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Bringing it Home

Global Credit Outlook

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Global Credit - 10 major topics for the remainder of the year:



Macroeconomics

1. What to expect from global growth?
2. Is the US job market a concern?
3. What are central banks likely to do?



Microeconomics

4. What is the direction for credit metrics?
5. How about the rating momentum?
6. What is the potential impact of US tariffs?



Technical Factors

7. What are the trends on bond issuance?
8. How about investors' risk appetite?

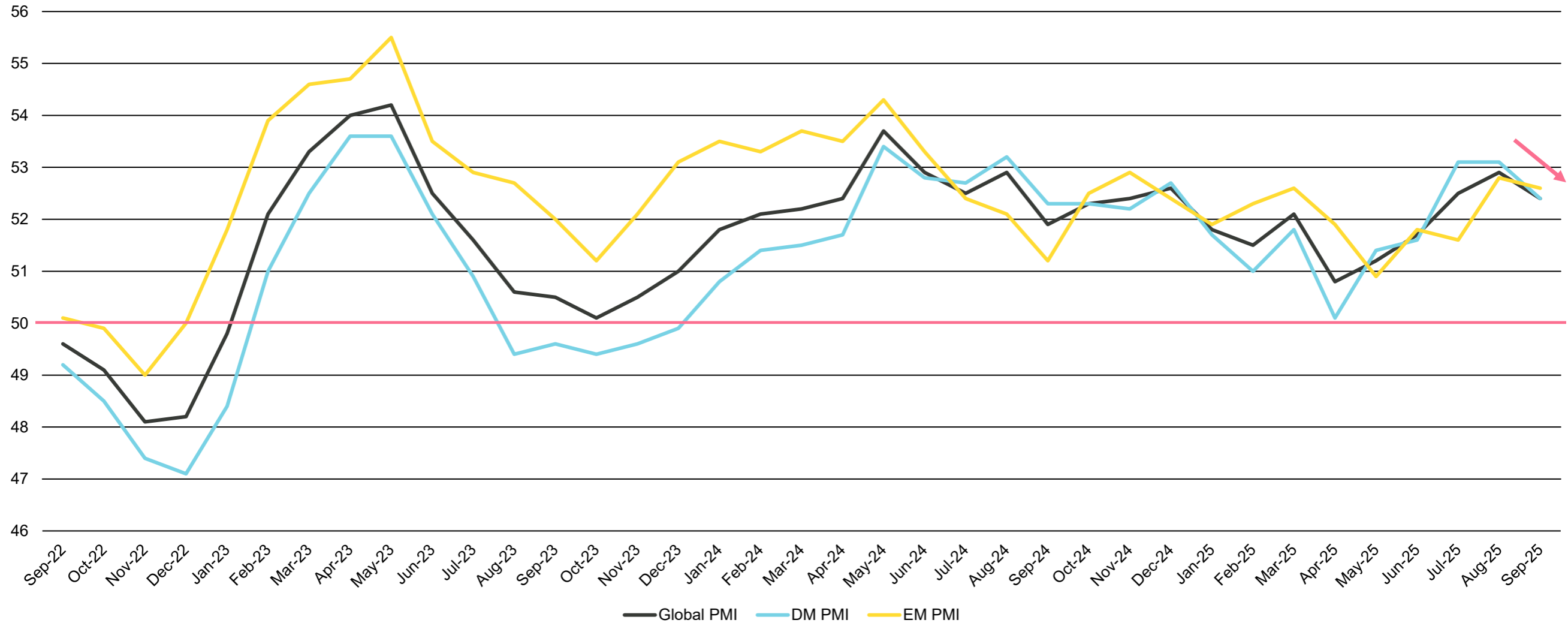


Valuation

9. Are spreads too tight?
10. Where can I find value in global credit?

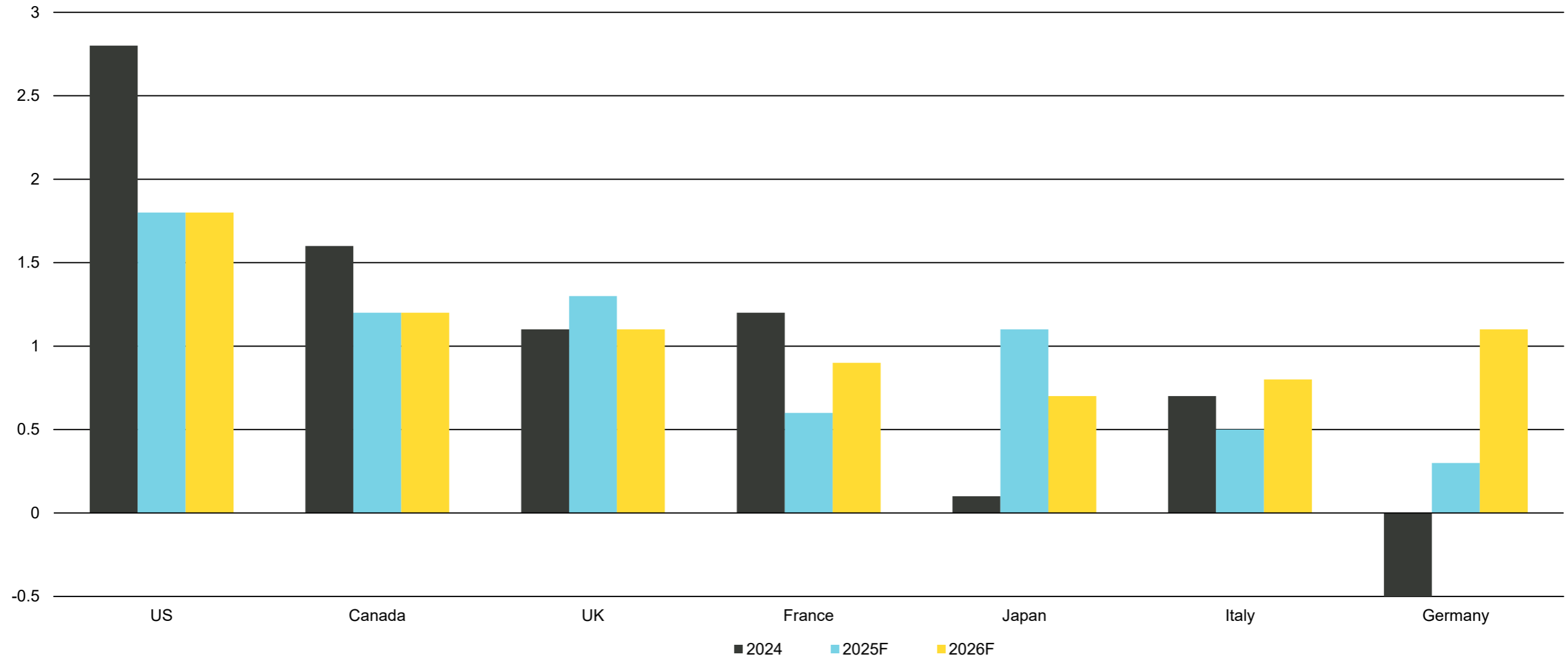
#1. Global PMIs slowing down from a period of improvement...

PMI slowdown after the recent peak in August



...however, growth rates are expected to improve outside the US.

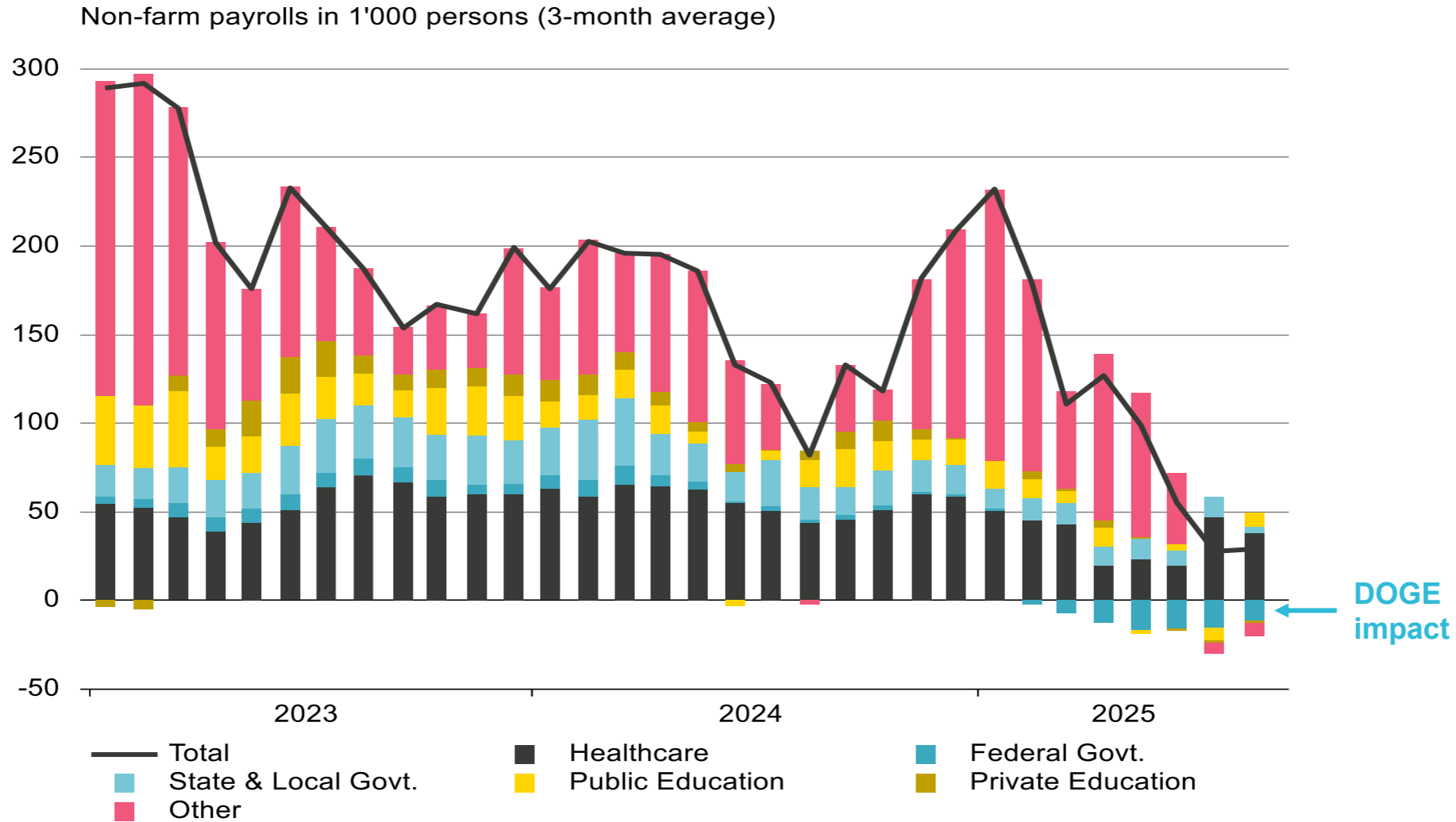
Median Bloomberg forecasts of real GDP growth for G7 countries



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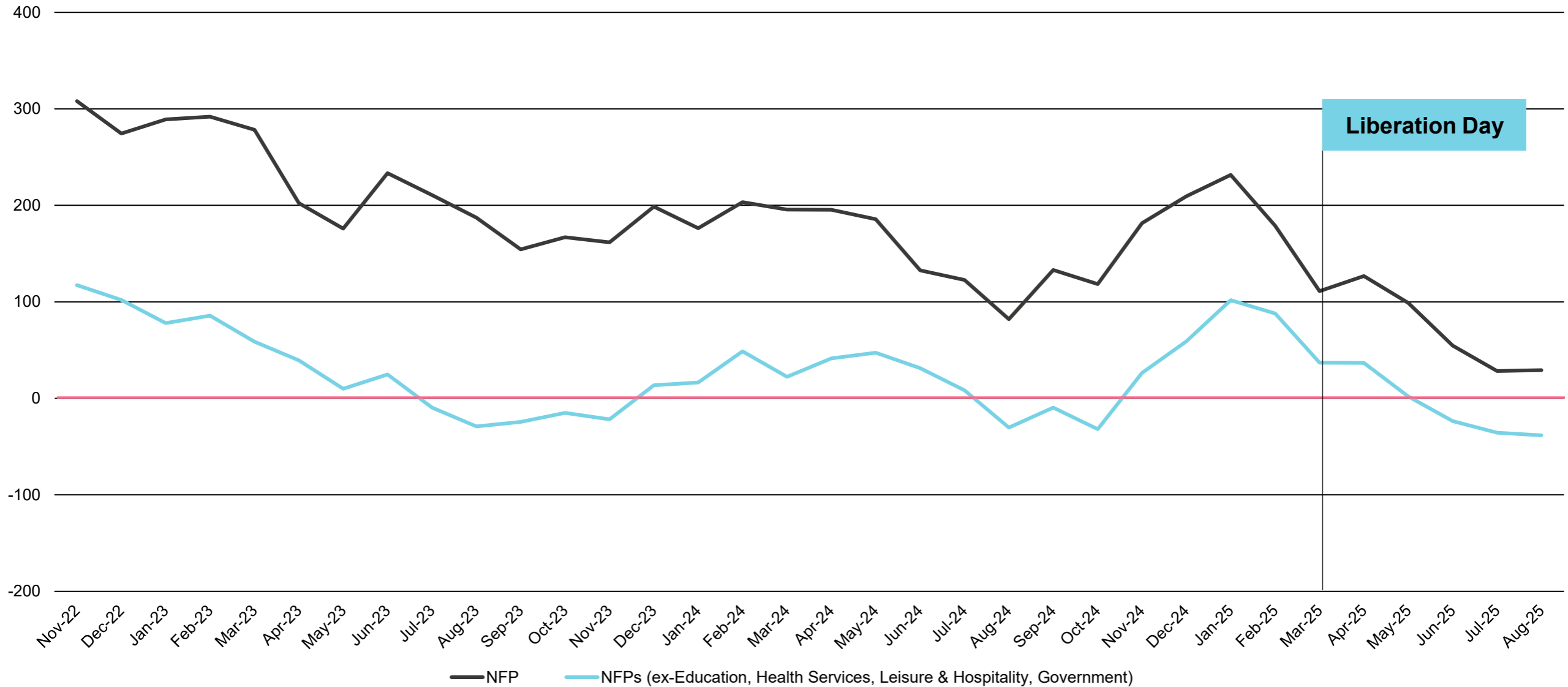
#2. US labor market cooling down, also driven by government actions...

Over the last quarter, job growth was negative outside healthcare segment



...impacting the US consumer who will need to also digest the impact of tariffs.

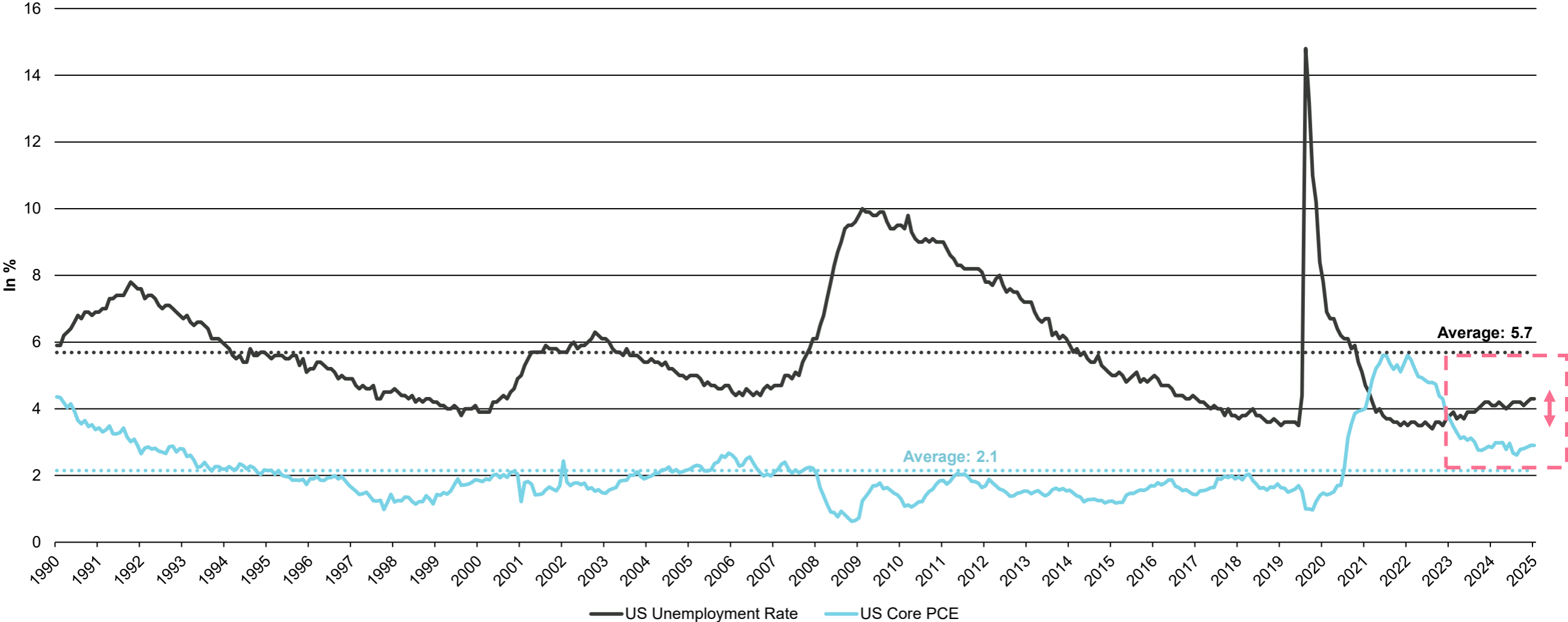
Non-Farm Payrolls (3m-moving average): Sectors impacted by tariffs experience negative job growth



Note: Sectors impacted by tariffs include manufacturing, mining and logging, construction, wholesales trade, retail trade, transportation and warehousing.
 Source: Bloomberg, Vontobel, 09.2025.

#3. The Fed's Dilemma: boost the economy or tame inflation?

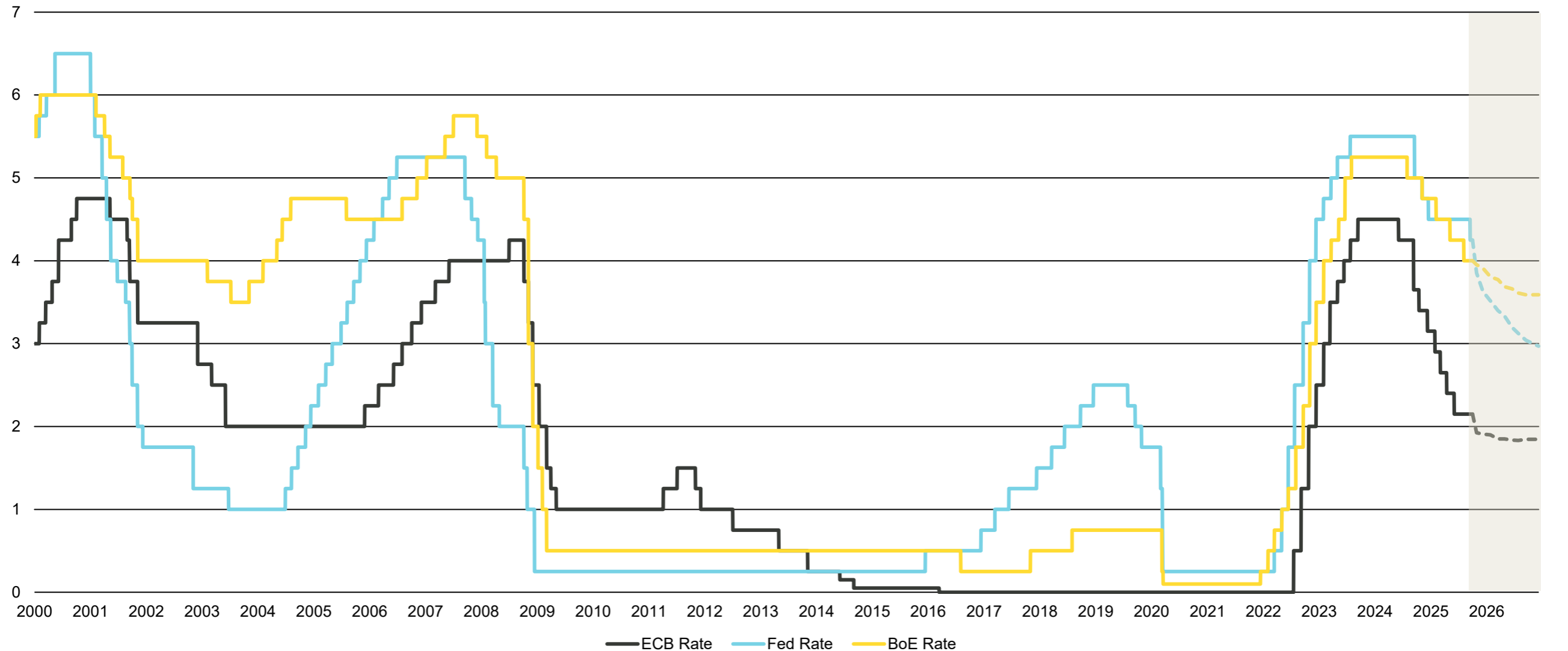
Inflation has remained sticky despite a deteriorating job market



Source: Bloomberg, Vontobel, 10.2025.

The US Fed is lagging other central banks, but likely to catch up, while...

Global central bank policy rates and expected rate cuts by the market



Any projections or forward-looking data herein are based on a variety of estimates and assumptions. There can be no assurance that those estimates or assumptions will prove accurate, and actual results may differ materially. Source: Implied Central Bank rate according to the US Futures market (Fed) and OIS markets (ECB & BoE), Bloomberg, Vontobel, 10.2025.

...the speculation surrounding upcoming changes in the Fed has not provided support to the long end of the yield curve.

Fed policy stance and upcoming changes

FOMC Board Members	Hawk / Dove	Term end
Jerome Powell, Chair		May 2026 (as Chair), Jan 2028
Michael Barr	Hawk	Jan 32
Michelle Bowman	Dove	Jan 34
Lisa Cook	Hawk	Jan 38
Philip Jefferson	Dove	Jan 36
Christopher Waller	Dove	Jan 30
Adriana Kugler	Hawk	Resigned
Stephan Miran	Dove	New, from Jan 2026 onwards

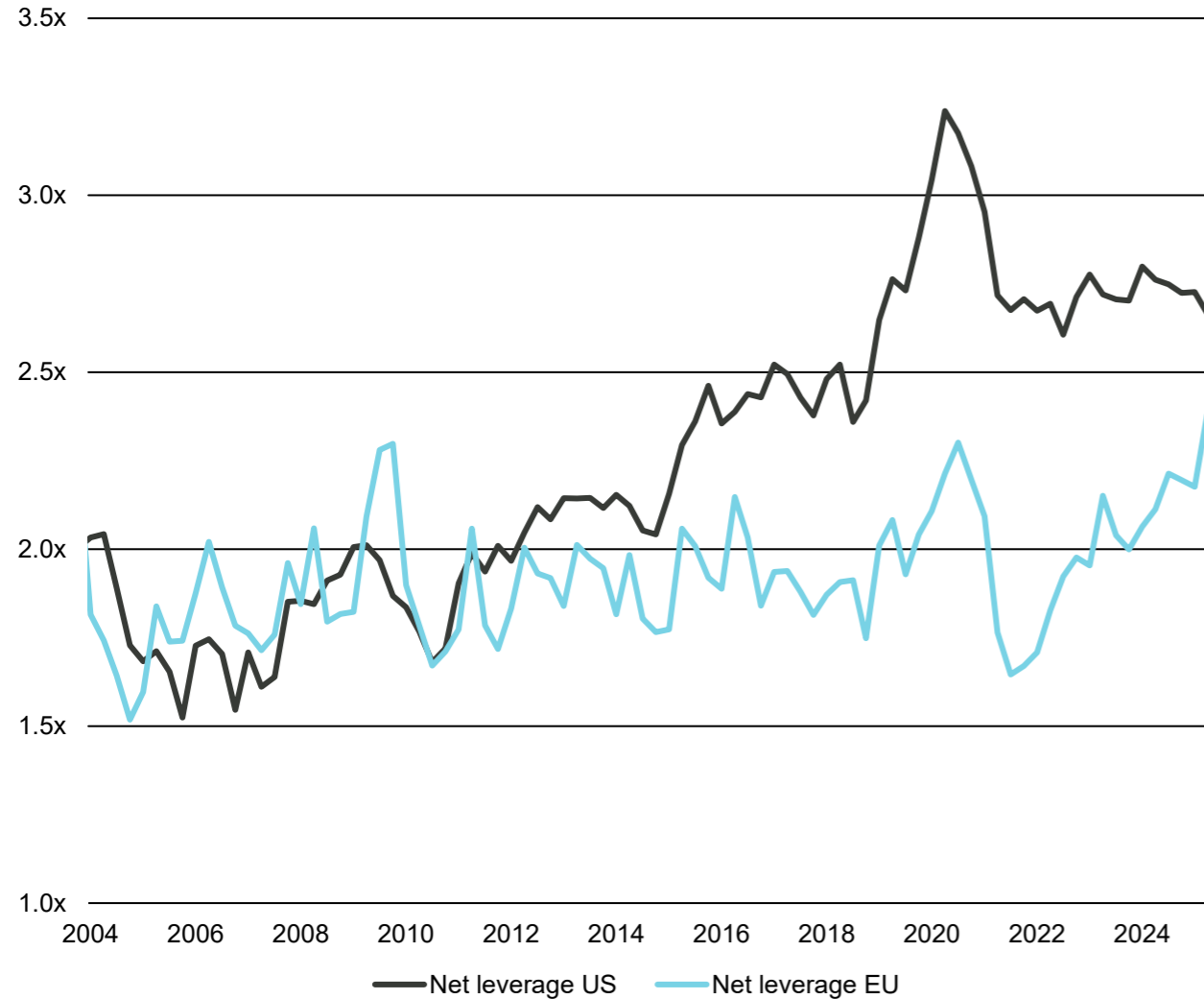
Trump's influence over the Fed boosted the term premium



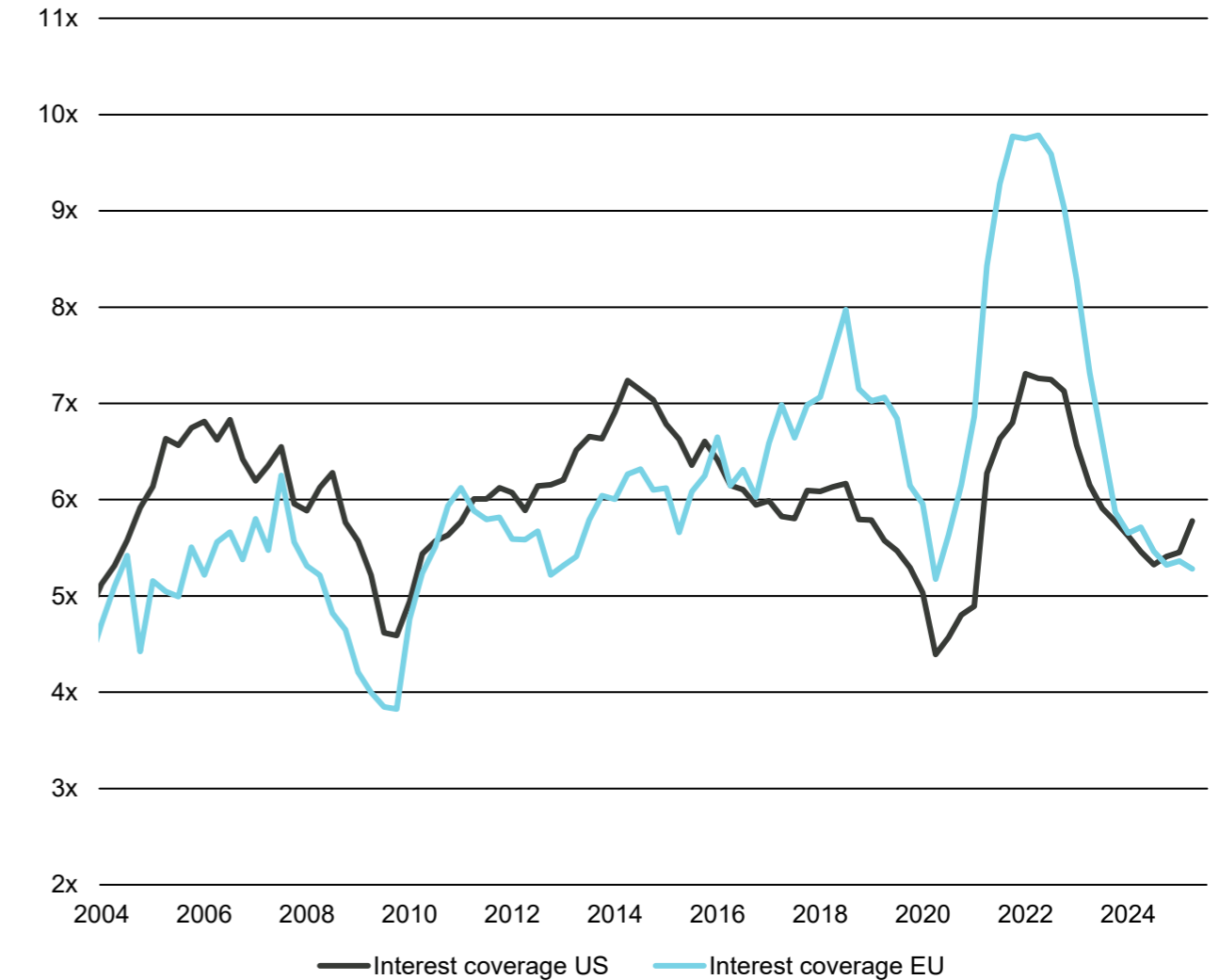
Any projections or forward-looking data herein are based on a variety of estimates and assumptions. There can be no assurance that those estimates or assumptions will prove accurate, and actual results may differ materially. Source: JP Morgan, Bloomberg, Vontobel, 09.2025. *Difference between the 5Y5Y Forward Treasury Rate and the 1Y1Y Forward Treasury Rate in Basis Points

#4. Corporates are well positioned as credit metrics are in good shape...

Leverage trend

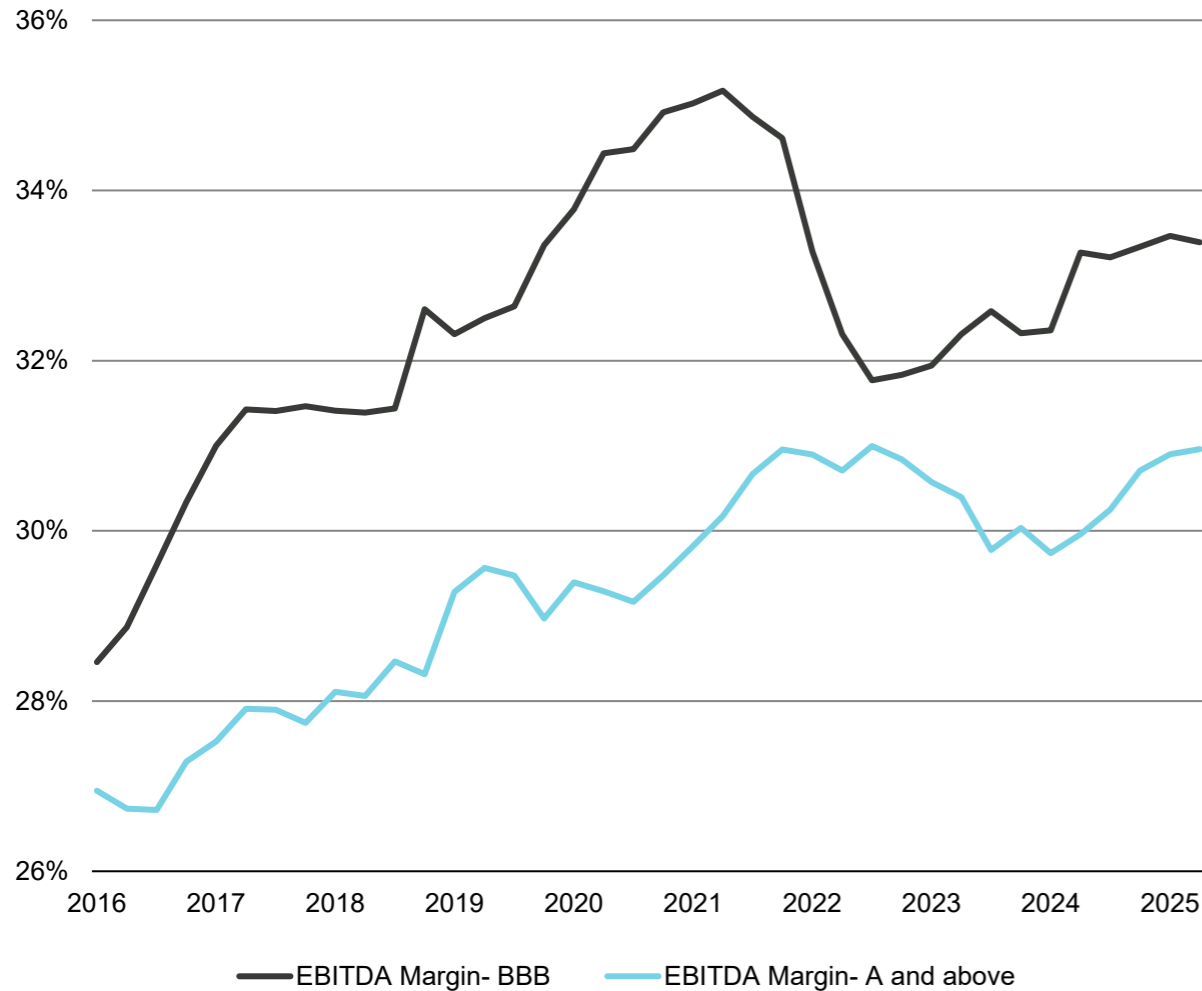


Interest coverage

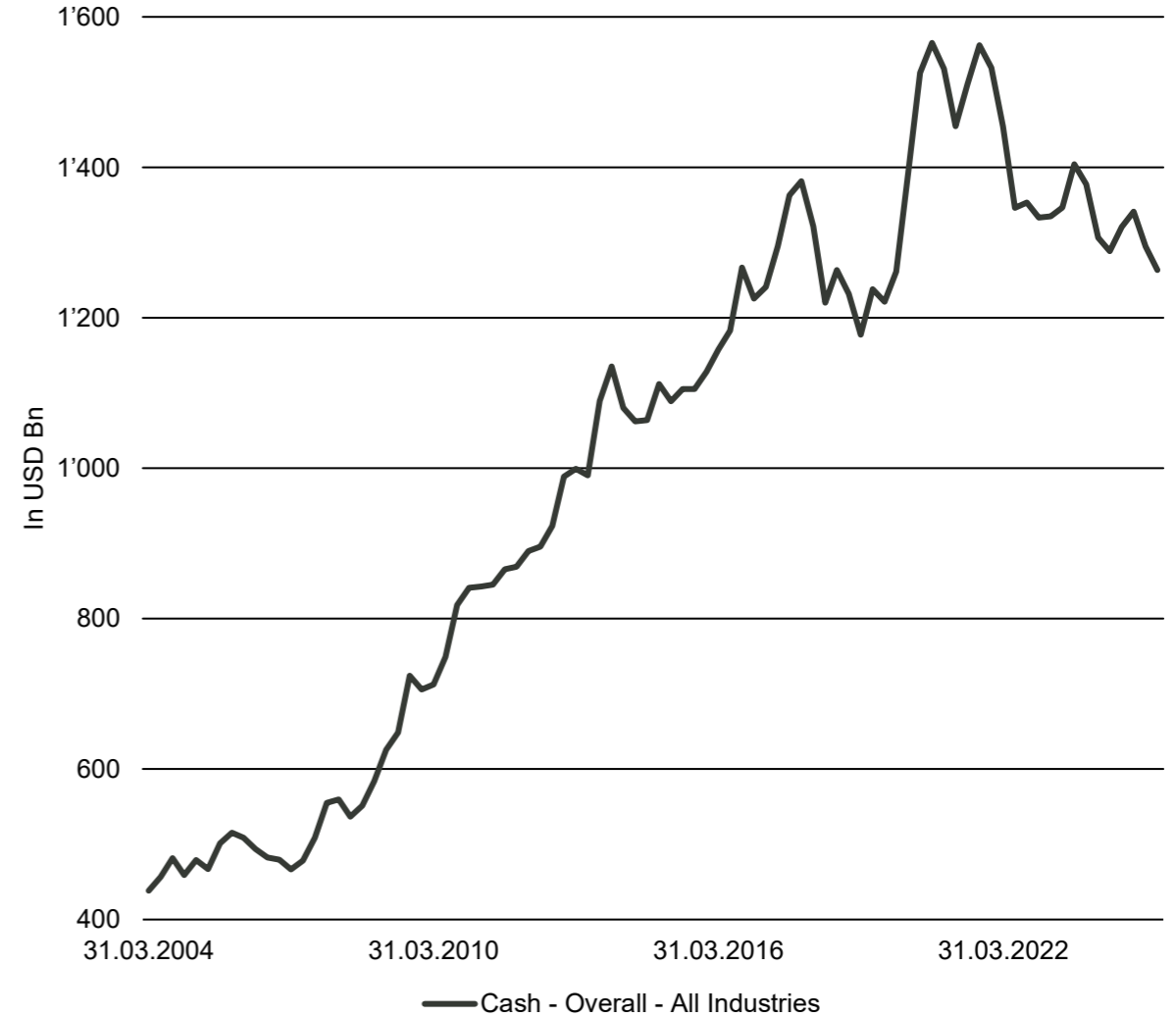


... driven by higher margins and prudent balance sheet management.

Strong margin improvement



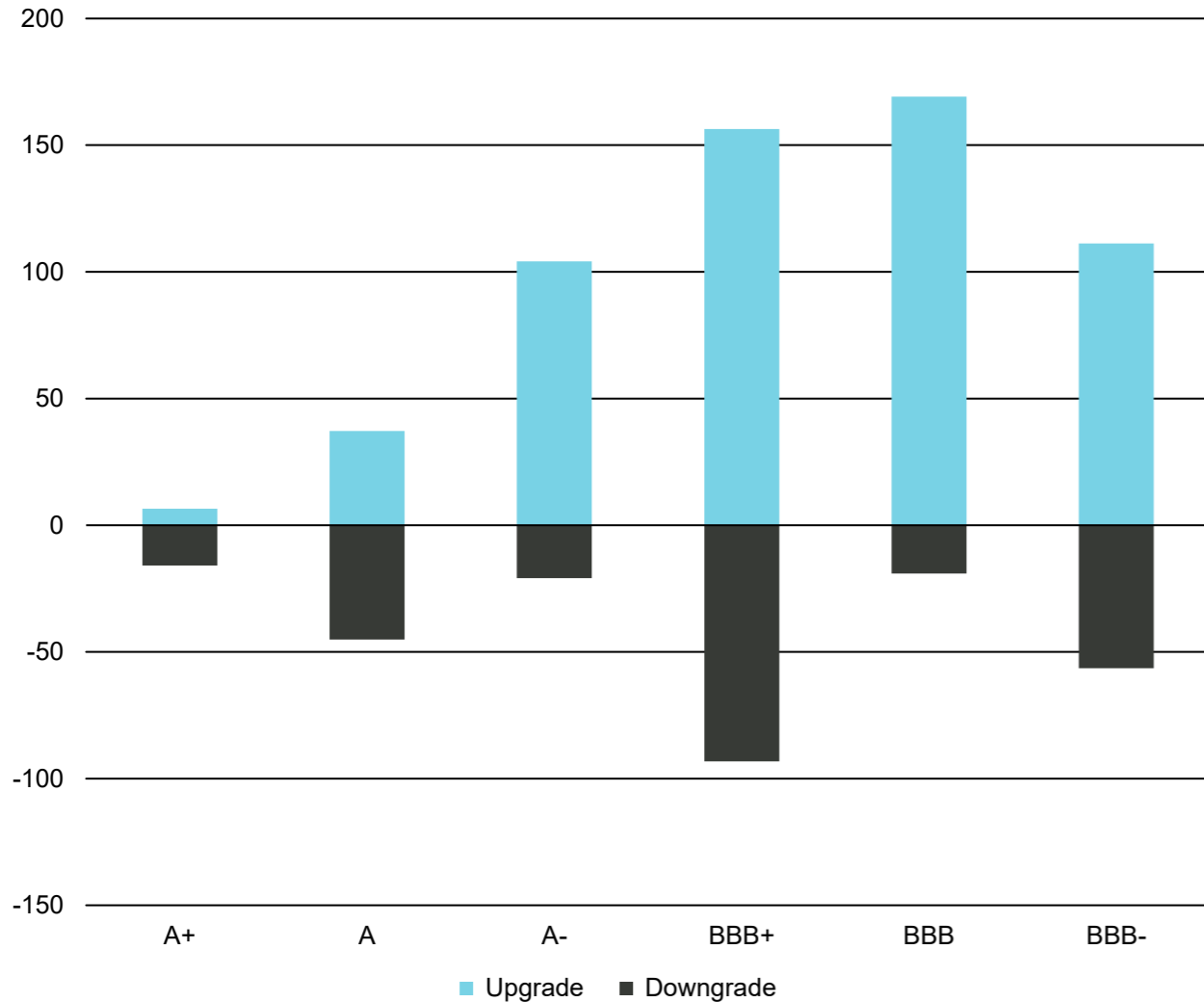
Cash levels remain elevated



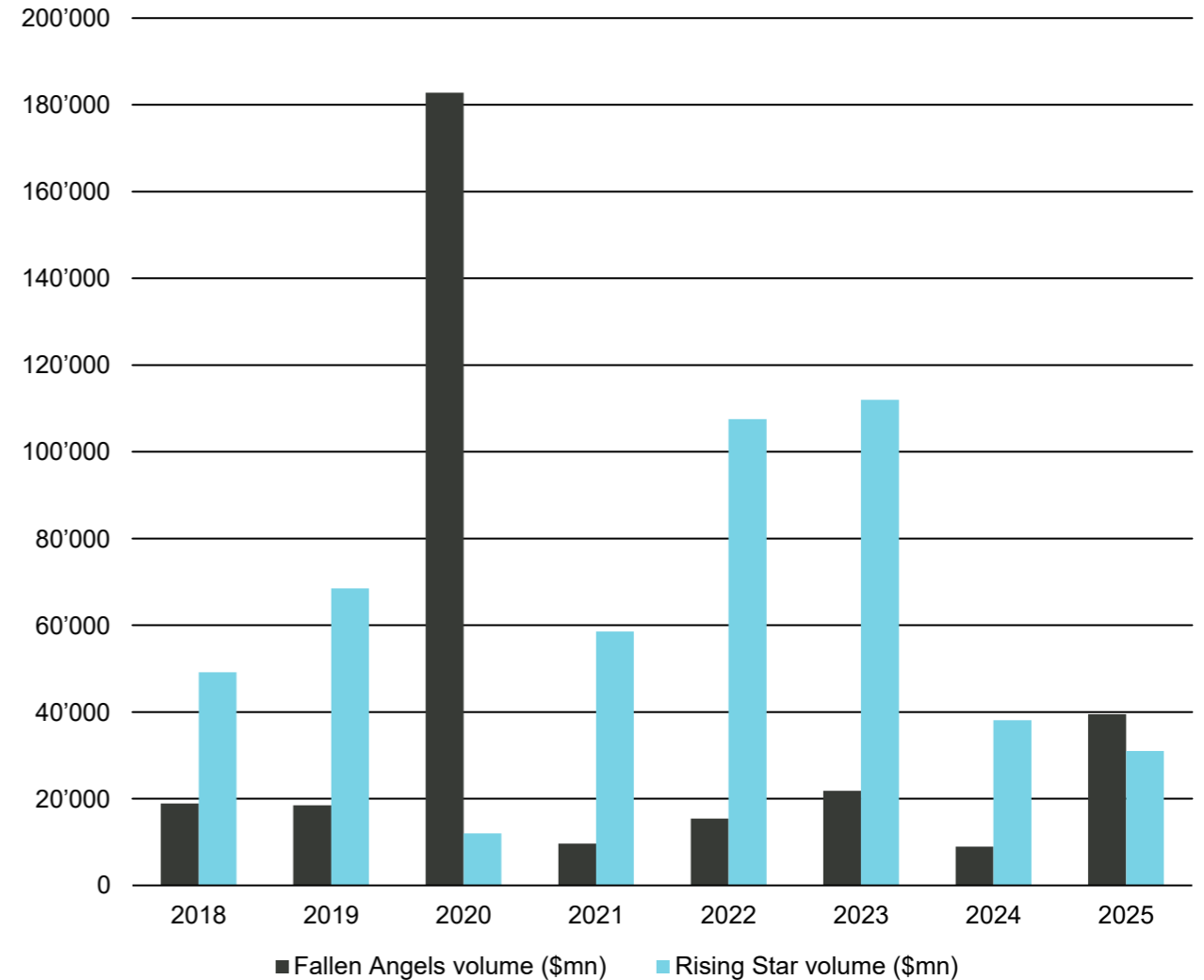
Source: JP Morgan, Vontobel, 10.2025.

#5. Positive rating momentum for US BBBs, while fallen angel volumes are increasing.

US IG: YTD upgrades concentrated in BBBs

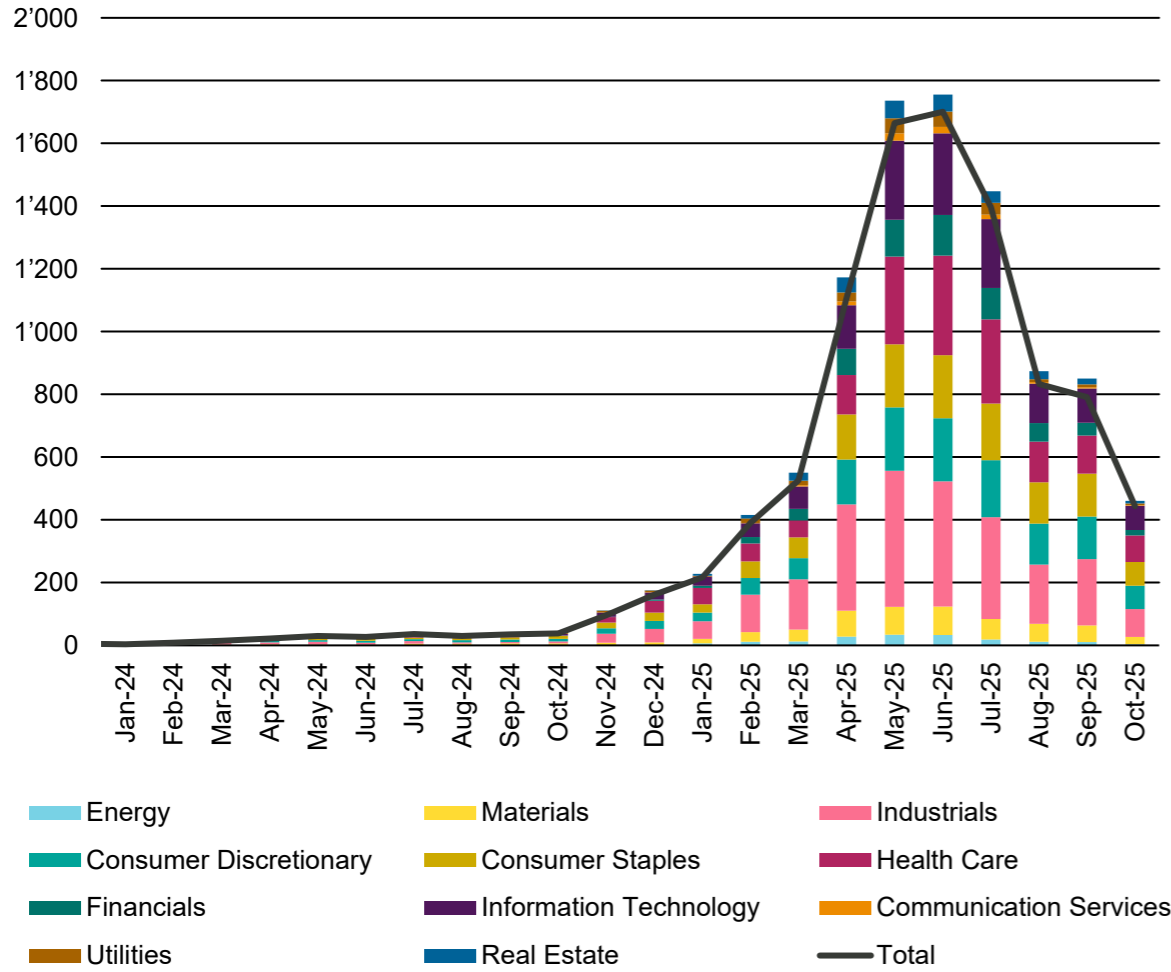


US IG: US Fallen Angels have been rising in 2025

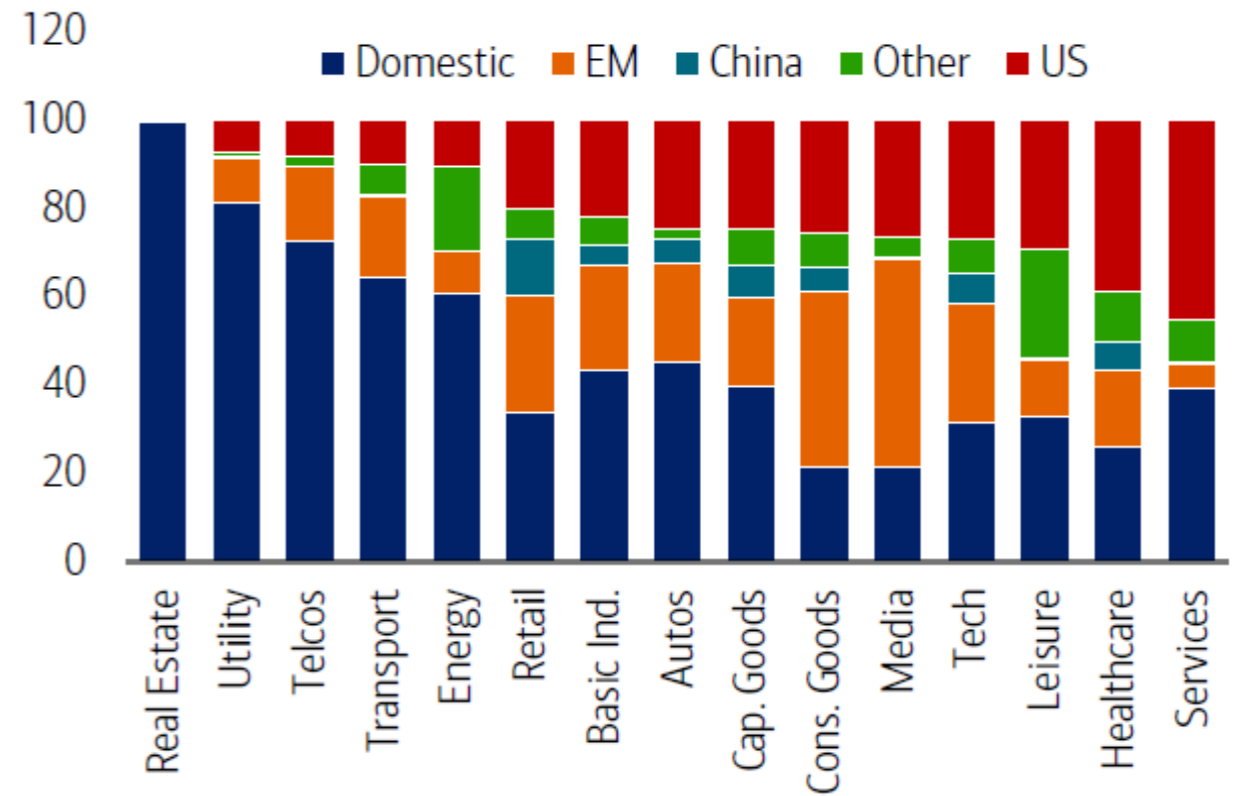


#6. The impact of US tariffs remains topical and varies across sectors.

Tariffs mentioned in S&P 500 earnings call transcripts



EU sectors most exposed to the US (revenue split in %)

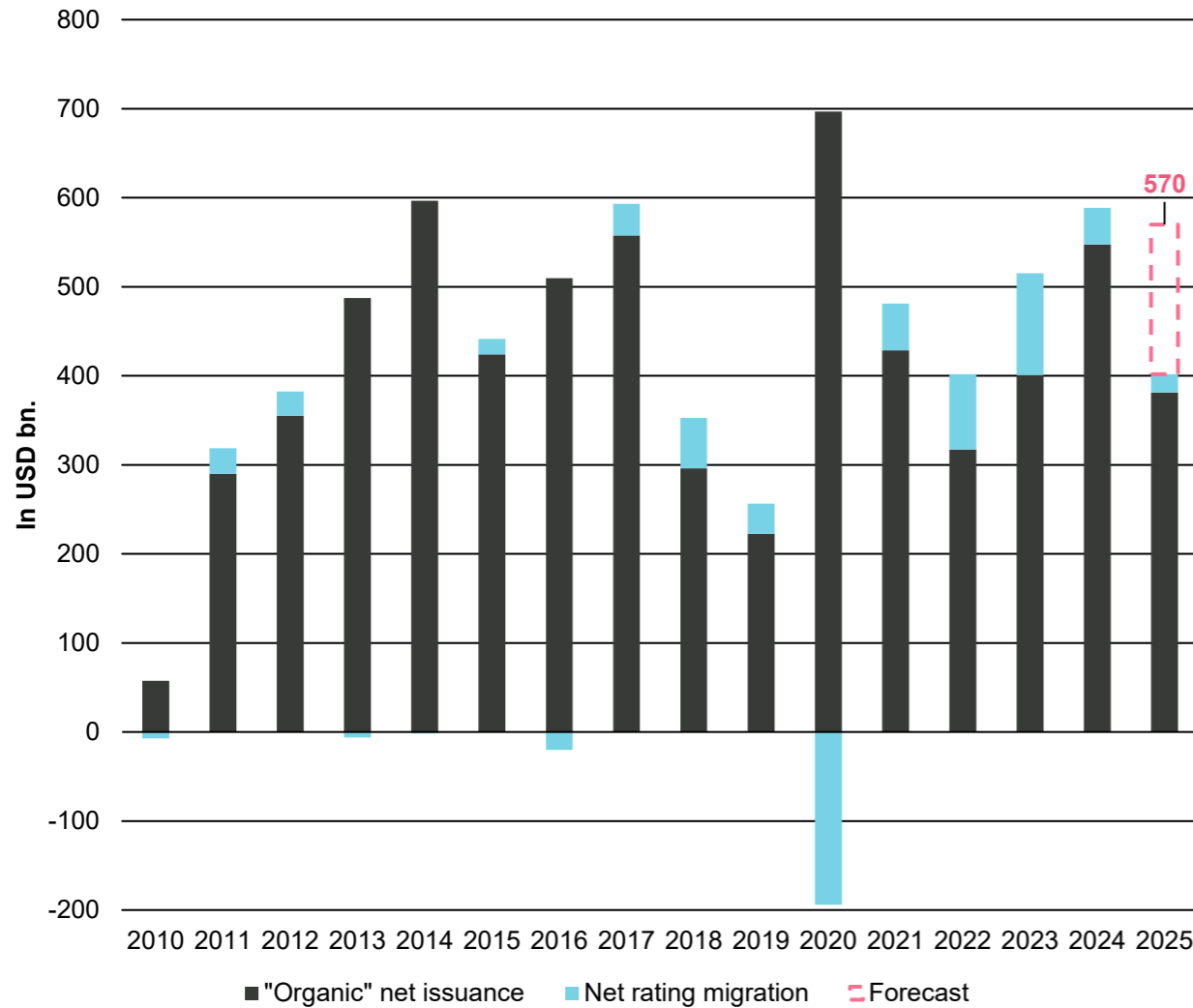


Source: BAML, Bloomberg, Vontobel, 09.2025.

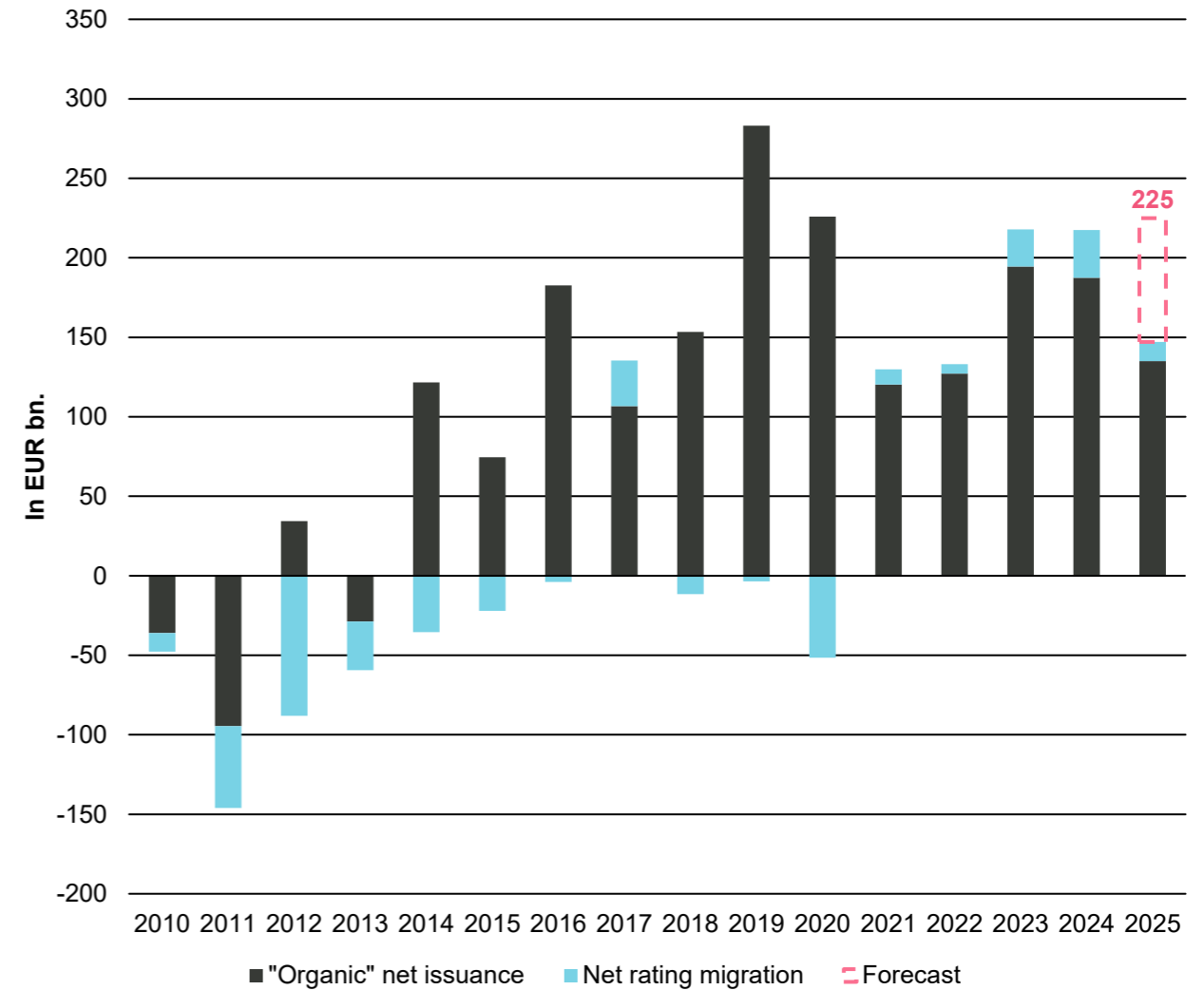
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#7. Global corporate bond issuance remains at elevated levels, ...

USD IG net bond supply and rating migration



EUR IG net bond supply and rating migration

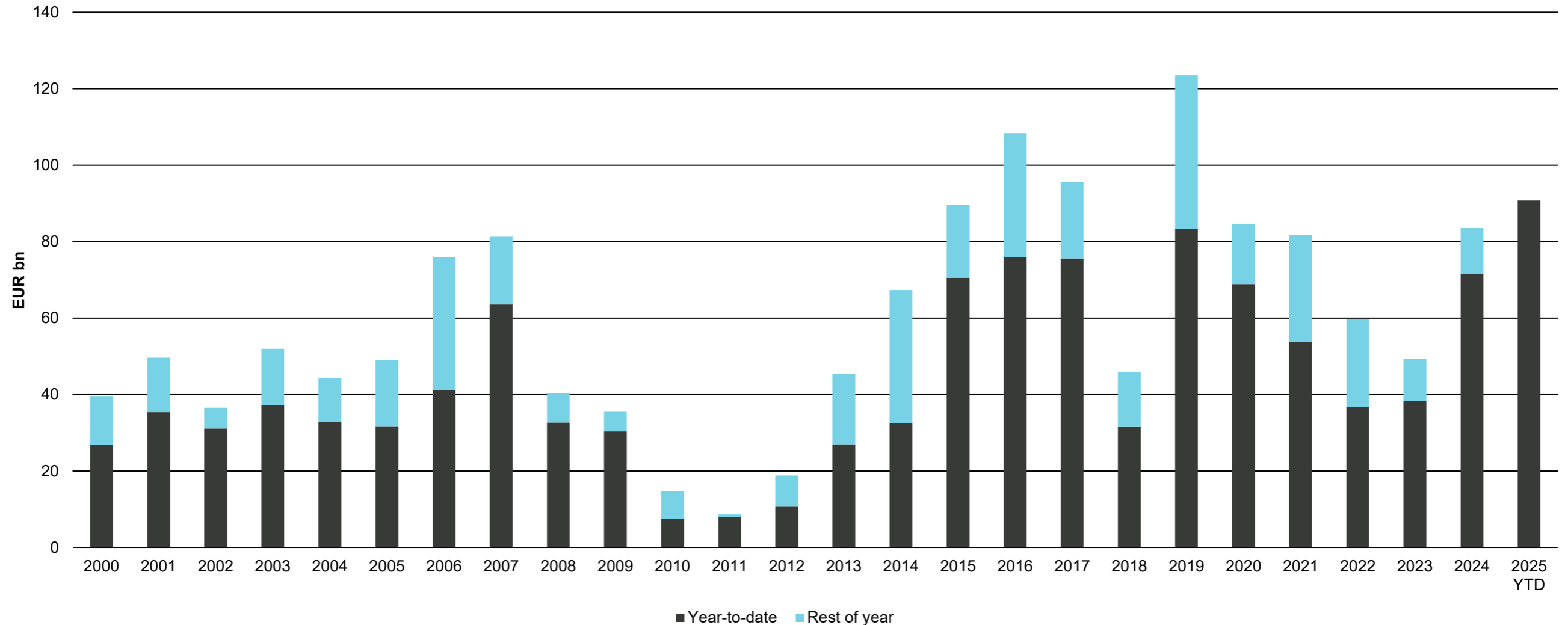


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*2025: Expected net issuance. "Organic" net issuance = normal bond issuance volumes. Source: Goldman Sachs, Vontobel, 10.2025.

...driven by Reverse Yankees as the topic of the year for the Euro credit market.

Reverse Yankee issuance at a record pace (gross issuance)



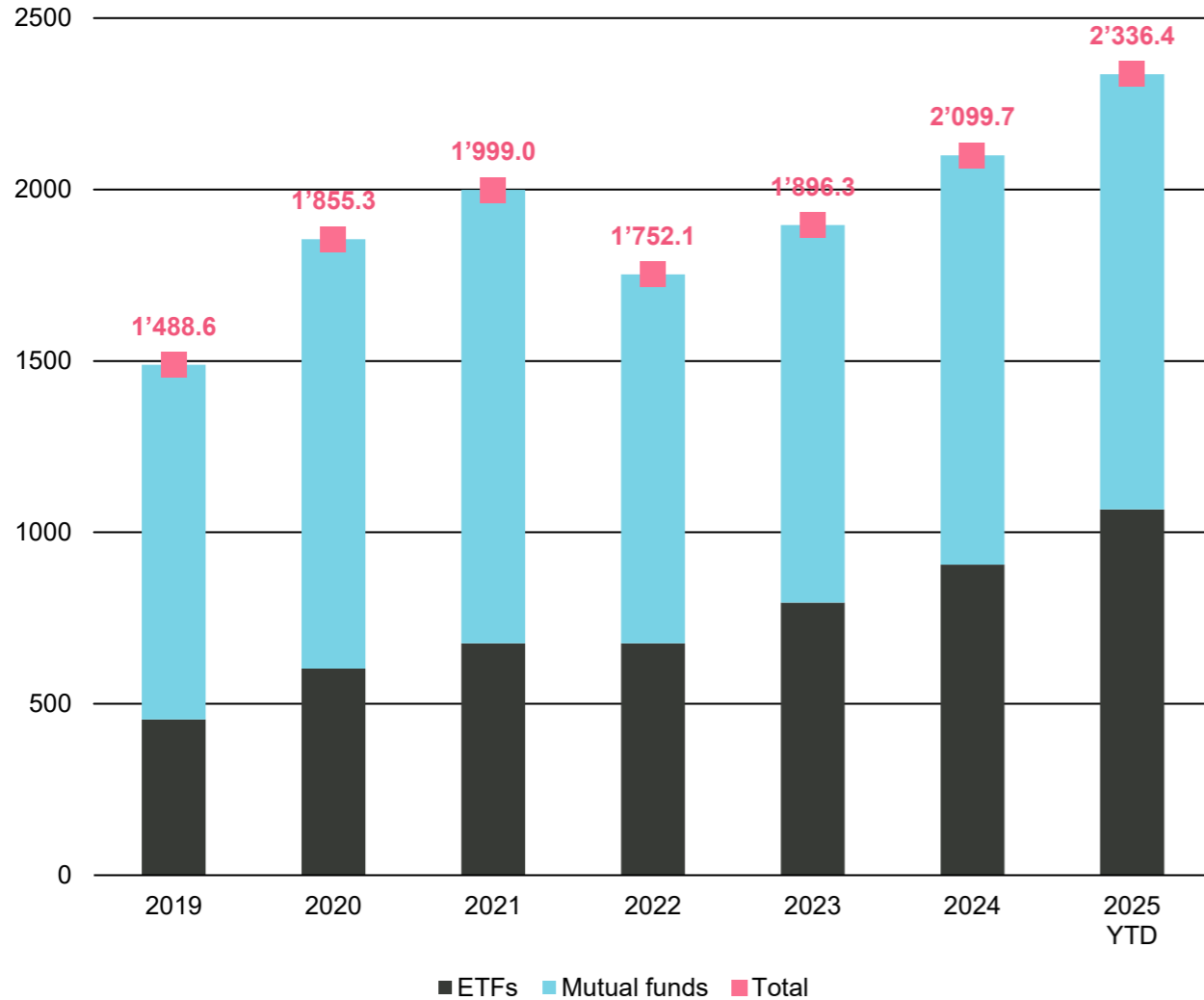
Year-to-date refers to the first 9 months (from beginning of January until the end of September) of the respective calendar year, while rest of year refers to the last 3 months of the respective calendar year.

Note: Reverse Yankee Bonds are bonds issued by US issuers in EUR currency. Yankee bonds are bonds issued by EU issuers in USD currency.

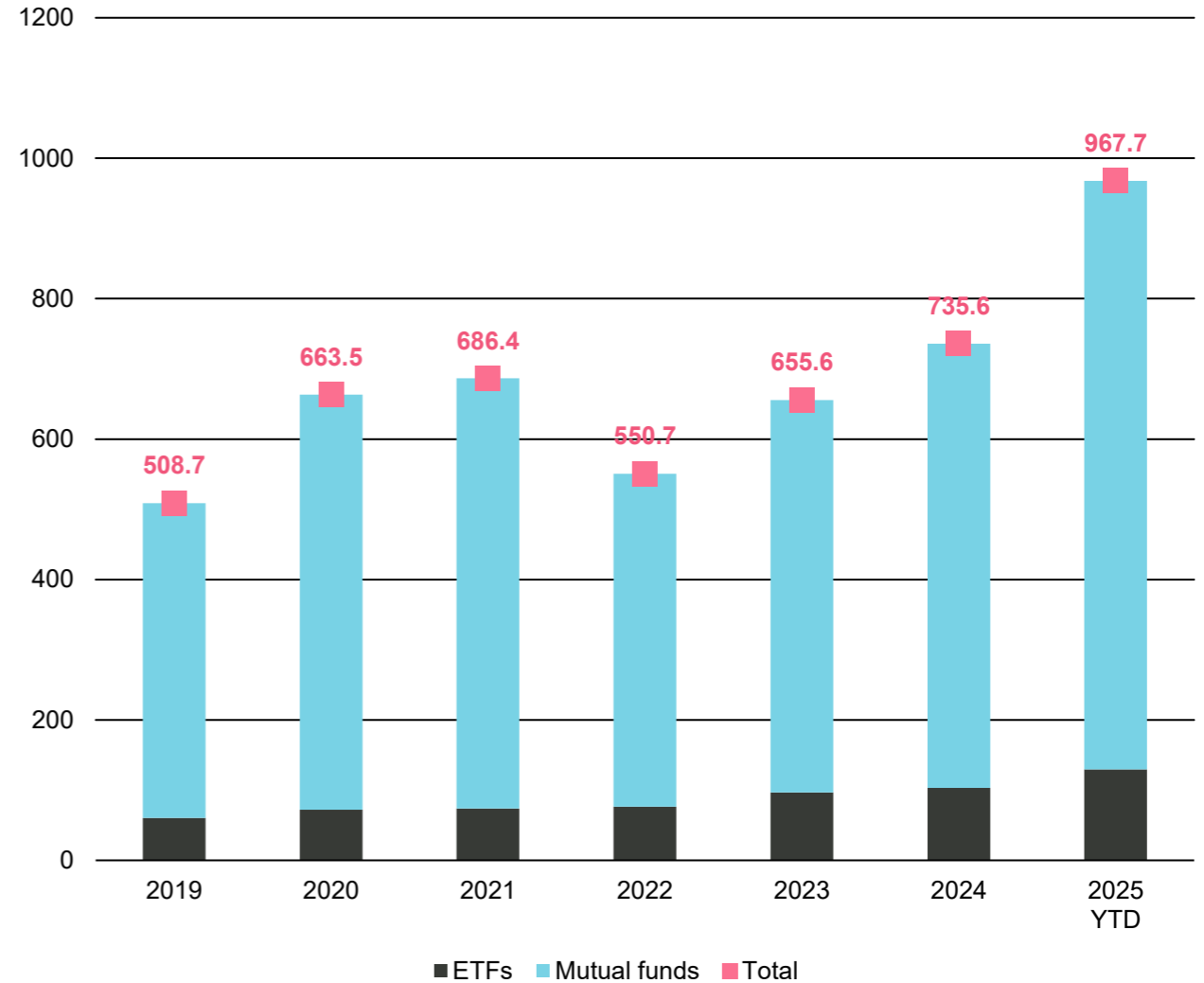
Source: GS, Vontobel, 30.09.2025.

#8. Strong inflows into global credit remain a key supporting factor.

AuM in USD IG-focused Mutual Funds and ETFs



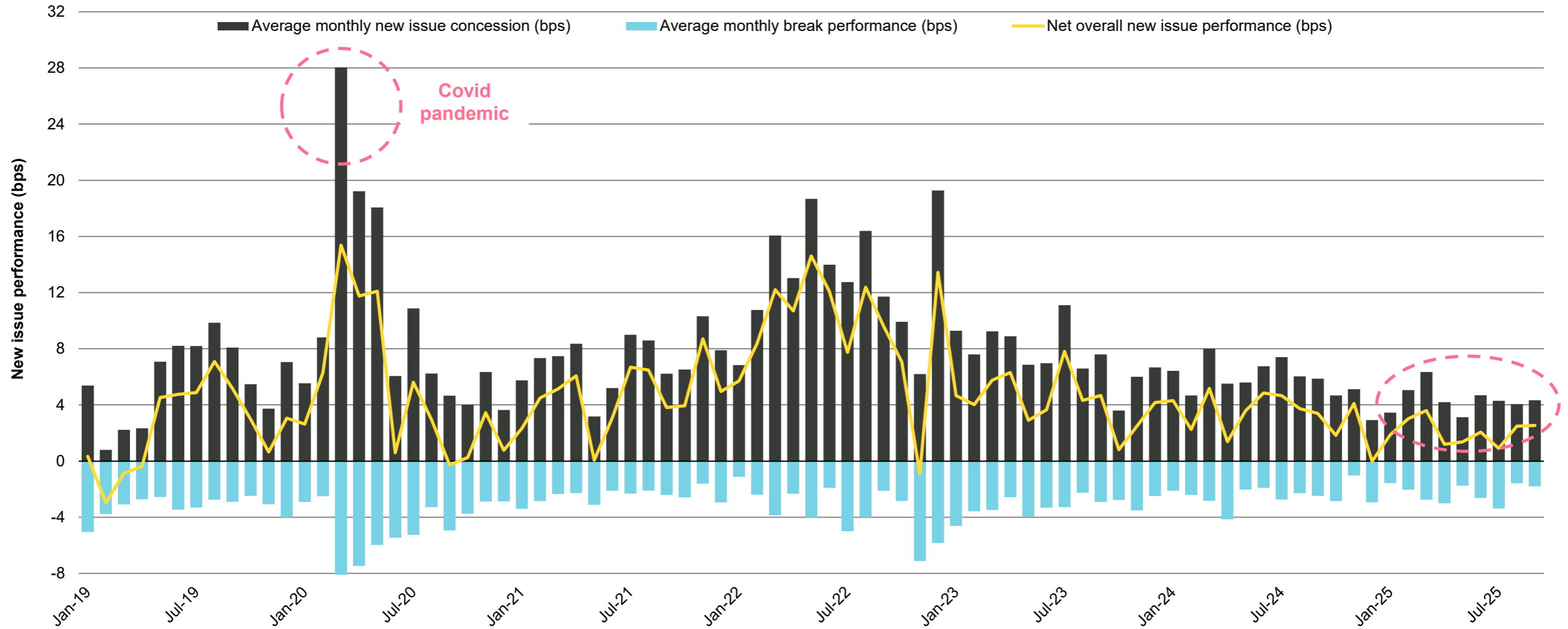
AuM in EUR IG-focused Mutual Funds and ETFs



However, investors need to be selective when participating in new issues.

Technical

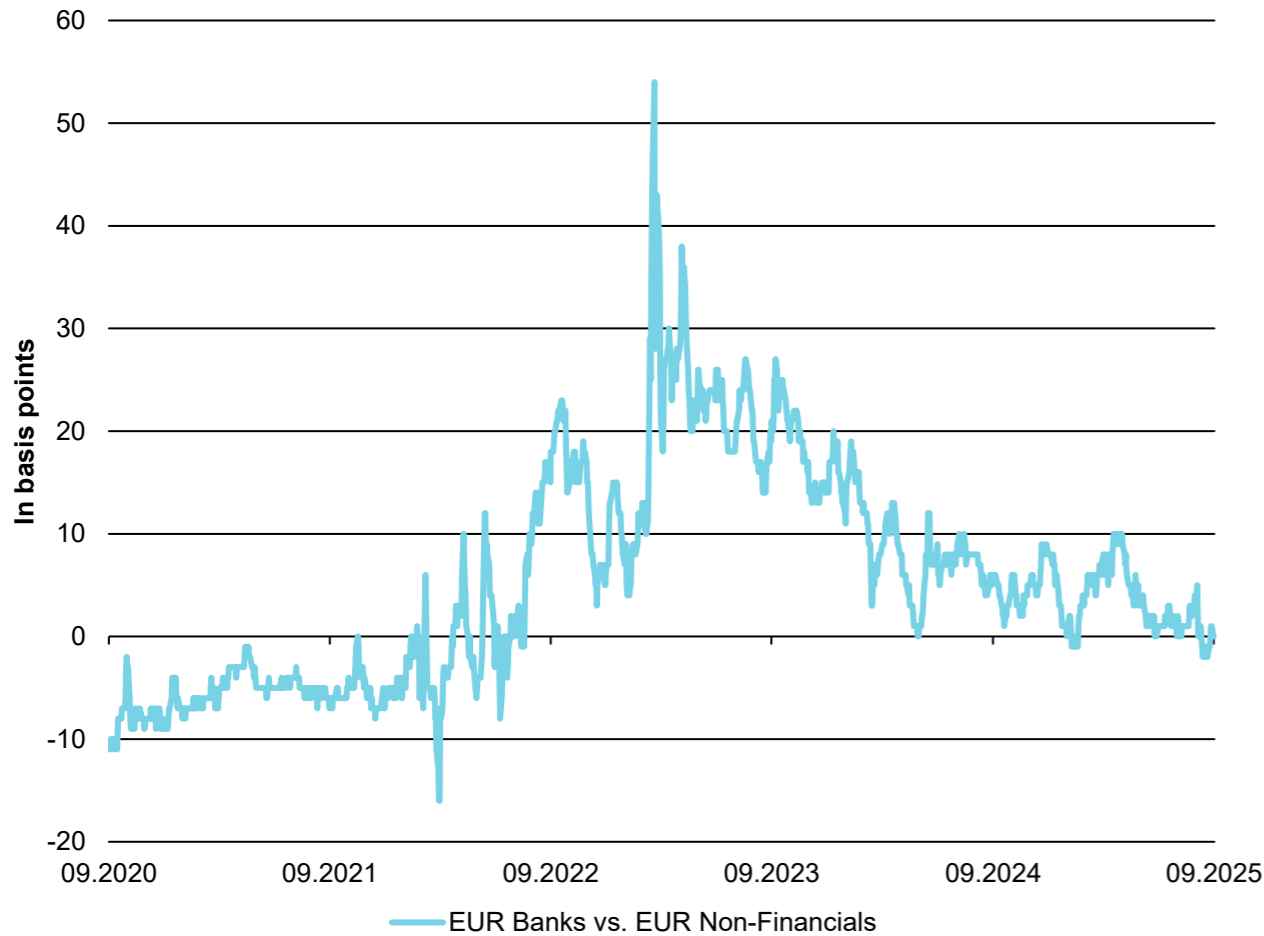
New issue premium US Investment Grade



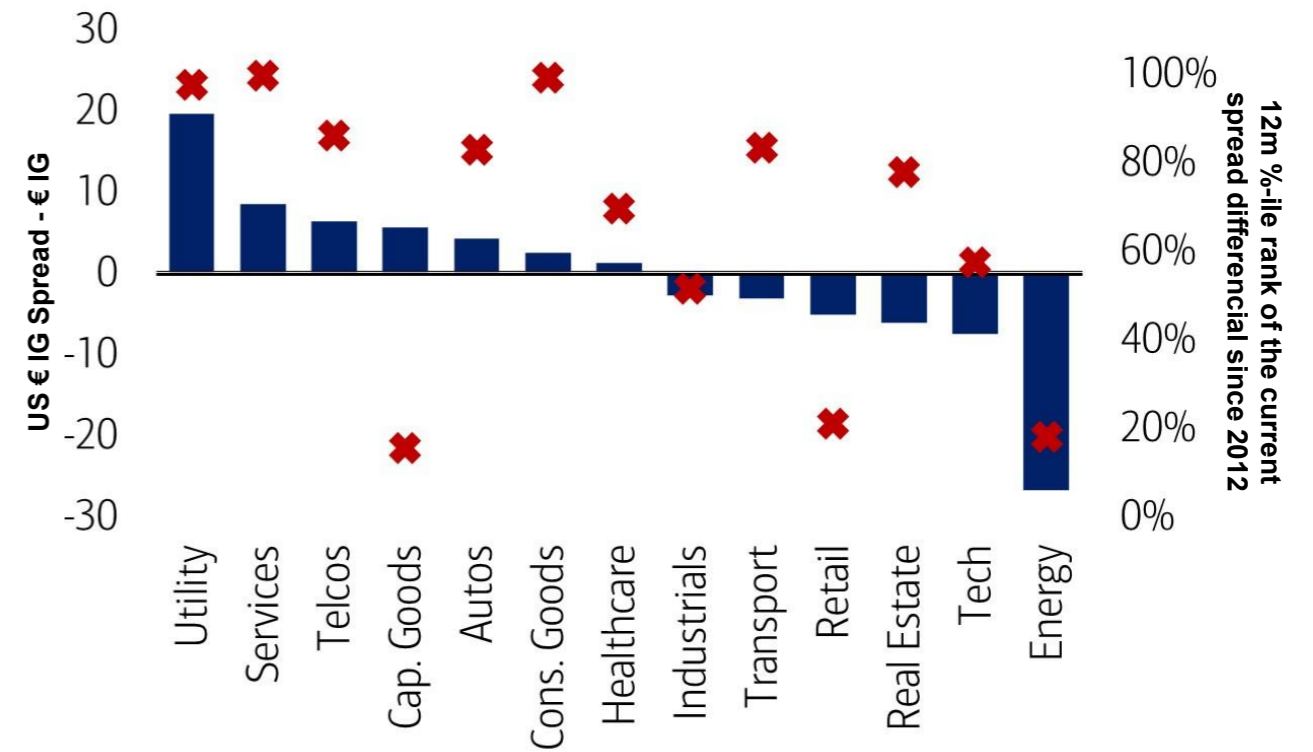
Any projections or forward-looking data herein are based on a variety of estimates and assumptions. There can be no assurance that those estimates or assumptions will prove accurate, and actual results may differ materially. Source: Bank of America Merrill Lynch, Vontobel, 10.2025.

#9. Overall credit spreads screen tight but spread moves vary across sectors...

Being long Financials has been rewarding



Relative value in Reverse Yankees differs across sectors



Example for **Utilities**: the Spread of US Issuers issuing in EUR IG minus the spread of the overall EUR IG Energy Sector is at around +20bps (blue bar). It corresponds to the 90th 12m-percentile rank of the current spread differential since 2012 (red cross), meaning the reverse yankees in the Utility sector are trading at attractive levels.

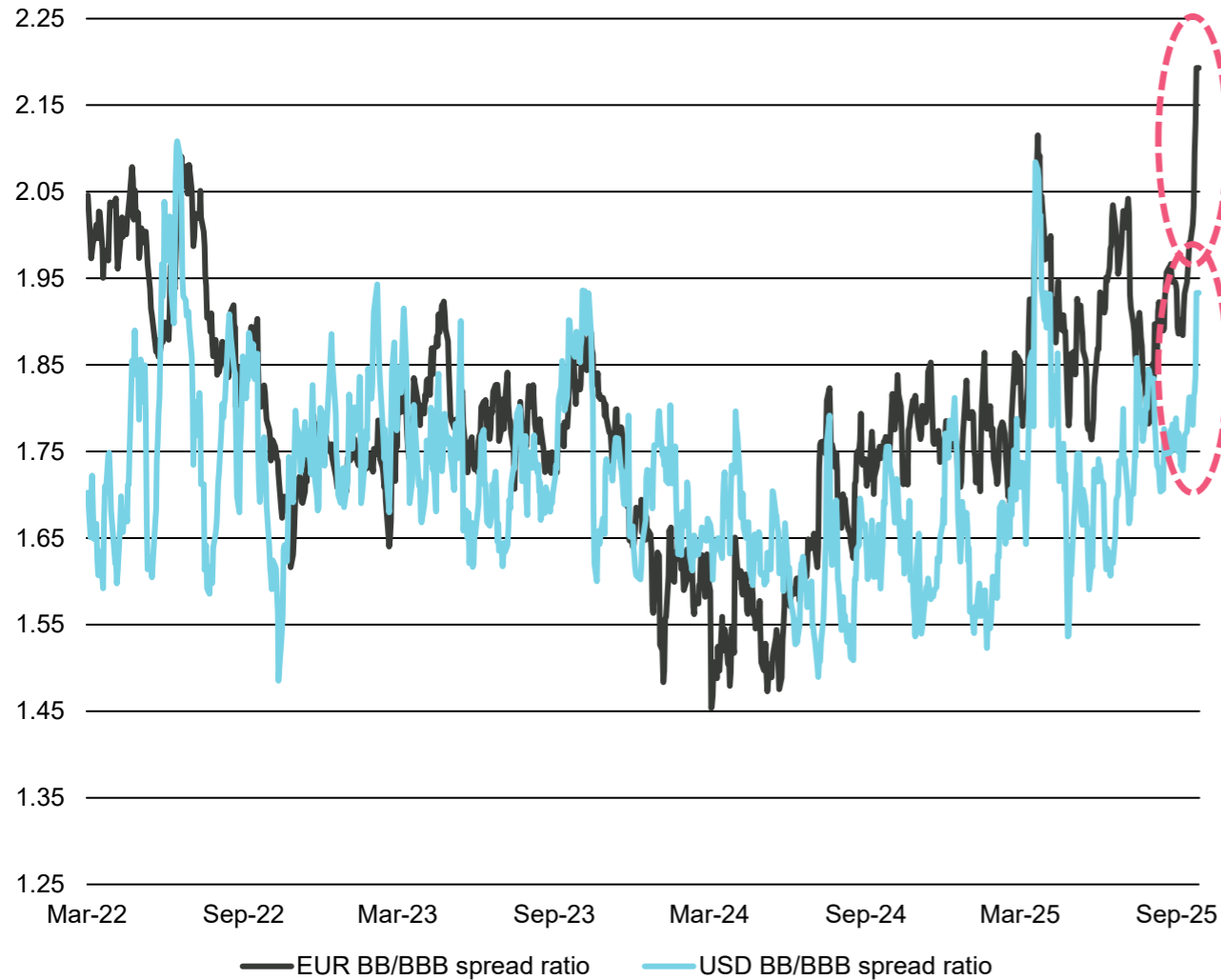
Past performance is not a reliable indicator of current or future performance.

The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

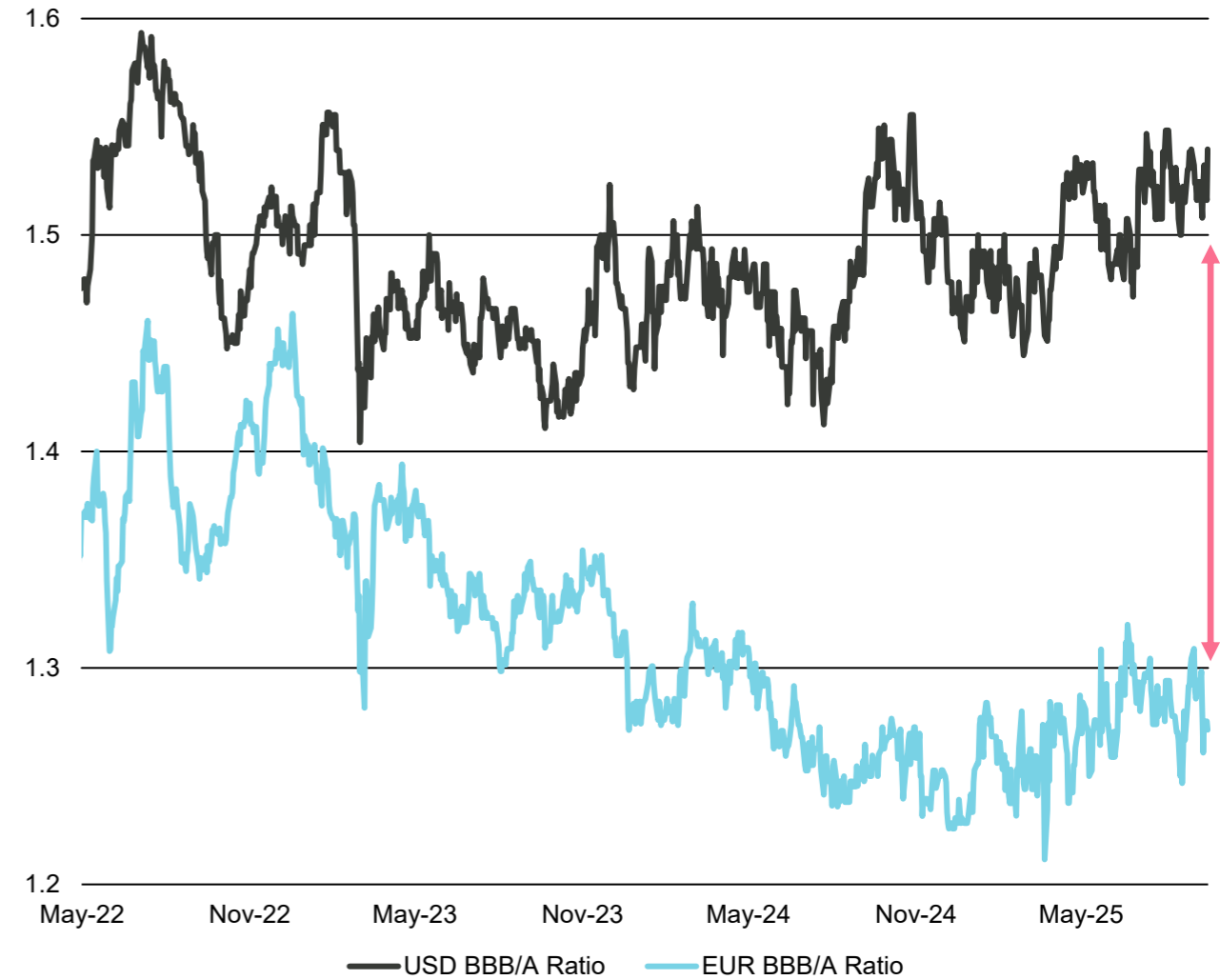
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...and rating categories, also comparing globally.

BB rated bonds screen more attractive again



USD BBB/A ratio trading wide to the EUR BBB/A ratio



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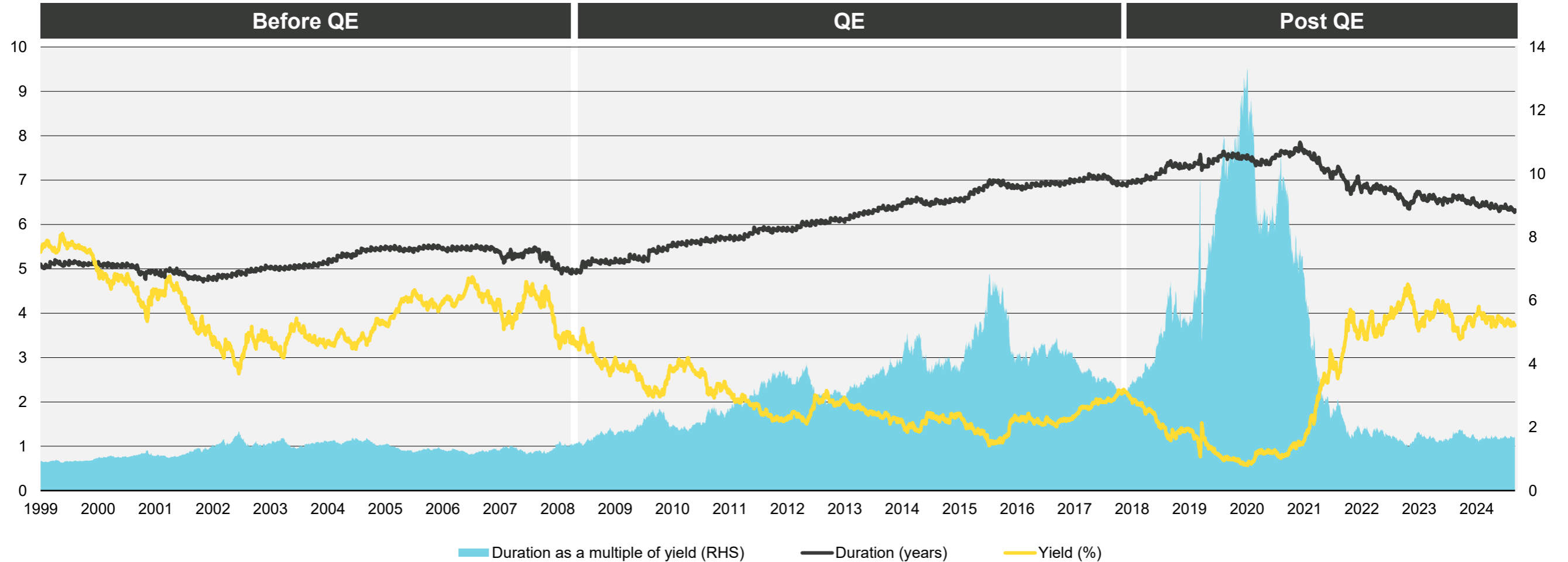
The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Source: Bloomberg, Vontobel, 10.2025.

#10. For investors, duration is trending lower while yields remain at a multi-year high.

Valuation

Ratio of duration (risk) vs. yield (reward)



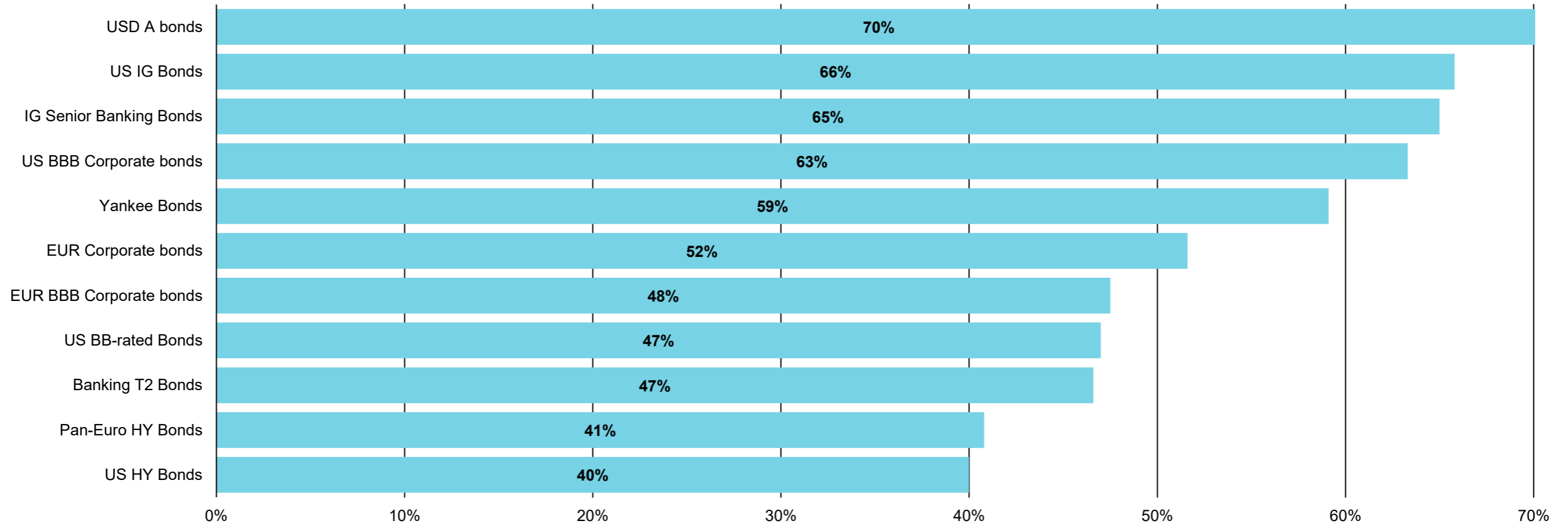
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Underlying data BAML Global Broad Market Index. Included for illustrative purposes only. It is not possible to invest directly into an index and they will not be actively managed. Source: Vontobel, ICE Indices; 09.2025.

With overall yields at very high levels, dispersion exists among credit categories...

Yield ranking in percentile: US IG compares well to US HY



→ **The yield of USD-denominated A-rated bonds ranks at the 70th percentile when comparing the yields over the last 20 years; in other words, the segment currently screens very attractive.**

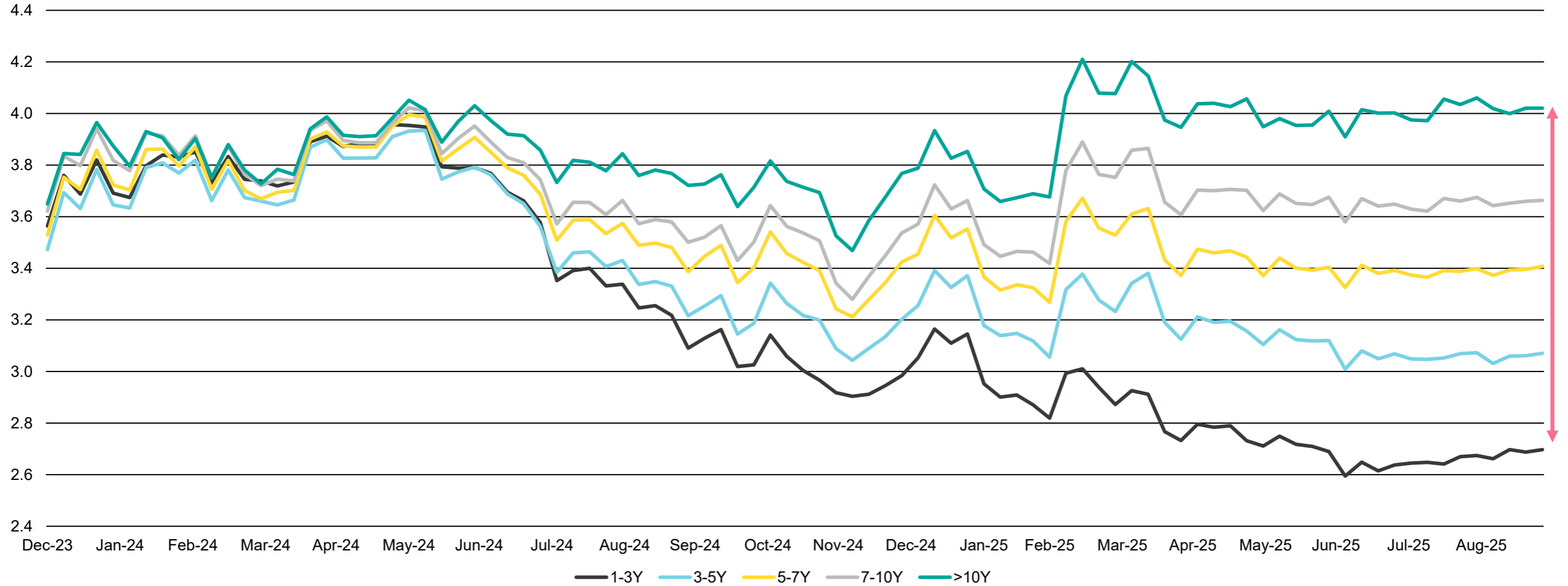
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 Source: BoA Indices (from top to bottom: LCB1YW Index, LBUSSTAT Index, LECPYW Index, I08153 Index, I14747 Index, I26810 Index, LUACYW Index, LF98YW Index, LP02YW Index and BCBAW Index) with data from 31.08.2005 until 29.08.2025, Vontobel, 9.2025.

...and also bond maturities, as long dated bonds still trading at high yield levels.

Valuation

EUR BBB Non-Fin debt – Yield (%)



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Source: Santander, Vontobel, 9.2025.

Summary: Major global credit topics into year-end



How does the world look?

Macroeconomics:

Global growth indicators trending lower, job market cooling down also due to tariffs. This should keep central banks incentivized to cut rates.

Microeconomics:

Credit metrics remain stable to improving. Within IG, the rating momentum remains favorable but fallen angel risk increased.

Technicals:

Issuance likely to remain high with US firms issuing a lot in EUR. Inflows into credit funds remain strong.

Valuation:

Credit spreads screen tight but yields remain very attractive. We observe dispersion among credit categories.



How may investors extract value?

Take an active approach to benefit from a potential economic divergence. Swiftly **switch across regions and sectors**.

Be more selective and identify issuers with a **stable to improving** credit trend. Keep an eye on fallen angels to **avoid spread widening**.

Be selective in the primary market to ensure **attractive premiums** and aim to benefit from periods of **volatility** in the secondary market.

Screen for **relative value** opportunities among sectors, ratings and regions. Take advantage of the **dispersion** in the market.

This is not the end...

...as there are obviously more interesting topics on our agenda, and we are more than happy to share our thoughts with you.



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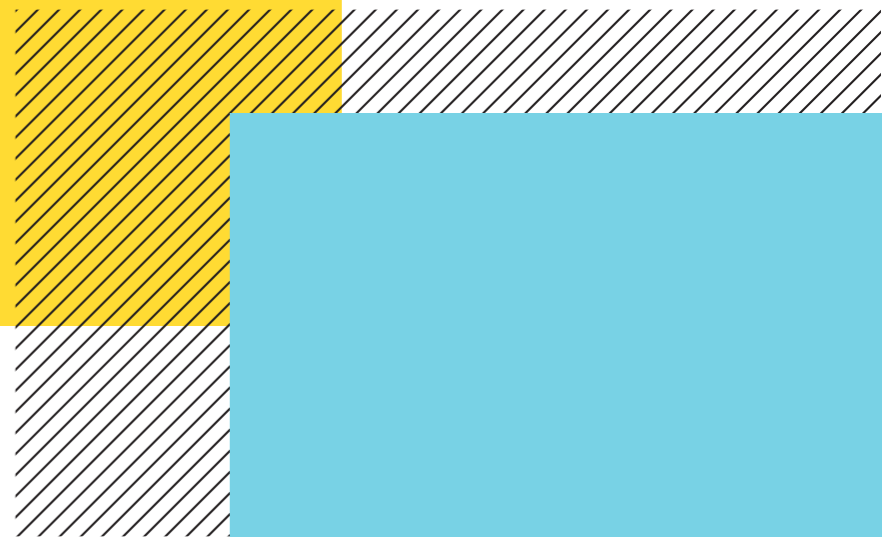
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