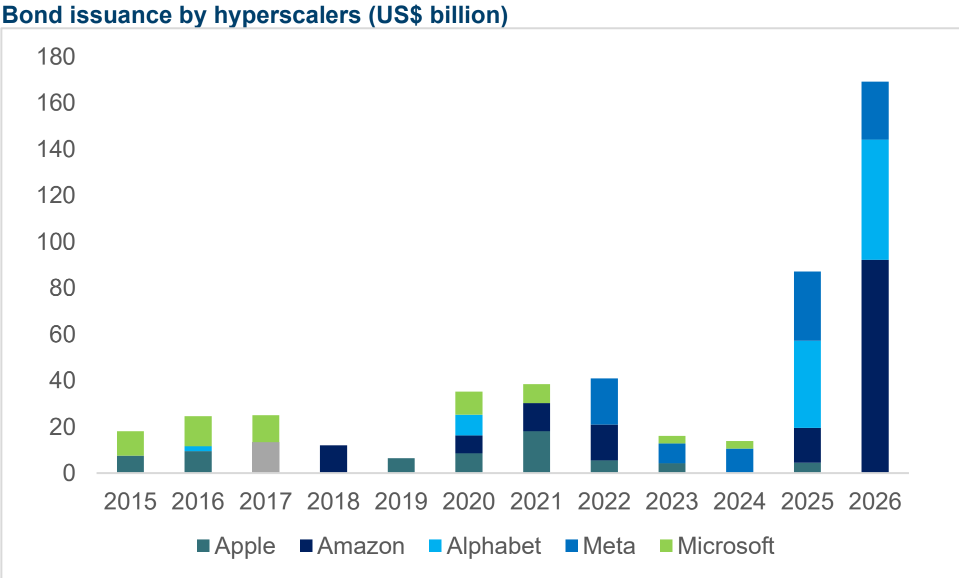
Steven Nelson,
Client Portfolio Manager, Investment Grade

The hyperscaler bond market is being driven by something more fundamental than a financing cycle: an AI arms race with no obvious exit. The major technology firms – Microsoft, Alphabet, Amazon, Meta and Oracle – are being compelled to pull forward capital expenditure at an unprecedented pace, with aggregate capex estimates for 2027 now running at almost $1 trillion, a forecast that has doubled in less than a year.

The competitive logic is unforgiving: falling behind on compute capacity today risks ceding market position in AI that may prove impossible to recover. Roughly 20-25% of the funding requirement is being channelled through investment grade (IG) markets and the sheer volume is testing investor capacity, with the technology sector now trading significantly cheap versus broader markets.

On Friday, another $12.3 billion deal was announced to finance a BlackRock-owned, Meta-backed data centre campus. This drew a relatively modest $20 billion of demand. Is indigestion setting in? Investor appetite for AI infrastructure debt is certainly becoming more selective.

Bond issuance by hyperscalers (US$ billion)



Source: Bloomberg, Issuance for 2026 covers the period from 1 January 2026 to 27 July 2026

Market dashboard

G4 rates

	Ccy	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	2.78	-0.06	0.25	0.66	0.86
	GBP	4.36	-0.08	0.20	0.62	0.45
	JPY	1.50	0.02	0.14	0.32	0.66
	USD	4.29	-0.02	0.12	0.82	0.37
5 Year	EUR	2.88	-0.05	0.28	0.43	0.61
	GBP	4.53	-0.08	0.23	0.60	0.46
	JPY	2.01	0.03	0.12	0.47	0.90
	USD	4.38	-0.03	0.15	0.65	0.41
10 Year	EUR	3.13	-0.03	0.27	0.27	0.44
	GBP	4.97	-0.07	0.21	0.49	0.32
	JPY	2.79	0.03	0.10	0.72	1.22
	USD	4.62	-0.02	0.16	0.46	0.21
30 Year	EUR	3.62	-0.02	0.20	0.14	0.42
	GBP	5.67	-0.06	0.20	0.47	0.22
	JPY	4.01	0.04	0.06	0.60	0.99
	USD	5.12	0.00	0.17	0.27	0.16

Yield-spreads

	Mkt	Level	YDAY	MTD	YTD	12MO
10 Year	US-DE	1.50	0.01	-0.11	0.18	-0.23
	UK-DE	1.84	-0.04	-0.06	0.22	-0.12
	FR-DE	0.79	0.00	0.00	0.08	0.13
	IT-DE	0.81	0.00	0.04	0.11	-0.01

Inflation breakevens

	Market	Level	YDAY	MTD	YTD	YTD
10 Year	France	1.74	-0.05	0.04	-0.01	-0.22
	Italy	1.99	-0.04	0.12	0.27	0.28
	Germany	1.99	-0.04	0.15	0.24	0.21
	UK	3.19	-0.04	0.07	0.25	0.09
	US	2.20	-0.02	-0.04	-0.05	-0.23

G10 FX

FX	Level	YDAY	MTD	YTD	12MO
EUR	1.137	-0.1	-0.5	-3.2	-1.9
GBP	1.330	0.1	0.3	-1.3	-0.4
JPY	163.86	0.0	-0.8	-4.4	-9.4
CAD	1.411	-0.1	0.6	-2.7	-2.6
AUD	0.697	0.1	0.8	4.5	6.9
NZD	0.577	0.4	1.7	0.3	-3.3
CHF	0.819	-0.2	-1.3	-3.3	-1.9
NOK	9.693	0.4	2.2	4.1	5.2
SEK	9.733	0.3	-0.3	-5.4	-1.2

Key references

Mkt	Level	YDAY	MTD	YTD	12MO
DXY	101.53	0.0	0.3	3.3	2.9
BRENT	86.66	-3.9	18.8	42.4	23.7
GOLD	4,035	0.1	0.7	-6.6	21.7
BITCOIN	63,302	-1.5	7.9	-27.8	-46.4
SPX	7,413	0.0	-1.1	8.3	16.0
FTSE	10,812	0.9	3.0	8.9	19.1
VIX	19	0	2	4	4

Credit spreads - OAS, bp

Mkt	Level	YDAY	MTD	YTD	12MO
Global IG	81	1	3	1	1
USD IG	80	1	6	2	4
EUR IG	78	0	-2	0	-3
Global HY	288	4	8	-3	-20
USD HY	281	4	11	15	7
EUR HY	285	6	1	4	-10
EMBI-GD	242	2	7	-11	-60

Source: Bloomberg, Columbia Threadneedle Investments as at 24 July 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

The dominant market theme last week was the Iran war, and the subsequent pause in the ceasefire from Thursday onwards. Oil prices reflected the recent intensification of bombing by the US on Iranian targets, and the subsequent pause to allow negotiations to take place. The price of a barrel of Brent reached just above US$100 at one point on Thursday before finishing the week at $97. Higher oil prices fed through to higher interest rate expectations. The 10-year US Treasury yield rose by 8 basis points (bps) to 4.68%, while the 10-year gilt yield also climbed 8 bps to 5.03% and the 10-year Bund yield edged up 2 bps to 3.17%.

The US and European yield curves ‘bear flattened’ as short-dated yields rose more than their longer dated peers. The US 2-year Treasury yield rose by 15 bps while the 30-year yield rose by 9 bps over the week. The subsequent cessation in hostilities led to a break in this flattening trend. The magnitude of the bear flattening trend was less pronounced in Europe. While the European Central Bank (ECB) already moved to tighten policy in June, the Federal Reserve has yet to hike rates in this phase of the cycle, with market consensus coalescing around a quarter point rise in September.

The ECB kept rates on hold at 2.25% last week. Messaging had a hawkish tilt with the market fully pricing in a September rate rise.

The one major market to buck the flattening trend was Japan where we saw some steepening of the curve. The Japanese 2-year government bond yield rose by 8 bps while the 30-year yield rose by 11 bps. There were a number of reasons for upward pressure on yields. First, the market expects tighter monetary policy from the Bank of Japan, as the central bank attempts to continue squeezing inflation out of the economy. Second, there are concerns over weaker fiscal dynamics as the government prepares to cut a consumption tax on food. And third, ongoing weakness in the yen, which suggests that monetary policy remains too loose. At the end of the week, the yen was around 164 against the US dollar.

Within portfolios, as geopolitical uncertainty increased, we took the risk management decision to reduce interest rate risk last week.

Liability driven investments (LDI)

Richard Ferris,
Client Portfolio Manager, Fixed Income

Gilt yields rose slightly over the week, with the 20-year yield moving from 5.58% to 5.65% amid an oil-price driven sell-off in global bonds. Markets reassessed the outlook for inflation and interest rates. While inflation in the UK cooled to 2.6% in June, helping anchor expectations that the Bank of England would keep the base rate unchanged, the rally seen earlier in the month faded, as investors focused on the risk of persistent inflation and higher government borrowing requirements. By Friday’s close, yields remained elevated even as lower oil prices offered some support to bond markets.

Political developments were another source of volatility. Andy Burnham formally became Prime Minister on 20 July, and his early comments about using "flexibility" within fiscal rules triggered an immediate sell-off in gilts. Investors interpreted the remarks as increasing the risk of higher public spending and wider deficits, pushing the 10-year yield up around 8 bps on the day and lifting 30-year yields to their highest levels in two months. Markets stabilised somewhat following the appointment of John Healey as Chancellor, but concerns over fiscal discipline remained a key theme throughout the week.

The fiscal backdrop continued to weigh on longer-dated gilts. Investors remained sensitive to any sign that the new government could loosen spending plans, reflecting ongoing concerns about the UK's high debt burden and borrowing needs. As a result, long-end yields underperformed at times during the week, with markets demanding a higher term premium to compensate for the risk of increased gilt issuance. The move highlighted that, despite a more benign inflation backdrop, fiscal credibility remains a major driver of UK rates.

Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Global IG credit markets came under renewed pressure as the Iran conflict escalated and AI-related capex continued to weigh on the technology sector. Spreads widened across the major IG indices, by 1 bp each: US IG spreads moved to 80 bps, euro IG to 77 bps and sterling IG to 82 bps. In credit default swaps, spreads (measured by iTraxx Main) widened 1.6 bps to 54.8 bps as Brent crude prices topped $100 a barrel.

The dominant macro development was the renewed escalation in US-Iran hostilities, which reignited inflation fears and pushed government bond yields sharply higher. US IG funds recorded their largest weekly outflow since April 2020 of $7.1 billion for the week ending 22 July, with European credit investors on course for their first monthly losses since March.

Primary supply slowed on both sides of the Atlantic. European issuance fell to c.€5.2 billion, the quietest week since March, as earnings blackouts, the summer lull and geopolitical volatility had an impact. US issuance totalled $16.1 billion, well below forecasts, as rising funding costs deterred borrowers.

Corporate newsflow was broadly constructive, especially in European financials. Earnings from Santander, UniCredit and BNP all beat estimates and in the Stoxx 600's banking sector, revenue beats exceeded misses by seven times. In telecoms, Vodafone raised its full-year guidance citing strong organic service revenue growth, while Cellnex attracted attention on reports of a possible bid to take the company private. Prologis secured Segro's board recommendation for its revised £14 billion offer. Against that, Alphabet's decision to raise its 2026 capex forecast to $205 billion triggered weakness across Oracle, Meta, Alphabet and SpaceX. Idiosyncratic risk remained a defining feature of the week, with the primary market continuing to absorb supply despite gradually widening spreads.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield (HY) spreads widened by approximately 12 bps during the week, led once again by CCC-rated credits – a persistent theme throughout the year. Despite the move, current levels are approaching the wider end of the year-to-date range, making valuations look incrementally more attractive relative to the past seven months, although the repricing has been modest at roughly 20 bps since the Iran conflict in March. The ICE BofA US HY CP Constrained Index returned -0.58%. New issuance increased slightly last week, with seven deals pricing for a total of US$8.2 billion. According to Lipper, US HY retail funds recorded their seventh inflow in the past eight weeks, totalling US$534 million.

The leveraged loan market offered a more constructive picture, with the loan index posting a total return of approximately 73 bps for the month to date in July, and the technology sector delivering roughly double that. Triple-C loan spreads widened by approximately 28 bps during the week, yet carry remained strong enough for total returns to stay modestly positive, highlighting the elevated all-in yields in this part of the market. The outperformance of loans has been driven in part by the recovery of names considered to be vulnerable to AI, while the performance of large-cap technology and hyperscaler loans has been somewhat weaker. The average price of the S&P UBS Leveraged Loan Index finished the week down US$0.08 at US$94.37. New issuance remained resilient, with 18 new loans pricing last week for a total of US$19 billion. The market also recorded its fourth consecutive weekly inflow, totalling US$503 million.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

European HY markets faced a challenging week, with sentiment deteriorating sharply by Friday as Brent crude surged to US$100 per barrel. High-beta names were down by 25-50 bps amid the weaker macro backdrop. Earlier in the week, flows had been skewed towards buying, with real-money investors putting cash to work, but geopolitical escalation in the Middle East ultimately weighed on risk appetite.

As a result, European HY had a second consecutive week of negative performance, returning -22.3 bps as underlying government bond yields moved higher. European HY credit spreads widened 3 bps to 270 bps while the yield rose 9 bps to 6.17%. Despite the increase in tensions, flows turned positive, with €185 million added to the asset class, all through managed accounts, while ETFs recorded a small outflow.

The summer lull continued in the primary market, with only €1.3 billion coming to market last week. Pinewood priced a £300 million six-year senior secured note at 6.375%, inside initial price talk (IPTs) of 6.75%. Nomad Foods priced €800 million at 5.25%, trading marginally below par. This brings the year-to-date supply to €82 billion. The pipeline for September is already looking robust, with approximately €6 billion being discussed.

In issuer-specific news, Virgin Media dominated trading activity throughout the week, with persistent selling pressure ahead of Friday's results, which showed a modest EBITDA beat (£975 million versus £955 million consensus). Bonds initially rallied by 1–3 points following the results before fading to finish broadly unchanged on the week.

Aston Martin was another notable mover, with bonds falling into the low 50s following confirmation of the HPS-funded £550 million drop-down financing, which removed collateral from existing bondholders' security package.

Meanwhile Antolin's restructuring escalated further, with bondholders issuing a notice of default and pursuing legal challenges in Spain, the UK and the US.

In ratings news, Fitch upgraded Asmodee to BB with a stable outlook, consistent with Moody's earlier upgrade to Ba3.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

Selected segments within structured products provided a relative bright spot in an otherwise challenging week for fixed income. Agency mortgage-backed securities (MBS) bore the brunt of the bear-steepening move, and the Bloomberg US MBS Index returned -77 bps for the week. Higher yields drove the underperformance, with 30-year securities underperforming 15-year securities, as expected in an environment of rising interest rates. Spreads of lower-coupon securities widened further, causing these bonds to underperform. US$3 billion of new issues were priced last week, leaving gross year-to-date issuance 45% above the same period last year. Non-agency spreads were largely stable week on week, with non-qualified mortgage paper holding at around 120 bps.

Commercial mortgage-backed securities benchmark spreads were flat across the capital structure last week and new issuance was lighter, with only three deals being priced. However, approximately US$100 billion of supply is expected by year-end, which would be the most since the global financial crisis (GFC). In the asset-backed securities (ABS) market, spreads were mostly flat, though tightened fractionally in the prime auto and equipment sectors. The ABS primary market was exceptionally active, with 19 deals totalling nearly US$13 billion pricing last week, leaving issuance 12% above last year's pace and on track for another post-GFC record.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JP Morgan Asia Credit Index (JACI) lost 25 bps over the week primarily due to the run-up in Treasury yields (which detracted 31 bps). The JACI IG index underperformed, losing 29 bps, while HY bonds ended the week with a positive return of 2 bps.

PT Freeport Indonesia maintained its April guidance for the ramp-up at Grasberg Block Mine, targeting 65% capacity in the second half of 2026, 80% capacity by mid-2027, and full capacity by the end of 2027. The company received US$699 million as a settlement for a mud rush incident in September 2025, under its property and business interruption policies.

According to Debtwire, the Cheng family, which holds a 45% stake in New World Development, is reportedly in advanced discussions with RRJ Capital for a potential rights offering of up to US$4 billion. This follows an earlier Octus report in June flagging a potential rights issue, of which half would be underwritten by the Cheng family.

Sands China Ltd reported a soft Q2 2026, including slightly lower net revenue of US$1.8 billion and a 24% fall in EBITDA to US$430 million. The EBITDA margin fell, impacted by competition in the premium segment and a lower percentage of funds retained from high-roller gambling activity.

The company reported gross debt of US$6.3 billion with net debt of US$5.4 billion as at 30 June. Management continues to target quarterly EBITDA of US$700 million; for reference, EBITDA in Q1 2026 was US$633 million, while average quarterly EBITDA over the last 12 months was US$550 million.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

Emerging market (EM) debt remained under pressure, returning -0.86% over the week. EM corporates outperformed sovereigns, although still delivered negative returns of -0.31%, while local markets declined by 0.4%.

Following the US-Iran confrontation earlier in July, markets spent last week navigating a fragile pause in hostilities. Regional risks nevertheless remained elevated after Yemen's Houthi rebels targeted Saudi energy infrastructure linked to alternative oil export routes.

In Indonesia, the central bank's governor, Perry Warjiyo resigned and Deputy Governor Destry Damayanti was appointed acting governor. The move raised concerns around the central bank's independence and whether monetary policy could become more susceptible to political influence. Indonesia's 2035 bonds ended the week down 0.75%.

Primary issuance was active during the week. Malaysia raised US$1.5 billion through a heavily oversubscribed global sukuk issuance, comprising US$850 million of 5.75-year and US$650 million of 10-year trust certificates. The transaction achieved the tightest spreads ever for a Malaysian sovereign sukuk, with the 5.75-year paper pricing at a 15-bp spread and the 10-year paper at a 25-bp spread relative to comparable US Treasuries. Kuwait also returned to international capital markets with a US$6 billion, three-tranche sovereign issuance, underlining continued investor demand for high-quality Gulf credits.

Ratings activity was supportive. Moody's upgraded Argentina from Caa1 to B3 with a positive outlook, which means that no major rating agency now has a C rating on the sovereign. Moody's cited a material reduction in default risk, supported by strong exports and rising foreign direct investment in the energy and mining sectors. Argentina's 2035 bonds tightened by approximately 32 bps during the week. S&P also upgraded Pakistan to B from B-, citing progress under the IMF programme. Despite the upgrade, Pakistan's 2036 bonds widened modestly amid broader weaker risk sentiment.

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