

CreditSights Strategy 2026 Outlook Webinar

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November 21, 2025

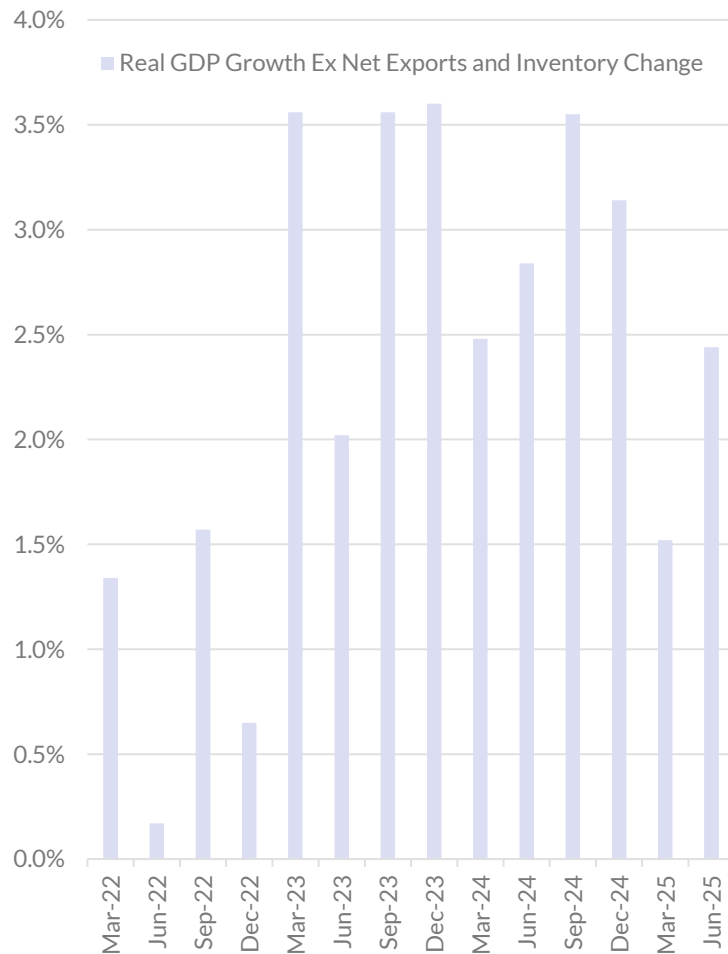
Audience Polling Question 1

10Y UST yields have held above 4% in recent trading. Where do you think the 10Y ends 2026?

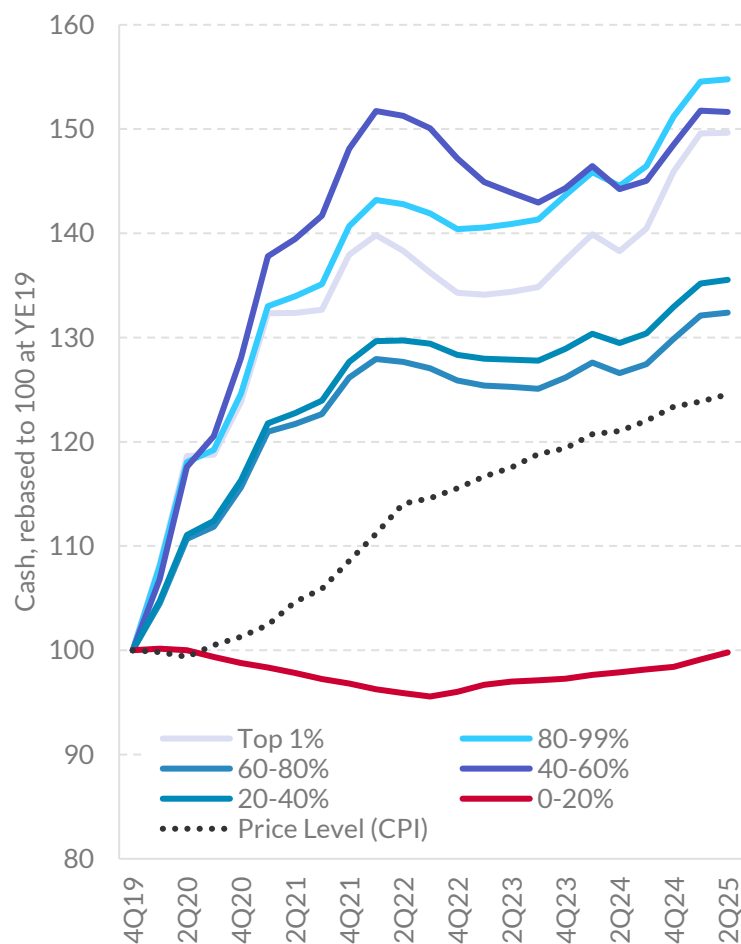
- a) Below 3%
- b) 3%-3.5%
- c) 3.5%-4%
- d) 4%-4.5%
- e) Above 4.5%

Macro Calls for '26: Bifurcation Starts to Bite

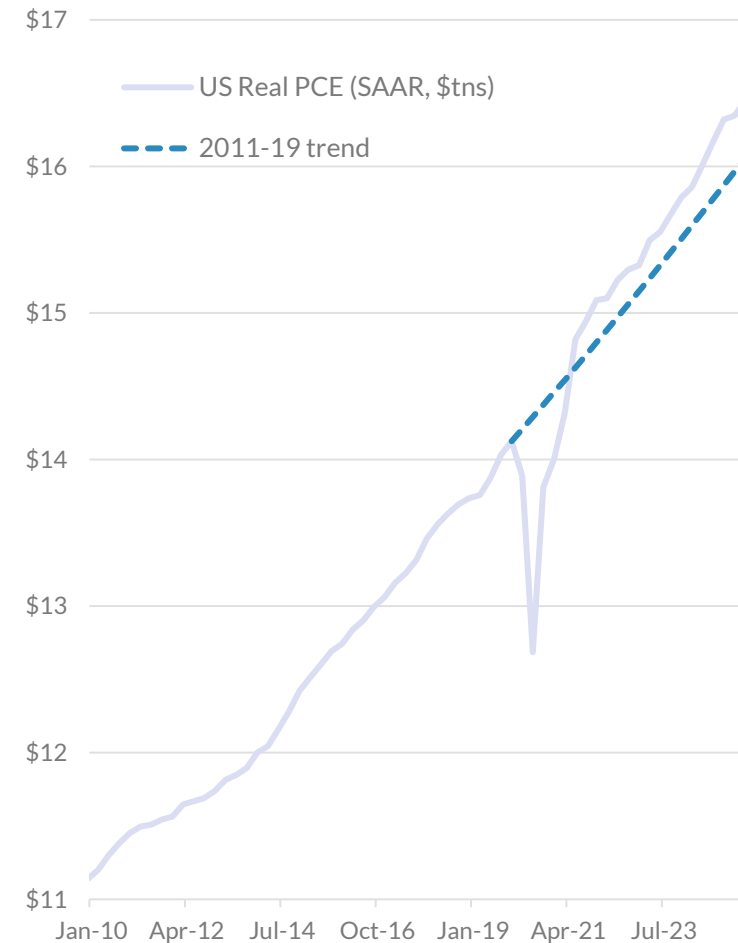
Growth Has Downshifted, but Still Surprised to the Upside in 2025



Lower Income Consumers Feeling the Pinch of Higher Prices

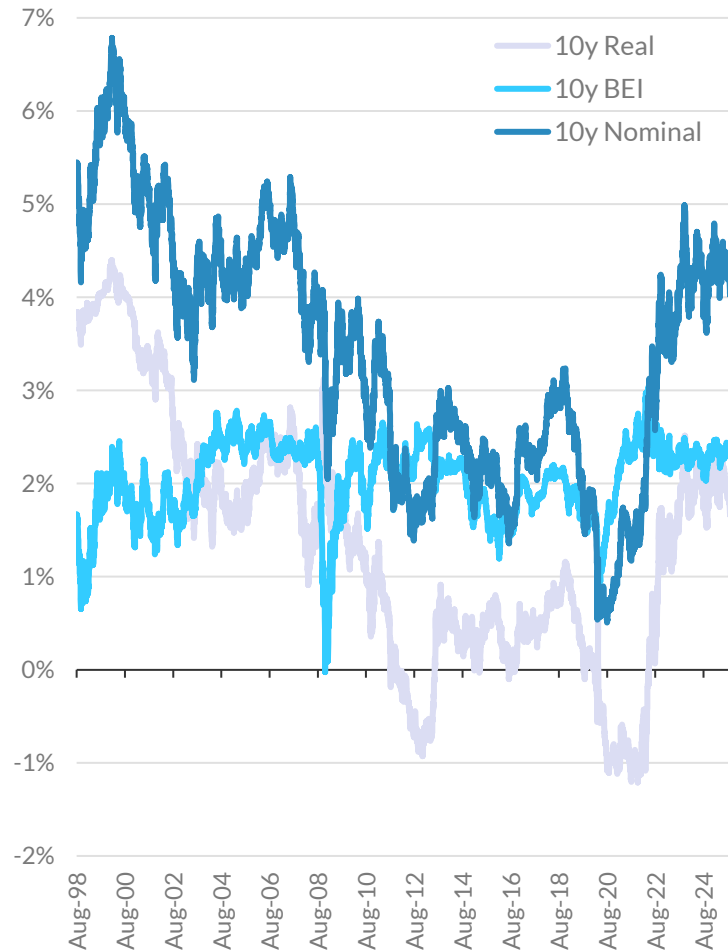


Consumer Spending To Fall Back Toward Pre-Covid Trend in 2026

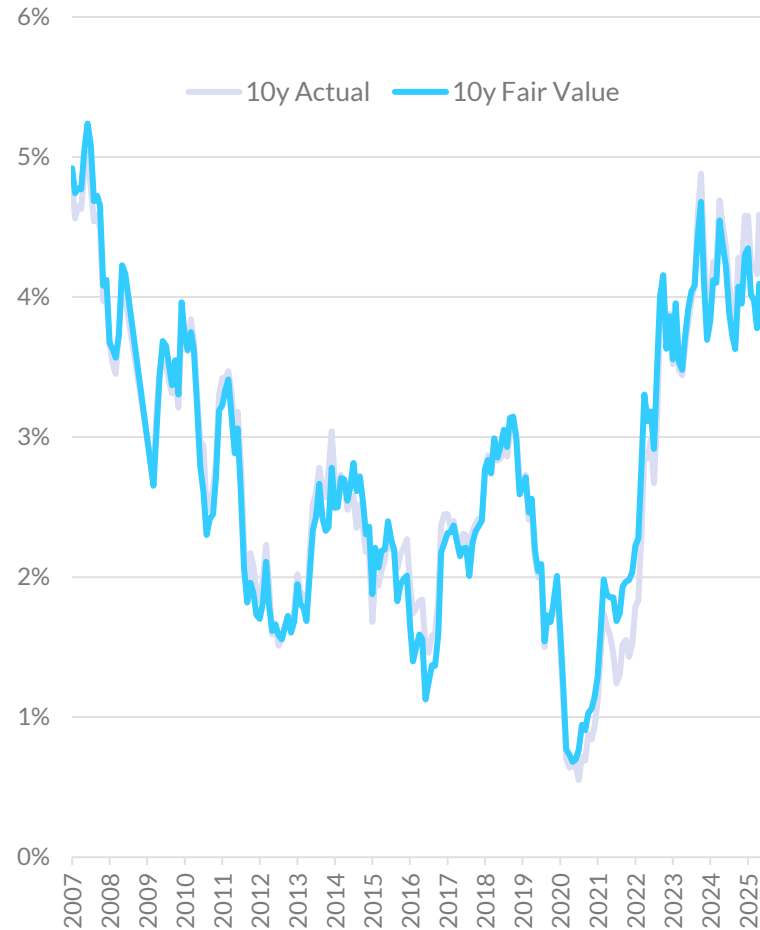


Macro Calls for '26: Lower Yields, Steeper Curve → Overweight Duration

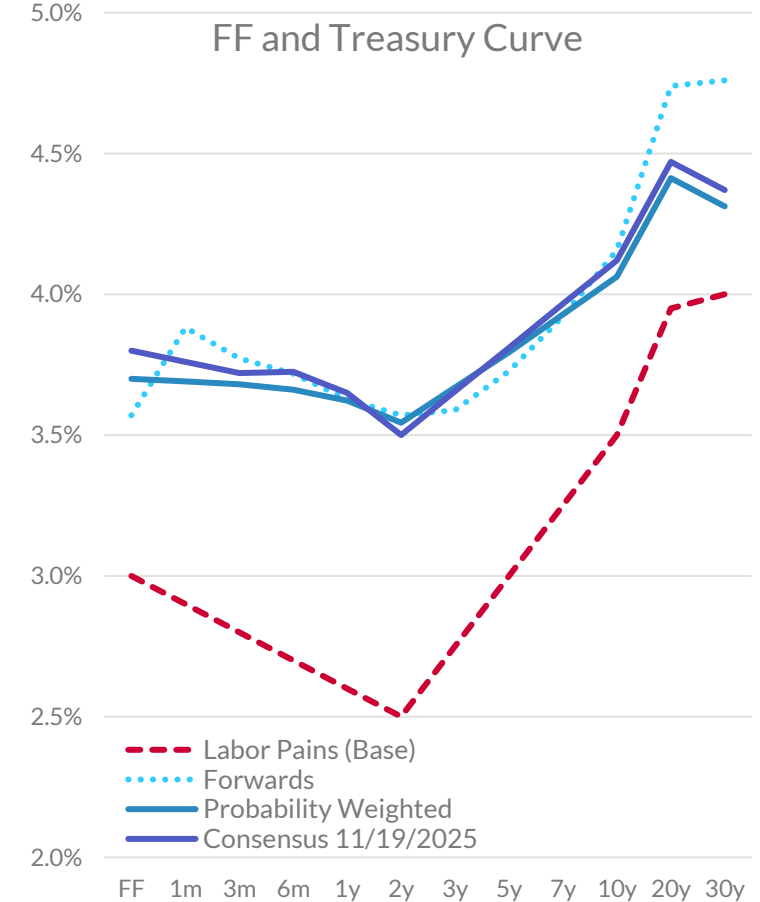
We Expect Real Yields to Fall Further, Pushing Nominal Yields Lower



10y Fair Value Estimate @ ~3.75%

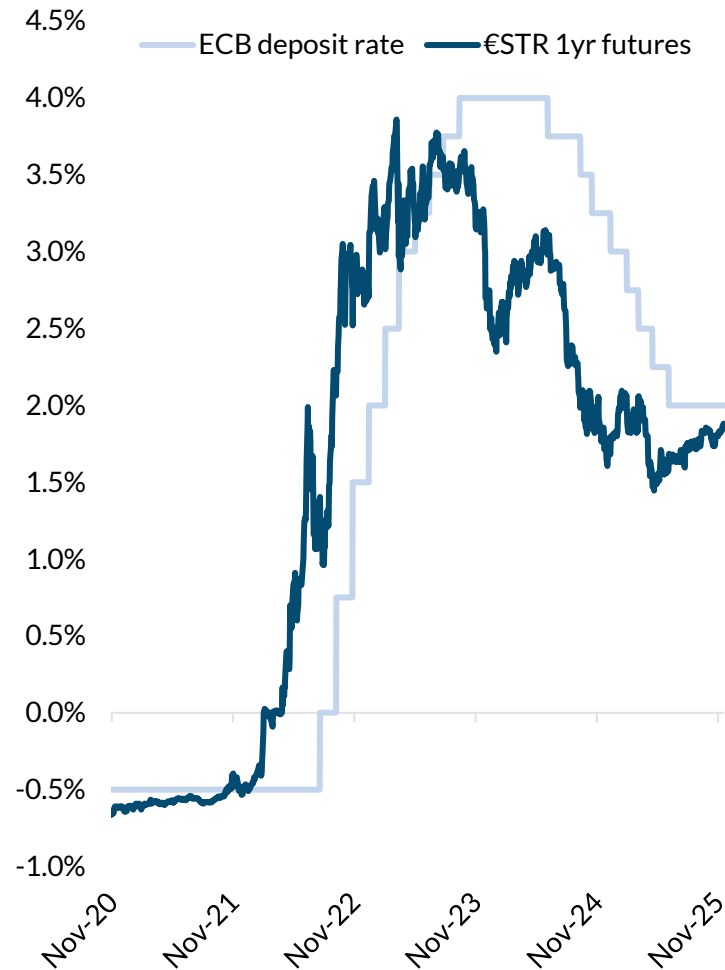


Our Consensus Call is Lower in Yield and Steeper in Curve than Consensus

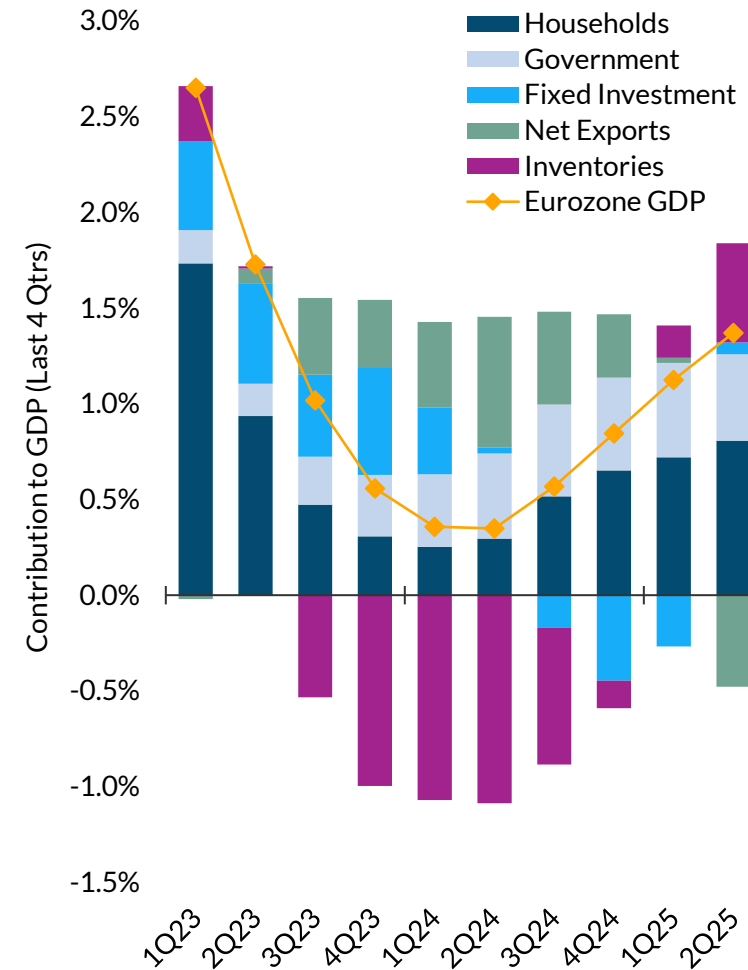


Macro Calls for '26: The Runway Is Uneven Despite Fiscal Stimulus Hopes

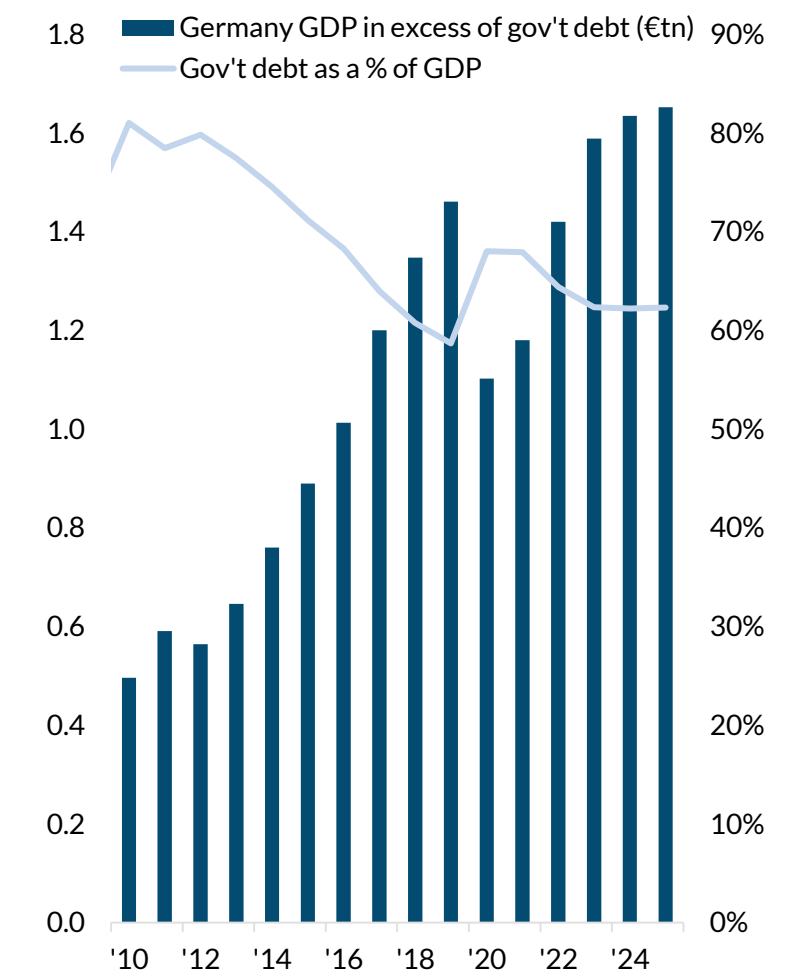
ECB Is Unlikely to Cut Further in '26



Tariff Headwinds vs. Fiscal Tailwinds

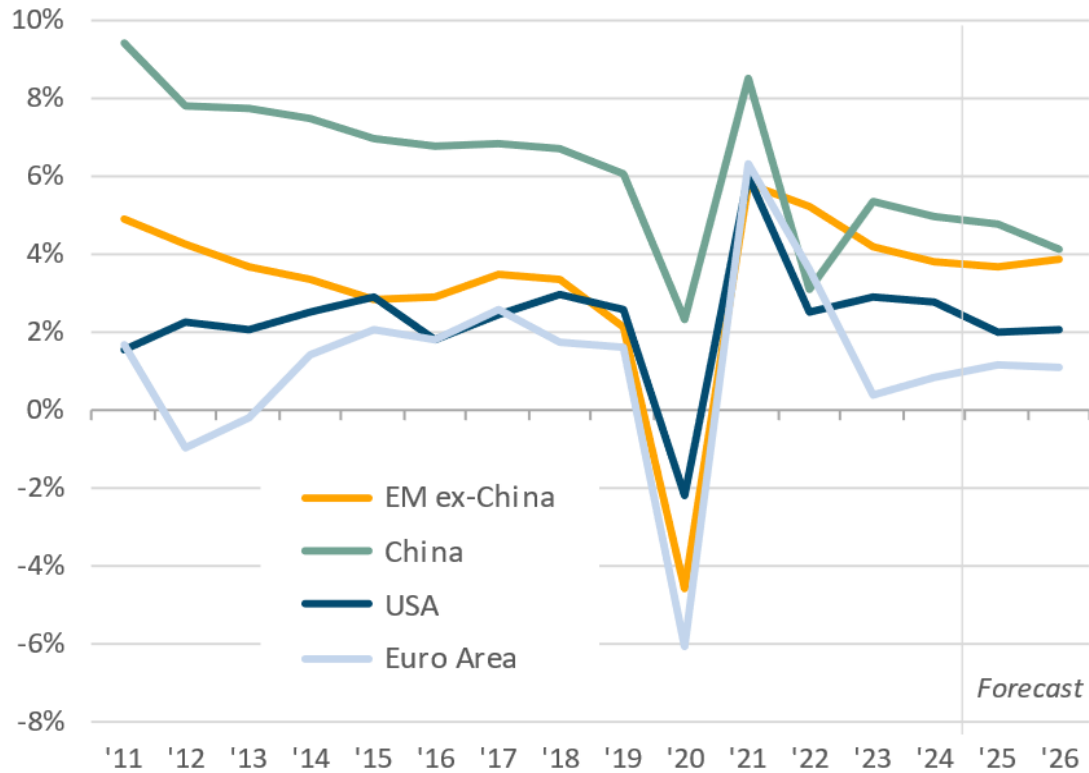


Germany Has Huge Fiscal Headroom

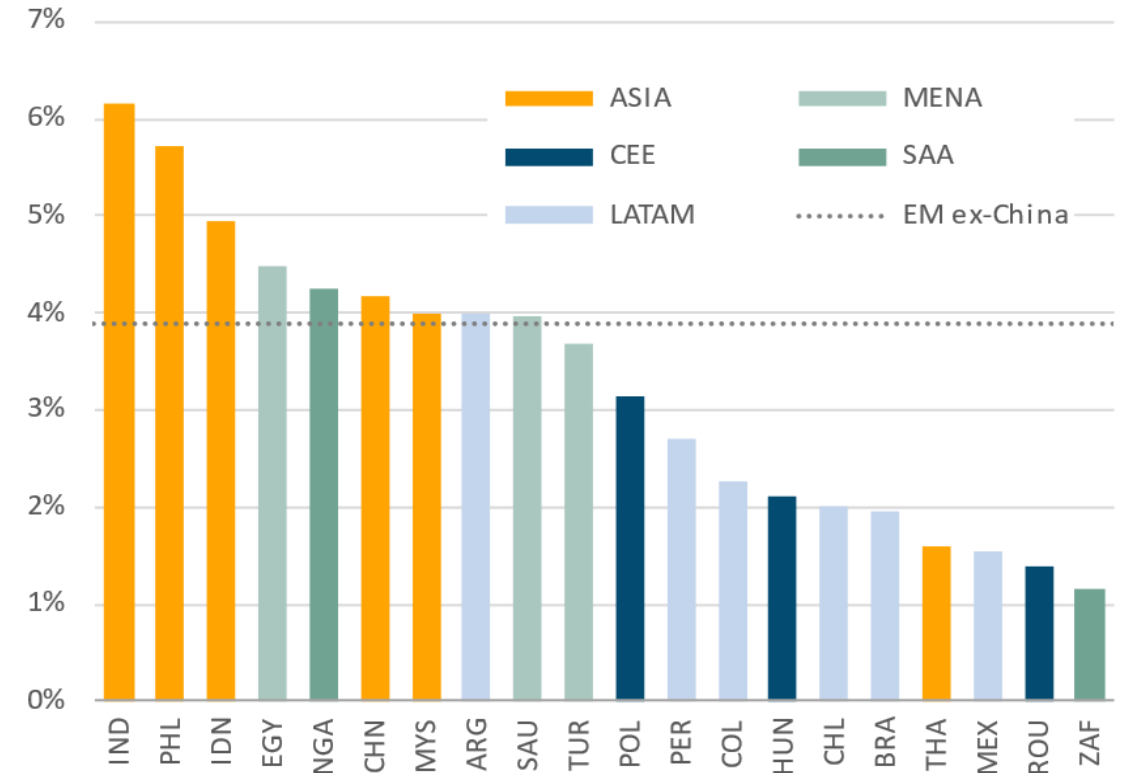


EM GDP Growth

EM GDP Growth to Improve in 2026, Widening the Gap with DM



Asia Leading the Pack, Followed by Africa and the Middle East



Audience Polling Question 2

Where do you expect US IG spreads to end 2026?

- a) <80 bp
- b) 80-100 bp
- c) 100-120 bp
- d) 120-150 bp
- e) >150 bp

US IG, HY & Lev Loan: 2026 Forecast

				Forecasts as of 12/31/26			Probability Weighted (Full Year 2026)
		YE 2024	As of 11/14/25	Immaculate Disinflation (Bull)	Labor Pains (Base)	Inflation Acceleration (Bear)	
Probability Weighting				30%	55%	15%	
US Treasury Yields							
Fed Funds Target (Upper)		4.5%	4.0%	3.5%	3.0%	5.0%	3.5%
2-Yr UST		4.2%	3.6%	3.0%	2.5%	4.8%	3.0%
5-Yr UST		4.4%	3.7%	3.3%	3.0%	5.0%	3.4%
10-Yr UST		4.6%	4.1%	4.0%	3.5%	5.0%	3.9%
2-Yr/10-Yr UST Curve		33bp	54bp	100bp	100bp	25bp	89bp
US Investment Grade							
OAS		82bp	83bp	65bp	120bp	150bp	108bp
Excess Return ¹		2.8%	0.9%	2.1%	-1.4%	-3.4%	-0.7%
YTW		5.4%	4.9%	4.6%	4.6%	6.4%	4.9%
Total Return ¹		2.8%	7.0%	7.7%	7.3%	-4.4%	5.7%
Gross Supply (\$bn)		1,639	1,574	1,500	1,450	1,200	1,428
Net Supply (\$bn)		574	551	675	653	240	597
US High Yield							
OAS		292bp	307bp	225bp	450bp	600bp	405bp
YTW		7.5%	7.0%	5.7%	7.7%	11.2%	7.6%
Total Return ¹		8.2%	7.0%	12.8%	5.2%	-8.0%	5.5%
Gross Supply (\$bn)		350	305	400	250	150	280
Net Supply (\$bn)		112	112	160	88	30	101
HY Defaults (TTM % Issuers)		2.4%	2.4%	2.0%	3.8%	7.5%	3.8%
US Broadly Syndicated Leveraged Loans							
Bid Price		\$96.37	\$96.07	\$98.50	\$94.00	\$88.00	\$94.45
Effective Yield		8.8%	8.2%	7.2%	7.0%	9.7%	7.5%
Total Return ¹		9.1%	5.1%	11.4%	4.9%	-4.5%	5.5%
Gross Supply (\$bn)		517	381	500	375	175	355
Net Supply (\$bn)		222	211	300	130	35	167
Loan Defaults (TTM % Issuers)*		4.7%	4.8%	4.0%	5.5%	10.0%	5.7%

Source: CreditSights, FactSet, ICE Data Indices, LLC, Dealogic, Bloomberg, L.P., Fitch Ratings

¹ Excess and total return represents expectations through YE 2026 using 11/14/25 close as starting levels.

*Uses Fitch Ratings Leveraged Loan Default Rate.

CreditSights Strategy: US Recommendations

Asset Class	OAS	YTW	Duration	Market Value (\$B)	YTD Total Return	CreditSights Rec.	CreditSights Analyst	Near-Term Risk View (1-3 Months)	Rate/Spread Outlook (12-Month)
Treasuries									
Short-Duration (0-5 yrs)		3.69%	2.0 yrs	\$11,663	+4.8%	Neutral	Griffiths	On	Lower
Intermediates (5-10 yrs)		3.89%	6.0 yrs	\$3,777	+7.6%	Overweight	Griffiths	Neutral	Lower
Long-Duration		4.66%	14.2 yrs	\$4,085	+6.2%	Overweight	Griffiths	Neutral	Lower
Investment Grade									
IG Agg. Corporates	83 bp	4.88%	6.6 yrs	\$9,139	+7.0%				Wider
Total Return Mandates						Overweight	Griffiths	Neutral	
Excess Return Mandates ¹						Underweight	Griffiths	Neutral	
Short-Duration (1-5 yrs)	63 bp	4.32%	2.6 yrs	\$3,797	+5.9%	Market Weight	Griffiths	Neutral	Wider
Intermediates (5-10 yrs)	94 bp	4.88%	6.0 yrs	\$2,588	+8.5%	Overweight	Griffiths	Neutral	Wider
Long-Duration (10+ yrs)	101 bp	5.64%	12.5 yrs	\$2,754	+7.2%	Underweight	Griffiths	Off	Wider
AA	48 bp	4.57%	7.2 yrs	\$706	+6.2%	Market Weight	Griffiths	Neutral	Wider
A	68 bp	4.71%	6.5 yrs	\$4,235	+7.0%	Market Weight	Griffiths	Neutral	Wider
BBB	106 bp	5.10%	6.4 yrs	\$4,122	+7.2%	Underweight	Griffiths	Off	Wider
Leveraged Finance²									
High Yield Agg. Corporates	307 bp	6.97%	2.9 yrs	\$1,444	+7.0%	Underweight	Cisar	Off	Wider
BB	185 bp	5.79%	3.2 yrs	\$807	+7.6%	Overweight	Cisar	Neutral	Wider
B	325 bp	7.14%	2.7 yrs	\$487	+6.4%	Market Weight	Cisar	Off	Wider
CCC	902 bp	12.74%	2.6 yrs	\$151	+5.3%	Underweight	Cisar	Off	Wider
Broadly Syndicated Loans Agg.³	461 bp	7.96%		\$1,607	+5.1%	Underweight	Cisar	Off	Wider

Source: CreditSights, FactSet, ICE Data Indices, LLC

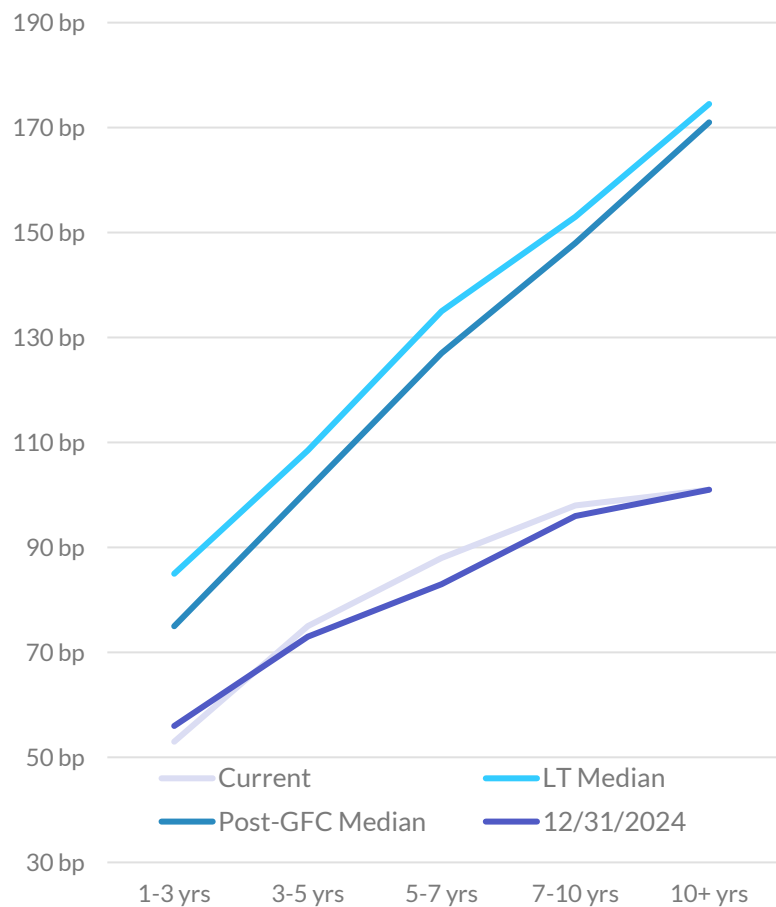
¹ Curve and credit recommendations based on excess return expectations.

² Leveraged finance recommendations based on total return expectations.

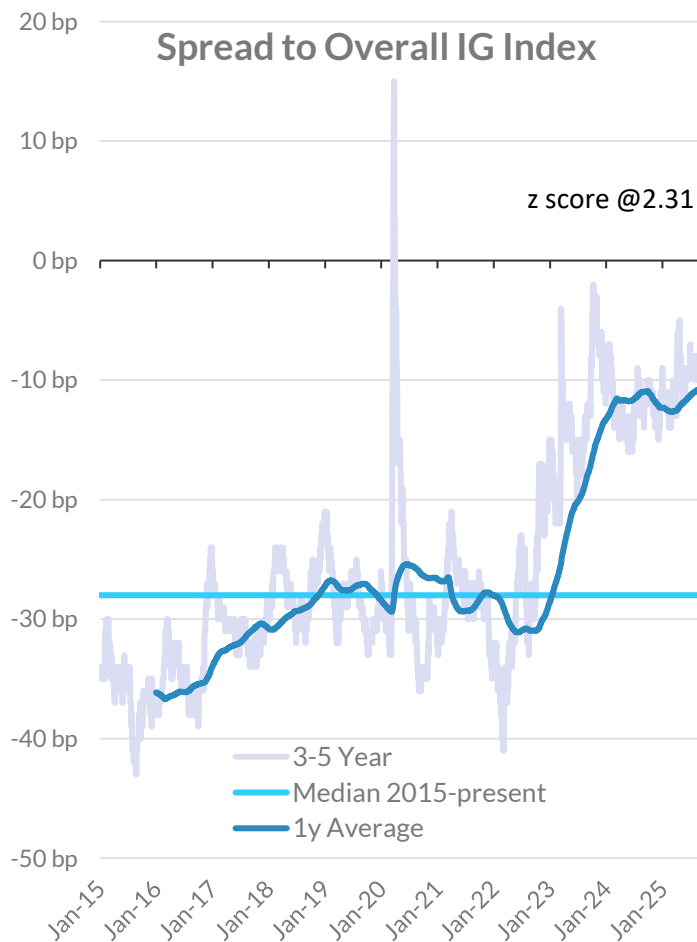
³ Uses 3-year discount margin and yield for OAS and YTW.

Excess Return: Add Cheap 3-5y, Lighten Up on Rich 10+y

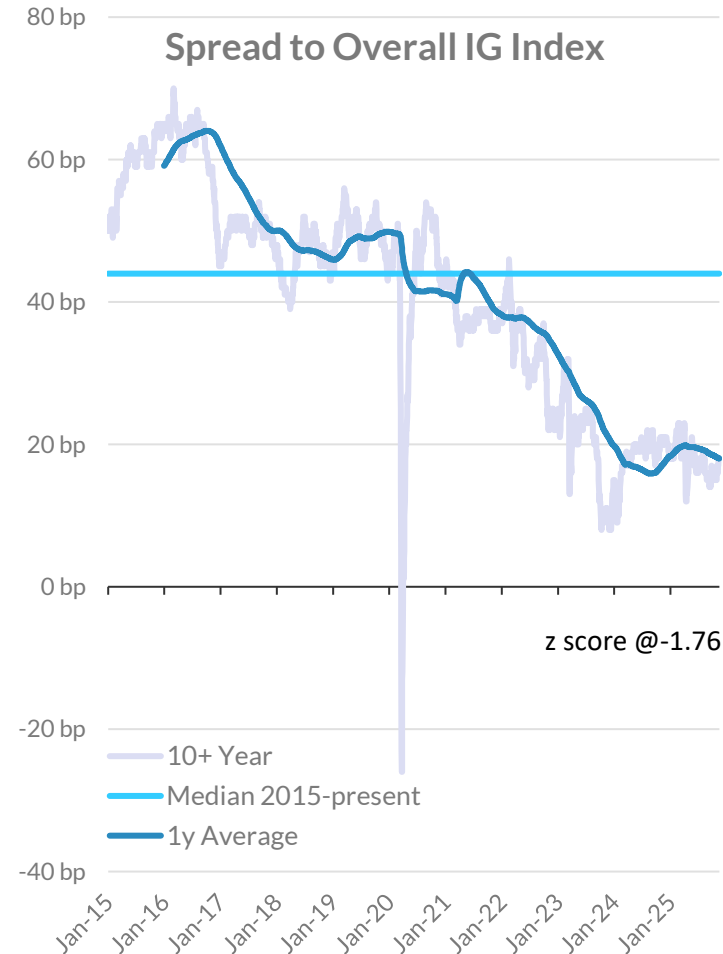
IG Spread Curve: Flat & Tight



3-5y Trades Cheapest on Spread Basis

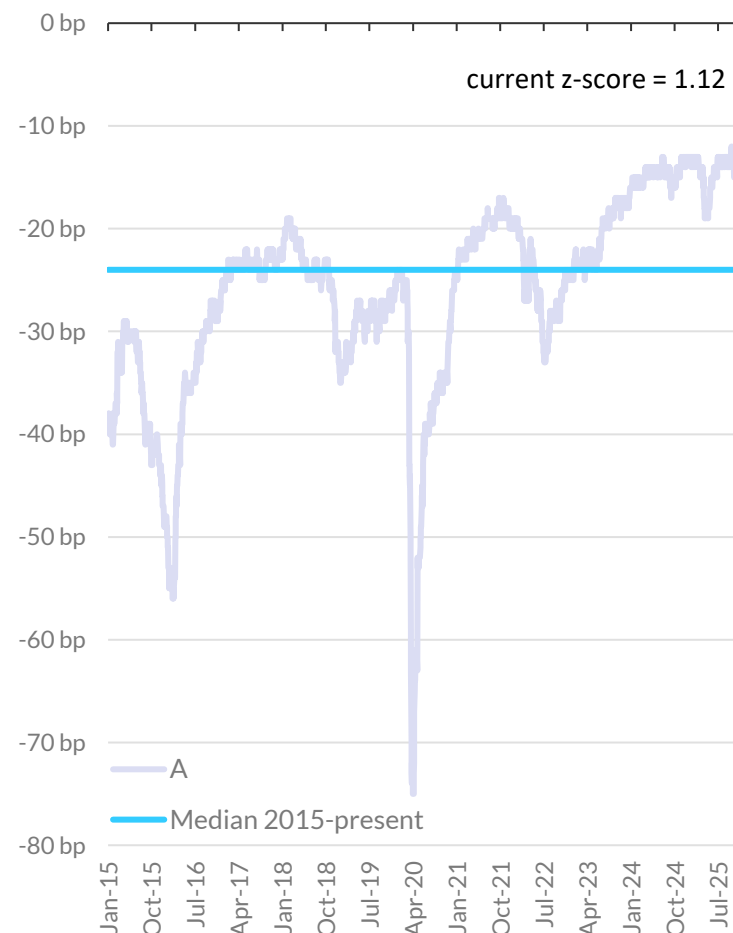


10+y Trades Richest on Spread Basis

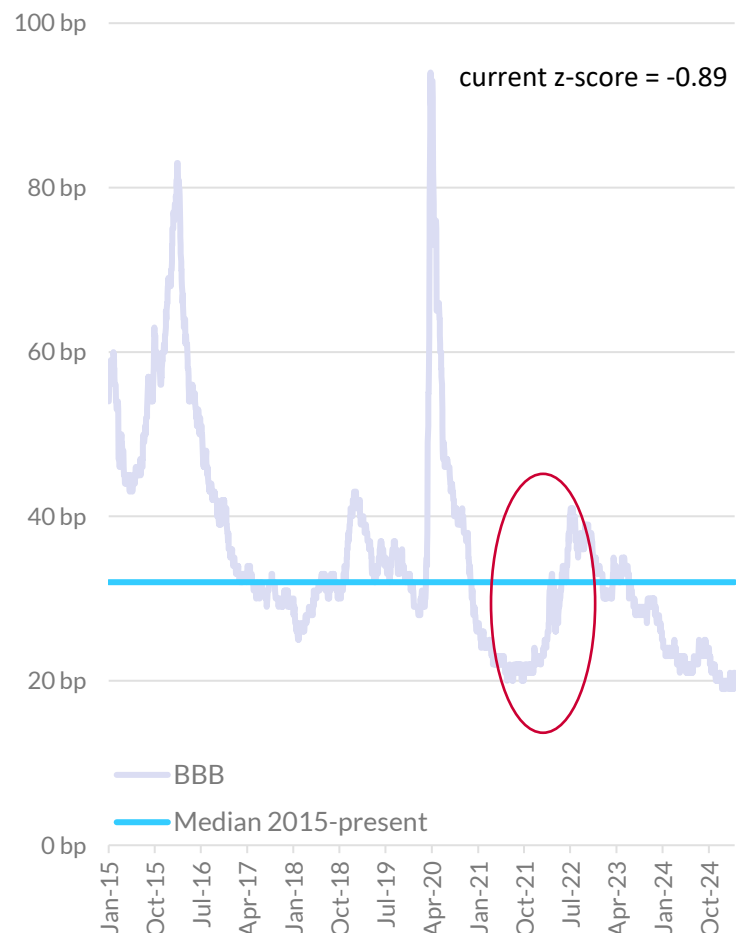


Buy Cheap As vs Rich BBBs in Decompression Trade

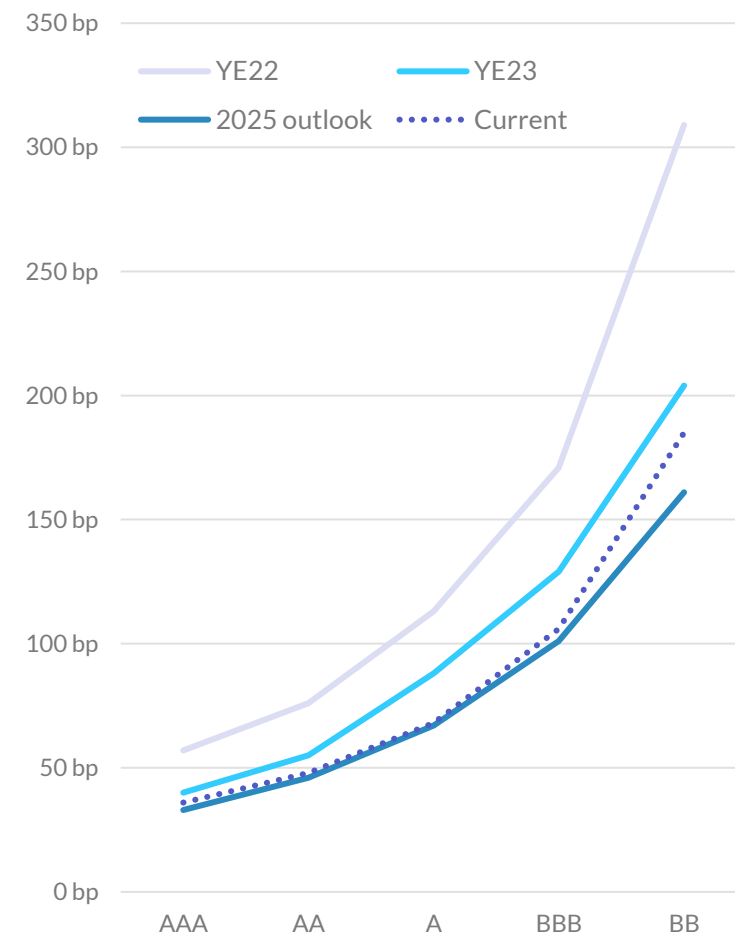
A Valuations Near Cheapest Over Past Decade-Plus



BBB Valuations Richest Since 2021, What Comes Next??



Ratings Curve Little Changed Over the Past Year, BBs Modestly Wider



Audience Polling Question 3

Which US asset class do you expect to generate the strongest total return performance over the next 12 months?

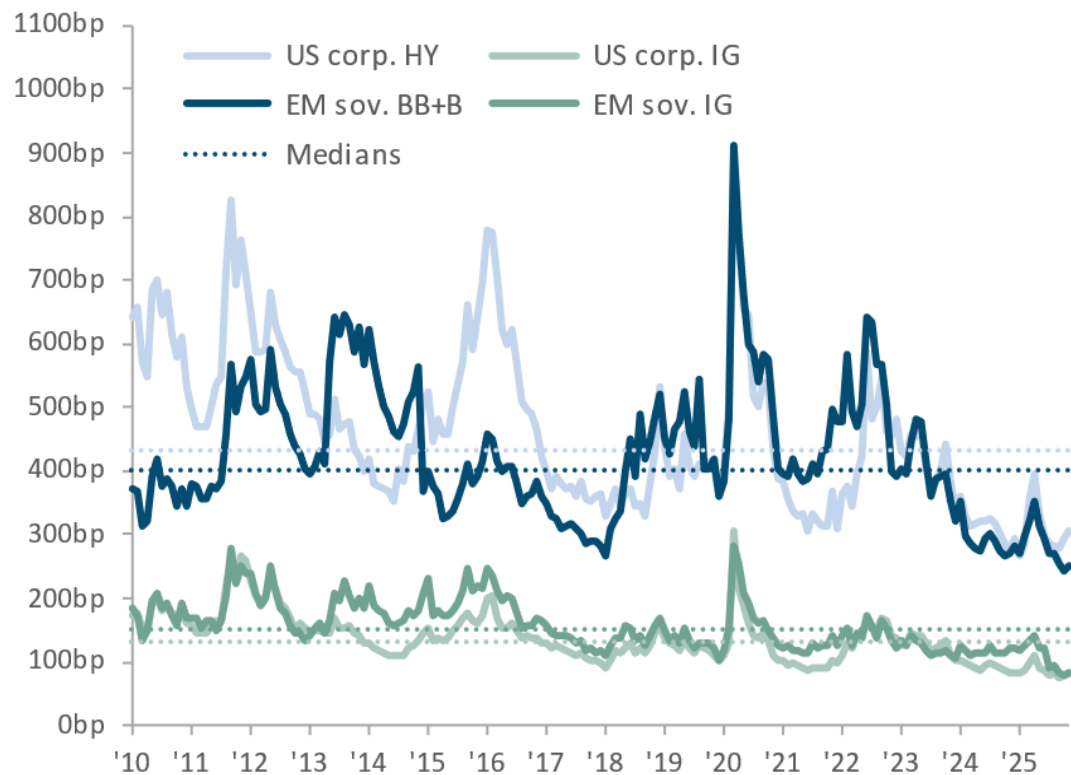
- a) Cash
- b) Long-dated USTs (10+ years)
- c) US Investment Grade
- d) US High Yield
- e) US Broadly Syndicated Loans
- f) US MBS
- g) Gold
- h) Crypto Makes a Comeback

Euro & Sterling Credit: 2026 Forecast

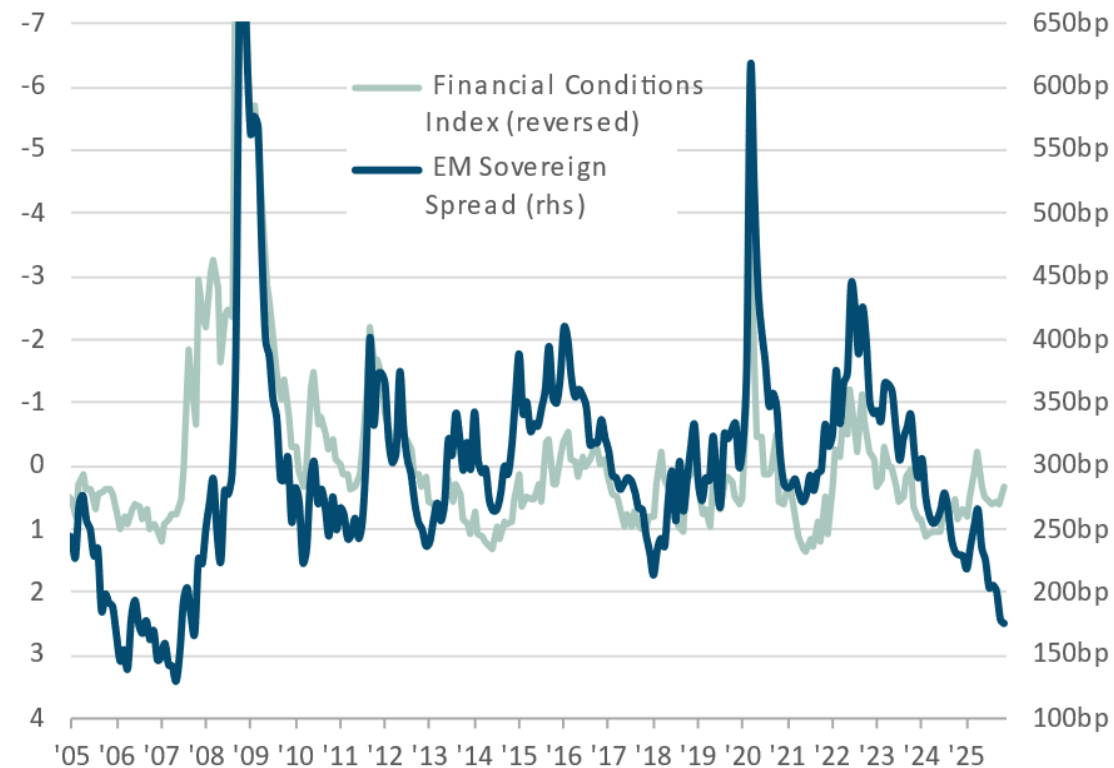
	YE 2024	YTD as of 20 Nov	Year-End 2026 Forecasts			2026 Probability Weighted
			Bull Case	Base Case	Bear Case	
Probability Weighting			35%	50%	15%	
Euro Investment Grade						
Spreads (OAS)	101bp	82bp	60bp	100bp	160bp	95bp
Excess Return	+317bp	+193bp	+175bp	+25bp	-200bp	+44bp
Yield-to-Worst	3.2%	3.1%	2.9%	3.5%	2.8%	3.2%
Total Return	+4.7%	+3.0%	+3.5%	+1.5%	+5.0%	+2.7%
Euro High Yield						
Spreads (OAS)	311bp	292bp	200bp	350bp	500bp	320bp
Yield-to-Worst	5.5%	5.2%	4.5%	6.3%	6.5%	5.7%
Total Return	+8.6%	+4.4%	+7.0%	+3.0%	+2.0%	+4.3%
HY Defaults (TTM % Issuers)	2.6%	1.7%	1.5%	3.2%	5.0%	2.9%
Sterling Investment Grade						
Spreads (OAS)	91bp	86bp	75bp	115bp	150bp	106bp
Excess Return	+367bp	+118bp	+150bp	-75bp	-270bp	-26bp
Yield-to-Worst	5.5%	5.2%	4.8%	5.2%	4.7%	5.0%
Total Return	+2.1%	+5.3%	+6.5%	+5.0%	+8.5%	+6.1%
Policy Rates/Sovereign Yields						
ECB Deposit Facility Rate (%)	3.00%	2.00%	1.50%	2.00%	0.50%	1.60%
Bund 2-Year Yield (%)	2.08%	2.02%	1.75%	2.25%	1.00%	1.89%
Bund 10-Year Yield (%)	2.36%	2.72%	3.25%	3.00%	1.50%	2.86%
BOE Bank Rate (%)	4.75%	4.00%	3.75%	3.25%	2.50%	3.31%
Gilt 2-Year Yield (%)	4.39%	3.79%	3.25%	3.50%	2.75%	3.30%
Gilt 10-Year Yield (%)	4.57%	4.59%	4.50%	4.25%	3.25%	4.19%

EM Spread Valuations

EM Sovereign Spreads Are Tight vs US HYs and US IGs

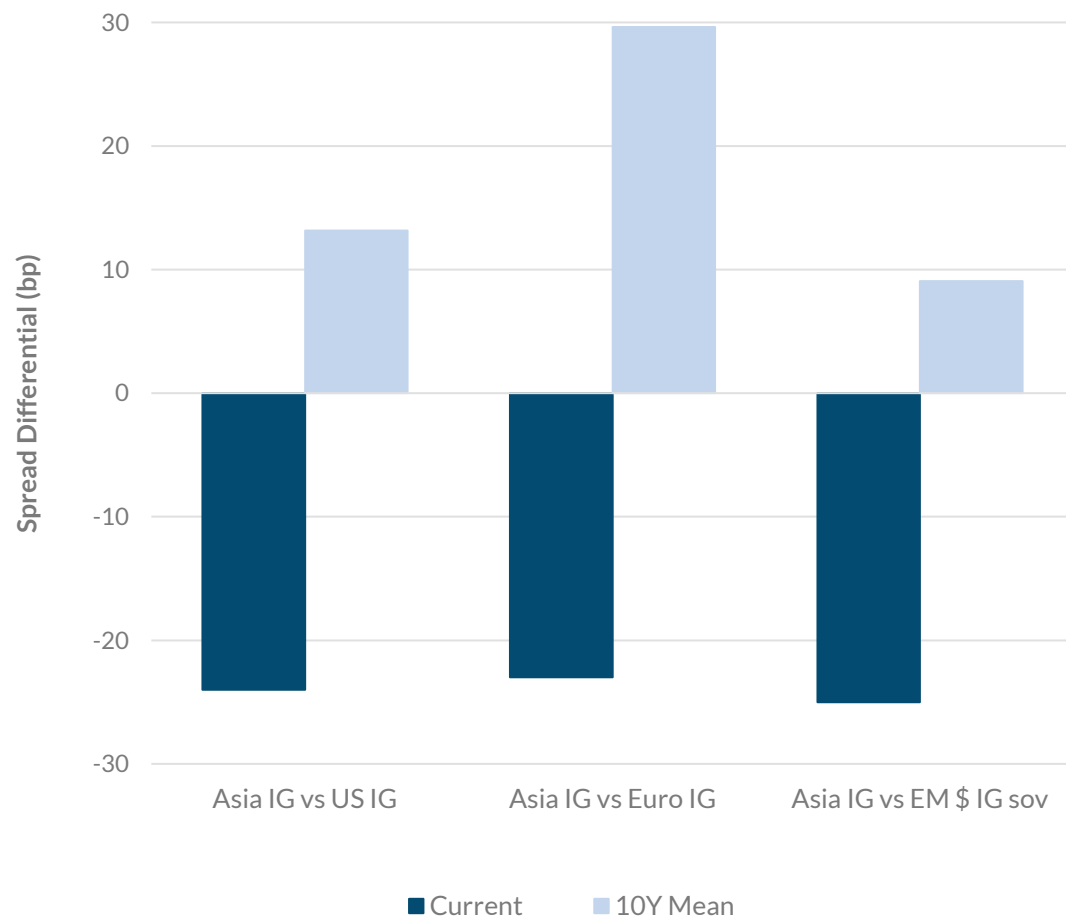


EM Spreads Disconnected from Global Financial Conditions

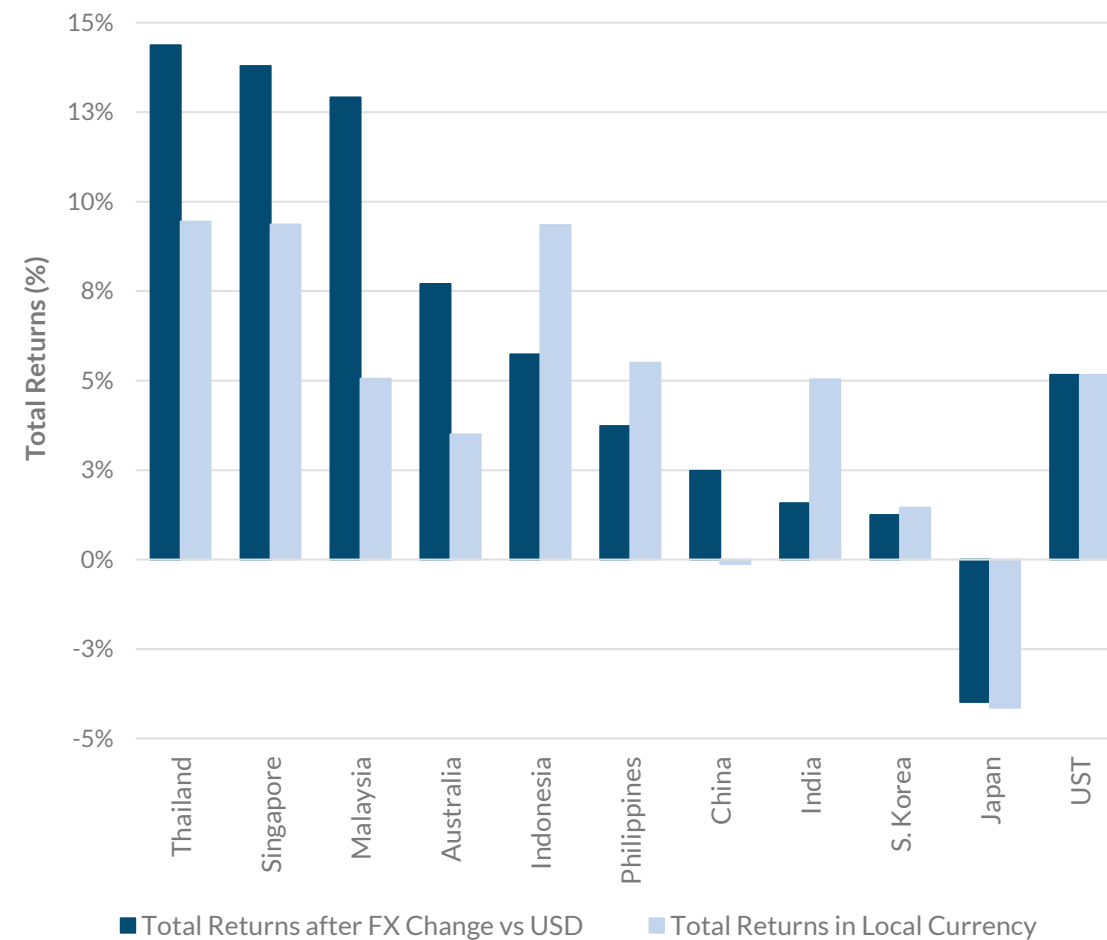


Asia Spread Valuations & Asia Local Currency Bonds

Asia Credits Are Tight vs DM and EM Peers



A Few Asia LCY Bond Markets Outperformed USTs



Audience Polling Question 4

Which bond market will generate the strongest total returns in 2026?

- a) US Treasuries
- b) US Corporates
- c) German Bunds
- d) European Corporates
- e) Emerging Market Sovereigns
- f) Asia Corporates

Global Strategy Views & Recommendations by Market

Asset Class	OAS	YTW	Duration	Market Value (\$B)	YTD Total Return	CreditSights Rec.	CreditSights Analyst	Near-Term Risk View	12-Month Outlook
Rates									Yields
US Treasuries		3.91%	6.1 yrs	\$17,042	+6.1%	Overweight	Griffiths	Neutral	Lower
German Bunds ¹		4.43%	7.2 yrs	\$1,732	-0.7%	Market Weight	Miller	Neutral	Higher
Investment Grade									Spreads
US Investment Grade	85 bp	4.86%	6.6 yrs	\$9,149	+7.1%	Underweight	Griffiths	Neutral	Wider
Euro Investment Grade ¹	84 bp	5.09%	4.5 yrs	\$3,683	+3.0%	Market Weight	Miller	Neutral	Sideways
Sterling Investment Grade ¹	87 bp	5.16%	5.9 yrs	\$489	+5.5%	Underweight	Miller	Off	Wider
US Investment Grade Tax Exempt Munis ²	21 bp	3.62%	7.2 yrs	\$1,414	+3.7%	Underweight	Luby	Neutral	Sideways
Asia Investment Grade (US\$-Denominated)	60 bp	4.49%	5.3 yrs	\$643	+7.5%	Underweight	Zeng	Neutral	Wider
EM Investment Grade Sovereign (US\$-Denominated)	86 bp	4.96%	7.7 yrs	\$672	+10.2%	Underweight	Chatellier	Neutral	Wider
US Investment Grade Taxable Munis	62 bp	4.84%	7.6 yrs	\$332	+7.3%	Market Weight	Luby	Neutral	Sideways
Leveraged Finance									Spreads
US Broadly Syndicated Leveraged Loans ³	464 bp	7.94%		\$1,464	+5.2%	Underweight	Cisar	Off	Wider
US High Yield	320 bp	7.05%	3.0 yrs	\$1,442	+6.8%	Underweight	Cisar	Off	Wider
Euro High Yield ¹	298 bp	7.20%	2.9 yrs	\$446	+4.2%	Market Weight	Miller	Neutral	Wider
Asia High Yield	309 bp	6.86%	3.3 yrs	\$76	+9.6%	Underweight	Zeng	Neutral	Wider
EM High Yield Sovereign (US\$-Denominated)	324 bp	7.24%	6.0 yrs	\$467	+13.6%	Underweight	Chatellier	Off	Wider
US High Yield Munis ²	141 bp	5.06%	6.8 yrs	\$47	+3.0%	Underweight	Luby	Off	Sideways

Source: CreditSights, FactSet, ICE Data Indices, LLC, Bloomberg, L.P.

1 Euro & Sterling yields are currency-adjusted using 3mo FX forwards. On a local currency basis, German Bunds yield 2.5%, Euro IG yields 3.1%, Sterling IG yields 5.2%, and Euro HY yields 5.2%.

2 Underweight recommendation for tax agnostic investors; Market Weight for US high-income retail investors.

3 Uses 3-year discount margin for OAS and 3-year index yield for YTW.

Near-Term risk view represents 3-month outlook.

Audience Polling Question 5

What do you think is the biggest risk facing markets in the next 12 months?

- a) Re-acceleration in global inflation
- b) Labor market unwind/consumer doom loop
- c) AI bubble burst
- d) Geopolitical escalations
- e) Loss of US institutional credibility
- f) Something else – drop it in the Q&A box!

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