Vontobel

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Still waters or into the wild?

Global Credit Outlook 2026

Public

January 2026

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Global Credit - 10 major topics for 2026:

Macroeconomics

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

Microeconomics

4. Will credit metrics remain strong?
5. How about the rating momentum?
6. Do we see an AI bubble emerging?

Technical Factors

7. What is driving bond issuance going forward?
8. How about investors' risk appetite?

Valuation

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

Our monthly scorecard evaluates the four main driving factors for global credit.
Macroeconomics (economic trends and monetary policy), Microeconomics (corporate fundamentals), Technical Factors (flows, new issues, etc.) and Valuation. Our market outlook follows this structure. Vontobel, 12.2025.

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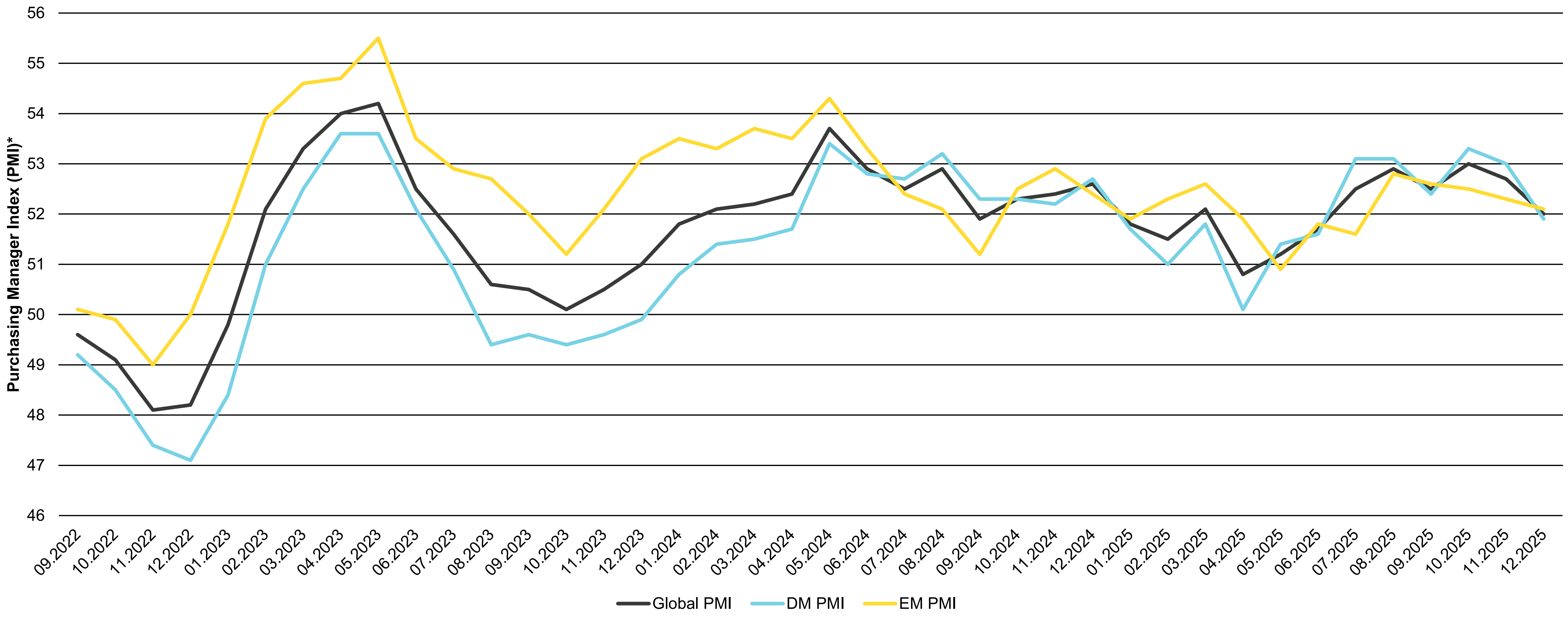
#1. Global PMIs remained in expansionary territory, despite a recent slow down…

Macro

Resilient PMIs since summer 2025



*PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or service firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.
Source: Bloomberg, Vontobel, 31.12.2025.

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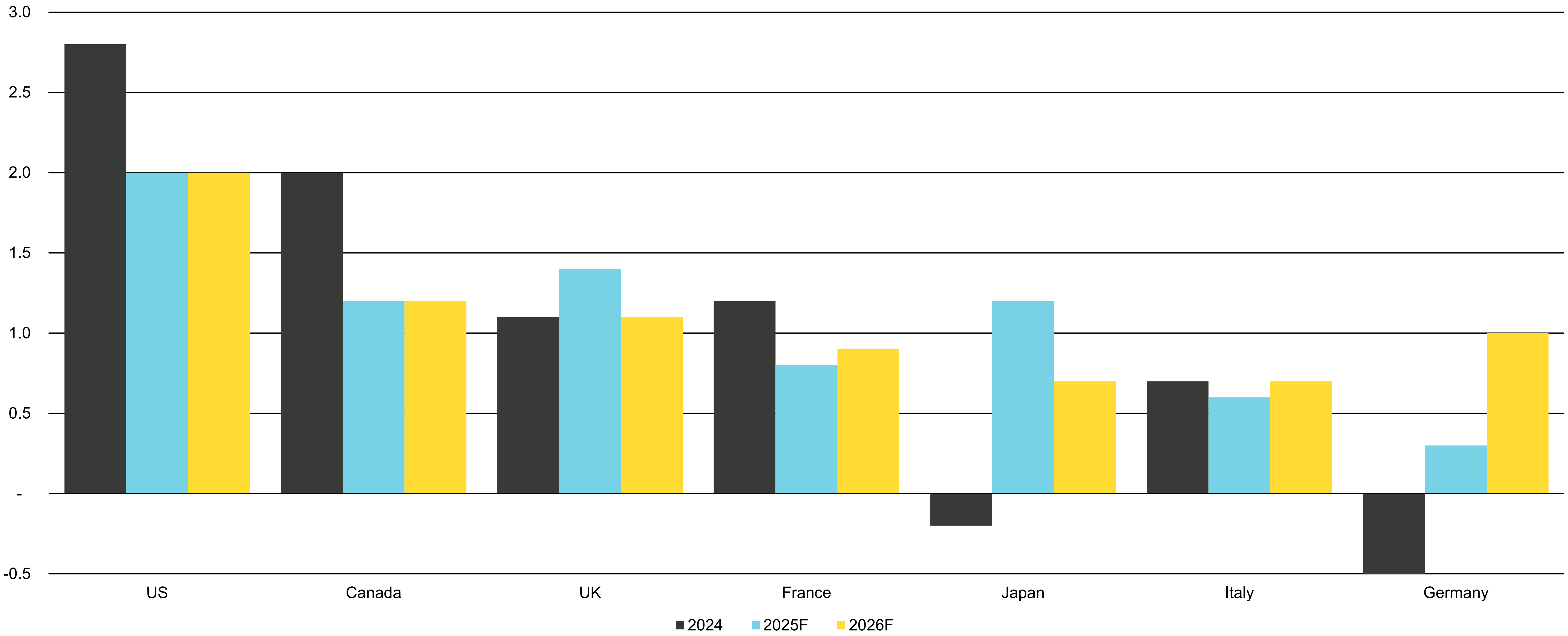
…while growth rates are expected to improve in certain countries, other than the US.

Macro

Median Bloomberg forecasts of real GDP growth for G7 countries



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Source: Bloomberg, Vontobel, 12.2025.

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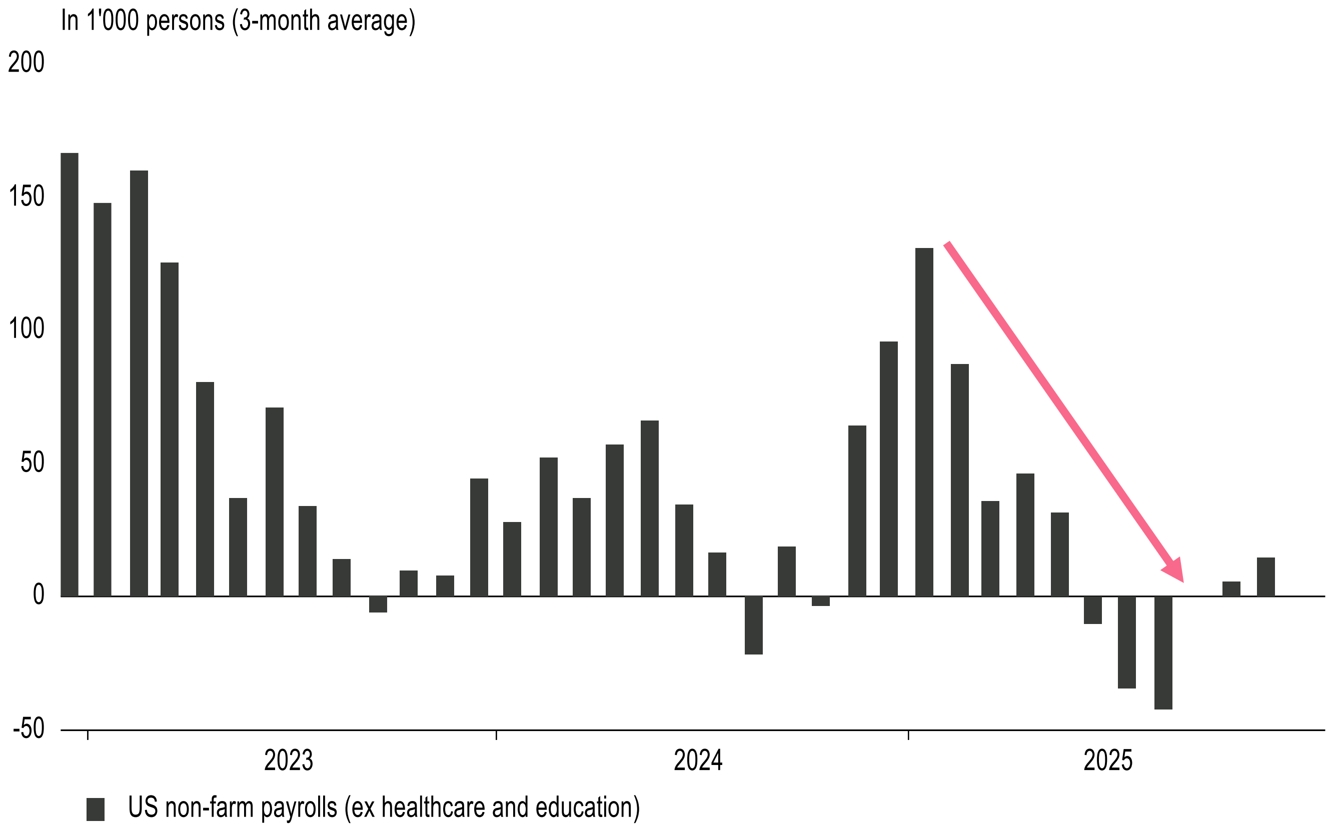
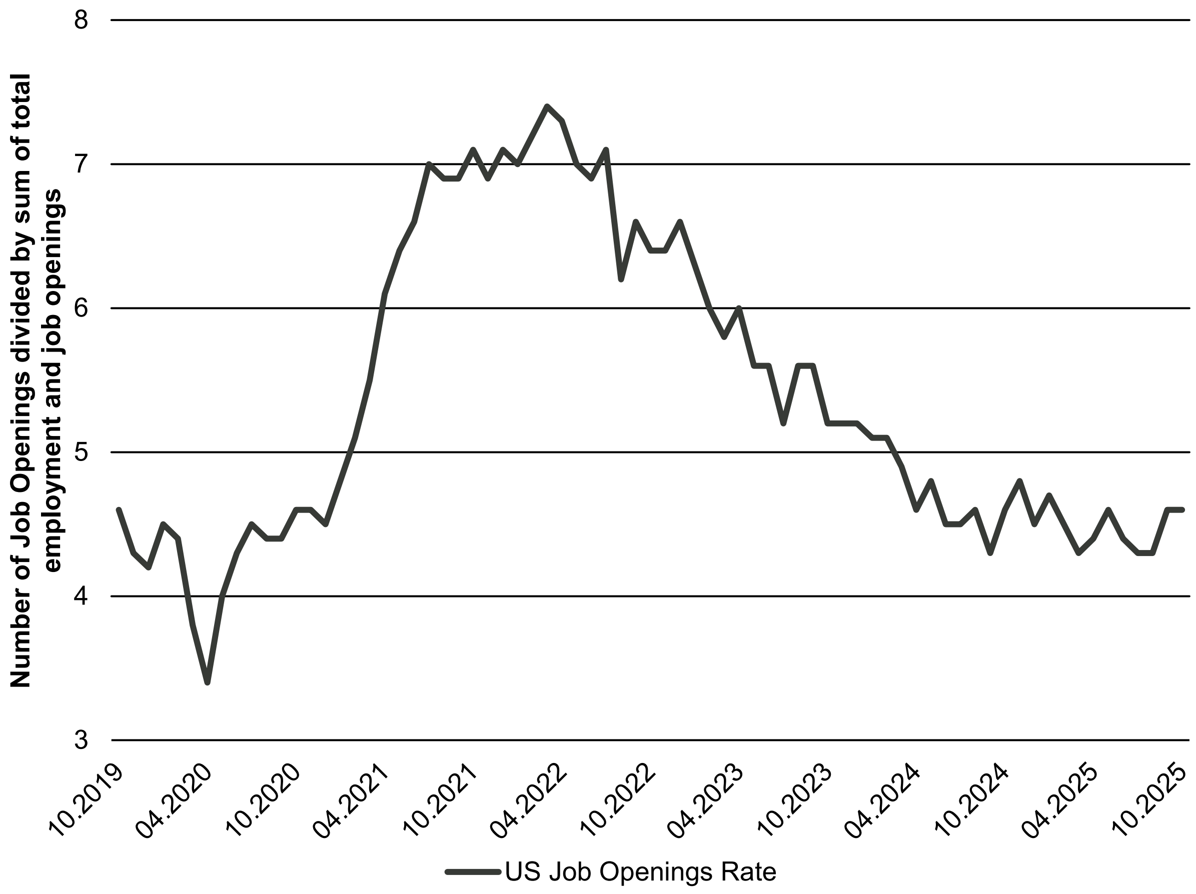
#2. The US job market remains in focus as the trend is deteriorating.

Macro

US private sector job creation deteriorated



US job openings remain subdued



Source: LSEG, Bloomberg, US Bureau of Labor Statistics, Vontobel, 12.2025.

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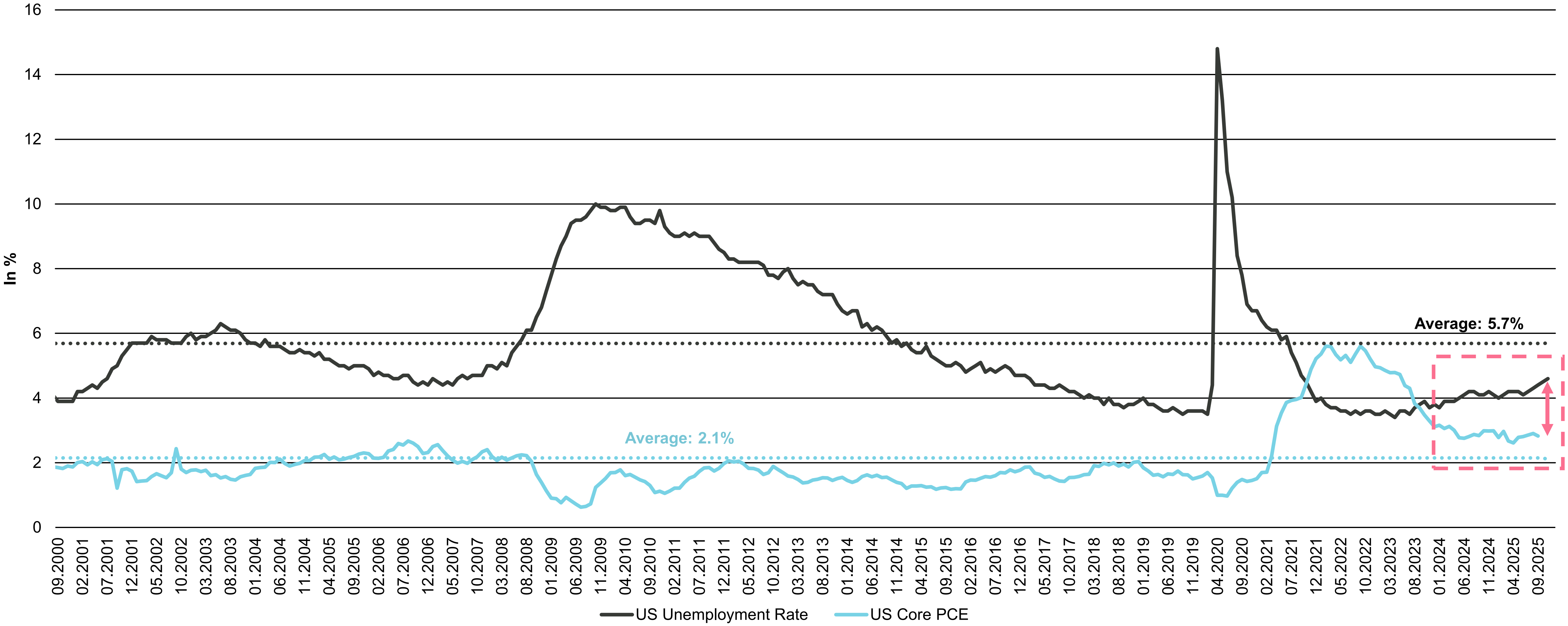
#3. The Fed's Dilemma: boost the economy or tame inflation?

Macro

Inflation has remained sticky despite a deteriorating job market



Please note that there is no October 2025 data point due to the US government shutdown.
Source: Bloomberg, Vontobel, 12.2025.

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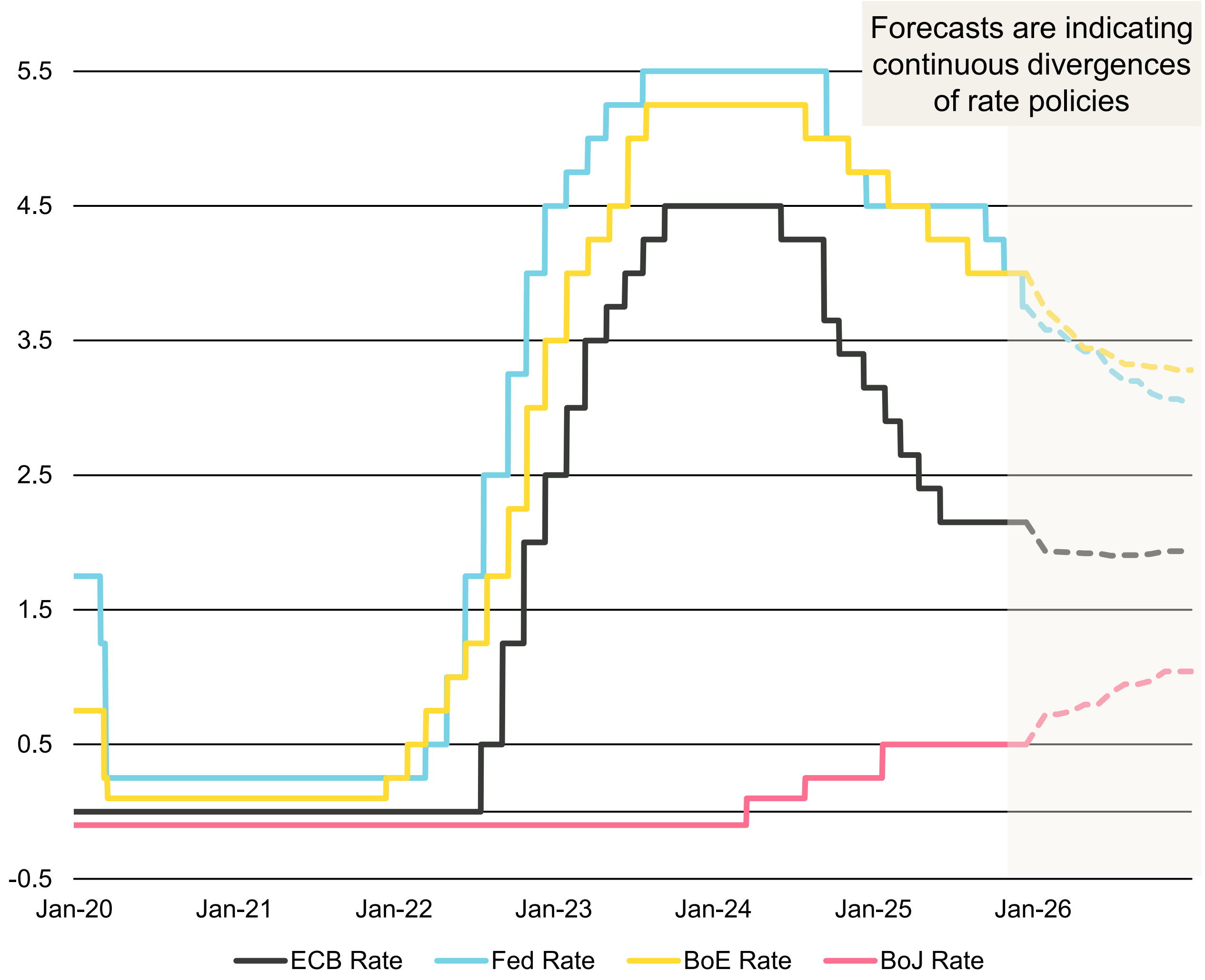
Divergence among central bank policy and a new incoming Fed chair in 2026.

Macro

Central bank policy rates (%)



Upcoming changes at the Fed

FOMC Board Members	Hawk/ Dove	Term end
Jerome Powell, Chair		May 2026 (as Chair), Jan 2028
Michael Barr	Hawk	Jan 2032
Michelle Bowman	Dove	Jan 2034
Lisa Cook	Hawk	Jan 2038
Philip Jefferson	Dove	Jan 2036
Christopher Waller	Dove	Jan 2030
Adriana Kugler	*Hawk*	*Resigned*
Stephen Miran	Dove	New, from Jan 2026 onwards

New Fed Chair to be sworn in May 2026 - to be known early 2026

Kevin Hassett	Dove
Kevin Warsh	Dove

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Source: Implied Central Bank rate according to the US Futures market (Fed) and OIS markets (ECB & BoE), Bloomberg, Vontobel, 12.2025.

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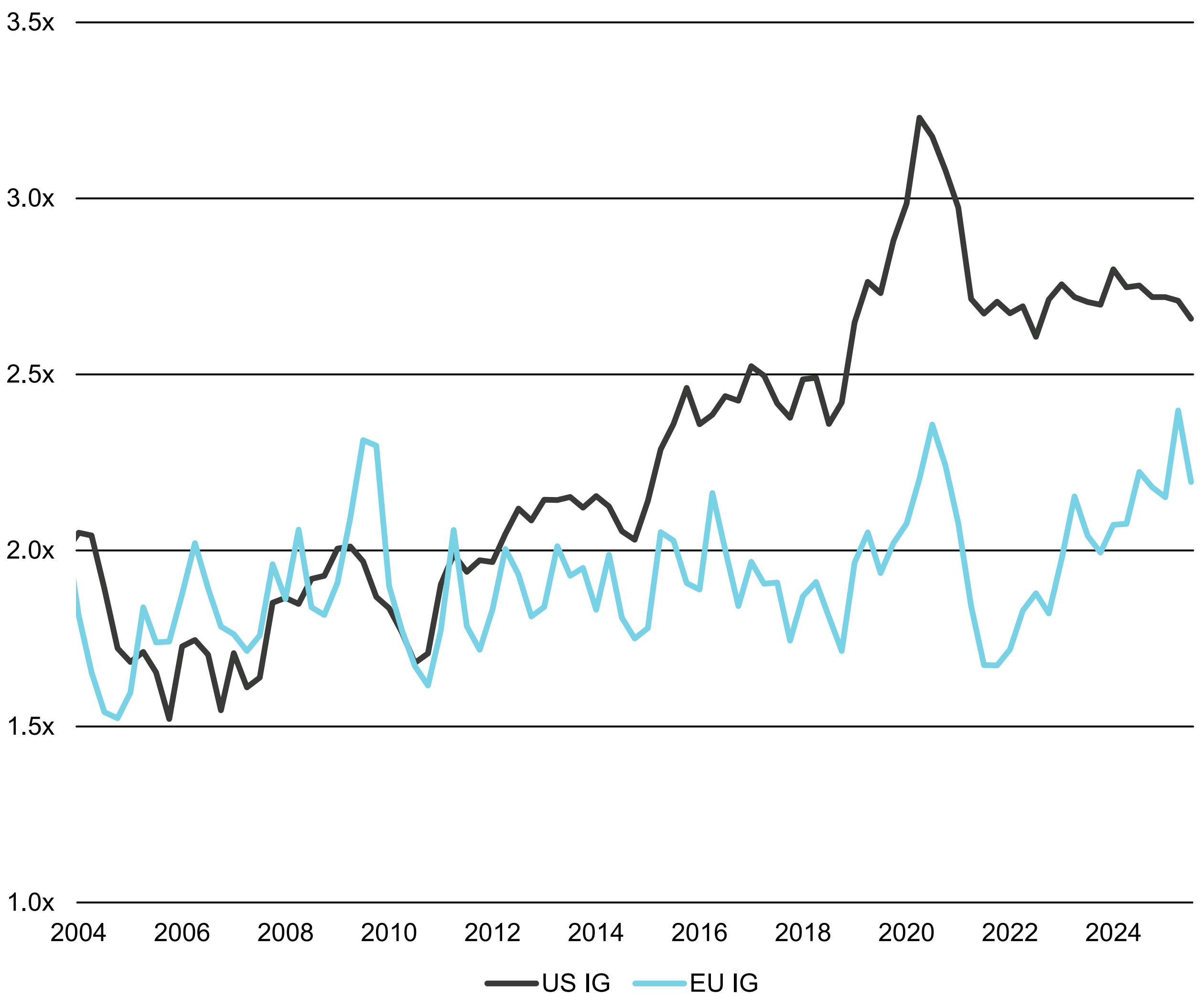
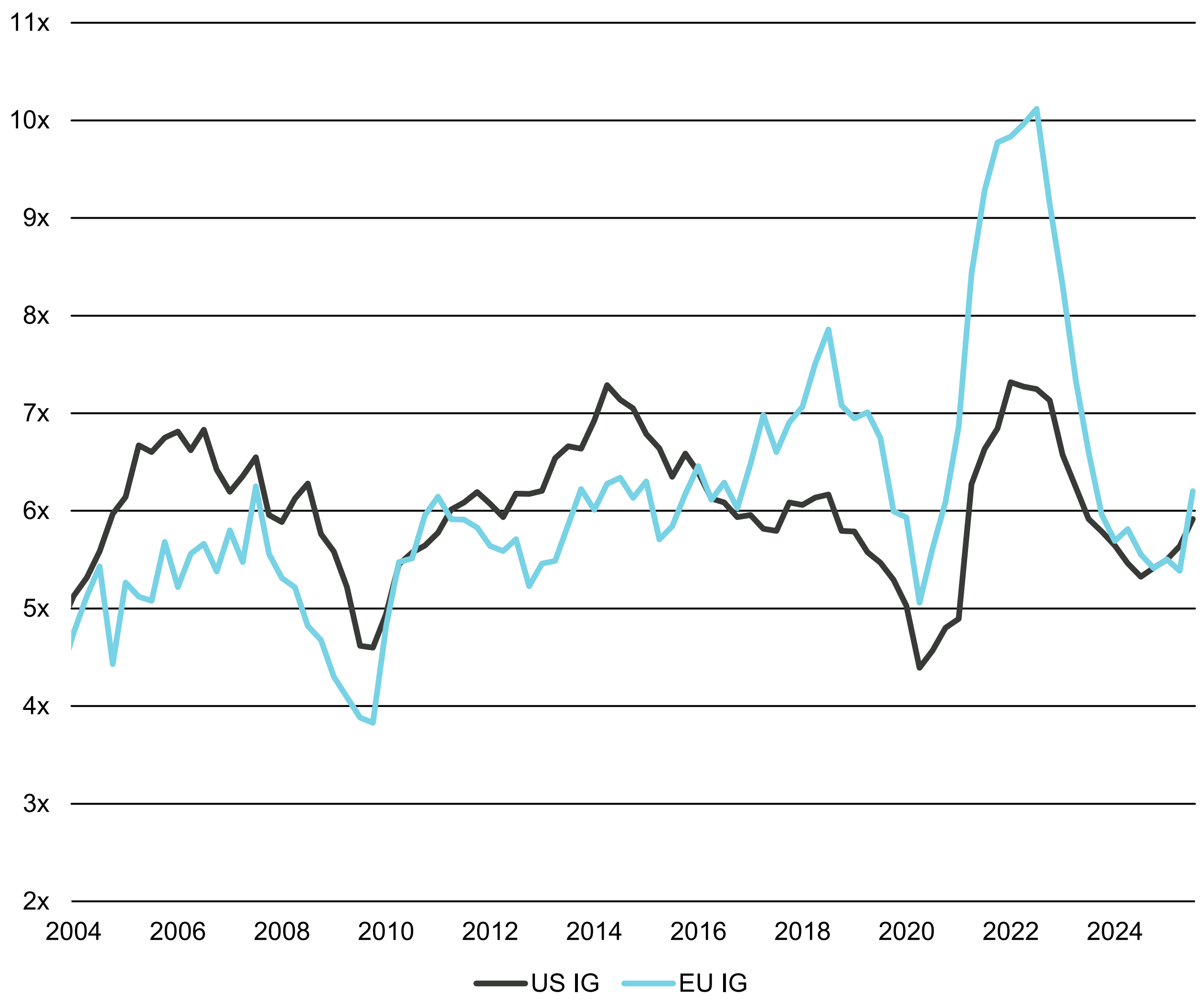
#4. Corporates are well positioned as credit metrics are in good shape...

Micro

Net leverage trend



Interest coverage



Source: Goldman Sachs, Vontobel, 12.2025. Note: Data includes Q3 2025 results of US Investment Grade Non-Financial issuers. Net leverage = Total debt minus cash divided by EBITDA.

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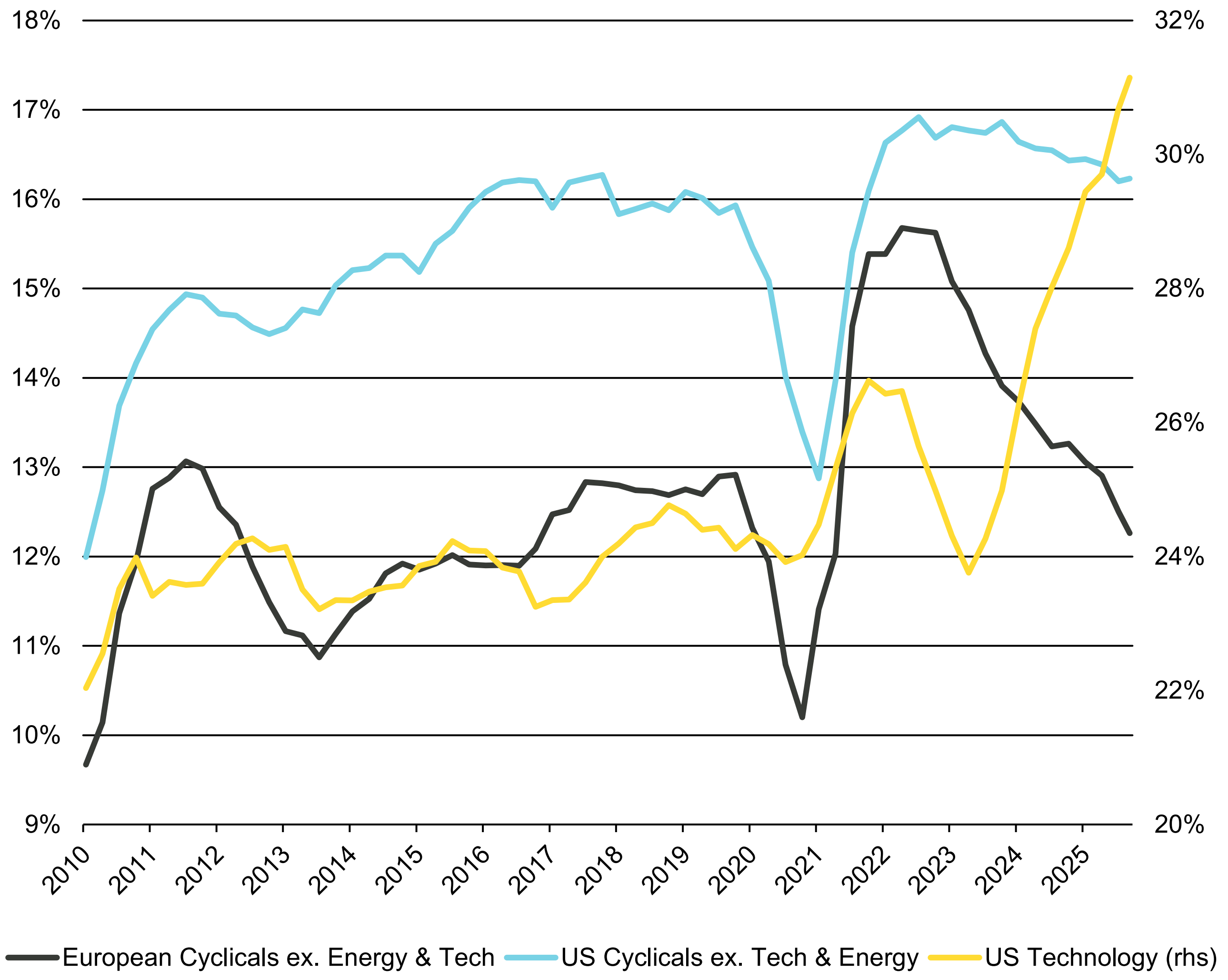
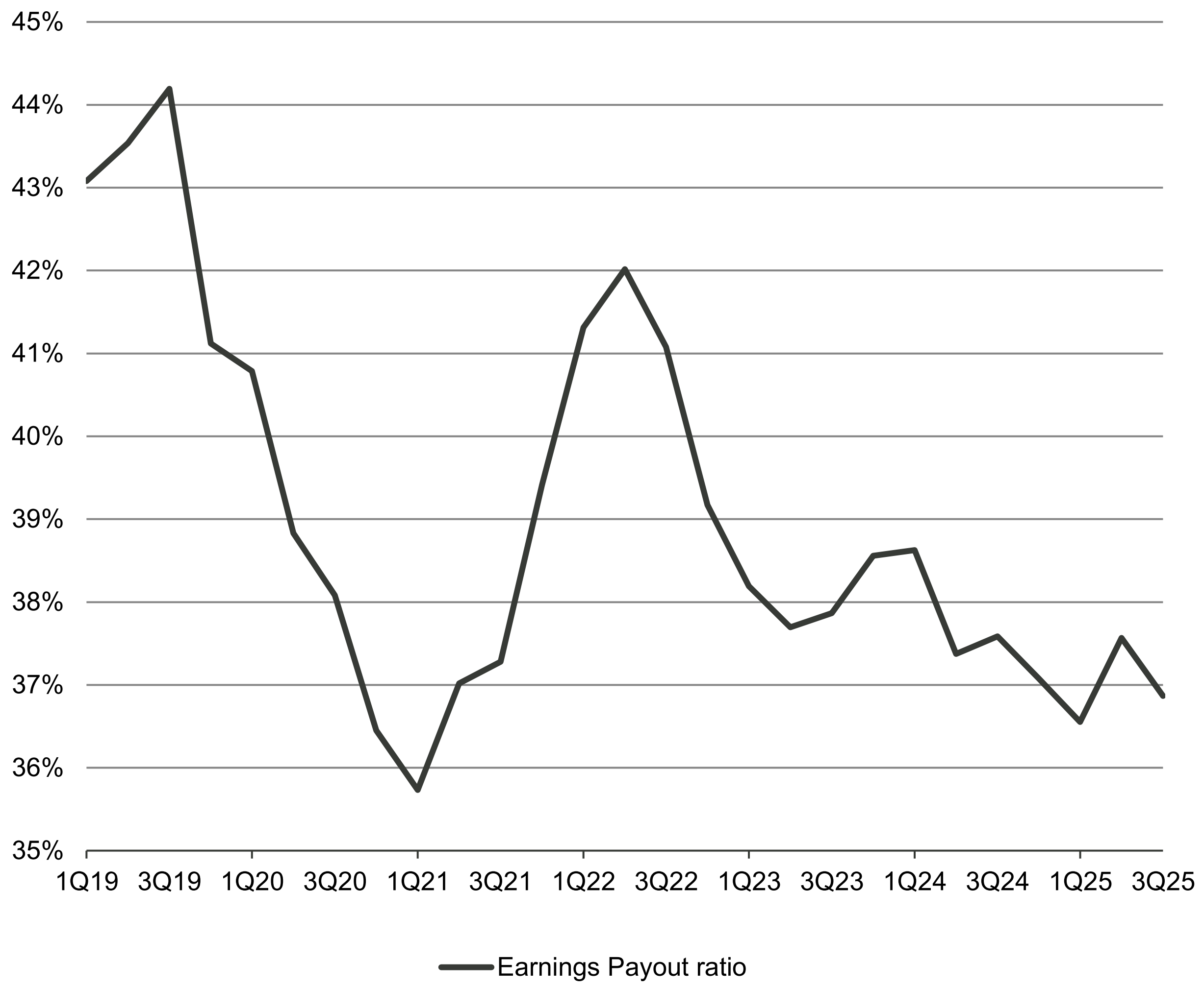
Micro

… driven by solid margins and prudent balance sheet management.

Solid to improving margins, except European cyclicals



Modest earnings payout ratio (US)



Source: Deutsche Bank, JP Morgan, Vontobel, 12.2025.

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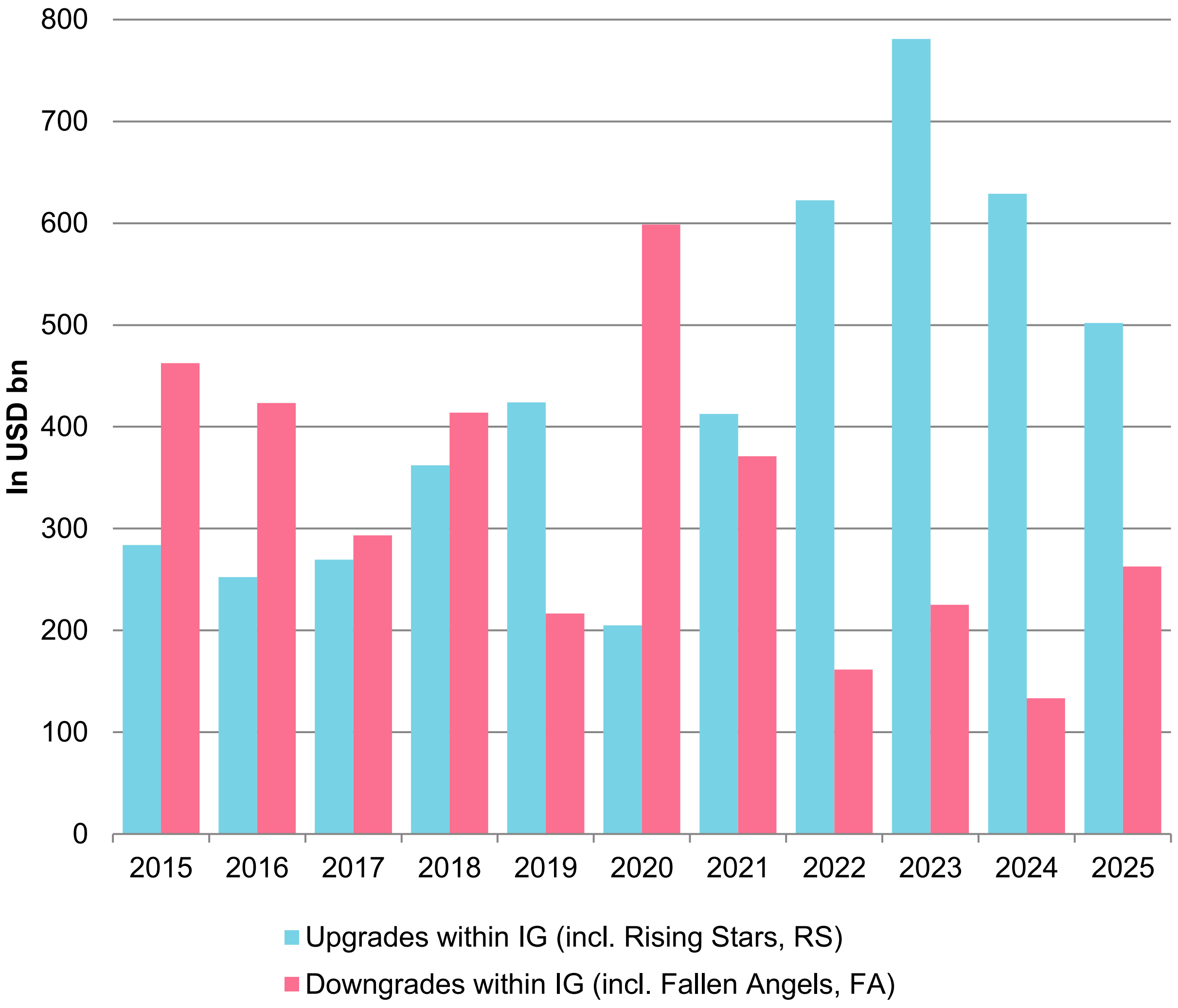
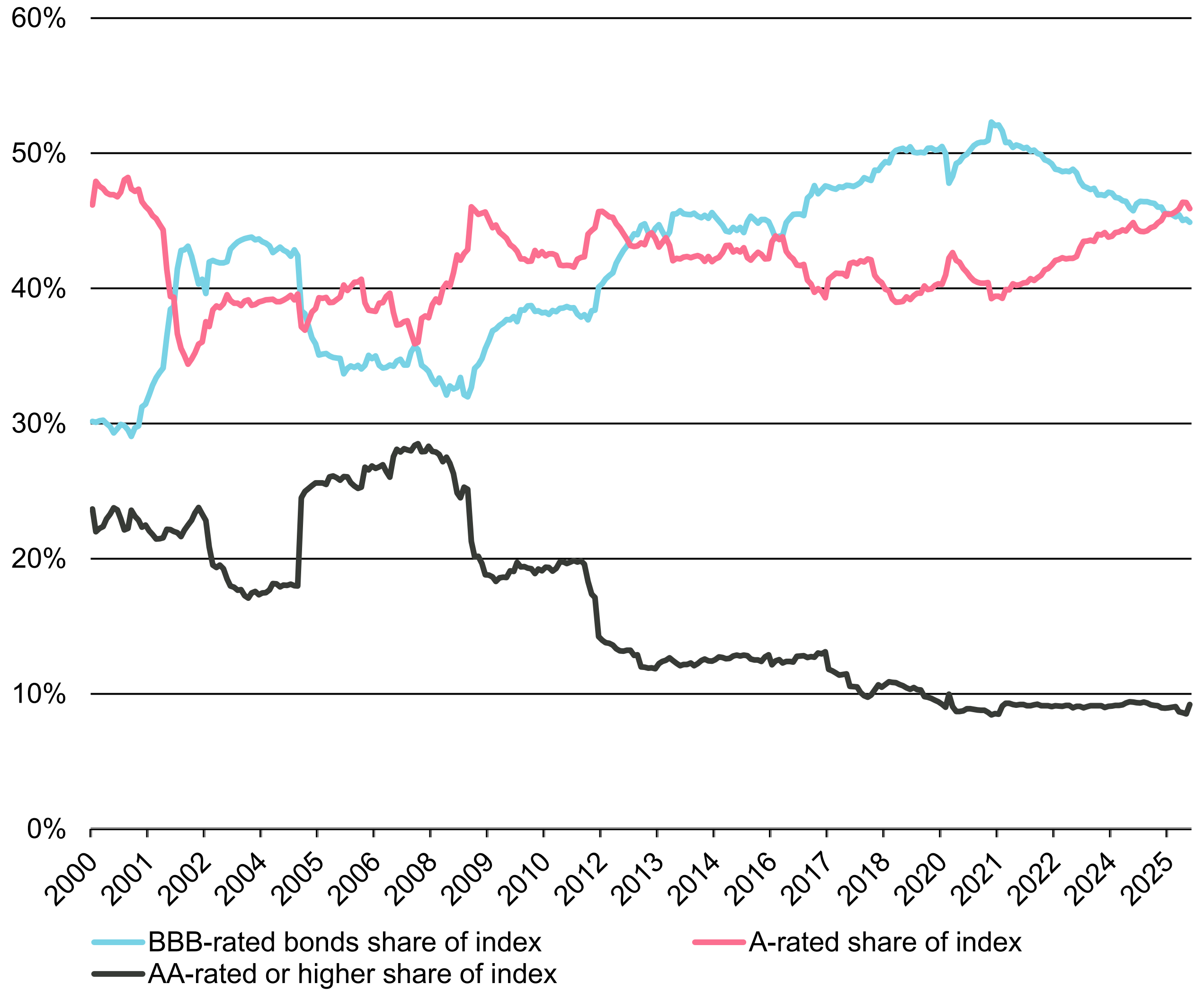
#5. Positive rating trend translating into higher quality investment universe...

Micro

Rating trend remains positive but slowing down



Quality in indices improving (US IG)



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, Bank of America, Vontobel, 12.2025.

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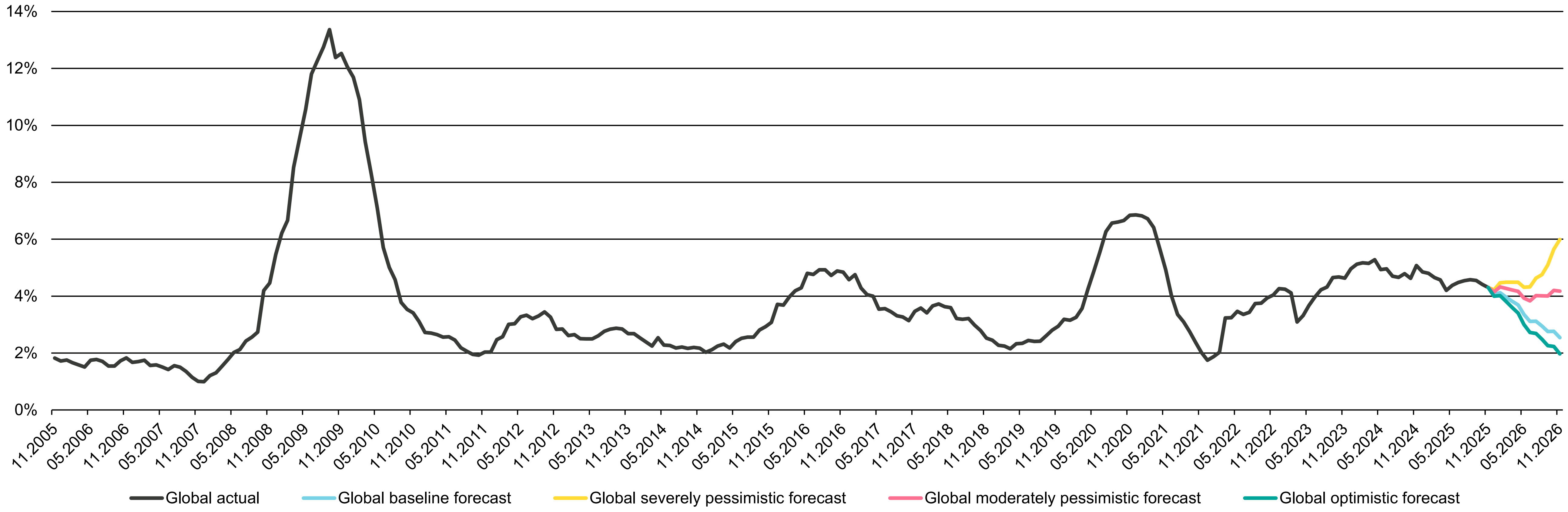
… and credit default rates remain at low levels.

Micro

Global High-Yield default rates since 2005



→ **Moody‘s expects a global high yield default rate of 2.5% in its baseline scenario, which would consitiute a sharp drop from the realized rate of 4.3% in 2025.**

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: Moody’s, Vontobel, 12.2025.

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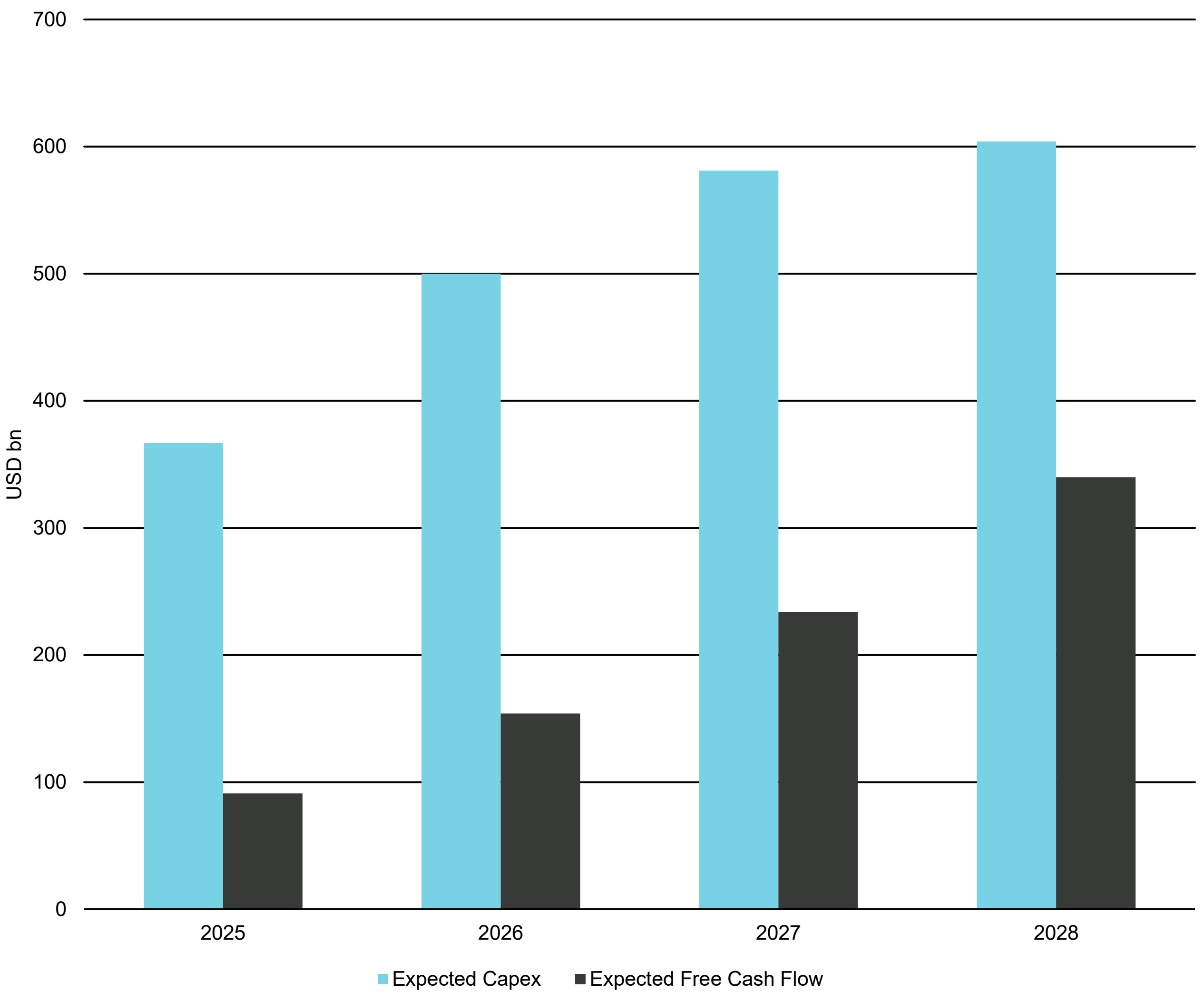
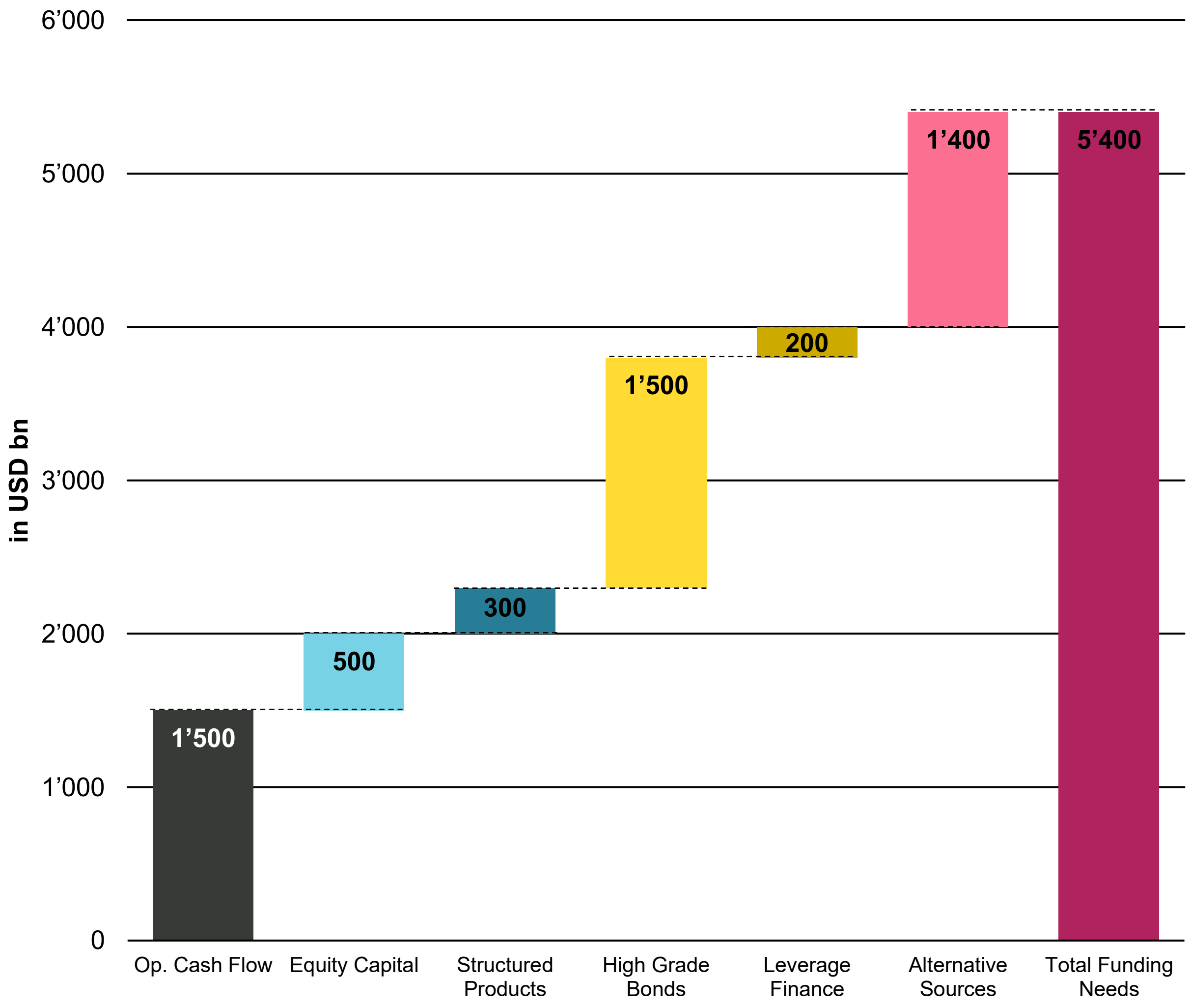
#6. AI related capex is significant and total funding sources could be enormous.

Micro

Big Four Tech firms: capex and free cash flow generation



Estimates of total AI & data center funding sources*



Any projections or forward-looking data herein are based on a variety of estimates and assumptions. Source: Bank of America, JP Morgan, Vontobel, 12.2025. Note: Big Four Tech firms shown are Meta, Amazon, Alphabet, Microsoft. Bloomberg consensus estimates. Dividends are assumed to be held flat. Does not include share repurchases. * Total Funding Sources are estimates to build out global data center and AI infrastructure and related power supplies. These are estimates only and could differ materially from the actual costs. Growth constraint by energy & power, real estate, water, commodity prices.

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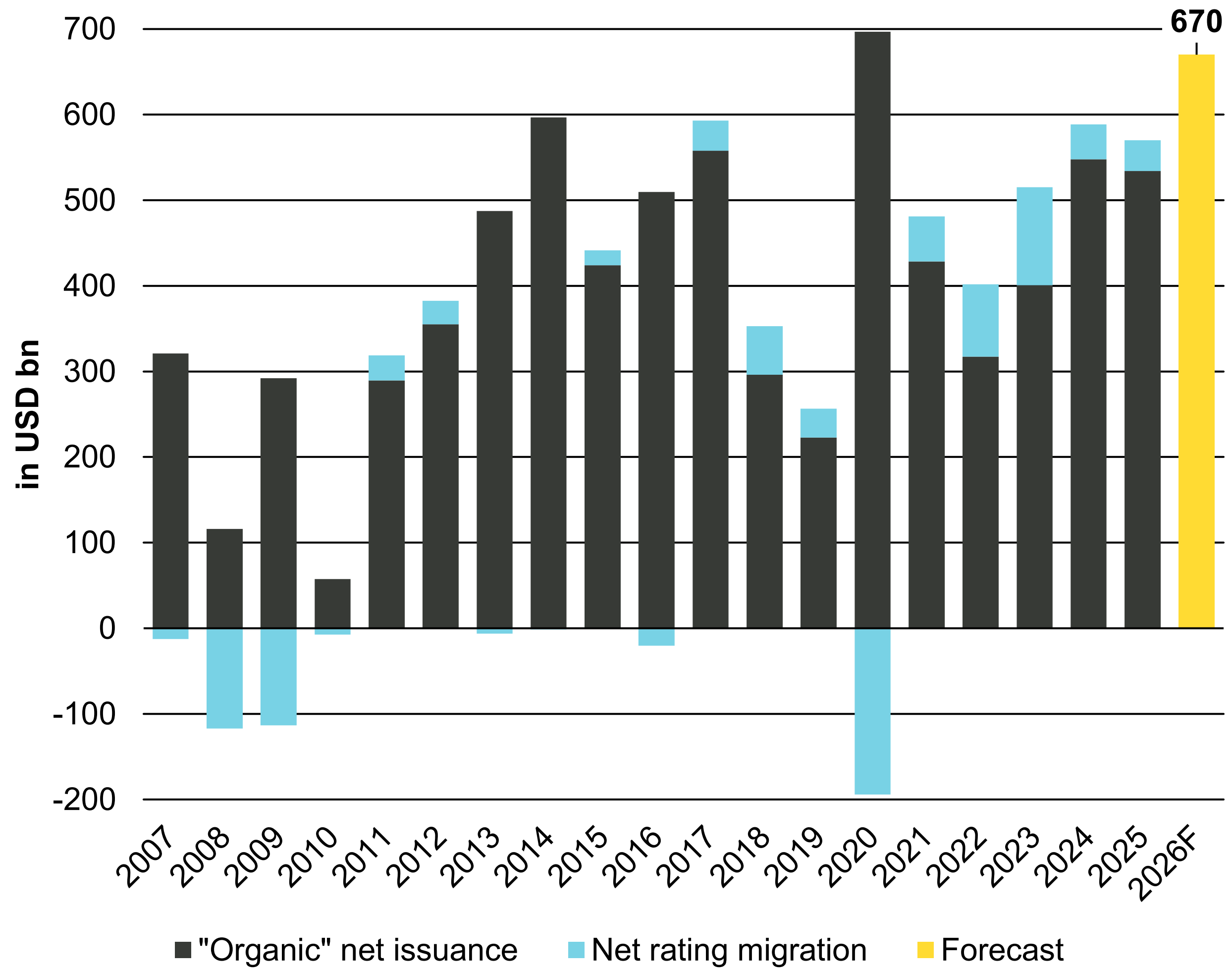
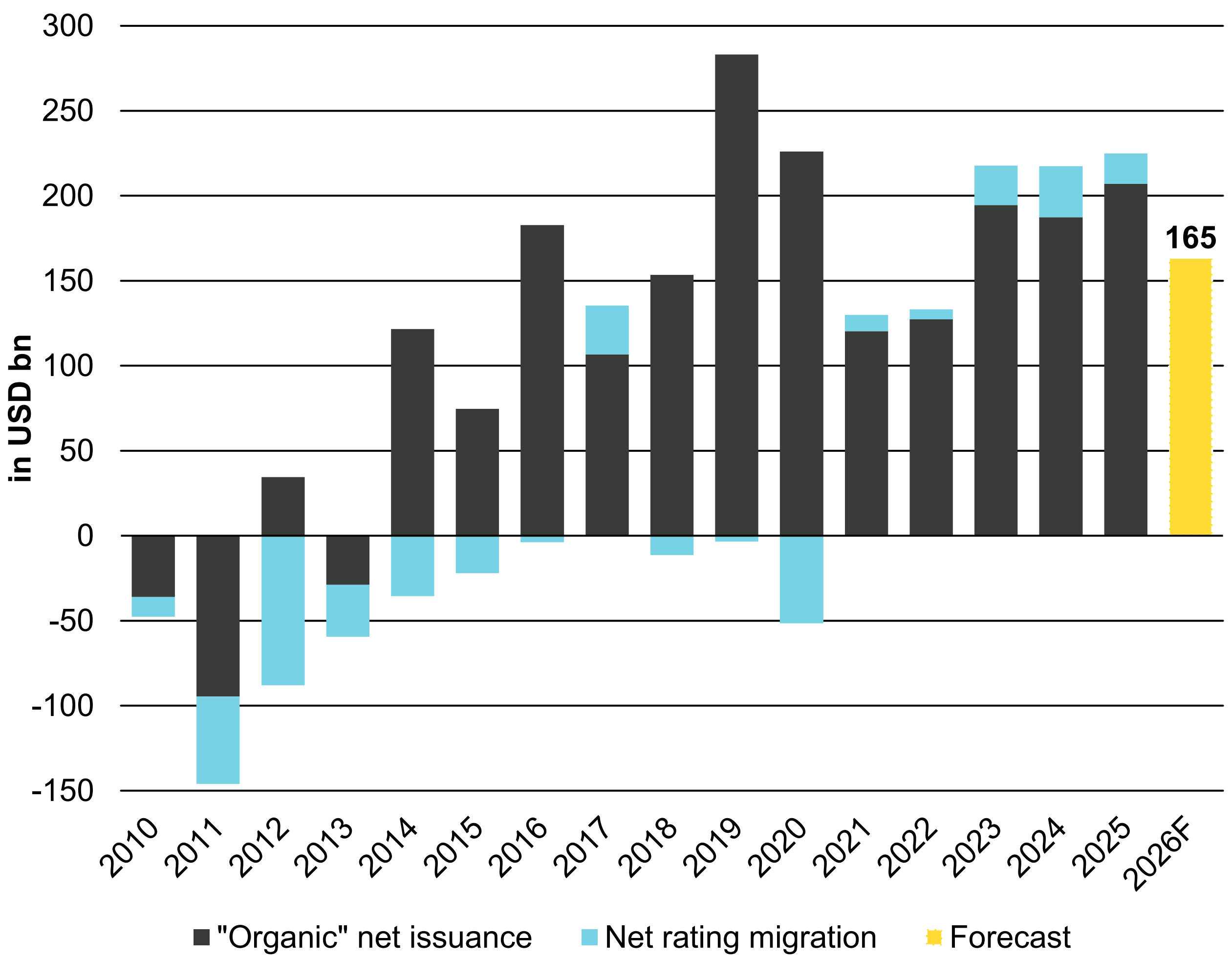
#7. Global corporate bond issuance remains at elevated levels, …

Technicals

USD IG net bond supply and rating migration



EUR IG net bond supply and rating migration



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.
“Organic” net issuance = normal bond issuance volumes. Source: Goldman Sachs, Vontobel, 12.2025.

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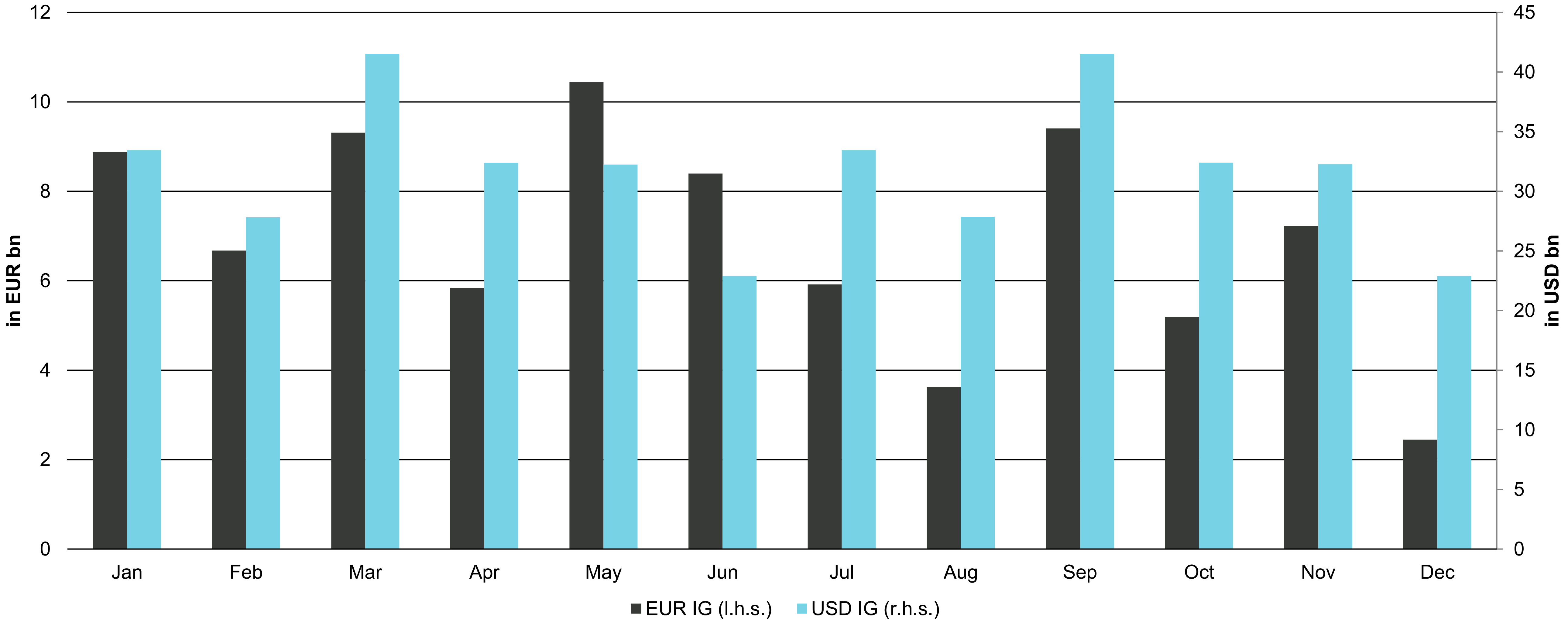
…absorbed partially by coupon payments which create a natural demand for credit.

Technicals

Monthly coupon payments in USD and EUR IG for 2026



Source: Société Générale CIB, Vontobel, 12.2025.

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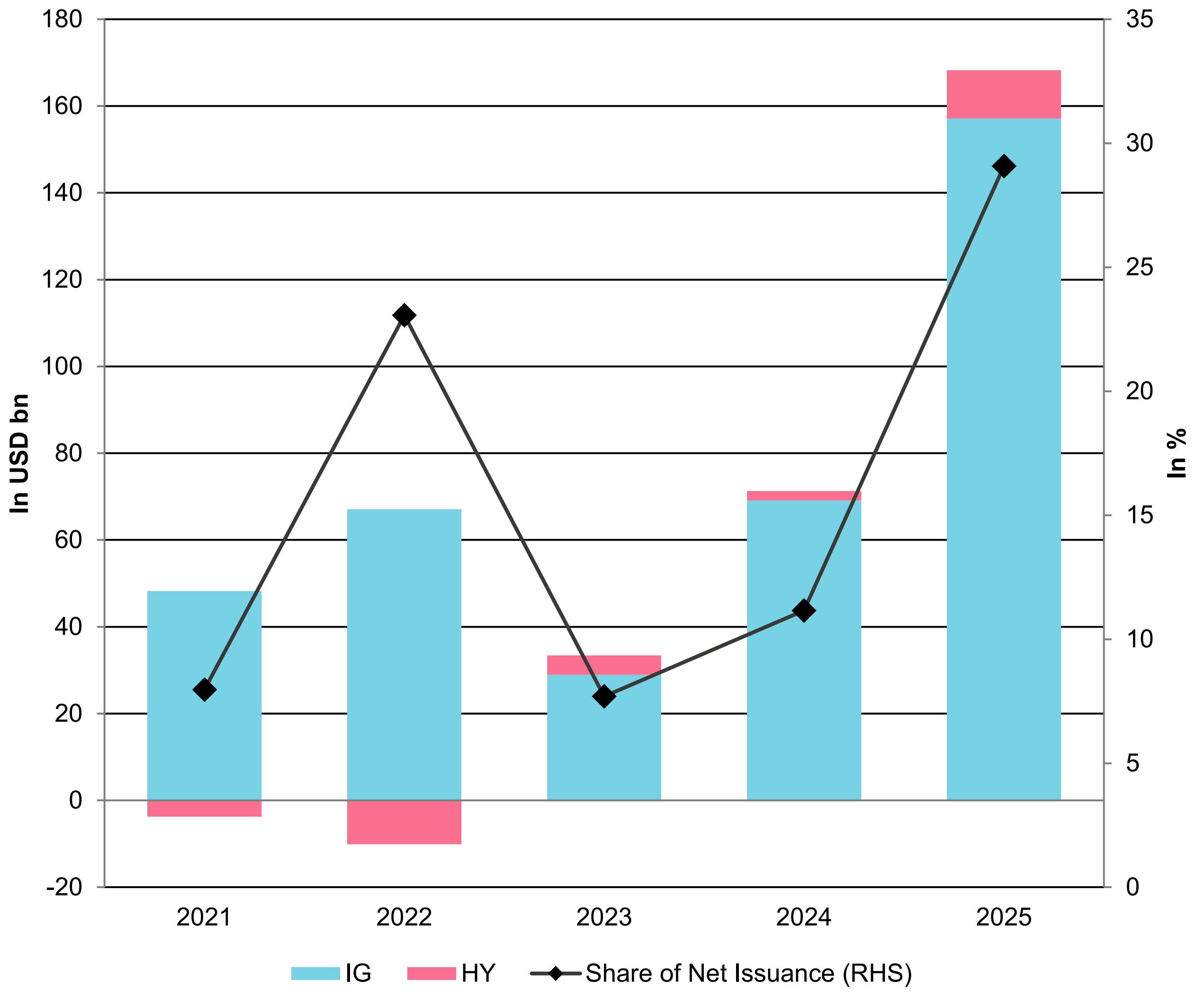
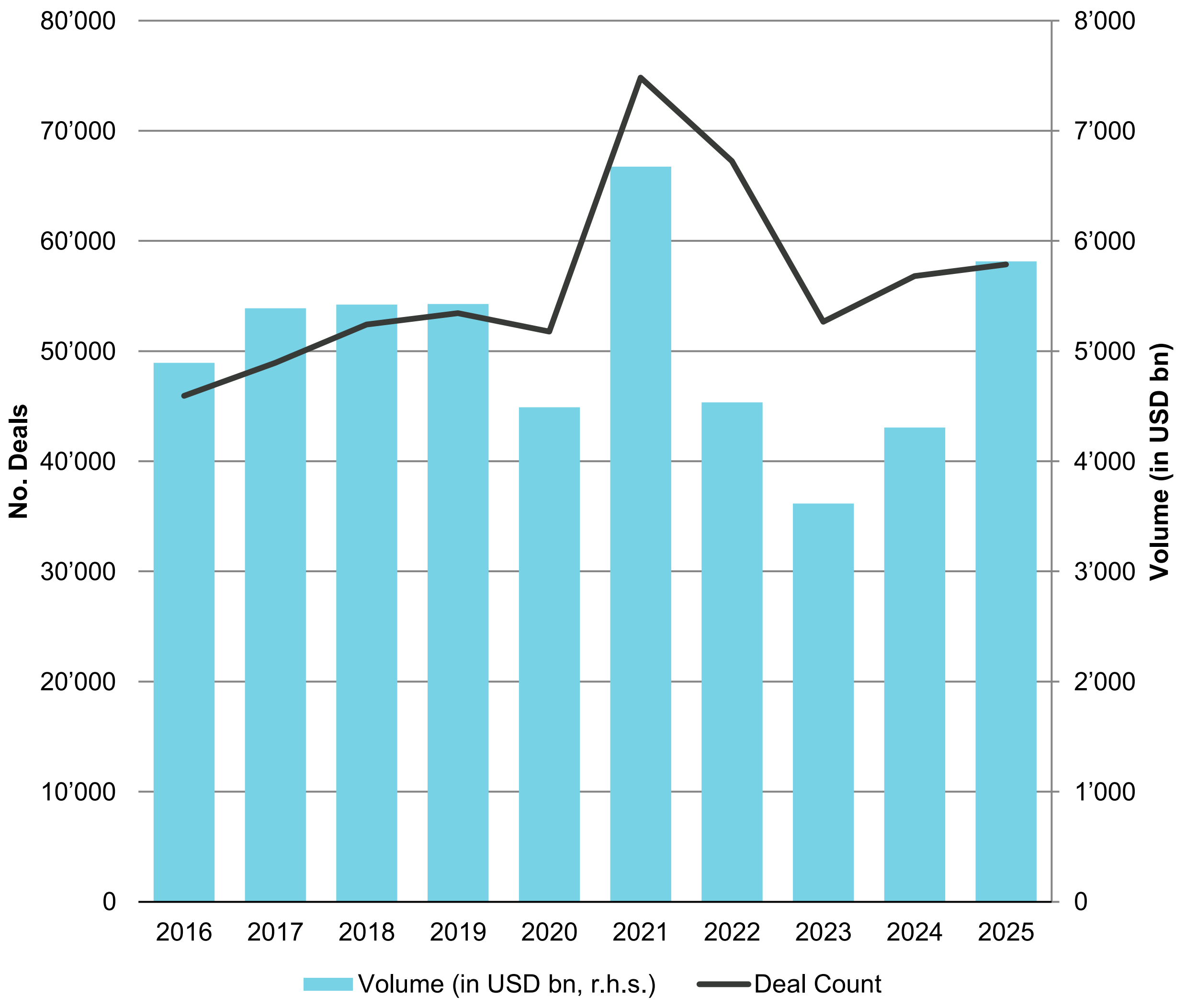
Bond supply also driven by AI capex needs and increasing M&A activities.

Technicals

AI-related net bond supply



M&A activities up from a low base



Source: Goldman Sachs, Bloomberg, Vontobel, 12.2025.

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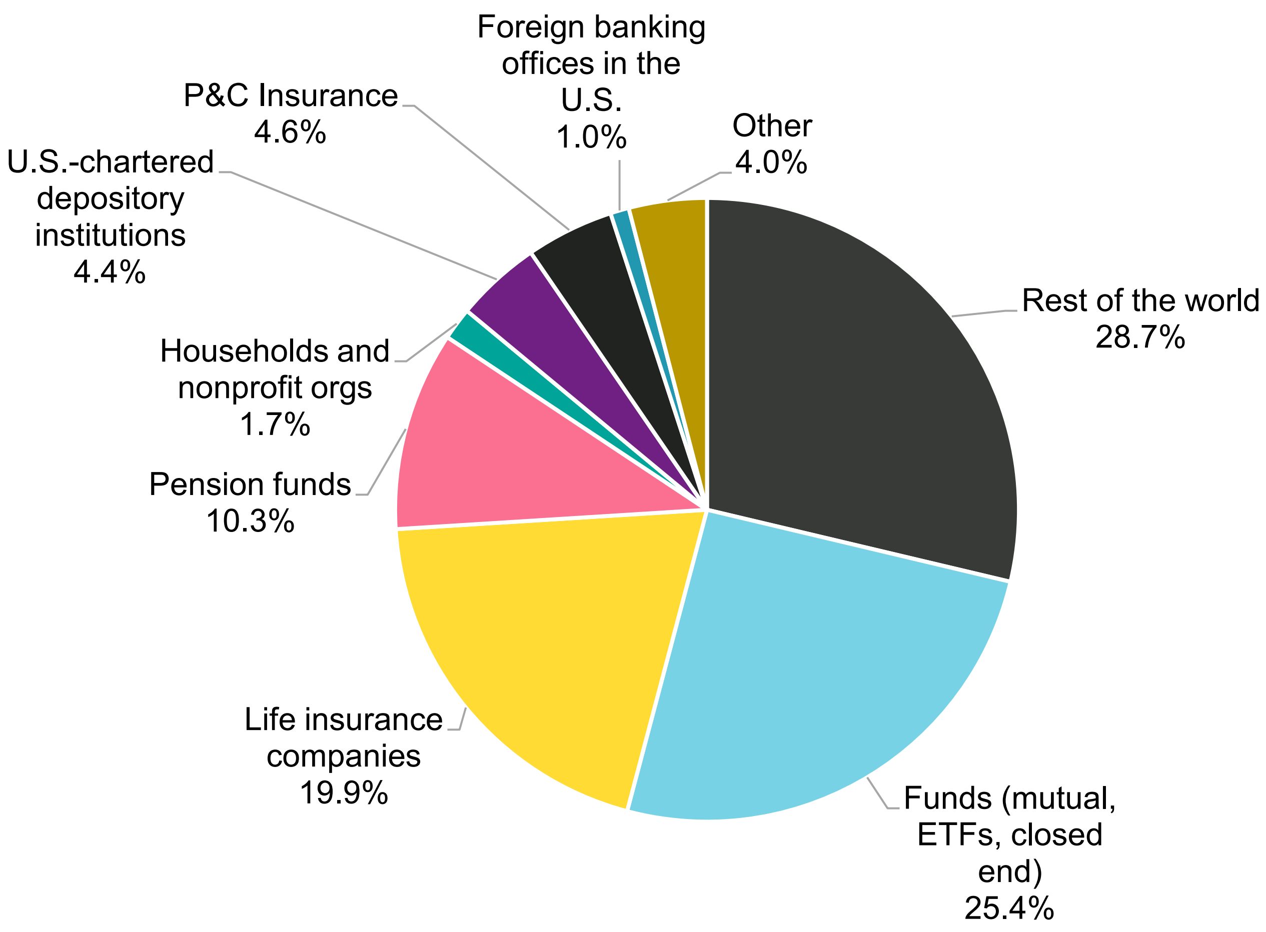
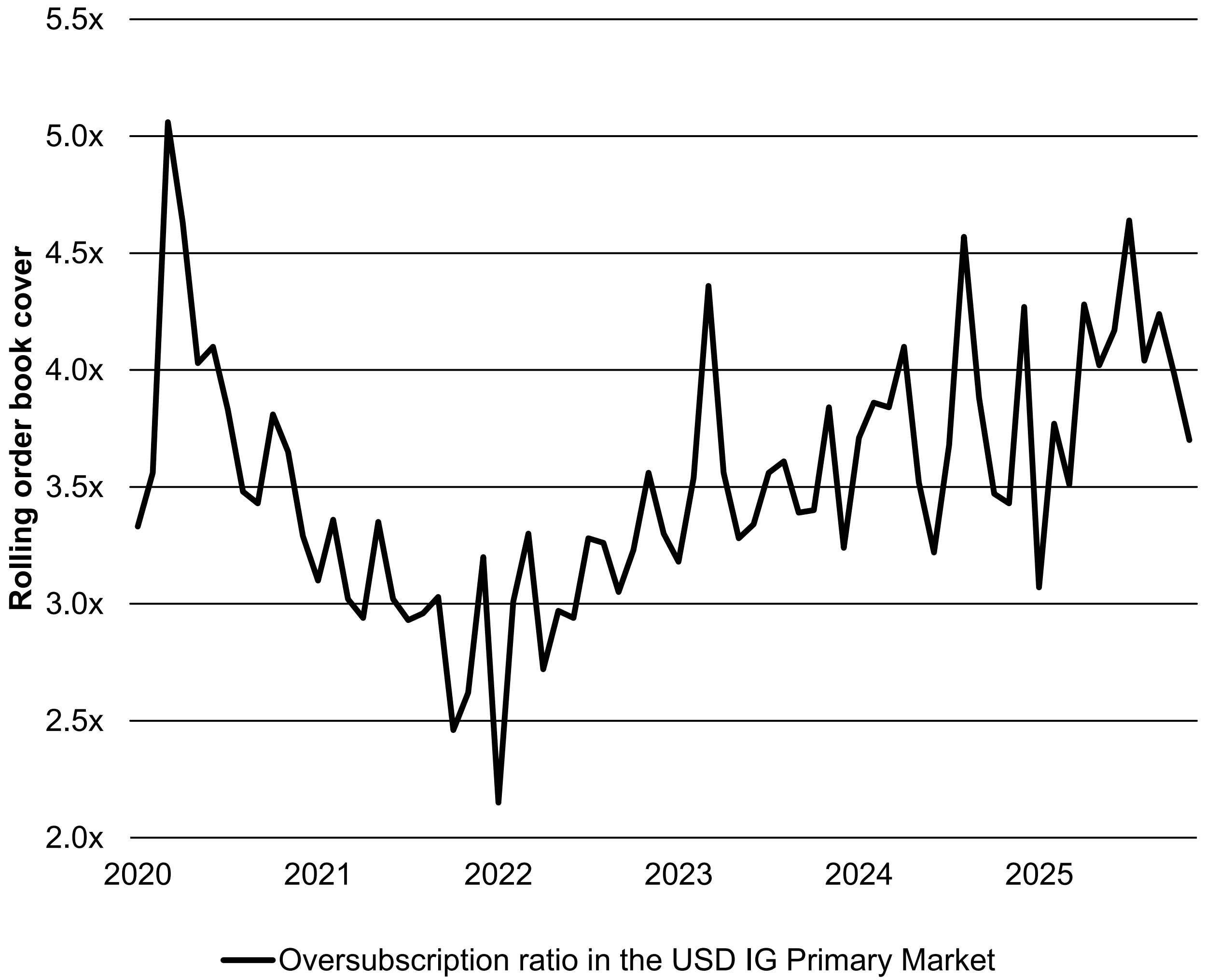
#8. Who is buying all these bonds?

Technicals

USD corporate bond ownership



Decent oversubscription levels for new bonds



Note: the oversubscription levels (in the r.h.s. chart) are based on a 90-day median rolling order book cover.
Source: BAML, Barclays, Vontobel, 12.2025.

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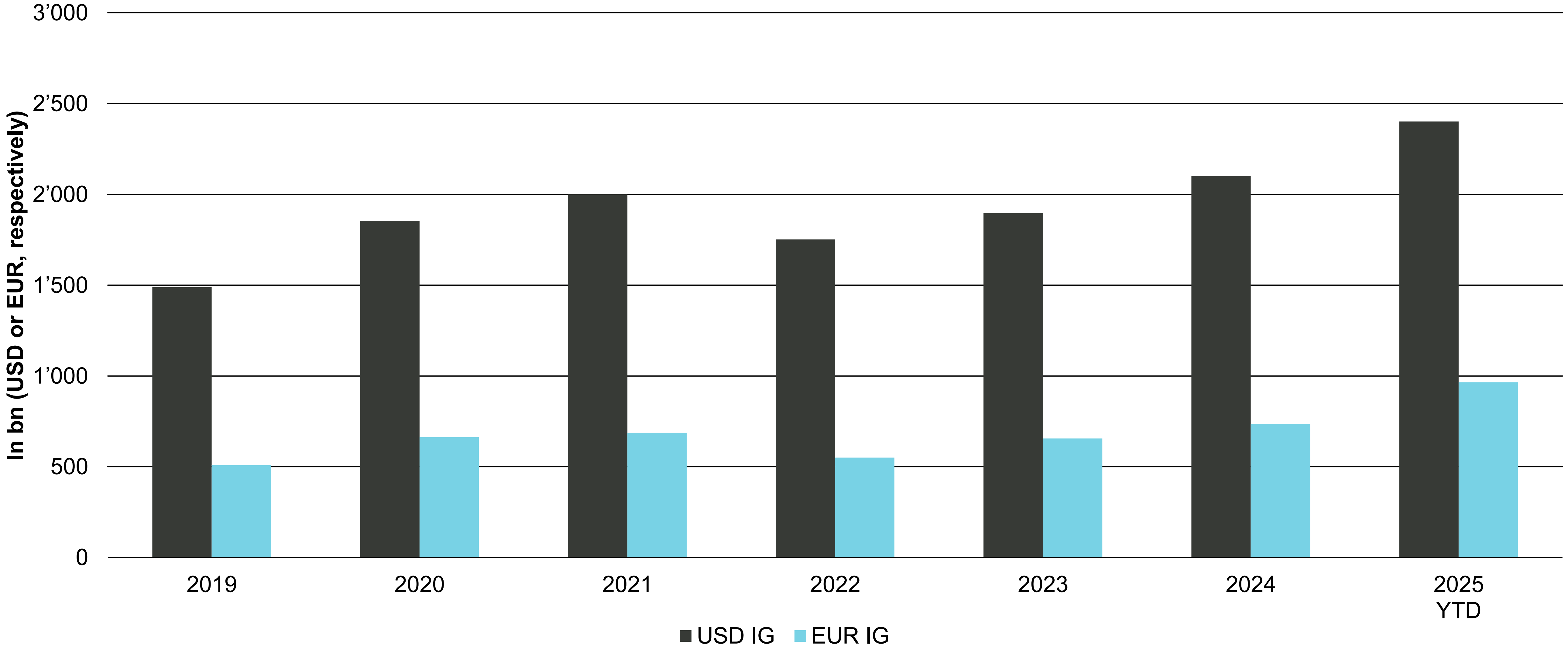
Strong inflows into global credit remain a key supporting factor.

Technicals

AuM in USD and EUR IG-focused Mutual Funds and ETFs



Source: GS, EPFR data based on USD and EUR IG fund flows, Vontobel, 12.2025.

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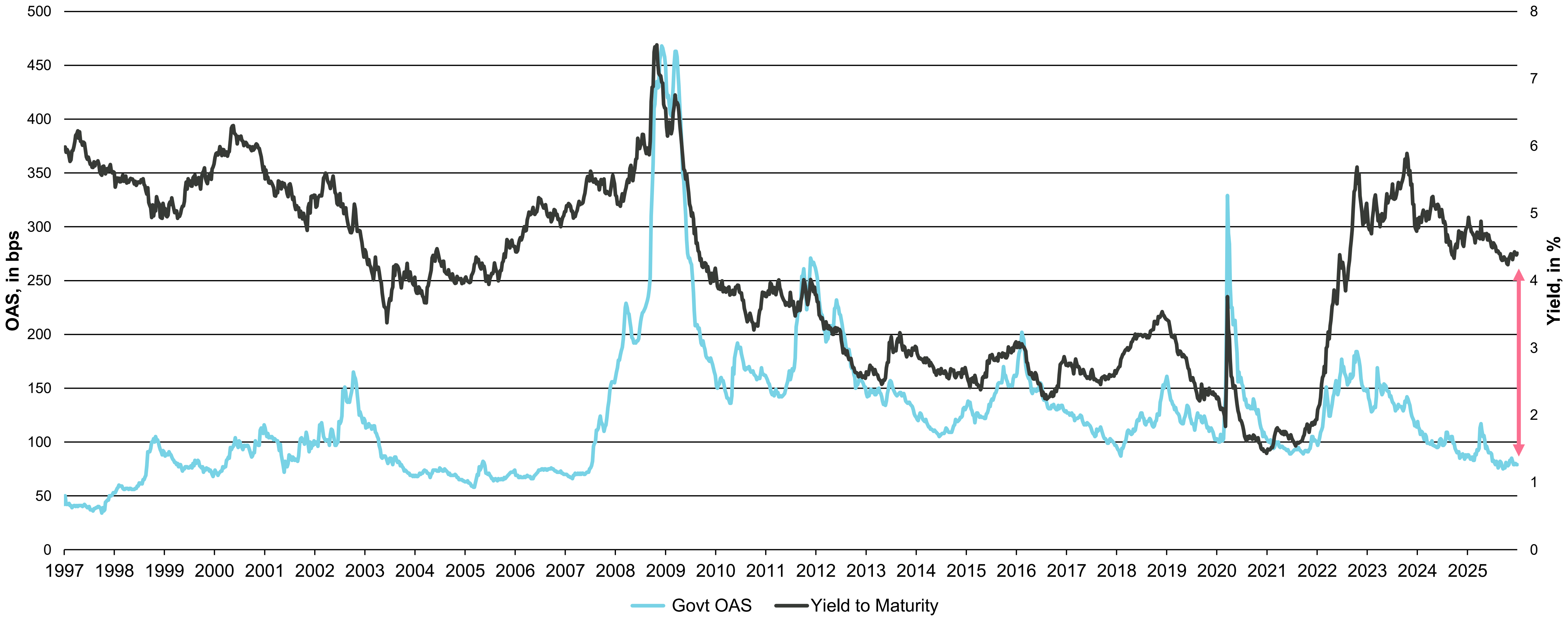
#9. Spreads screen low but yields remain high, attracting investors.

Valuation

Global Corporate bonds spreads and yields



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

The presented figures are from the ICE BofA Global Corporate Bond Index (G0BC Index).

Source: Bank of America, Vontobel, 12.2025.

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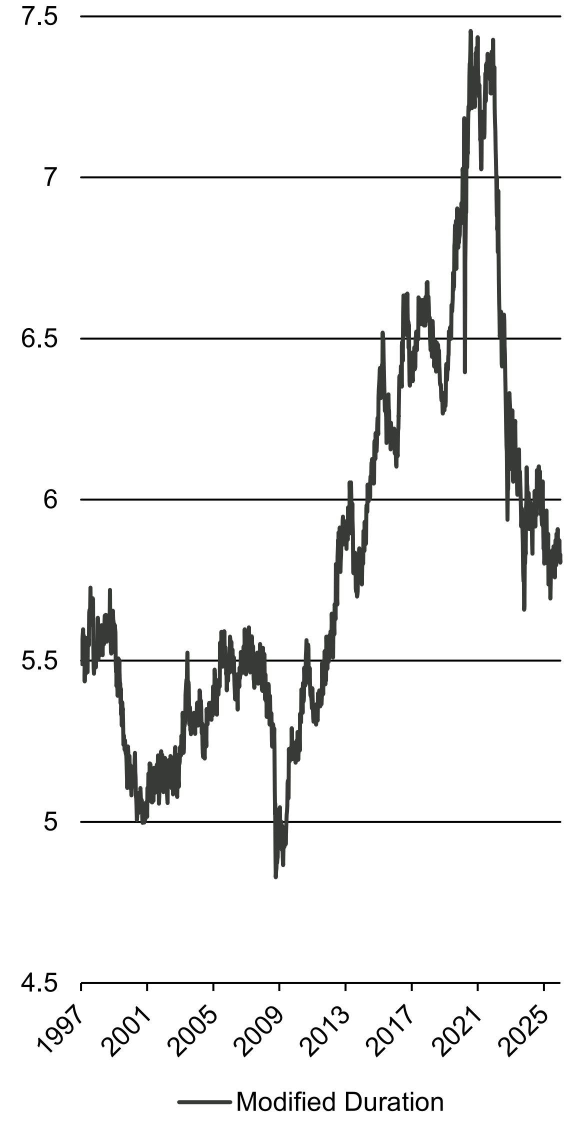
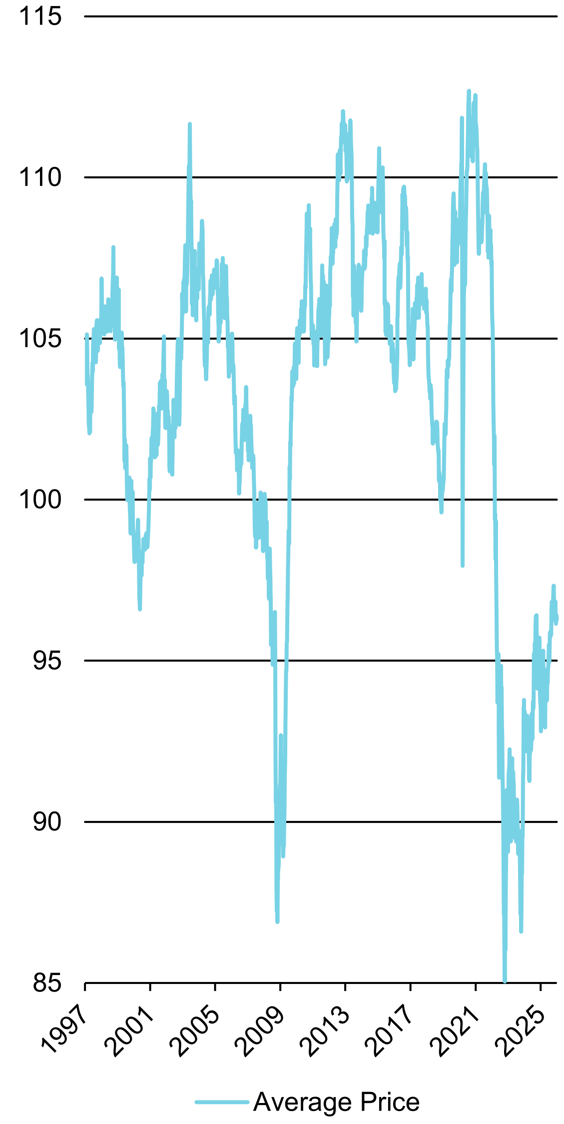
Investors also acknowledge that market characteristics have improved recently.

Valuation

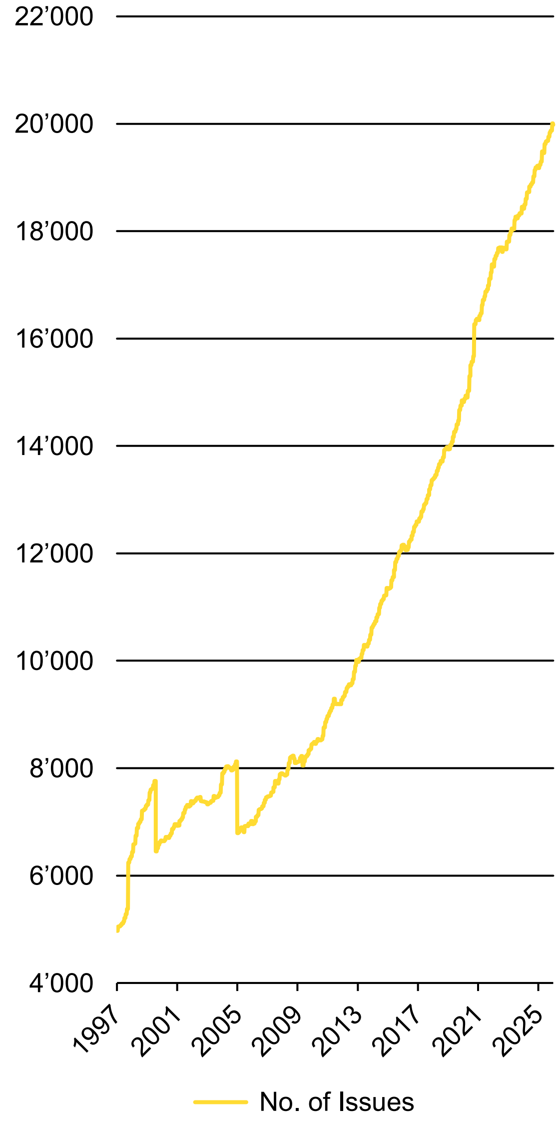
Lower Duration



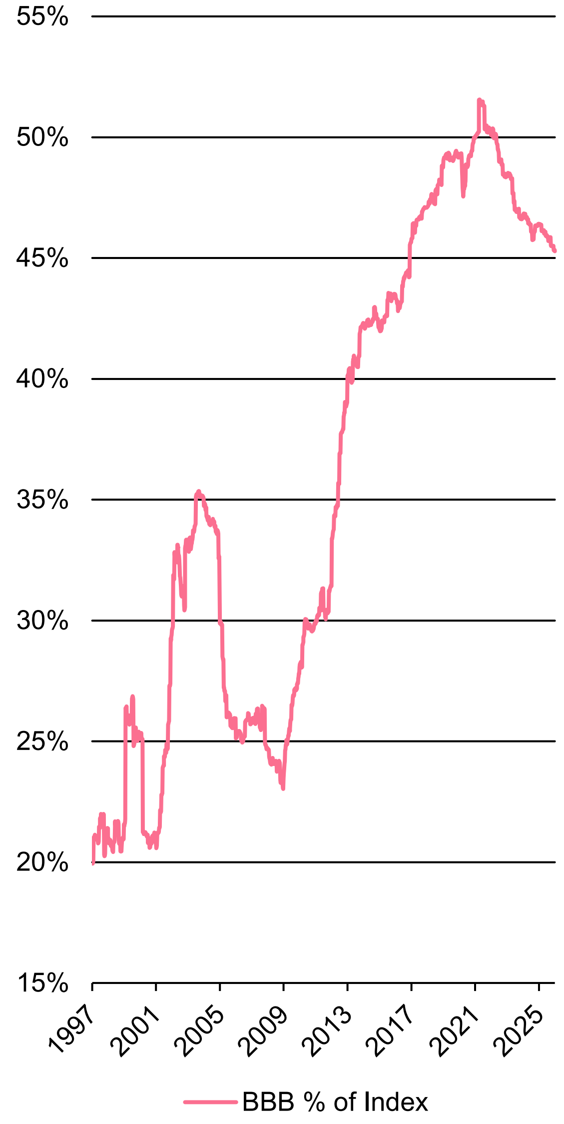
Low Price (in USD)



Better Diversification



Improved Credit Quality



The presented figures are from the ICE BofA Global Corporate Bond Index (G0BC Index).
Source: Bloomberg, Bank of America, 12.2025.

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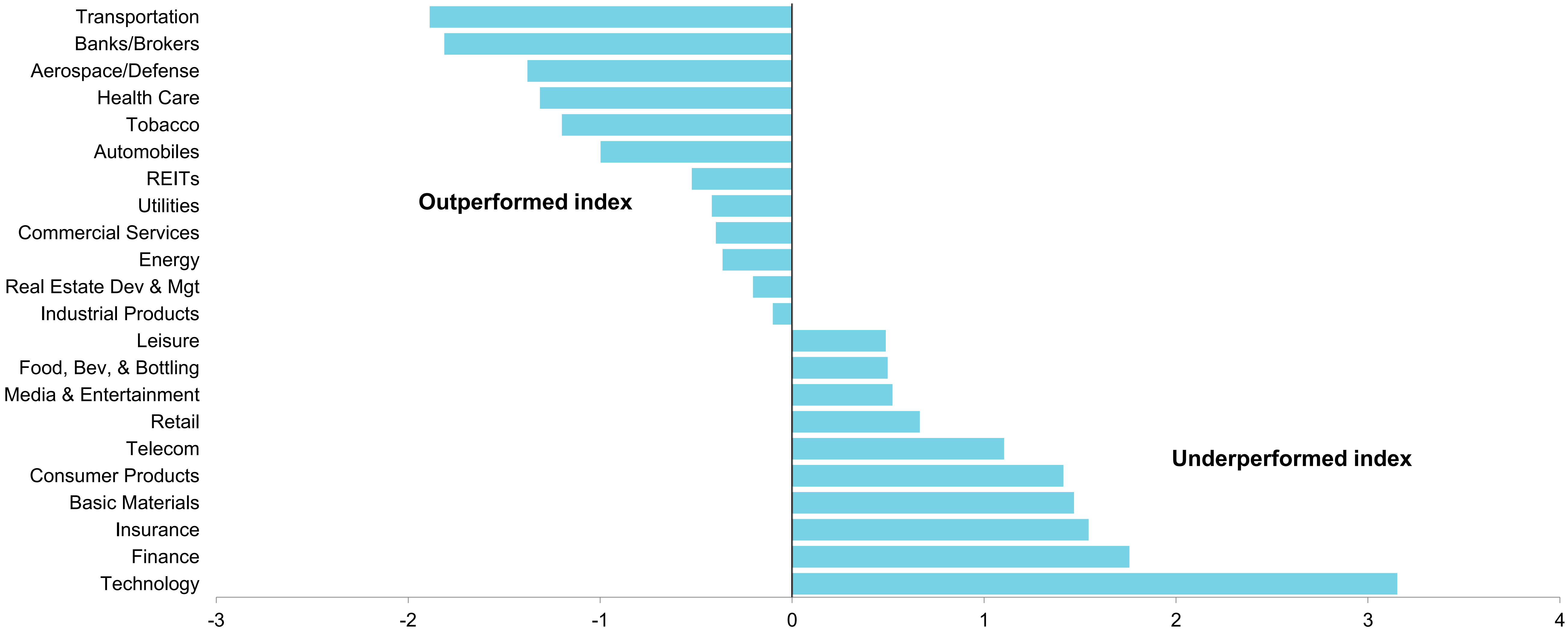
#10. Despite tight credit spreads, dispersion exists across sectors and…

Valuation

Trailing 12m spread Z-score vs. current sector spread differential to the market (USD)



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

This data shows trailing 12mo spread Z-score vs. current sector spread differential to the market. Source: BofA Indices, Vontobel, 12.2025.

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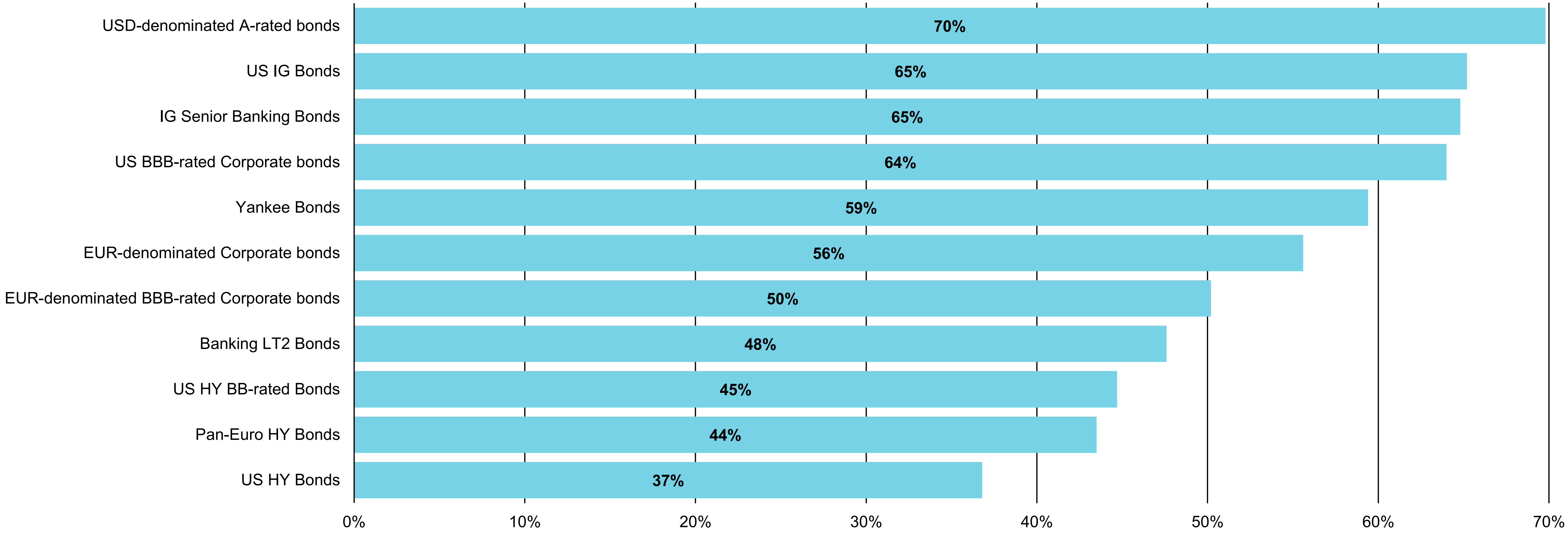
… the yield ranking currently favors A and BBB rated Corporates.

Valuation

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 attractive (compared to its historical valuations).**

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.

Source: BoA Indices (from top to bottom: LBUSSTAT Index, LUACYW Index, I26810 Index, LCB1YW Index, I14747 Index, LECPYW Index, H02182EU Index, I08153 Index, BCBAYW Index, LP02YW Index and LF98YW Index) with data from 31.12.2005 until 31.12.2025.

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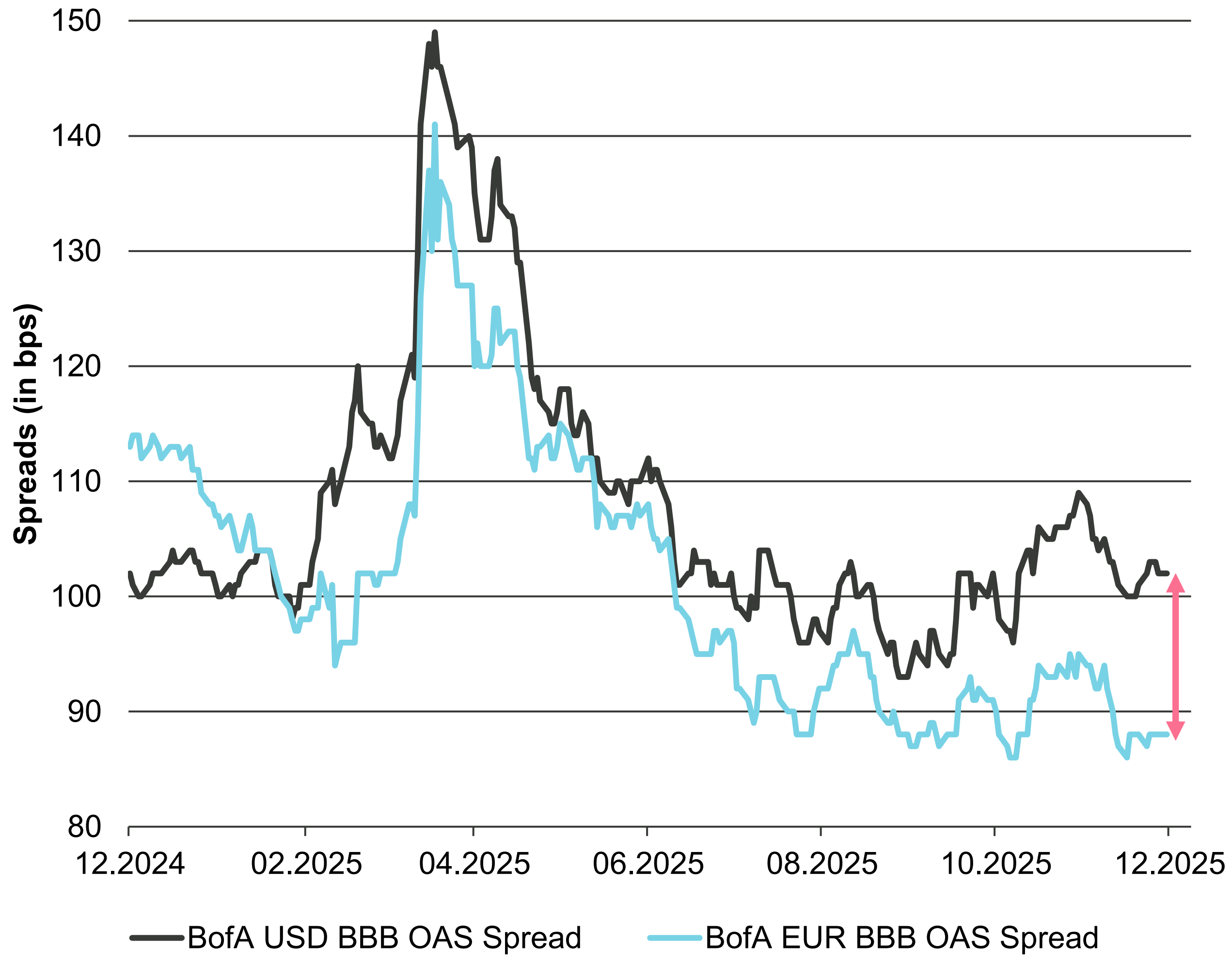
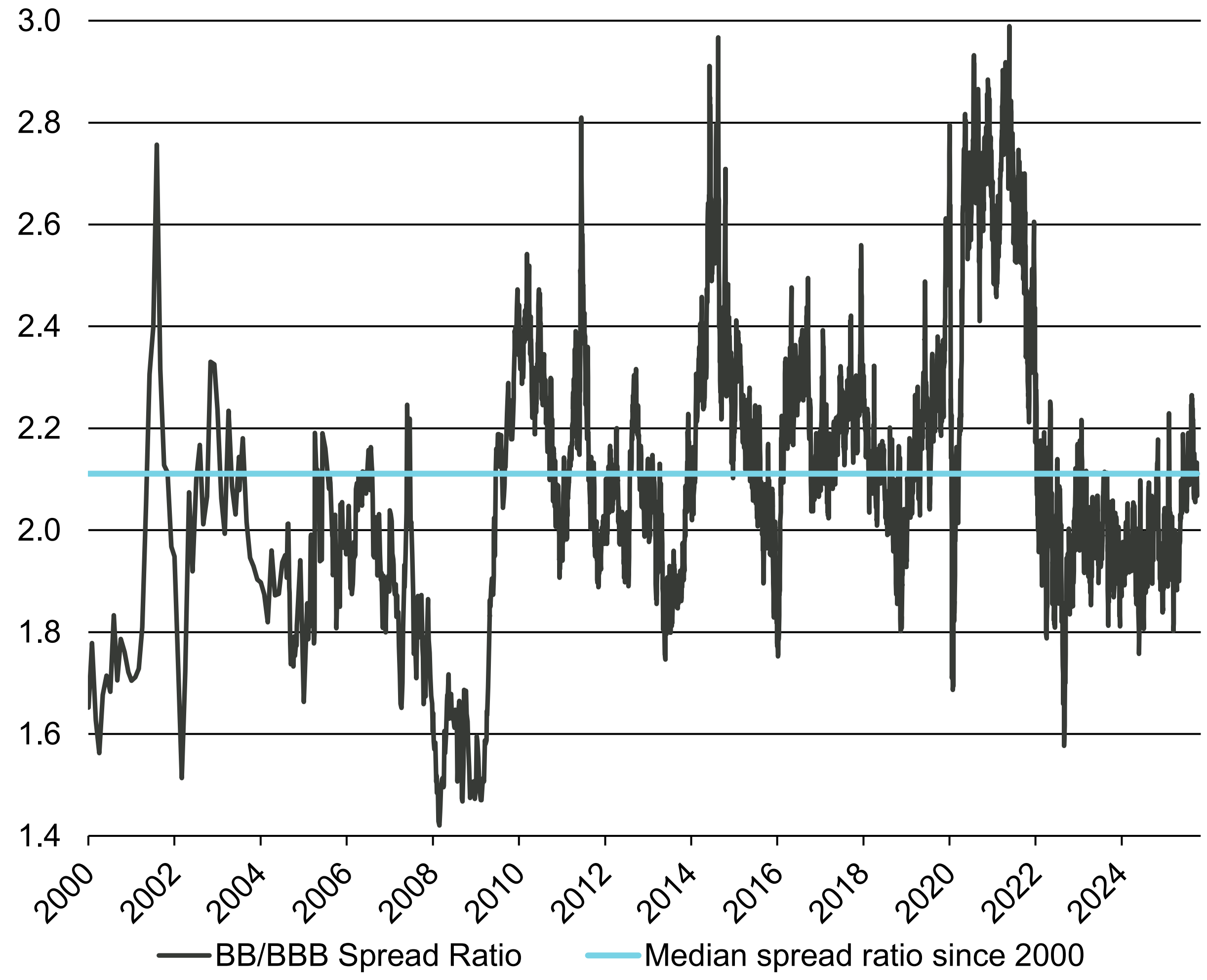
Value and divergence can also be found when comparing across rating segments.

Valuation

USD BBBs screen more attractive than EUR BBBs



BBs have improved in value recently



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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, 12.2025.

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Summary: Major global credit topics for 2026

How does the world look?	**Macroeconomics:** Global growth indicators resilient while job market cooling down. Central banks started to diverge on rate cuts and some are in a dilemma.	**Microeconomics:** Credit metrics remain stable to improving. The rating momentum remains favorable but fallen angel risk increased. AI will remain a hot topic for 2026.	**Technicals:** Issuance will likely hit a new record in 2026, driven by AI and M&A. Inflows into credit funds remain decent.	**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 and ratings. Take advantage of the **dispersion** in the market.

Please note that the presented views are subject to change and do not constitute investment advice.
Source: Vontobel, as of 01.2026.

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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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Public

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Thank you.

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