In Credit

28 September 2026

Let’s dance

Oil prices and bond yields are once again moving in step, as inflation concerns keep both markets firmly in focus. Read on for a breakdown of fixed income news across sectors and regions.

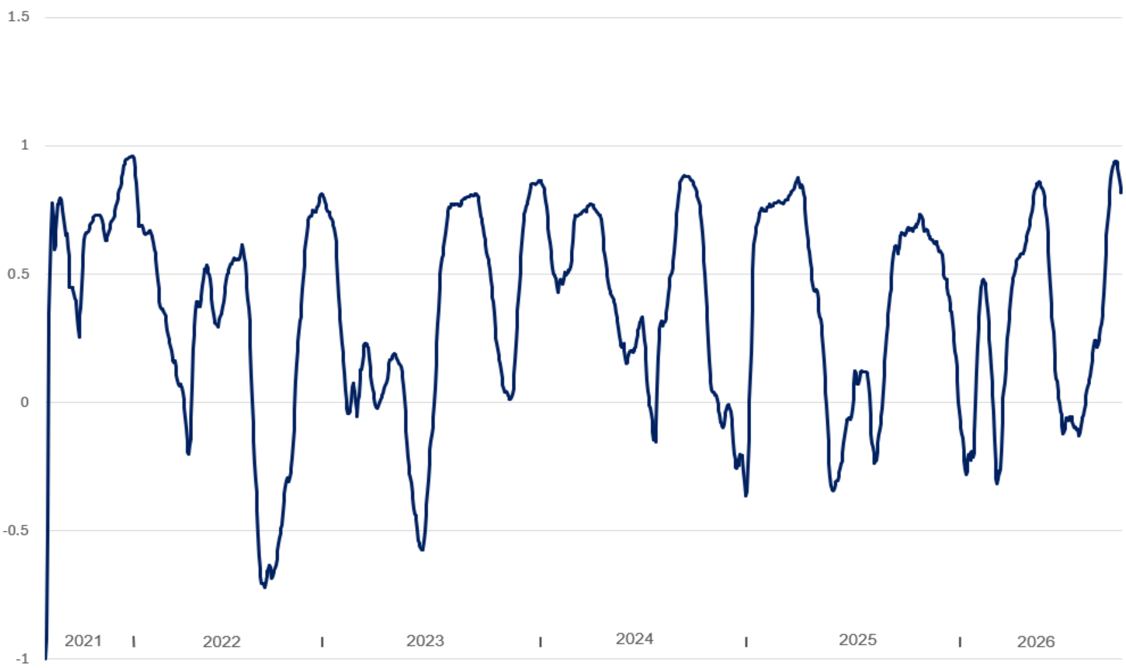
Chart of the Week

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

The chart highlights two important points. First, the correlation between oil prices and bond yields is currently exceptionally strong. Second, the relationship is unstable and shifts with the prevailing macroeconomic regime. Correlation typically turns positive when inflation dominates the outlook, as both markets price stronger nominal growth.

Since the war with Iran began, sharp swings in oil prices have repeatedly unsettled bond markets. Early hopes that central banks would look through a temporary, supply-driven spike are fading as the conflict persists. Higher energy costs could now become a tipping point for rate-setters, keeping inflation concerns – and bond yields – firmly in focus.

WTI crude oil vs US 10-year Treasury yield



Source: Bloomberg, September 2026

Markets dashboard

G4 rates

	Ccy	Level	YDAY	MTD	YTD	12MO
2 Year	EUR	3.33	-0.05	0.40	1.21	1.30
	GBP	4.90	-0.07	0.50	1.16	0.89
	JPY	1.98	0.03	0.26	0.81	1.05
	USD	4.91	-0.07	0.57	1.44	1.27
5 Year	EUR	3.46	-0.03	0.39	1.01	1.12
	GBP	4.97	-0.06	0.36	1.04	0.80
	JPY	2.44	0.02	0.23	0.89	1.21
	USD	5.06	-0.07	0.56	1.33	1.29
10 Year	EUR	3.64	0.00	0.31	0.78	0.89
	GBP	5.41	-0.02	0.34	0.93	0.66
	JPY	3.10	0.00	0.14	1.04	1.45
	USD	5.22	-0.04	0.47	1.05	1.05
30 Year	EUR	3.93	0.04	0.12	0.45	0.60
	GBP	5.90	-0.01	0.12	0.69	0.34
	JPY	4.18	-0.01	0.04	0.78	1.01
	USD	5.53	0.01	0.29	0.69	0.78

Yield-spreads

	Mkt	Level	YDAY	MTD	YTD	12MO
10 Year	US-DE	1.58	-0.04	0.16	0.27	0.15
	UK-DE	1.77	-0.02	0.03	0.15	-0.23
	FR-DE	1.10	0.01	0.25	0.40	0.28
	IT-DE	0.94	0.03	0.11	0.24	0.10

Inflation breakevens

	Market	Level	YDAY	MTD	YTD	YTD
10 Year	France	2.08	-0.02	0.13	0.34	0.22
	Italy	2.14	-0.01	0.06	0.41	0.39
	Germany	2.26	0.00	0.10	0.51	0.47
	UK	3.48	-0.02	0.16	0.55	0.35
	US	2.34	0.01	0.02	0.10	-0.04

G10 FX

FX	Level	YDAY	MTD	YTD	12MO
EUR	1.138	0.1	-2.1	-3.1	-3.0
GBP	1.327	0.2	-2.0	-1.5	-1.2
JPY	156.81	1.0	1.9	-0.1	-5.2
CAD	1.416	0.0	-2.1	-3.1	-1.7
AUD	0.702	0.2	-2.1	5.2	6.7
NZD	0.566	0.0	-4.3	-1.6	-2.0
CHF	0.831	-0.1	-2.7	-4.6	-4.0
NOK	9.517	0.0	-1.8	6.0	4.9
SEK	9.952	0.0	-3.8	-7.4	-5.3

Key references

Mkt	Level	YDAY	MTD	YTD	12MO
DXY	101.07	-0.3	1.6	2.8	3.0
BRENT	107.54	-2.1	18.8	76.7	53.3
GOLD	4,150	0.2	-6.5	-3.9	8.3
BITCOIN	82,924	-0.6	5.2	-5.4	-25.2
SPX	7,743	0.5	0.7	13.1	16.6
FTSE	10,749	0.1	-0.7	8.2	15.8
VIX	16	-1	1	1	1

Credit spreads - OAS, bp

Mkt	Level	YDAY	MTD	YTD	12MO
Global IG	83	1	3	3	5
USD IG	80	3	2	2	5
EUR IG	87	0	8	9	8
Global HY	297	11	25	6	-2
USD HY	294	12	33	28	28
EUR HY	300	5	23	19	26
EMBI-GD	236	0	2	-17	-64

Source: Bloomberg/Columbia Threadneedle Investments as of 25 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

G7 sovereign bonds endured a bruising week, with yields rising sharply across most maturities as strong economic data, higher oil prices and fiscal concerns drove a broad selloff. Several benchmark yields reached their highest levels in nearly two decades.

Losses intensified mid-week after US purchasing managers' index data showed business activity growing at its fastest pace since 2021, reinforcing the higher-for-longer narrative. A weak $70 billion five-year Treasury auction added pressure, with the 10-year US yield surging 16bps on Wednesday to breach 5.11%. By Friday, the 30-year yield had topped 5.58% – its highest level since 2004 – after consumer sentiment exceeded estimates. US Federal Reserve (Fed) Bank of Cleveland President, Beth Hammack, attributed higher long-end yields to stronger growth expectations, concerns about US government debt and expectations of further rate rises.

Rising oil prices – driven by fading hopes of a deal to reopen the Strait of Hormuz – added to inflationary pressure across global bond markets. Euro-area sovereign yields were pulled higher, with covered bond yields reaching levels not seen since the post-pandemic inflation surge amid deteriorating European energy security and fiscal stability.

UK gilts carried the highest 10-year yield in the G7 at 5.37%, reflecting persistent domestic inflation alongside the global sell-off. France came under particular scrutiny, with a French official warning that the OAT-Bund spread – close to 100bps – was too wide and that failure to address the deficit would push borrowing costs higher.

Liability driven investments (LDI)

Guy Bottomley,
Client Portfolio Manager LDI, UK and Ireland

The past fortnight was dominated by the Bank of England's (BoE) decision on 17 September to pause all active sales of long-dated gilts from its £488 billion quantitative tightening portfolio. The 30-year gilt rallied 12bps, its sharpest single-session move of the summer, but the relief was short-lived. Global inflation and geopolitical pressures quickly reasserted themselves, and by the end of the period the 30-year yield had retraced to 5.86%, only marginally below its starting level. Meanwhile, August consumer price inflation (CPI) of 3.1% marked a third consecutive monthly acceleration, cementing expectations of a BoE rate rise in November. Overnight index swap markets now price an 88.4% probability of a move to 4%.

Politics remained a persistent source of pressure. Office for National Statistics data showed that the UK borrowed £77.3 billion in the first five months of the fiscal year, £8.1 billion above the Office for Budget Responsibility's forecast and well ahead of the government's fiscal plan. Both prime minister Andy Burnham and chancellor John Healey stressed fiscal discipline ahead of the 28 October Budget, but neither ruled out further borrowing or tax rises. Uncertainty over the fiscal path therefore kept a firm risk premium at the long end.

The UK's fiscal backdrop remained a structural headwind. The Debt Management Office sold £4.25 billion of January 2056 gilts at 5.82%, the highest borrowing cost since its creation, while index-linked gilts cleared at a record real yield of 2.5%.

For UK defined benefit pension schemes, higher yields remain broadly positive for funding levels, reducing the present value of liabilities and creating opportunities to lock in improvements through higher hedge ratios. However, Sharp volatility – a 22bps intra-period range in the 30-year yield, including a 12bps single-day rally – reinforces the need for robust LDI frameworks, adequate collateral buffers and strong liquidity management. With CPI at 3.1% and breakevens at a series high of 3.434%, the risk to schemes with unhedged inflation exposure is becoming harder to ignore.

Investment grade credit

Steven Nelson,
Client Portfolio Manager, Investment Grade

Global investment grade (IG) credit widened over the week against a backdrop of sharply rising global rates. Global IG widened 3bps to 82bps, with US IG underperforming as spreads widened 4bps to 81bps. Euro and sterling IG each widened 3bps, to 84bps and 85bps respectively. The iTraxx Main widened 3.4bps to 61.6bps, while CDX IG widened 2bps to 58.1bps. Volatility in underlying government bond yields was the main driver of spread decompression across regions. Curves continued to flatten, which has historically preceded further spread volatility. Sterling and the euro also weakened against the dollar, adding another headwind for cross-currency issuers.

European primary markets printed €14.5 billion during the week despite the challenging rates backdrop, including deals from L'Oréal, BBVA, Nationwide and Swedbank. In the US, issuance was around $5 billion below the $40 billion consensus forecast as the spike in Treasury yields curtailed activity.

Corporate news flow centred on three themes. In data centres, Moody's estimated that the five US hyperscalers' combined off-balance-sheet obligations tied to artificial intelligence investment had reached approximately $2.8 trillion, up from around $350 billion in 2023. Existing data-centre bonds had rallied on expectations of a managed slowdown in AI investment, although hyperscaler credit default swap spreads widened as markets priced contingent liabilities more explicitly. Against this backdrop, Moody's upgraded data-centre real estate investment trust Digital Realty to Baa1 from Baa2. In Swiss bank capital, the upper house backed a 90% common equity tier 1 requirement for UBS's foreign subsidiaries and rejected an alternative reliant on additional tier 1 capital, reducing oversupply concerns. In media, WPP announced that chief financial officer, Joanne Wilson, would step down, with the board beginning a formal search for a successor as the group's credit metrics remain under scrutiny.

US high yield credit and leveraged loans

Chris Jorel,
Client Portfolio Manager, US High Yield

US high yield (HY) bond yields approached 8% during the week. The move was initially driven solely by US Treasuries, but spreads began to widen late in the week as concern grew about the fundamental impact of sharply higher rates. The primary market priced and completed the largest US HY issue on record, with SoftBank bringing $10 billion of new bonds linked to its AI commitments. A risk-off tone has prevailed over the past month, with BB-, B- and CCC-rated issuers returning -1.9%, -1.7% and -2.4% respectively.

Loans recorded their largest weekly price decline since June, falling $0.12 week-on-week. Even so, leveraged loans outperformed US HY bonds by 2.03% in September, their widest margin in four years. Strong economic data and hawkish Fed rhetoric pushed the forward curve 60bps higher, while yields on three-year takeouts reached a multi-year high of 9.5%. Higher yields attracted investors, with loan funds reporting their largest weekly inflow in 18 months, at $1.3 billion.

European high yield credit

Angelina Chueh,
Client Portfolio Manager, European High Yield

It was a volatile week that ended sharply lower, with losses accelerating on Wednesday and Thursday as the global government bond rout deepened. European HY returned -0.52%, with spreads widening 13bps to 296bps and yields rising 17bps to 6.84%. Higher-beta credits were relatively resilient, although BBs marginally underperformed the market. Flows remained subdued, with net outflows of €75 million, predominantly through managed accounts and largely attributable to global HY products. Exchange-traded funds (ETFs) were flat over the week.

Primary market activity was robust and dominated by cross-border deals. A year-to-date high of €9.8 billion was issued across 11 names, with BBs accounting for most supply and single-Bs around 25%. SoftBank was the standout issuer, pricing $10 billion and €1 billion across five tranches and tightening by approximately 50bps from initial price talk. Bayer also issued €2 billion of hybrid bonds – a non-call six-year at 5.825% and a non-call nine-year at 6.325% – both priced at fair value.

In sector news, real estate remained the focal point amid persistent selling pressure, with names off two to five points on the week. In autos, European car sales data showed that growth was driven entirely by Chinese OEMs, with European manufacturers broadly flat to negative.

On the issuer front, HelloFresh issued a significant profit warning, cutting 2026 sales guidance to a decline of 9%–11%; its bonds fell three points. Tereos flagged an unprecedented failure of the French sugar beet crop. In liability management, InPost launched a tender for part of its outstanding bonds ahead of its leveraged buyout (LBO), while Grupo Antolin's bonds continued to trade in the low 50s after the restructuring standstill was extended to 16 October.

Structured credit

Kinsey Wessels,
Client Portfolio Analyst, Fixed Income

It was a difficult week for mortgages, which underperformed as rates continued to sell off. Extending the recent negative trend, the Bloomberg US mortgage-backed securities index returned -95bps. New home sales rose a stronger-than-expected 6.5%, as gains in the South and Midwest offset weakness in the Northeast. Final building permits data showed a 2.1% decline, an improvement on the preliminary estimate of -2.7%; single-family permits fell 1.8% and multifamily permits 4.3%. Within agency mortgage-backed securities (MBS), 15-year issues outperformed 30-year issues as the curve bear-steepened, while higher coupons outperformed as lower-coupon spreads widened more. August prepayment speeds fell despite the extra business day, and September speeds are expected to slow by a further 5% as mortgage rates rise. Residential mortgage-backed securities (RMBS) spreads widened 7–10bps week-on-week, with non-qualified mortgage (non-QM) AAAs at around +130bps. More than nine new deals totalling approximately $3 billion priced, taking year-to-date volume to $256 billion, up 20% year-on-year.

Commercial MBS were broadly unchanged, with benchmark conduit spreads stable across the capital stack. Single-asset single-borrower (SASB) deals dominated new issuance, with four transactions totalling $3.9 billion. Year-to-date issuance stands at $128 billion, around 20% ahead of last year's pace, with a robust pipeline. In asset-backed securities (ABS), secondary benchmark spreads widened 2–5bps, with some esoteric subsectors slightly wider. The AAA-to-below-AAA spread tightened to +94bps, well inside its two-year average of +117bps. The spread between AAA-A ABS and AAA-A corporates tightened 5bps to +32bps, versus a two-year average of +39bps. Eight new deals totalling $6.4 billion priced. Year-to-date issuance of $298 billion is around 8.5% ahead of last year's pace, leaving the market on track for a record year.

Asian credit

Justin Ong,
Research Analyst, Asian Fixed Income

The JACI generated a loss of 67bps for the week, almost all driven by higher rates (-66bps). JACI IG posted a 71bps loss while HY was 41bps.

New World Development (NWD) is spinning off Shanghai K11 Art Mall and K11 Atelier – a mixed-use asset comprising around 130,000 square metres, including approximately 17,000 sq m of retail and 81,000 sq m of Grade A offices – as a Chinese real estate investment trust on the Shanghai Stock Exchange. It will be the first such trust backed by a Hong Kong developer. The sale consideration is CNY4 billion, with estimated gross proceeds of CNY3.24 billion (around US$462 million). Net proceeds to NWD will be significantly lower after project-company debt is repaid and a retained 20% stake is acquired. NWD will retain property management and K11 branding.

People Inc withdrew its US$18 billion, or US$48.30-a-share, bid to take MGM Resorts private. People Inc retains an approximately 27% stake in MGM Resorts, which owns 55.9% of MGM China. In a rapid reversal, MGM Resorts is reportedly considering a counterbid for People Inc, making the original acquirer a potential target. MGM China's B1/B+ ratings are linked to its parent, so any merger and acquisition activity involving MGM Resorts – whether as acquirer or target – could change the group's leverage profile and warrants close monitoring of rating agency responses.

Alibaba outlined its full-stack AI strategy, including plans to expand global data-centre capacity to 20GW by 2032 – 10 times its 2022 level – across self-built and leased facilities. It also disclosed that Qwen 4, its next-generation model, is in training, while the planned Qwen 4.5 and Qwen 5 series will scale to five–10 trillion parameters.

Emerging markets

Omotoke Joseph,
Product Specialist, Emerging Market Debt

A sharp US Treasury sell-off drove broad losses across emerging-market (EM) dollar bonds. The Bloomberg EM USD Aggregate returned -1.03%, taking its year-to-date return to -0.66%. Most of the drawdown came on Wednesday and Thursday, underlining that the weakness was driven primarily by rates rather than any deterioration in EM credit fundamentals.

The Xi-Trump summit provided a modestly supportive backdrop for EM risk. The leaders extended the US-China trade truce by two months and agreed a framework for reciprocal tariff relief on US$30 billion of non-sensitive goods. This reduced the near-term risk of renewed escalation, although disputes over technology, rare earths and Taiwan remain unresolved.

The bear steepening in US Treasuries hit duration-heavy sovereign debt hardest. The EMBI Global Diversified lost around 1.35%, although its spread index tightened marginally to 371.4.

In Asia, Chinese property bonds remained volatile, while geopolitical risk subdued issuance. Brazil weakened alongside Treasuries, but positive excess returns showed that spread compression cushioned the move. Argentina remained the quarter's weakest EM credit despite selective buying at double-digit yields. In EMEA, Romania was the main pressure point: its domestic 10-year yield rose 26bps to 7.55% amid political deadlock and downgrade risk.

Primary issuance began strongly before rates volatility effectively closed the market. Qatar raised US$3 billion across five- and 10-year bonds, attracting peak orders of more than $7.7 billion, while Slovakia's €2.5 billion 10-year deal drew €4.6 billion of demand. Latin American issuance had already slowed sharply in the previous week. Bangladesh is considering a US$500 million-$1 billion debut sovereign deal, while Vietnam is discussing a return of up to US$1 billion.

The immediate question is whether Treasuries stabilise. EM dollar bonds continue to offer attractive entry levels, comfortable carry and broadly resilient spreads, but performance will remain sensitive to further moves in US yields.

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