Credit Market Overview

RUBRICS

July 2026

Spreads Widened on AI Supply Fears
Technology led the move as investors questioned the scale of AI-driven issuance

Loans the Only Clear Winner
US leveraged loans gained 1.15% while every IG index fell; US IG was worst at −1.67%

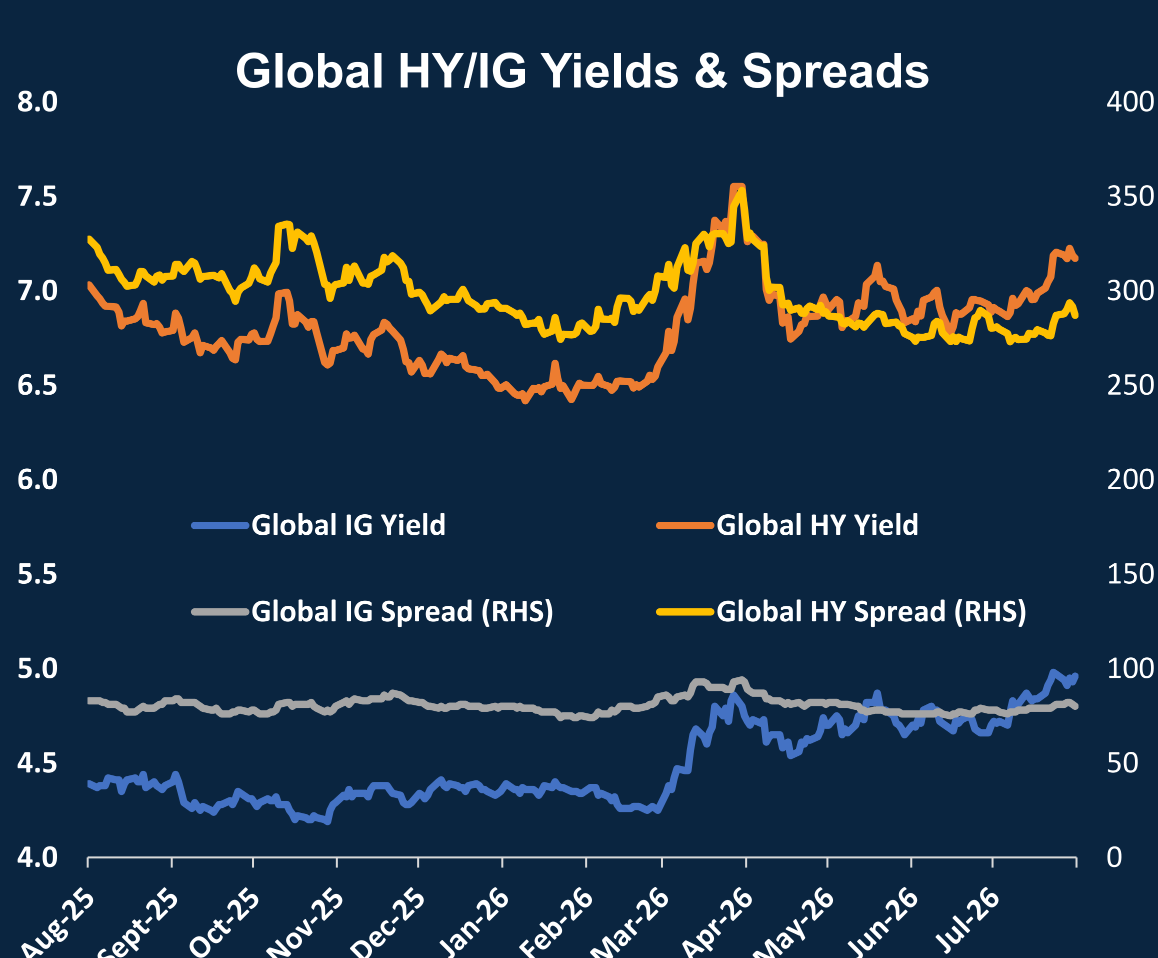
Rising Yields Drove Losses
Long-end government bond yields rose markedly, driving US IG's first negative July since 2014

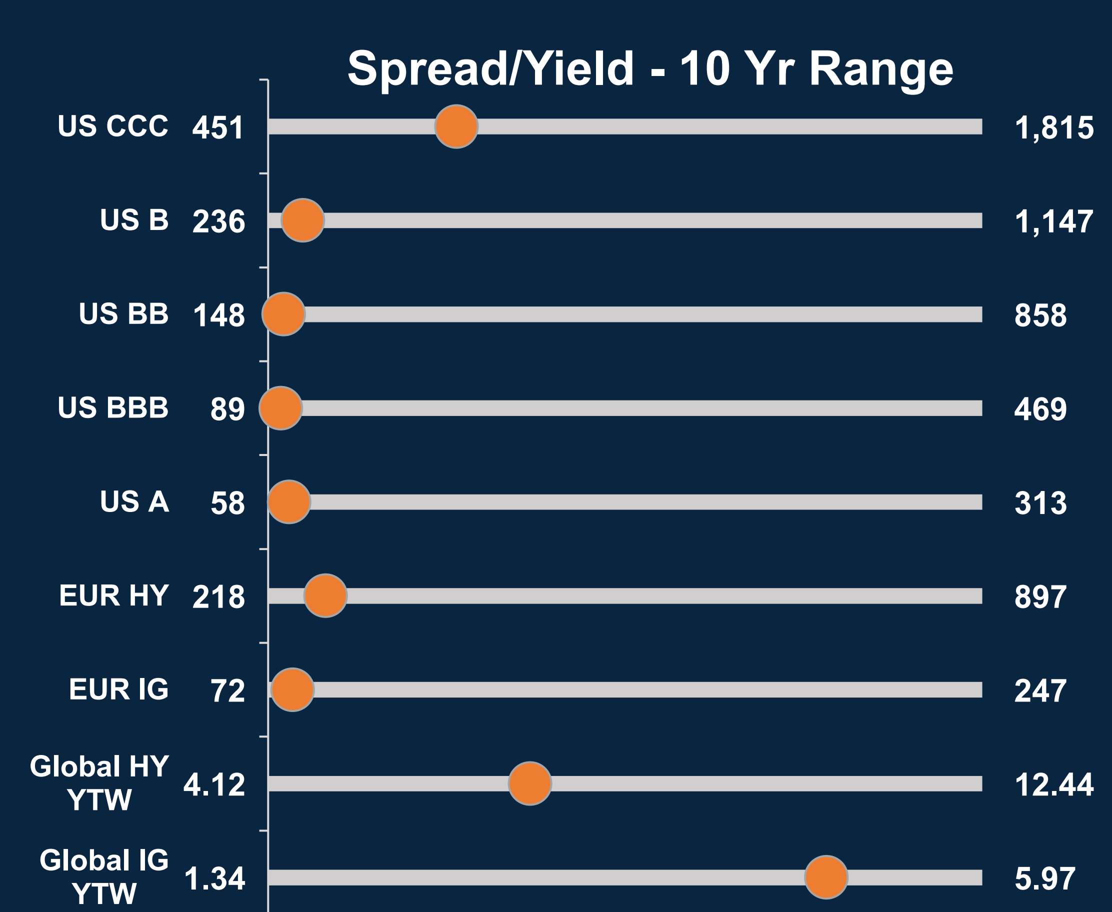
Supply Stayed Elevated
AI infrastructure funding again drove much of July's $140bn of US IG issuance

PERFORMANCE SNAPSHOT USD Hedged

	1M	3M	YTD	12M
US High Yield	−0.25%	+0.51%	+1.71%	+5.17%
Euro High Yield	−0.16%	+1.68%	+2.62%	+4.90%
US IG Corporate	−1.67%	−0.75%	−0.83%	+2.53%
EUR IG Corporate	−0.97%	+0.41%	+0.35%	+1.03%
GBP IG Corporate	−1.24%	+1.38%	−0.40%	+2.77%
Banks AT1	−0.14%	+1.61%	+3.22%	+7.33%
Leveraged Loans	+1.15%	+1.20%	+1.57%	+4.68%
Corporate Hybrids	−0.59%	+1.54%	+1.96%	+4.41%
EM USD	−1.30%	−0.04%	+0.70%	+5.65%
US BB	−0.37%	+0.44%	+1.60%	+5.30%
US B	+0.02%	+1.04%	+2.20%	+5.83%
US CCC	−0.52%	−0.42%	+1.16%	+4.24%

YIELD & SPREAD TRENDS





Source: Bloomberg, as at 31/07/26

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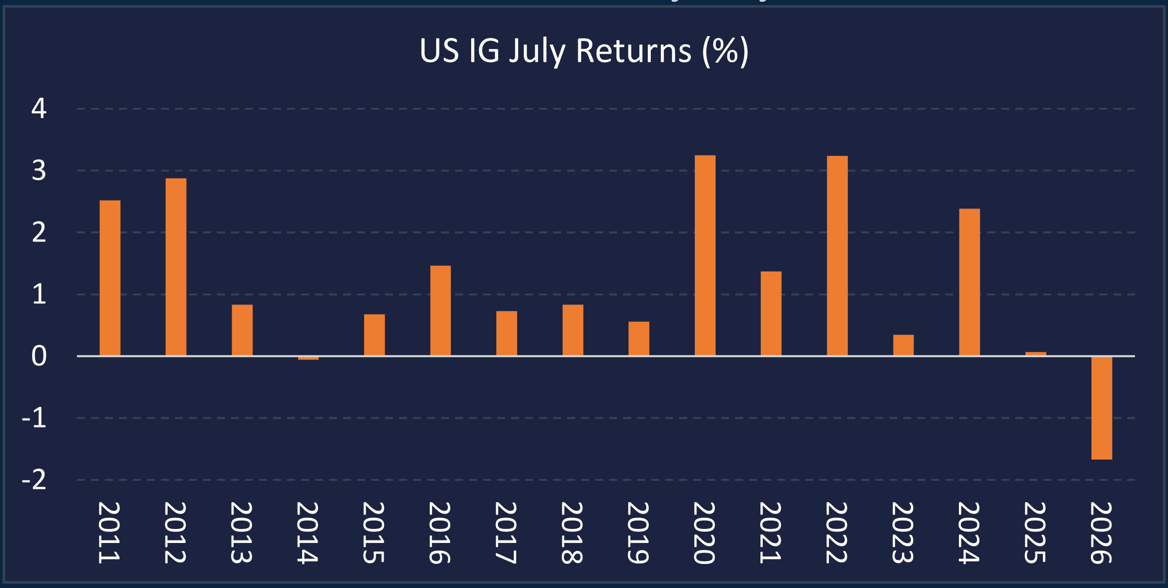
US IG: Worst July Returns in Nearly a Quarter of a Century; Supply Still Elevated

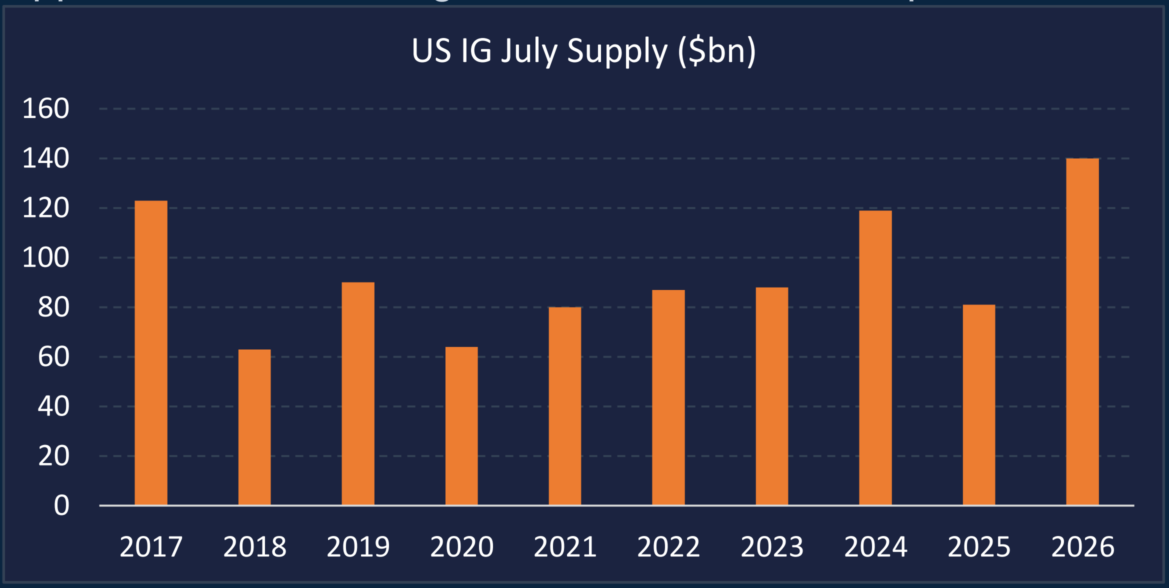
Uncertainty regarding the Federal Reserve's policy under new Chair Warsh, together with an escalation of tensions in the Middle East, saw government bond yields rise markedly in July. Concerns about the scale of AI-driven bond supply further drove credit spread widening, particularly in the technology sector, while second-quarter earnings commanded considerable attention. Ultimately, US IG bonds endured their first July with a negative return since 2014, and the second-worst monthly performance of this year.

Similarly, the US HY market recorded its first July loss since 2015, with CCC yields climbing to a 15-month high. Conversely, US leveraged loans – which are floating rate and therefore less sensitive to rising rates – delivered a strong, positive month.

Nonetheless, IG supply remained elevated, as it has all year. Bonds funding the AI infrastructure buildout again drove much of the month's $140bn of issuance. Amazon, having already priced a jumbo deal earlier this year, met notably weaker demand for a further $25bn in early July – such was the shift in appetite that its existing bonds widened 10–15bps.



Source: Bloomberg, as at 31/07/26



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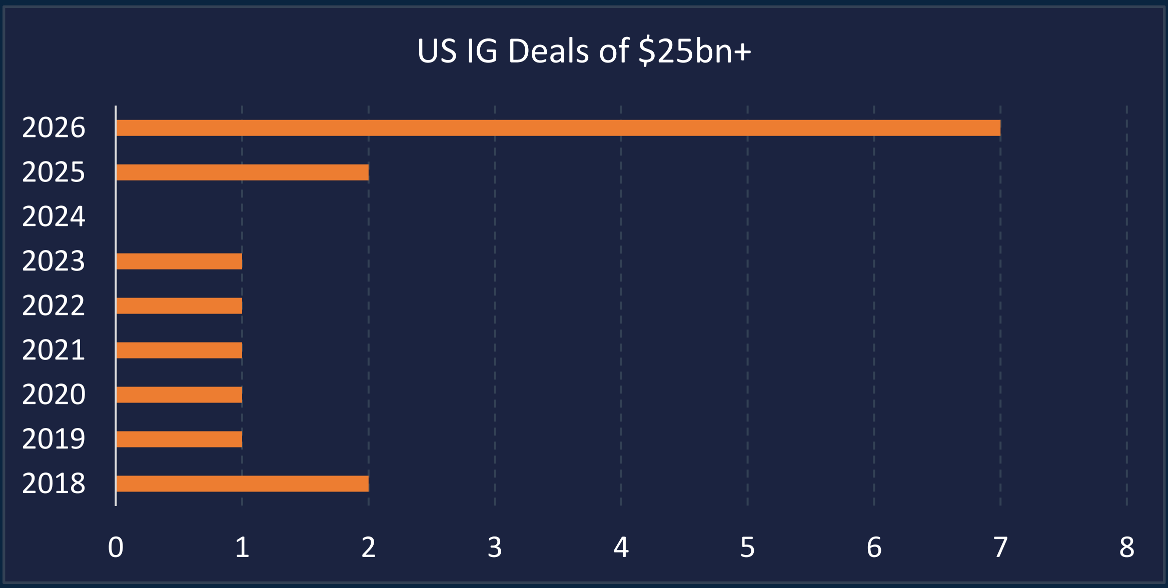
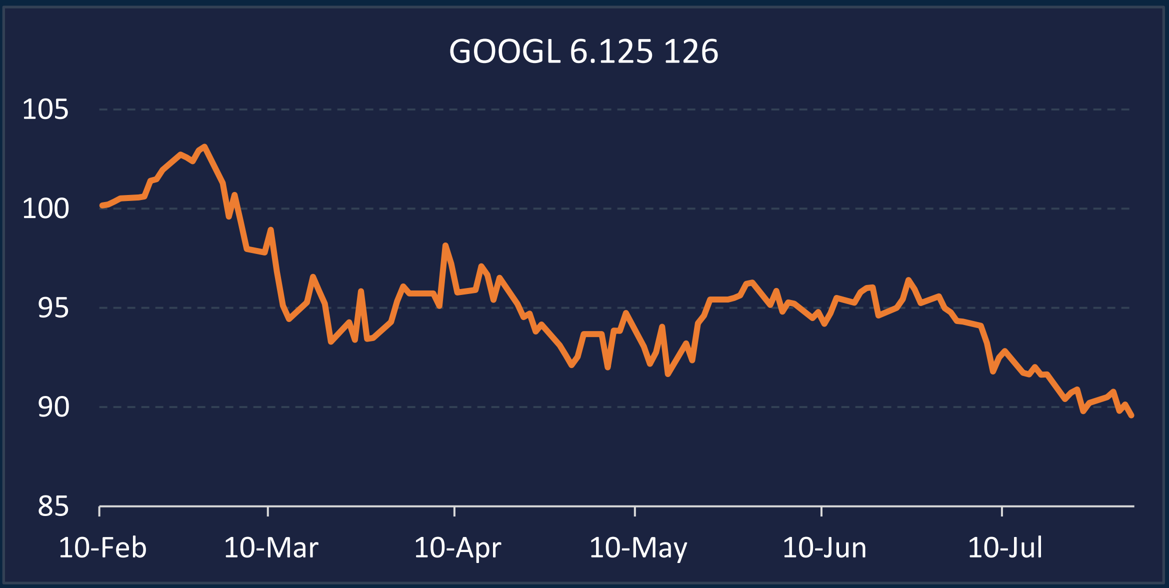


Source: Bloomberg, as at 31/07/26

AI Debt Hit

With investors questioning the AI capex trade, Oracle saw its credit rating cut to BBB- by S&P, while the cost of insuring against default rose to elevated levels across many technology companies, including those of the highest quality. Owing to the pressure on the technology sector, as well as on government bond yields, the 100-year bond that Alphabet sold in February this year has already lost 10% of its value.

Source: Bloomberg, as at 31/07/26



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