

# PERSPECTIVES Viewpoint Fixed Income: Credit spreads' quiet resilience

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Bond markets have dominated the news flow in recent weeks. In our previous Fixed Income Viewpoint - The yield rise goes global, we focused on the sharp rise in sovereign yields. In this publication, we turn our attention to corporate bonds.

Corporate bond yields have also moved higher, largely because of the rise in underlying benchmark yields. Spreads to these benchmarks, however, have remained broadly resilient. There has been some pressure, particularly as AI financing reshapes the issuance landscape, but demand has remained robust. We expect this demand support to continue, limiting the scope for a material and sustained widening in spreads.

## Key takeaways:

- Credit spreads remain resilient, supported by solid corporate fundamentals and robust investor demand.
- AI-related financing is reshaping issuance, but deep credit markets should largely absorb the additional supply.
- Carry is likely to remain the principal return driver, with limited scope for further spread compression.
- We favour quality, particularly IG with a preference for financials. Tight HY spreads and refinancing risks warrant greater selectivity.

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