Global Fixed Income Team

Team Views & Outlook

Credit

Global Corporates

Our Current View: Valuations continue to keep us cautious on credit. Fundamentals are favorable on balance, with tech spending driving growth in the US. Earnings in Europe are improving as well. Technicals remain solid with strong demand for yield still evident. Our proprietary risk premium models continue to highlight very little value.

Our Anticipated Strategy: We remain overweight credit, and increased credit exposure through Q1 volatility, via two portfolio trades. Still, overall credit beta positioning remains moderate from a historical standpoint. Any flare ups in the Iran conflict that cause meaningfully higher energy prices could drive increased dispersion between geographies, industries and issuers. We are positioned for continuing late cycle dynamics, yet maintain a very liquid portfolio to capitalize on volatility events.

We remain overweight banking and technology with careful consideration for sensitivity to the AI datacenter build out and underweight more cyclical areas like BDCs and retailers

High Yield

Our Current View: While forward looking loss estimates are relatively subdued, our high yield allocation remains low given the limited risk premium available and relative value versus investment grade.

The value proposition for high yield remains limited in our opinion with risk premia well below historic average overall and for this stage of the credit cycle.

Our Anticipated Strategy: We remain low in High Yield (HY) corporates relative to history on tight valuations. That said we found some specific opportunities to add early in 2025 and are looking for more opportunities that may emerge with increased volatility. Note, high yield exposure includes HY local bond positioning (e.g. Brazil)

Securitized

Our Current View: A variety of factors are expected to continue driving increased rate volatility (including US fiscal dynamics, inflation and Federal Reserve (Fed) path uncertainty) which is typically negative for MBS.

In ABS, select deals exhibit strong deal structures and short, attractive, high-quality carry.

Our Anticipated Strategy: Underweight agency MBS to free up capital for higher spread opportunities.

Overweight high carry securitized credit, mainly in select aircraft ABS senior bonds, senior data center ABS and EUR consumer backed ABS.

Currency

US Dollar

Our Current View: The dollar faces numerous structural headwinds: twin deficits, still expensive valuation, and potential increased global investor diversification away from the US dollar.

However, US economic strength, the market's expectation for a more hawkish Fed and global demand for US AI related assets have been providing support.

Our Anticipated Strategy: We continue to be underweight USD, but less so than at times early in the year. After reducing the underweight amid peak Iran conflict volatility we added back select non-dollar FX in April as tensions moderated. Our bias is for long term dollar weakness but short-term tailwinds keep us cautious.

Developed

Our Current View: -Defense spending ramp up led by Germany may be slow to materialize and takes a back seat to external energy reliance given the conflict in Iran.

-Hawkish RBA and high carry should provide support for the currency.

-Japan is running a current account surplus, with stable inflation. Increasingly competitive rates compared to the rest of the world should help drive Japanese Yen (JPY) appreciation at some point

Our Anticipated Strategy: Overweight Australian Dollar (AUD), JPY
Underweight Euro (EUR), Pound Sterling (GBP)

Emerging

Our Current View: -Select Latam currencies benefit from high carry, cheap valuations and relative insulation from supply chain disruption in the Middle East.

-Despite terms of trade risk to oil price volatility, select Emerging Marketing (EM) Asia and Central and Eastern European (CEE) have positive idiosyncratic tailwinds.

Our Anticipated Strategy: Overweight Brazilian Real, Colombian Peso, Mexican Peso, Hungarian Forint, and South Korean Won

Yield Curves

Duration

Our Current View: -Global yield curves have repriced higher on resilient global growth and inflation concerns driven by the supply chain disruption. Central banks may remain more cautious until they can see the inflation effects more clearly.

-Hedged New Zealand continues to look attractive.

-While fiscal uncertainty in Japan remains, the yield curve is steep, and we see value in the long end.

Our Anticipated Strategy: Neutral US duration and expect to range trade on outsized moves.

Modest long JPY and New Zealand Dollar duration.

Local EM Markets

Our Current View: We believe select local EM markets are currently attractive where real rates are high and central bank policy has been credible.

Our Anticipated Strategy: Overweight Brazil and Mexico. Ready for buying opportunities elsewhere amid political volatility (or otherwise)

Key Risks

Our Current View: Geopolitics: Resurgence of conflict in Iran or escalation of Russia/Ukraine war that has global effects on prices or sentiment.

The build- out of data centers and AI infrastructure continues at a torrid pace. While this boom contrasts with many in the past, any material disappointments along the way -- even if we remain "in early innings" -- poses risks to the established consensus and concentrated positions.

A path of inflation that proves sticky enough that Central banks are compelled to hike more than expected or impact longer term expectations of inflation to surge would be detrimental for interest rates and risk .

Our Anticipated Strategy: As valuations adjust, we will look for opportunities to add risk in interest rates, currency and credit

Outlook

The US dollar is in a strong position at the moment, heavily overweighted in CTA positioning surveys. As the new Gulf War has ebbed, world oil prices have dropped back from $100 per barrel to about $70 per barrel. This is good news for global growth and inflation risks and therefore global equities, yet has not been a negative for oil exporters such as the US. Instead, we believe that FX markets are responding to capital flows rather than terms of trade, and here the US Dollar has benefitted from a more hawkish assessment of near-term monetary policy as well as global equity investors attracted to the AI story.

The USD may be an AI fashion victim. US economic prospects are currently dominated by AI: equity wealth effects are holding up high end consumption while most capital spending growth is in data warehouses, chips, GPUs, TPUs, CPUs, etc, and the utility infrastructure needed to supply the electrons. Added to this, short-term US interest rates have been elevated by US economic strength and greater perceived Federal Reserve hawkishness.

A positive USD-US equity correlation is something of a novelty, as in the past the dollar has often benefited when global risk appetite declined. Deutsche Bank recently noted that debt flows mattered more for the US in the past, but equity flows have begun to dominate. Correlations can change if the flows change. We agree that an AI equity bear market is the most obvious USD downside risk, given the degree of foreign participation in US stocks.

If there is an un-dollar it may be the Japanese yen. The yen is near its 40-year low against the USD, and speculative positioning seems to be max short. In Japan the story is not about equities but about debt. Specifically, the Japanese Government Bond (JGB) market is nervous that Prime Minister Takaichi is willing to accelerate spending, notably on defense, and is looking to a higher trend in nominal GDP to shrink the debt to GDP ratio. Ten-year JGB yields are approaching German levels. If they approach US levels, maybe buyers will emerge? We think the long end already offers value here, as a doubling of the Japanese deficit from 1.4% to 3.0% of GDP would leave it at one half of the 6% US deficit. A 3% deficit is US Secretary of the Treasury Bessent’s aspirational goal. Japan also has a current account surplus and stable inflation of about 2.0%. We believe there is a meaningful yen rally out there somewhere, sometime.

Important Disclosure

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KEY RISKS: Credit Risk, Issuer Risk, Interest Rate Risk, Liquidity Risk, Non-US Securities Risk, Currency Risk, Derivatives Risk, Leverage Risk, Counterparty Risk, Prepayment Risk and Extension Risk.

Commodity, interest and derivative trading involves substantial risk of loss. Markets conditions are extremely fluid and change frequently.

Diversification does not ensure a profit or guarantee against a loss. Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.
There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return. Past performance is no guarantee of future results.

About the Team

Our strength is rooted in decades of honing our research and investment processes to consistently navigate ever-changing global markets.

1986 Global Bond Portfolio Established

80+ Institutional Accounts & Commingled Vehicles

$38.2 Team Assets Under Management* (Billion USD)

As of 6/30/2026.