



CreditSights
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Strategy Global Market Update: 3Q25/1H26 Outlook

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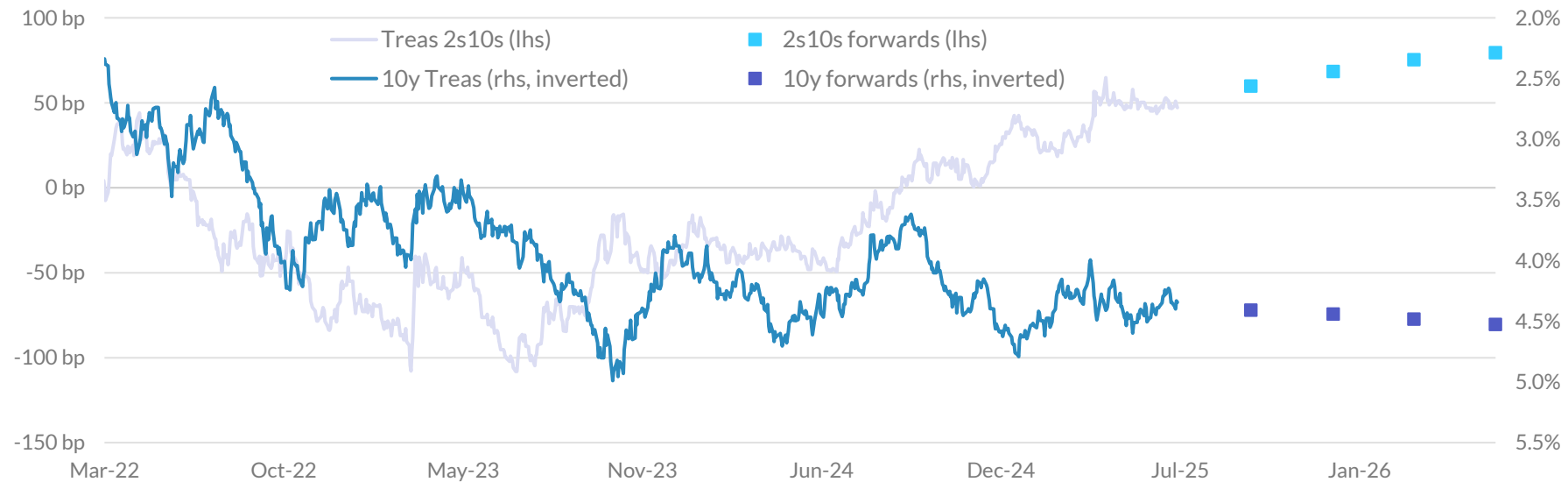
July 15, 2025

In your opinion, the Fed is...

- a) Behind the curve, they need to start easing ASAP
- b) Well-positioned to wait and see
- c) Not restrictive enough – inflation is coming back

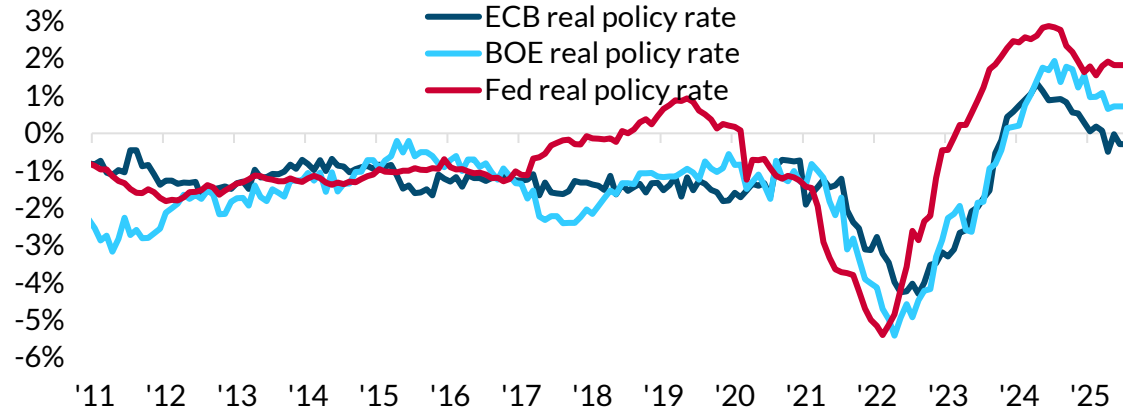
CS Treasury Yield and Curve Forecast vs Forwards and Consensus

	Spot	1H26			CreditSights Call Versus		
		CS Base Case	BBG Consensus	Forwards	Spot	Consensus	Forwards
FF	4.50	3.50	3.66	3.44	-100	-16	6
2y	3.88	3.00	3.56	3.73	-88	-56	-73
5y	3.94	3.25	3.88	4.05	-69	-63	-80
10y	4.36	3.50	4.20	4.53	-86	-70	-103
30y	4.88	3.75	4.45	4.94	-113	-70	-119
2s5s	6	25	32	32	19	-7	-7
5s10s	41	25	32	47	-16	-7	-22
10s30s	53	25	25	41	-28	0	-16
2s10s	48	50	64	79	2	-14	-29
5s30s	94	50	57	88	-44	-7	-38

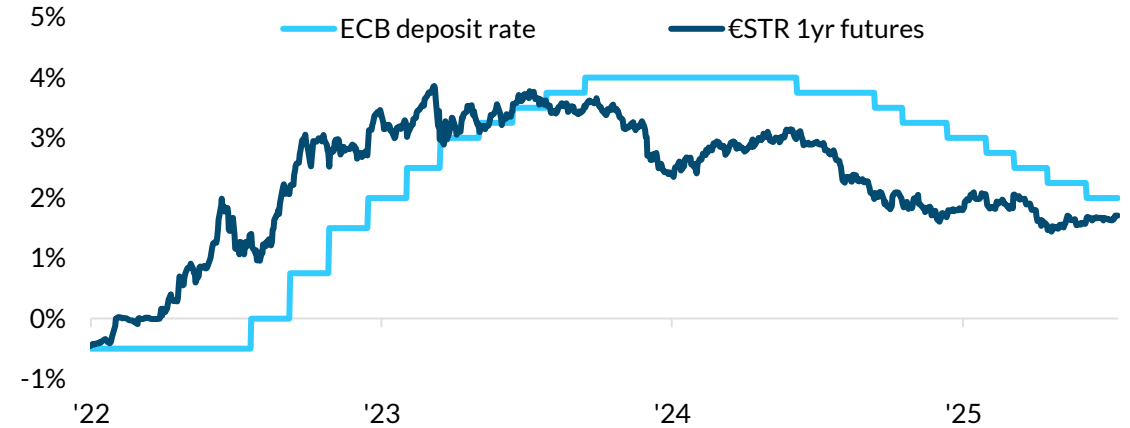


European Macro Outlook

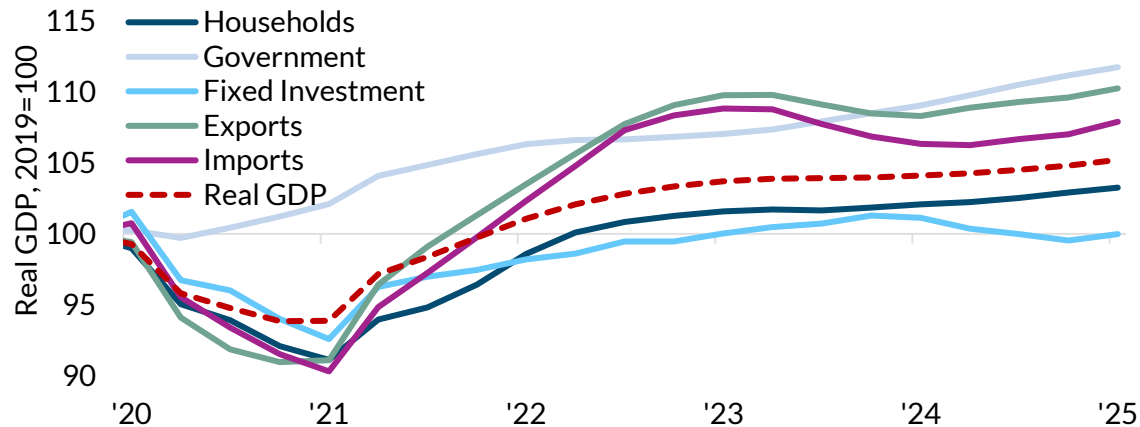
ECB Policy Rates Now Loosest Among Fed and BoE



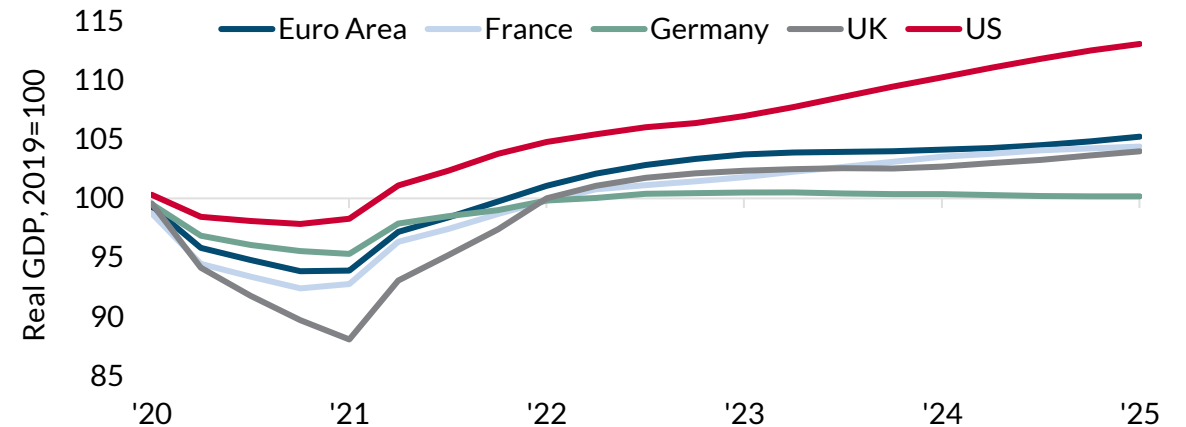
€STR Futures Have Flattened Out Considerably



Growth Underpinned by Export & Gov't Demand

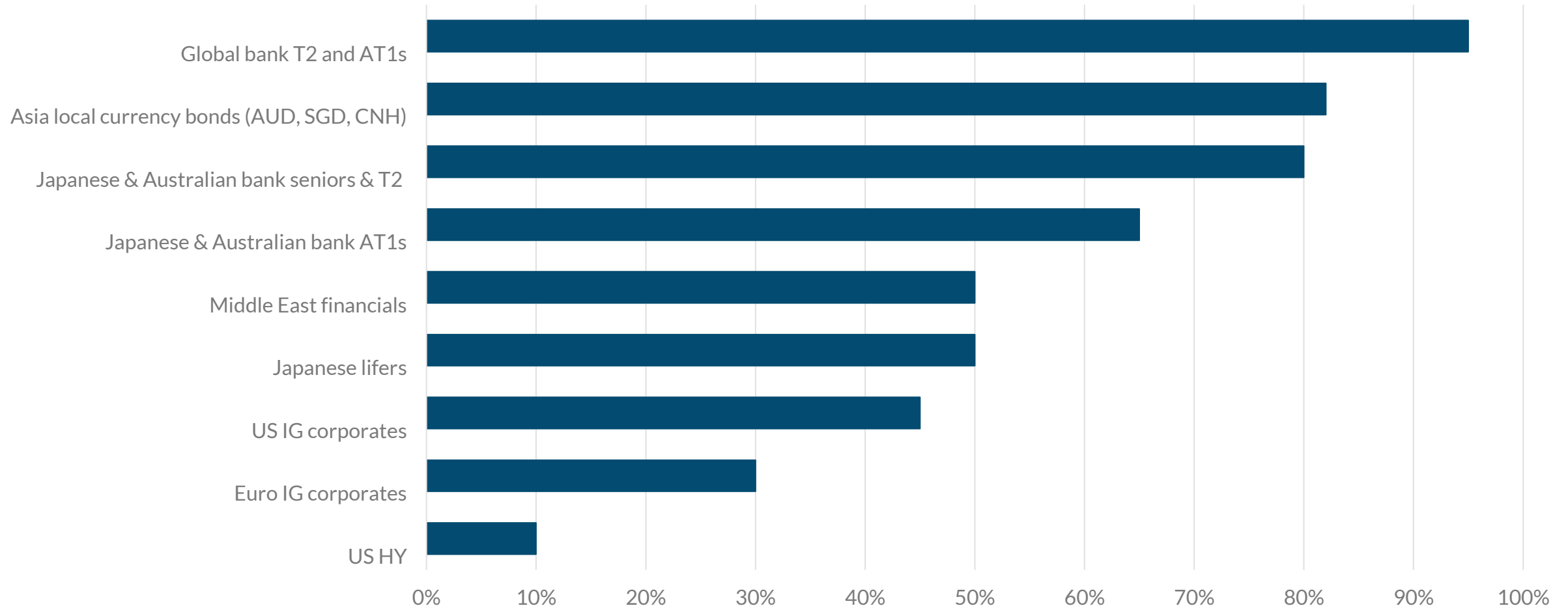


US Growth Slowdown Would Be a Drag on Europe



No “Buyers Strike” On USD Assets, But Continued Diversification ...

CreditSights APAC clients survey: what markets have you diversified to from Asia credits? (May 2025)



... With Increased Interest in Asia Local Currency Bonds

Mkt	CUSIP	Security	Amt Out (A\$ mn)	Next Call Date	Years to Call/ Maturity	Security Rating	Seniority
GB	ZI5109239	LLOYDS 7.086 08/31/33	750	31/8/2028	3.1	Baa1/BBB-/A-	Tier-2
FR	YN0518798	BPCEGP 6.5618 06/12/40	500	12/6/2035	9.9	Baa2/BBB/BBB+	Tier-2
AU	YO7337216	MQGAU 6.1456 05/29/40	750	29/5/2035	9.9	A3/BBB+/BBB+	Tier-2
AU	YN0518905	CBAAU 5.252 09/12/35	400	12/9/2030	5.2	A2/A-/A-	Tier-2
AU	YS4857233	ANZ 5.545 01/15/35	500	15/1/2030	4.5	A3/A-/A-	Tier-2
AU	YR2726606	WSTP 5.351 02/12/35	400	12/2/2030	4.6	A3/A-/A-	Tier-2
AU	YV5271676	QBEAU 6.3025 09/11/39	350	11/9/2034	9.2	NR/BBB+/BBB+	Sub-debt
AE	YN2684762	EBIUH 5.913 06/18/35	600	n.a.	9.9	A1/NR/A+	Senior
GB	YO7021018	LLOYDS 5.189 05/28/31	450	28/5/2030	4.9	A3/BBB+/A+	Senior
DE	YN1612145	VW 5.108 06/13/29	500	n.a.	3.9	Baa1/BBB+/A-	Senior
DE	YU7081752	ENBW 6.048 10/30/34	650	n.a.	9.3	Baa1/A-/NR	Senior
US	YV2848914	BPLN 5.439 08/28/34	400	n.a.	8.9	A1/A-/A+	Senior

AUD vs Asia ex-Japan USD Credits: Key Metrics Comparison

	ICE BAML AUD Credits (AUC0)	ICE BAML Asia ex-Japan \$ IG Credits (ADIG)
Market weighted coupon	4.88	4.2
Effective duration	3.84Y	5.22Y
Composite rating	A2	A3
OAS	116	67
YTW	4.60%	4.92%
YTD total returns	4.25%	3.87%

Markets have posted a tremendous recovery since the depths of Liberation Day. Over the next 12 months, which do you think will be a more important driver of sentiment and valuations?

- a) Strong technicals/cash on the sidelines
- b) Improving fundamentals
- c) Weakening fundamentals (rising downgrades & defaults)

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) I'm a Crypto Bro

US IG, HY & Lev Loan: 2H25/1H26 Forecast

	YE 2023	YE 2024	As of 07/11/25	YE 2025 Base	Preliminary Forecasts as of 6/30/26			Probability Weighted (Forward 12-Months)
					Proactive Fed (Bull)	Reactive Fed (Base)	Recession (Bear)	
Probability Weighting					25%	55%	20%	
US Treasury Yields								
Fed Funds Target (Upper)	5.5%	4.5%	4.5%	4.5%	3.5%	3.5%	1.5%	3.1%
2-Yr UST	4.3%	4.2%	3.9%	4.3%	3.3%	3.0%	1.8%	2.8%
5-Yr UST	3.8%	4.4%	4.0%	4.4%	3.8%	3.3%	2.0%	3.1%
10-Yr UST	3.9%	4.6%	4.4%	4.8%	4.3%	3.5%	3.0%	3.6%
2-Yr/10-Yr UST Curve	-37bp	33bp	52bp	50bp	100bp	50bp	125bp	78bp
US Investment Grade								
OAS	104bp	82bp	83bp	110bp	65bp	130bp	200bp	128bp
Excess Return ¹	4.7%	2.8%	0.5%	-0.8%	2.0%	-2.2%	-6.7%	-2.1%
YTW	5.1%	5.4%	5.1%	5.8%	4.8%	4.7%	4.9%	4.8%
Total Return ¹	8.4%	2.8%	3.4%	1.9%	7.2%	7.8%	6.5%	7.4%
US High Yield								
OAS	334bp	292bp	297bp	350bp	225bp	450bp	750bp	454bp
YTW	7.7%	7.5%	7.2%	8.1%	6.2%	8.0%	9.7%	7.9%
Total Return ¹	13.4%	8.2%	4.5%	4.9%	9.6%	4.8%	0.0%	5.0%
HY Defaults (TTM % Issuers)	3.0%	2.4%	3.0%	3.0%	1.5%	4.0%	7.5%	4.1%
US Broadly Syndicated Leveraged Loans								
Bid Price	\$95.32	\$96.37	\$96.84	\$94.00	\$98.50	\$94.00	\$90.00	\$94.33
Effective Yield	9.1%	8.8%	8.1%	8.6%	7.2%	7.6%	5.7%	7.1%
Total Return ¹	13.0%	9.1%	3.5%	3.9%	9.3%	3.7%	-2.1%	4.0%
Loan Defaults (TTM % Issuers)*	2.8%	4.7%	4.4%	4.5%	3.5%	5.0%	8.0%	5.2%

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

¹ Excess and total return represents full year 2025 forecast expectations.

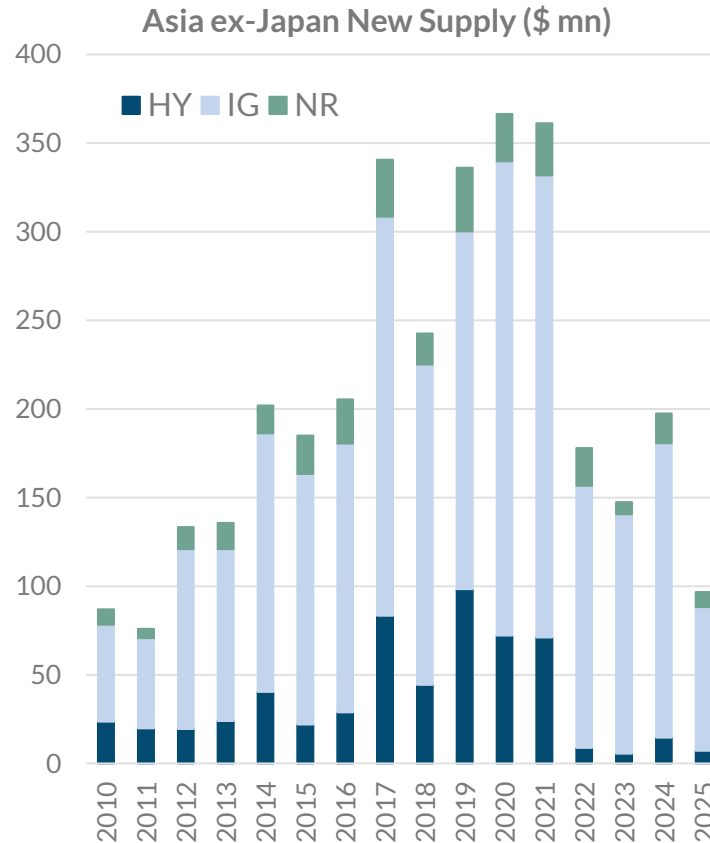
*Uses Fitch Ratings Leveraged Loan Default Rate.

Why Have Asian Credits Been So Resilient?

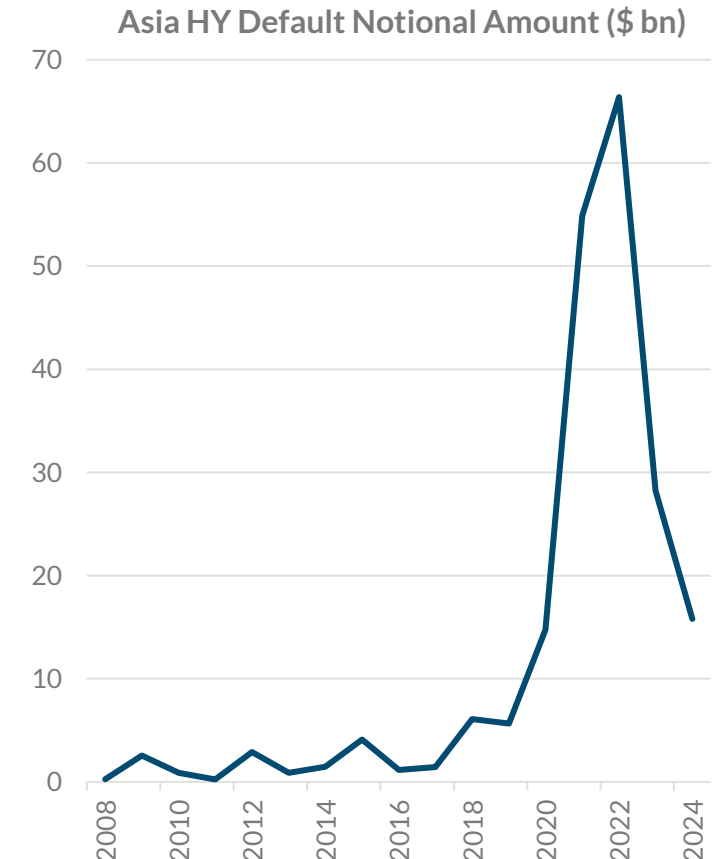
Attractive all-in-yields of Asia credits for long-term investors

%	AAA	AA	A	BBB	BB	B
Index	4.53	4.53	4.86	5.26	6.56	8.56
<3Y	4.27	4.41	4.74	5.01	6.32	8.12
3-5Y	4.25	4.38	4.65	5.10	7.15	9.90
5-7Y	4.36	4.70	4.99	5.34	7.49	9.07
7-10Y	n.a.	4.79	5.25	5.56	6.98	11.59
>10Y	5.06	5.40	5.71	6.18	7.31	n.a.

Strong technical: negative new supply & regional inflow



Normalizing default rate



Where We See Value in Asia Credits: Focus On Carry

Asia Credit: Top 10 Carry Trades									
Cty	Cusip Number	Security	Sector	Amt. Out. (\$ mn)	Next Call Date	Security Rating	Collateral Type		
AU	ZD4517284	CBAAU 5.837 13/3/2034	Financials	1,250	Bullet	A2/A-/A-	Tier 2		
AU	BO2198246	MQGAU 3.052 3/3/2036	Financials	1,000	3/3/2031	A3/BBB+/BBB+	Tier 2		
JP	YS4067668	DAIL 6.2 PERP	Financials	2,000	16/1/2035	NR/A-/A	Tier 2		
JP	86562MDK3	SUMIBK 6.6 PERP	Financials	1,000	5/6/2034	Baa3/BB+/NR	AT1		
JP	YP9221761	NIPLIF 6.5 30/4/2055	Financials	1,500	30/4/2035	A3/A-/NR	Tier 2		
KR	YW0693948	WOORIB 6.375 PERP	Financials	550	24/7/2029	NR/BBB-/NR	AT1		
JP	ZM4765719	ASAMLI 6.9 PERP	Financials	375	26/1/2028	NR/NR/BBB	Tier 2		
CN	YT3385242	BABA 5.25 26/5/2035	Corporate	1,150	26/2/2035	A1/A+/A	Sr Unsecured		
HK	YQ0494258	HYSAN 7.2 PERP	Corporate	750	11/9/2030	Baa3/NR/NR	Company Guarnt		
PH	BP8914734	SMCGL 5.45 PERP	Corporate	684	9/12/2026	NR/NR/NR	Sr Unsecured		

Source: Bloomberg, CreditSights. Prices as of 24 June 2025.

Euro & Sterling Credit: 2H25/1H26 Forecast

			YE 2025	1H 2026 Forecast			Probability Weighted (Forward 12M)
	YE 2024	YTD as of 11 July	Base Case	Bull Case	Base Case	Bear Case	
Probability Weighting				30%	55%	20%	
Euro Investment Grade							
Spreads (OAS)	101bp	82bp	100bp	70bp	120bp	160bp	120bp
Excess Return ¹	317bp	148bp	100bp	150bp	-70bp	-250bp	-44bp
Yield-to-Worst	3.2%	3.1%	3.3%	2.8%	3.6%	2.5%	3.3%
Total Return ¹	4.7%	1.9%	2.4%	2.5%	1.0%	5.2%	2.3%
Euro High Yield							
Spreads (OAS)	311bp	289bp	350bp	250bp	400bp	600bp	415bp
Yield-to-Worst	5.5%	5.2%	6.0%	4.5%	6.4%	6.9%	6.3%
Total Return ¹	8.6%	3.3%	4.0%	7.4%	2.4%	1.2%	3.8%
HY Defaults (TTM % Issuers)	2.6%	2.6%	2.8%	1.5%	3.0%	5.5%	3.5%
Sterling Investment Grade							
Spreads (OAS)	91bp	91bp	120bp	80bp	130bp	175bp	130bp
Excess Return ¹	367bp	65bp	-60bp	160bp	-120bp	-375bp	-92bp
Yield-to-Worst	5.5%	5.3%	5.5%	4.3%	5.3%	4.8%	5.2%
Total Return ¹	2.1%	3.0%	4.7%	-1.4%	5.1%	8.4%	4.1%
Policy Rates/Sovereign Yields							
ECB Deposit Facility Rate (%)	3.00%	2.00%	1.75%	1.75%	1.50%	0.75%	1.50%
Bund 2-Year Yield (%)	2.08%	1.90%	2.00%	1.50%	2.25%	0.50%	1.79%
Bund 10-Year Yield (%)	2.36%	2.72%	2.75%	3.00%	2.50%	1.50%	2.58%
BOE Bank Rate (%)	4.75%	4.25%	3.50%	3.00%	3.00%	2.50%	3.05%
Gilt 2-Year Yield (%)	4.39%	3.86%	3.75%	3.00%	3.50%	2.50%	3.33%
Gilt 10-Year Yield (%)	4.57%	4.62%	4.50%	3.75%	4.25%	3.25%	4.11%

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	Spread Outlook (12-Month)
Investment Grade									
US Investment Grade	83 bp	5.09%	6.5 yrs	\$8,905	+3.9%	Underweight	Griffiths	Neutral	Wider
Euro Investment Grade ¹	82 bp	3.05%	4.6 yrs	\$3,706	+2.1%	Underweight	Miller	Off	Wider
US Investment Grade Tax Exempt Munis ²	21 bp	4.01%	7.6 yrs	\$1,307	-0.6%	Underweight	Luby	Neutral	Sideways
Asia Investment Grade (US\$-Denominated)	69 bp	4.90%	5.2 yrs	\$654	+4.0%	Underweight	Zeng	Neutral	Wider
EM Investment Grade Sovereign (US\$-Denominated)	108 bp	5.43%	7.8 yrs	\$633	+5.3%	Underweight	Chatellier	Neutral	Wider
US Investment Grade Taxable Munis	68 bp	5.15%	7.5 yrs	\$328	+3.3%	Market Weight	Luby	Neutral	Sideways
Leveraged Finance									
US Broadly Syndicated Leveraged Loans ³	448 bp	7.99%		\$1,464	+3.4%	Underweight	Cisar	Off	Wider
US High Yield	292 bp	7.11%	2.9 yrs	\$1,377	+4.6%	Underweight	Cisar	Off	Wider
Euro High Yield ¹	288 bp	5.22%	2.8 yrs	\$436	+3.3%	Market Weight	Miller	Neutral	Wider
Asia High Yield	337 bp	7.44%	2.9 yrs	\$76	+4.9%	Underweight	Zeng	Neutral	Wider
EM High Yield Sovereign (US\$-Denominated)	371 bp	7.93%	5.8 yrs	\$423	+5.7%	Underweight	Chatellier	Off	Wider
US High Yield Munis ²	138 bp	5.38%	7.4 yrs	\$44	-0.7%	Underweight	Luby	Off	Sideways

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

¹ On an FX-adjusted basis, Euro IG yields 5.4% while Euro HY yields 7.6%.

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.

Outside the US, which is your preferred market for total return performance over the next 12 months?

- a) Euro Investment Grade
- b) Euro High Yield
- c) EM Sovereign Investment Grade
- d) EM Sovereign High Yield
- e) Asia \$ Investment Grade
- f) Asia \$ High Yield

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

- a) Re-acceleration in global inflation
- b) Demand slowdown/drop off
- c) Liquidity stress from restrictive monetary policy
- d) Geopolitical escalations
- e) Something else – drop it in the Q&A box!

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