

European high yield: time for selectivity

Wellington Management · 2026-09-18 · English original

Key points

- European high yield remains a structurally attractive proposition for many investors, but compressed spreads and an extended period of strong performance point to the need for greater caution.
- From a wider portfolio perspective, this less favourable backdrop implies the need for a greater emphasis on time horizon and careful calibration of asset allocation decisions.
- Active management may be key to help mitigate potential volatility and gain targeted exposure to the select opportunities we still see across certain sectors and individual issuers.

Allocating to European high-yield bonds has been a sound strategy over recent years but many existing investors are asking whether it is time to take stock, while new investors are weighing the risk-return trade-offs.

In our view, the structural appeal of the asset class remains robust, supported by a consistent trend towards higher-quality issuance and attractive income potential. However, tight valuations mean that relying on spread compression for returns may no longer be a winning strategy.

Instead, we think it is time for a different approach that focuses on disciplined credit selection to capture the opportunities a more diverging market may bring.

Structurally stronger, but less favourable starting point

European high yield has delivered strong returns in recent years. Investors have benefited from attractive income, resilient corporate fundamentals and a market that has continued to improve in quality, with BB-rated issuers now representing a larger share of the index. Moreover, the asset class continues to offer attractive diversification potential, especially for investors looking to diversify away from the US.

However, after several years of strong returns, spreads are now at historically tight levels. In our view, this spread compression should give investors pause for thought. In fact, since the last major market drawdown in 2022, we have experienced only a few periods of market weakness, with the asset class generating positive returns across most months, as Figure 1 shows. Moreover, most negative months have involved only modest losses.

That strong performance has changed the starting point for investors considering an allocation to high yield now, with less scope for further broad-based compression and a smaller valuation cushion if conditions deteriorate.

Should investors wait for wider spreads?

While many investors have historically used spread levels as the key indicator for timing an entry point to high yield, historical data suggests that tight starting spreads have not necessarily led to poor long-term outcomes (5 – 10+ years), implying that investors need to consider the time horizon of any allocation more carefully.

Wider spreads generally produce stronger subsequent excess returns, in particular over more tactical time horizons (1 – 3 years), but spread levels at investment inception tend to become less important over longer periods as excess returns gradually converge.

Moreover, while wider spreads offer a more attractive entry point for tactical investors, market dislocations are notoriously difficult to time and they can reverse quickly. Waiting also carries an opportunity cost, especially in an environment where the asset class remains supported by stronger-than-expected nominal growth. Investors who remain unallocated may forego the income generated by the asset class while waiting for a better entry point that may not arrive for some time.

- For strategic investors, we believe it generally makes sense to maintain exposure, while retaining the necessary flexibility to add risk when valuations become more attractive. We also believe there is value in allocating to a manager with spread sensitivity embedded in their investment process to consider near-term market dynamics.
- For tactical allocations, the case for waiting stands, but given timing and opportunity cost, a gradual allocation approach may be helpful as it reduces the importance of any single entry point.

A final but vital point is that even with tight spreads, the all-in yield available from European high yield remains meaningful. That meaningful all-in yield provides a cushion against spread widening and helps mitigate the impact of moderate price volatility.

Tight spreads do not necessarily mean a lack of opportunity

Headline spread levels also conceal dispersion across the market. Many higher-quality BB- and B-rated securities are tightly valued. In some cases, the additional yield available over investment-grade bonds does not adequately compensate investors for the increase in credit risk. Further down the rating spectrum, valuations are more varied. Some lower-rated securities offer attractive compensation, while others face genuine refinancing, liquidity or fundamental risks.

In our view, this more complex backdrop should favour an active approach. Tilting portfolios away from tight spreads towards the select opportunities that are currently still available is not as simple as moving down in quality. The challenge is to identify issuers where the market is overcompensating investors for manageable risks, while avoiding securities that are cheap for good reasons. In our view, tackling that challenge involves more than ever the ability to undertake both detailed issuer and capital-structure analysis. It also requires an in-depth understanding of the broader industry and sector dynamics in which issuers operate.

Where are we seeing opportunities?

Rather than stretching for incremental yield in the most expensive areas of the market, we think investors would be served by seeking exposure to segments and issuers that the market tends to overlook, where valuations better reflect the underlying risks. These include:

- Lower-rated credits where our analysis supports a credible path to refinancing, deleveraging or an

improvement in credit quality. The emphasis is not on the rating itself, but on whether the potential return adequately compensates investors for the downside risk.

- Sectors that are currently less favoured by a market focused on the AI theme, but where we think fundamentals are robust. These include select commercial real estate issuers with strong asset quality and refinancing capacity that are supported by resilient demand for high-quality office space in certain markets, and defensively orientated pharma companies with strong competitive moats and cash-flow dynamics.

At the same time, we think moving into select investment-grade bonds may offer better risk-adjusted value than tightly priced BB securities, given a combination of similar income with greater downside resilience.

Getting the balance right

Tight spreads and a long run of strong performance point to the need for investors to take a different approach to European high yield: one that recognises the structural appeal of the asset class but also the need for greater risk mitigation and active management. In practice, we believe:

- Investors need to think more carefully about their time horizon, maintaining strategic exposures but adopting a gradual approach for more tactical allocations.
- Investors should favour an active approach that drills down to sector and issuer level to mitigate risk and take advantage of the select opportunities we see in this more complex environment.

The views expressed are those of the author at the time of writing. Other teams may hold different views and make different investment decisions. The value of your investment may become worth more or less than at the time of original investment. While any third-party data used is considered reliable, its accuracy is not guaranteed. For professional, institutional or accredited investors only.

Related Funds

Fixed income fund investing primarily in Euro-denominated high-yield bonds, seeking investment opportunities in out-of-favour areas of the market.

Get our latest market insights straight to your inbox.

You will shortly receive an email with your unique link to our preference center

For the first time in over three years, the Fed raised the target rate range to 3.75%-4.00% in September. Our team looks at what's driving the shift and what it means going forward.

What do you need to know about the markets this week? Tune in to Paul Skinner's weekly market update for the lowdown on where the markets are and what investors should keep their eye on this week.

A monthly update on equity, fixed income, currency, and commodity markets.

Fixed Income Portfolio Managers Alyssa Irving and Liz Kleinerman, and Head of Investment Grade Private Credit Emeka Onukwugha explore the emergence of an AI investment cycle in credit markets.

Band-aids, bazookas, and boomerangs: Equity investing in a volatile US rate regime

With fiscal pressures and Treasury-market fragilities keeping bond yields volatile, Macro Strategist Juhi Dhawan outlines implications for equity investors.

High asset prices, not low interest rates, are driving inflation

Wealth distribution in the US has rendered the Federal Reserve's usual tools less effective. The Fed will need to address asset prices head-on in creative ways if it is going to return inflation to target.

How AI is impacting the high yield market

Fixed Income Portfolio Manager Blake Huynh examines how AI is reshaping the high-yield market using the latest issuance data. He explores what this transformation may mean for investors.

Tech Stocks as an Inflation Hedge: Is the Case Weakening?

Fixed Income Portfolio Manager Brij Khurana explores why US tech stocks may be a less attractive hedge against US inflation and currency debasement and how this could favor bonds.

Emerging market debt: A strategic opportunity for insurers

We examine the breadth of the EMD universe, consider how insurers are using the asset class, and share our outlook on the risks and opportunities ahead.

2026 midyear outlook: Time to rethink EM debt

Our expert argues that emerging market debt may merit a fresh look as stronger fundamentals, credible policymaking, and attractive yields challenge outdated assumptions about the asset class.

Loans from Federal Home Loan Banks: An opportunity for US insurers to enhance investment yield and total return

Learn why we believe FHLB loans provide compelling potential for insurers to add alpha or increase yield by borrowing at low rates and benefitting from possible favorable treatment by ratings agencies.

The growing capital intensity of the US corporate bond market

Members of our fixed income team explain how AI-driven capital expenditures are reshaping the US corporate bond market and creating potentially attractive opportunities, though selectivity is critical.

Fixed Income Portfolio Managers Campe Goodman and Rob Burn share their midyear outlook for credit markets. They find that tight index spreads do not mean a lack of opportunity.

No rerun of the 2022 rates scenario but flexibility is key

Fixed Income Portfolio Manager Martin Harvey and Investment Director Marco Giordano share their outlook for rates (government bonds) for the second half of the year.

The questions incoming Fed Chair Warsh will need to answer

We examine the key questions that incoming Fed chairman Kevin Warsh may need to confront as monetary policy faces new limits and new risks.

Focus, flexibility and resilience: Top of mind for fixed income investors in Asia Pacific

In this video, Andrew Sharp-Paul, Solutions Director, APAC, speaks with Campe Goodman, Fixed Income Portfolio Manager, about why flexibility matters in fixed income investing. Campe explains how a flexible, multi-sector approach—spanning high yield, emerging markets, structured finance and more—can help build a more resilient portfolio.

Emerging markets: cyclical recovery or secular opportunity?

In this ActiveViews webcast Portfolio Managers Bo Meunier and Gillian Edgeworth explore whether emerging markets are at a turning point.

The Iran war is changing the bond playbook

Regional wars, inflation, and shifting fiscal priorities are creating new challenges for the bond market. Fixed income portfolio manager Brij Khurana explains why investors may need to look beyond traditional core bond markets for opportunities.

An insurer's guide to the public/private credit convergence

Our experts explain why insurers are increasingly focusing on integrated public and private investment-grade credit strategies and highlight potential benefits and practical considerations.

Chart in Focus: Inflation upends typical correlations

Fixed income expert Noah Atlas highlights how higher inflation expectations are disrupting stock-bond diversification and influencing portfolio construction.

Rapid fire questions with Schuyler Reece on EM debt

In this edition of "Rapid fire questions," fixed income portfolio manager Schuyler Reece shares his read on the evolving macro backdrop amid the Middle East conflict, why he remains constructive on emerging markets debt, and where he sees the most compelling opportunities and risks across hard currency, local debt and EM currencies.

How AI, stagflation risks and private credit are reshaping credit opportunities

Fixed Income Portfolio Manager Mahmoud El-Shaer sees three key forces shaping credit markets: stagflation risks, AI and increased scrutiny of private credit. While these developments are tightening financial conditions and increasing uncertainty, they may also be starting to reopen a more attractive opportunity set after a period of historically tight valuations.

The case for securitized credit in a multi-asset credit strategy

Portfolio Manager Kyra Fecteau explores why securitized credit may offer diversification, alpha potential, and attractive valuations within a multi-asset credit strategy.

A quarterly update on equity, fixed income, currency, and commodity markets.

Asian credit: A market you don't want to miss?

Discover the untapped potential of Asian credit markets. With growing economic independence and robust financial systems, Asia offers compelling opportunities for fixed income investors seeking stability and growth.

The economy needs more competition. AI can make that happen.

Brij Khurana believes that as AI evolves, it will challenge traditional business moats and revitalize competition across industries. This transformation could lead to increased productivity, higher real wages, and stronger economic growth.

Three ways to reset credit portfolios for a more volatile world

Our experts, Fixed Income Portfolio Managers Campe Goodman and Rob Burn, and Investment Director Raina Dunkelberger, explore how to reset credit portfolios for a more volatile world.

Chart in Focus: Diversifying for different macro regimes

Against the backdrop of heightened geopolitical uncertainty, our experts Alex King and Joshua Riefler explore how to optimise diversification across different macro regimes.

FOMC: Holding the line amid geopolitical crosscurrents

Fixed Income Portfolio Manager Jeremy Forster discusses the Fed's cautious stance amid geopolitical tensions, inflation risks, and labor market dynamics.

Rapid Fire Questions with Campe Goodman - 1st Year of Trump 2.0

In this edition of "Rapid Fire Questions," fixed income portfolio manager Campe Goodman shares his assessment on the first year of Trump 2.0, and perspectives on why he remains constructive on fixed income, and where he is finding attractive opportunities.

A dedicated cash-balance strategy: Why now?

Members of our LDI Team explain why the time might be right for some corporate DB plans to consider adding a dedicated cash-balance approach to the liability-hedging allocation.

The Fed's growing footprint on the market has a cost

Brij Khurana explains what the Federal Reserve's balance sheet expansion may mean for inflation and asset prices.

Alex King and Josh Riefler explore the evolving role of global government bonds in portfolios against a backdrop of tight spreads.

Cash-balance and traditional liabilities: An integrated investment approach

Members of our LDI Team offer ideas on how best to integrate traditional and cash-balance liabilities in a corporate DB plan's investment strategy.

Duration: A dynamic lever in fixed income investing

Amar Reganti and Adam Norman profile duration's versatility in fixed income, focusing on its role in managing volatility and pursuing attractive risk-adjusted outcomes.

Top 5 fixed income ideas for insurers in 2026: Give ground on risk, but just a little

With a note of cautious optimism, we consider a range of fixed income ideas for insurers, from investment-grade private credit to emerging market debt.

2026 Insurance Outlook: Cautious optimism and a second bite at the apple

Members of our Insurance team share their economic expectations, investment ideas, and a regulatory roundup for the year ahead.

Another banner year for emerging markets local debt in 2026?

Our experts highlight EM local debt's strong 2025 performance and explain their bullish outlook for 2026.

An active management partner for the near and long term

CEO Jean Hynes focuses on key themes driving our evolving capabilities and client collaboration, including AI's transformative potential and new thinking about equity, fixed income, and alternative allocations.

The spending bubble driving corporate profits looks set to burst

US corporate profits have been fueled by government deficits, low rates, and consumption — drivers now at risk, raising questions about the sustainability of market valuations.

Fixed Income Portfolio Manager Jeremy Forster profiles the Fed's December rate cut, labor market trends, inflation pressures, and the role of anticipated changes to FOMC leaders in 2026.

Financing the AI boom: credit markets at a crossroads

Fixed Income Portfolio Manager Derek Hynes and Fixed Income Investment Specialist Will Prentis examine how the AI financing boom is transforming credit markets and discuss the opportunities and risks it creates for investors.

Practical portfolio considerations for a new economic age

Solutions Director Andrew Sharp Paul explores practical portfolio considerations for a new economic age, focusing on quality equities, discerning bonds, and local APAC opportunities.

In this edition of "Rapid Fire Questions," fixed income portfolio manager Ross Dilkes shares his views on the Asia credit market—covering the macro outlook, China's momentum, the most compelling opportunities across the region, and key risks shaping the next 12 months.

Fixed income strategist Amar Reganti examines questions surrounding US creditworthiness.

Chart in Focus: Is the Fed rate cut positive for risk?

In this edition of Chart in Focus, we examine how the Fed's long-awaited interest rate cut may influence risk assets.

Chart in Focus: Three reasons to keep the faith in US credit quality

Our fixed income experts highlight the resilience of US institutional credibility.

Corporate versus credit indices: What's the best match for liability-driven investing?

When selecting benchmarks for LDI needs, corporate DB plan sponsors often ask about the differences between investment-grade corporate and credit indices. In this paper, we compare the composition and performance of corporate and credit indices, as well as intermediate and long maturity indices, and we offer insights on choosing indices that fit a plan's liability.

Long bonds could become a diversifier once again

Despite a challenging 15 years, long bonds represent a valuation opportunity. Brij Khurana explains why long-term yields may not last, offering asset allocators a reason to rethink the diversification potential of long-maturity bonds.

Rational exuberance: Will the bulls keep running?

Tariffs, fiscal challenges, geopolitical turmoil — lately, nothing has seemed to get the market down. We

consider how long the good times may last in our quarterly look at the equity, bond, and commodities markets.

Fixed Income Portfolio Manager Jeremy Forster analyzes the Fed's decision to cut interest rates at the September FOMC meeting.

How a changing Europe is reshaping credit markets

Portfolio Managers Derek Hynes and Konstantin Leidman explore how a changing Europe is reshaping the region's credit markets and identify key takeaways for investors.

In this edition of Chart in Focus, we take a look at where rates have been headed and potential implications moving forward.

Discover why concerns about stagflation are rising, and how asset allocators may be able to hedge the effects on their portfolio.

Is it time for a fresh perspective on the dual mandate? Fixed Income Portfolio Manager Brij Khurana explores the potential benefits of reorienting monetary policy toward maximizing productivity.

CCC junk bonds appear undervalued and overlooked

Fixed Income Portfolio manager and Credit Analyst Blake Huynh and Investment Director Nick Leichtman highlight CCC bonds' potential amid tight spreads and market dynamics.

(Re)emerging markets: 10 reasons for optimism

Our experts identify 10 reasons why now may be the time for investors to reconsider emerging markets.

Agile approach important amid market desynchronization

Global markets are desynchronizing, with macro volatility and intervention from governments leading to diverging economic outcomes. Increased dispersion may facilitate more frequent rotation on market leaders, as these charts from Alex King and Joshua Riefler help illustrate.

Jeremy Forster discusses the Fed's steady policy rates, inflation forecasts, and potential interest rate cuts amidst economic uncertainties.

Two key questions that bond investors should not ignore

Investment Directors Amar Reganti and Marco Giordano and Portfolio Manager Campe Goodman tackle two key questions that are likely to be top of bond investors' minds during the second half of 2025.

Why the US dollar's "crooked smile" could upend asset allocation

Brij Khurana explores the dollar smile theory's impact on asset allocation and foreign investors' strategies amid currency fluctuations.

Europe: a good hunting ground for high yield?

With attractive yields and a low duration profile, high yield can present potentially compelling opportunities for investors, despite the continued volatility.

Credit: the power of flexibility in an uncertain world

Uncertainty in credit markets can create opportunities for investors, provided allocations are flexible

enough to benefit. But how can investors balance flexibility with discipline?

Bonds in Brief: Making Sense of the Macro — March issue

What do US tariffs mean for fixed income investors? In the March issue of Bonds in Brief, Investment Director Marco Giordano assesses the latest risks and opportunities within bond markets.

Finding fixed income opportunity in unprecedented times

Brian Garvey and Brij Khurana highlight the importance of diversified fixed income portfolios in managing volatility and seizing opportunities amid economic uncertainty.

Allocating to fixed income in an age of austerity

Amar Reganti and Adam Norman explore how flexible fixed income strategies may offer stability and yield in a volatile market environment.

Our fixed income experts examine the impact of tight credit spreads and elevated yields on today's credit markets and explore the value of active management.

Connor Fitzgerald highlights the implications of tight credit spreads and the importance of flexibility for fixed income managers navigating today's market.

Fixed Income Portfolio Manager Jeremy Forster explores the Fed's decision to hold rates, downgraded economic forecasts, and the implications of balance-sheet policy changes on inflation and market conditions.

The high cost of unfunded duration — and some hope on the horizon

With many corporate DB plans thinking about managing their hedge ratios, members of our LDI Team explain the high cost of synthetic duration, how plans might want to think about this issue when targeting a specific duration profile, and why costs could improve over time.

US debt dynamics: Is there a path to sustainability?

How worried should investors be about US debt sustainability? Macro Strategist Michael Medeiros discusses the implications of soaring US federal budget deficits and the likely bond market response.

Fixed income investors continue to seek answers to an era of volatile rates. Large, static exposures to credit markets no longer cut it. Instead, a nimble and dynamic approach is more likely to create resilient and consistent total return outcomes.

Deeply seeking the impact of AI spending on bond yields

Brij Khurana explores the surprising way in which AI spending may impact Treasury yields and complicate the Fed's rate-policy decisions.

Top five fixed income ideas for European investors

Investment Directors Tobias Ripka and Marco Giordano share their top five fixed income ideas for European investors in 2025.

Sitting in the slack tide of US fiscal stimulus

Portfolio Manager Connor Fitzgerald profiles the risks of the Trump administration's policies around spending cut, tariffs, and immigration, and analyzes potential effects on US growth.

Uncover the case for US Treasuries in fixed income portfolios against the current market backdrop.

Charts in Focus: Growth of capital securities markets

Fixed Income Portfolio Manager Noah Atlas makes the case for capital securities and details the advantages they could potentially provide for investors.

What an “America first” foreign policy may mean for markets

Fixed Income Portfolio Manager Brij Khurana explores the potential market impacts of President Trump's "America first" foreign policy. From regional hegemony to global economic dominance to tariffs applied for strategic geopolitical gain, discover how these shifts could affect investors.

Fixed Income Strategist Amar Reganti and Investment Communications Manager Adam Norman outline which five areas of fixed income may be best positioned in 2025.

Fed delivers rate cut, but hawkish 2025 guidance sends yields up

Fixed Income Analyst Caroline Casavant examines the outcome of the December 18 Federal Open Market Committee meeting and the implications for rates, inflation, and real growth.

Going their separate ways: Capitalizing on bond divergence

Our fixed income experts discuss how to position portfolios for a world of uncertainty and divergence, exploring key themes and evolving bond opportunities for 2025.

Securitized credit: Opportunity amid tight corporate spreads?

Portfolio Managers Rob Burn and Cory Perry discuss why they believe securitized credit has an attractive role to play in today's tight-spread environment and highlight potential areas of opportunity in 2025.

High-yield credit investing: it's a marathon, not a sprint

Fixed Income Portfolio Manager Konstantin Leidman explains his focus on the high-quality companies likely to outperform over the long term and why he is wary of the hype surrounding potentially bubble-inducing developments like generative AI.

Connor Fitzgerald explores the impact of President Trump's US election victory on credit markets. Where are the opportunities and risks for credit investors now?

Is your portfolio keeping pace with the changed outlook?

It's been an uncertain few years for investors, but looking ahead, we believe investors can expect a resilient economy, a solid outlook for growth and a positive environment for risk assets. What does a changed outlook mean for investors?

Listening to voters' economic concerns should mean less fiscal spending

Fixed Income Portfolio Manager Brij Khurana explains the likely economic and market impacts of Trump administration policies, including potential winners and losers from drastic fiscal spending cuts.

Macro Strategist Juhi Dhawan explains why investors should prepare for heightened volatility in 2025, due to significant policy changes under President-elect Trump that will impact inflation, trade, and economic growth.

Time for bond investors to take the wheel?

Volatility makes bond investing less straightforward, but it can also create opportunities, provided investors are in a position to "take the wheel" in order to capitalise on them.

Fed stays its course while acknowledging brewing winds of change

Our expert examines the underlying data which drove the Fed to stay its rate-cutting course.

Are bond investors ready for a US industrial revolution?

Portfolio Manager Connor Fitzgerald discusses why bond investors should ready themselves for a potential US industrial revolution and shares his perspective on how to reposition portfolios for such a scenario.

Impact measurement and management: addressing key challenges

Our IMM practice leader describes common impact investing challenges and suggests ways to overcome them.

Decoding impact expectations: best practices for impact investors and companies

We share three recommendations each for impact investors and companies to help them better understand and manage each other's expectations.

Securitized credit: Normalizing, decelerating, or falling off a cliff?

Our experts offer their views on the current conditions and outlook for the securitized credit market.

Rate relief: Fed cuts half point, but says "economy is strong"

Our expert explains the Fed's bold rate cut and some key takeaways for investors.

A monthly update on equity, fixed income, currency, and commodity markets.

The real issue on rate cuts? Keep your eyes on the dot (plot)

Keep your eyes on the Fed's 2025 dot plot. The real story is where policy rates are headed, not just the next rate cut.

Extra credit for corporate plans: Advanced topics in LDI implementation

To help corporate DB plans refine their liability-hedging strategies, members of our LDI Team take a deep dive on 3 key liability risks and offer ideas to help improve the design of hedging portfolios.

What the yen carry trade unwind could mean for markets and the Fed

Brij Khurana explains why market participants are likely underestimating how foreign ownership of US assets could constrain the pace and magnitude of the Fed's cutting cycle.

Opportunities in high yield: ready, steady, pounce?

Fixed income investors face a fundamentally different environment, but opportunities to target growth in high yield are emerging, provided investors can stay on the front foot.

Opportunities in high yield: ready, steady, pounce?

Fixed income investors face a fundamentally different environment, but opportunities to target growth in high yield are emerging, provided investors can stay on the front foot.

Destination diversification – is your bond portfolio ready to take flight?

In a new economic era, bonds once again provide the potential for downside protection, but diversification within fixed income is increasingly important. Impact bonds can offer a differentiated and diversified way to drive both positive change and returns.

Now that spreads have tightened, some investors think it's too late to invest in credit. But this assumption could be standing in the way of earning an attractive income.

A quarterly update on equity, fixed income, currency, and commodity markets.

The evolution of derisking: Assessing new and time-tested liability-hedging ideas

As defined benefit plans contemplate the best path to their eventual “end state,” members of our LDI team update their liability-hedging research with a blend of traditional benchmark ideas and new opportunities to capitalize on changing market conditions and a broader investment universe.

Sector rotation opportunities for nimble credit investors

Following a credit market rally, Fixed Income Portfolio Manager Rob Burn still sees value in higher-yielding sectors but believes investors should stay nimble.

Following a challenging 2022, Fixed Income Portfolio Manager Mike Barry and Investment Director Raina Dunkelberger highlight three tailwinds that may help turn the tide for convertibles.

February Fed meeting: Chair Powell strikes a more optimistic tone

The Fed just might still be able to engineer the hoped-for “soft landing” but it's not going to be easy, says Fixed Income Analyst Caroline Casavant.

Collateralized loan obligations (CLOs) have been sparking investor interest lately — and with good reason, say Investment Director Andrew Bayerl and Investment Specialist Celene Klimas.

Can US bank loans “carry” investors through 2023?

Fixed Income Portfolios managers Jeffrey Heuer, CFA and David Marshak and Investment Director Nick Leichtman describe what they see as the most prudent approach to the bank loans asset class in 2023 and why.

Take credit: Our five best credit market ideas for 2023

Fixed Income Strategist Amar Reganti highlights credit market opportunities that he expects to arise over the course of 2023, against a backdrop of slowing growth.

US recession risk: No longer if, but when and how bad

Portfolio Managers Brij Khurana, Brian Garvey, and Nick Petrucelli believe many observers are underestimating the severity of a potential US recession this year.

High yield: Opportunity to pivot in 2023?

Our high-yield bond portfolio managers have a guardedly optimistic outlook on the market and believe security selection will be key to benchmark-relative outperformance in 2023.

Hidden in plain sight: Overlooked opportunities in investment-grade credit

Fixed Income Strategist Amar Reganti and Investment Specialist Geoff Austein-Miller highlight some relatively simple, straightforward ways to implement a positive view on high-quality corporate credit.

High-yield bonds in 2023: Fortune favours the patient

Amid ongoing dislocation in the high-yield market, Fixed Income Portfolio Manager Konstantin Leidman sees opportunities for investors to take advantage of potentially attractive valuations.

Emerging markets debt outlook: A glass half full or half empty?

Against a still-challenging global backdrop for emerging markets, Macro Strategist Gillian Edgeworth highlights opportunities created by extreme credit spread dispersion across individual countries.

Three tailwinds that could power CLO equity in 2023 and beyond

Three members of our fixed income team argue that the headwinds currently facing CLO equity should give way to improved returns in 2023 and beyond.

Bank of Japan policy shift: Waiting for the other shoe to drop?

Client Portfolio Manager Jitu Naidu and Investment Director Masahiko Loo share their take on the consensus view that Japan has reached several key inflection points.

A new economic era: Why inflation, volatility, and cycles are back

Macro Strategist John Butler argues that a seismic global shift is underway that will disrupt the macro dynamics of the past two decades, challenging long-held investment assumptions.

Can agency MBS bounce back from dismal performance?

Fixed Income Portfolio Manager Brian Conroy and two colleagues weigh in on the mortgage-backed securities (MBS) market in the wake of a very challenging month.

Credit market outlook: Partly sunny with a chance of good value

In his 2023 credit market outlook, Fixed Income Portfolio Manager Rob Burn highlights some potentially attractive opportunities in the wake of this year's market sell-off.

Source: <https://www.wellington.com/en/insights/european-high-yield-selectivity>