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Global IG Credit: Key Themes for 2026





Max Huefner

Head of Global Credit and European Investment Grade

The Global IG return outlook remains compelling

Credit spreads were resilient in 2025. Episodes of widening around periods of market stress have been short lived, with spreads continuing to hover around the tight-end of the post Global Financial Crisis range across both US and EUR IG.

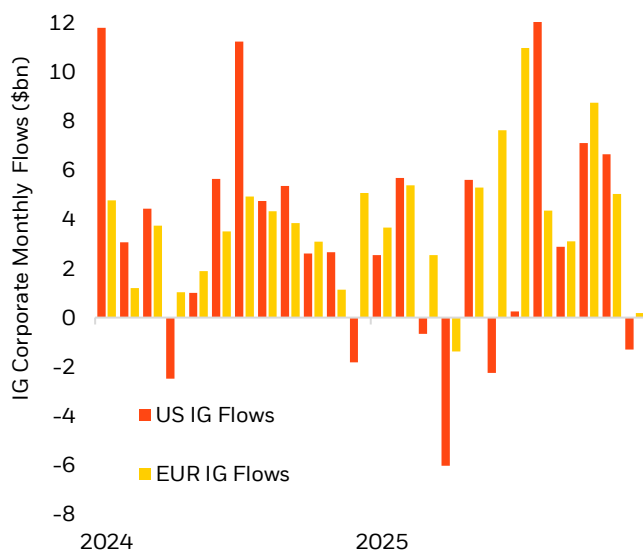
A number of factors have underpinned the resilience of credit spreads, including an improving global economic backdrop, solid fundamentals, and positive technicals related to persistent investor demand and limited net new issue supply, which have anchored spreads and performance.

Fundamentals within the global IG credit markets remain strong. Corporate profitability remains robust with EBITDA margins at historical highs. Despite the significant jump in interest rates that we saw post the pandemic, balance sheets remain in good shape with interest coverage around 9x and ratings trends remaining positive. However, dispersion among sectors will provide good stock picking opportunities.

From a technicals standpoint, attractive all-in yields, abundant liquidity and sustained risk appetite have all fuelled continued interest in IG corporate debt. Fund flows in 2025 remained robust across EUR and US IG (Chart 1) despite historically tight spreads.

Chart 1: Strong flows in 2025 across EUR and US IG credit

EUR & US IG fund flows



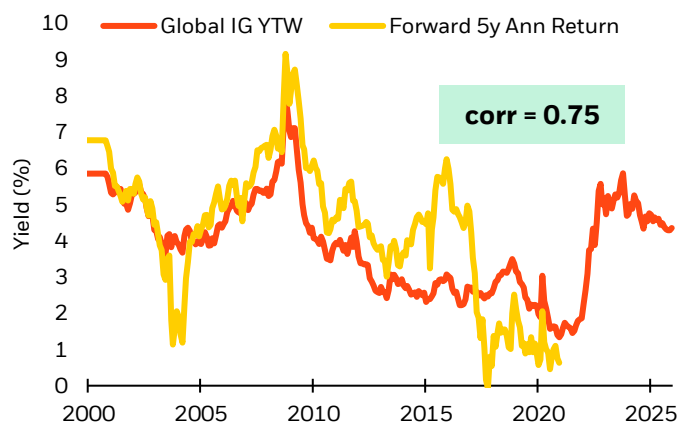
Source: BlackRock; EPFR as at 31st December 2025

Looking ahead, the return outlook for Global IG credit remains compelling. Historically, starting yields on bonds have been the strongest predictor of future total returns (Chart 2).

Today's starting yield at 5.10% offers an attractive entry point to the asset class. Notably, the correlation between spreads and rates has stabilised in negative territory (Chart 3). Whilst we expect some credit spread widening in 2026, the negative correlation with rates provides downside protection to returns.

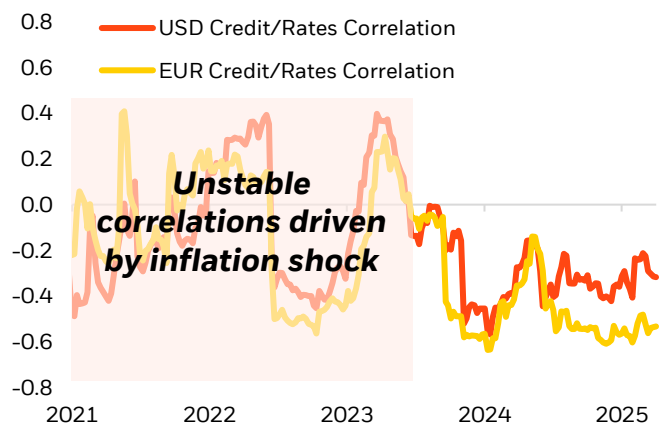
Global IG offers investors potential to capture attractive returns.

Chart 2: Starting levels of yields are very closely correlated to forward returns



Source: Bloomberg; BlackRock as at 31st December 2025. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

Chart 3: There is a stable negative correlation between rates and credit spreads



Source: BlackRock as at 31st December 2025

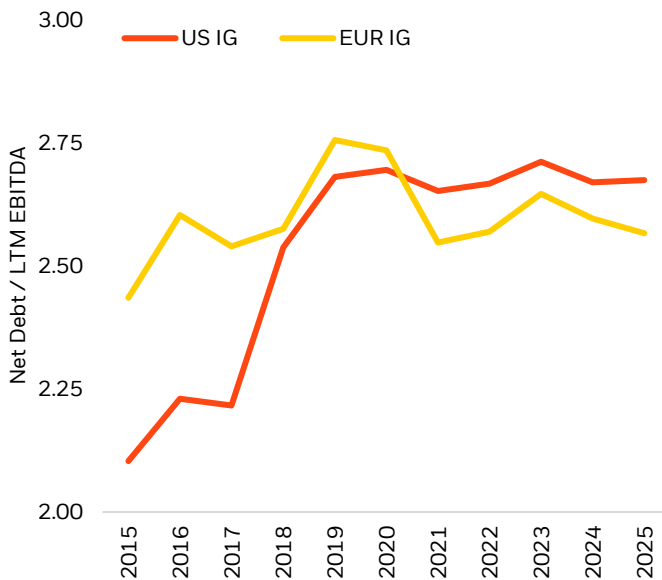
The resilience of Global IG credit is boosted by strong fundamentals

Overall, we believe corporate fundamentals continue to exhibit stability, with companies continuing to improve their profitability while maintaining a stable level of indebtedness.

Net leverage remains stable, albeit at somewhat elevated levels (Chart 4). Corporate profit margins are expanding to new all-time highs, improving the corporate sector's ability to repay debts (Chart 5).

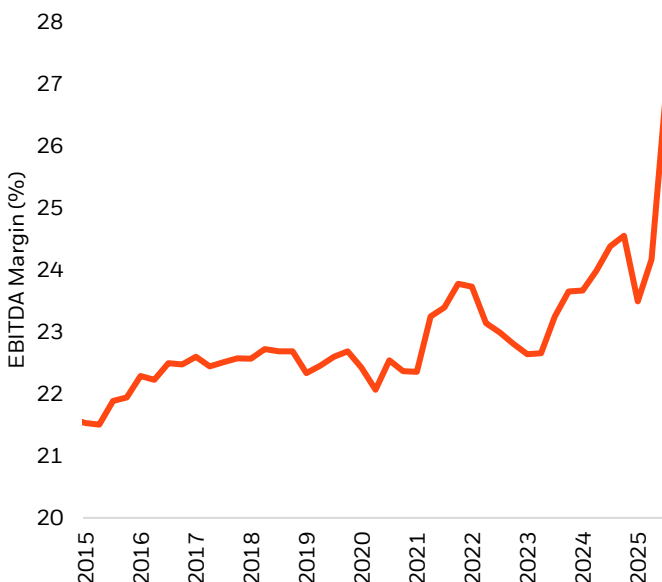
EBITDA growth has outpaced debt expansion, and robust revenue and earnings projections indicate the ongoing strength of credit fundamentals into 2026.

Chart 4: Leverage in the EUR and US IG market remain at healthy levels



Source: BlackRock and Capital IQ as at 30th September 2025

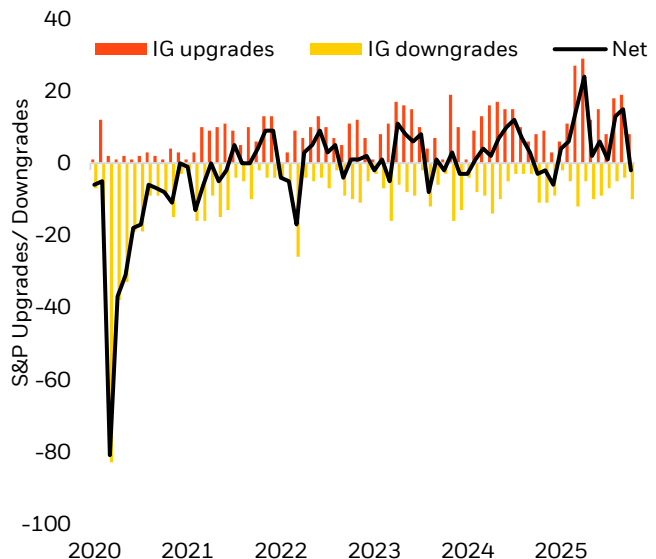
Chart 5: Global IG corporate profitability remains robust



Source: BlackRock and Bloomberg as at 30th September 2025

The credit quality in Global IG has continued to improve (Chart 6), with a record number of upgrades from BBB to single A in 2025. To put this into context, the proportion of the A – AAA rated segment of the Bloomberg Global Aggregate Corporate Bond Index now comprises a more significant share of the index at 53% which compares to 48% in 2020 (Source: Bloomberg Global Aggregate Corporate Index as at 31st December 2025). Notably, the lowest rated segment (BBB-) accounts for less than 10%, with rating agency outlooks indicating further ratings improvement to come.

Chart 6: Ratings trends remain positive across Global IG credit



Source: S&P as at 31st October 2025

Looking ahead, we continue to expect regional and sector dispersion, driven by secular and cyclical dynamics, as well as idiosyncratic factors such as M&A, the developments in Trump's tariffs and the AI-driven capex boom.

With credit spreads at the index level tight as well as increased sector dispersion, an active investment approach is required to find attractive investment opportunities. An active approach is paramount to capturing alpha in this environment and to avoid weaker areas of the market that have benefitted from the broad-based rally.

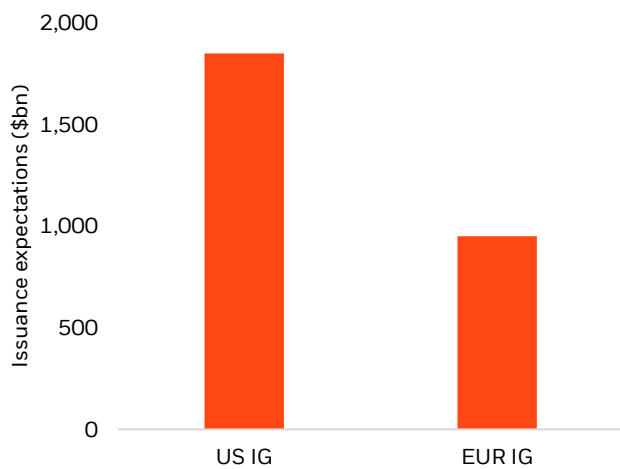
The current market remains an opportunity-rich environment for bottom-up active managers to thrive.

Robust technicals continue to underpin spread performance

Our BlackRock Capital Markets team are forecasting 2026 to be a record year for both US and EUR IG primary markets (Figure 7). Supply is expected to be propelled by issuer refinancing, debt-funded M&A and heavy data centre financing from the US 'hyperscalers'.

Despite the deluge of new issue supply that is expected to print in 2026, we expect this to be well met by fixed income investors.

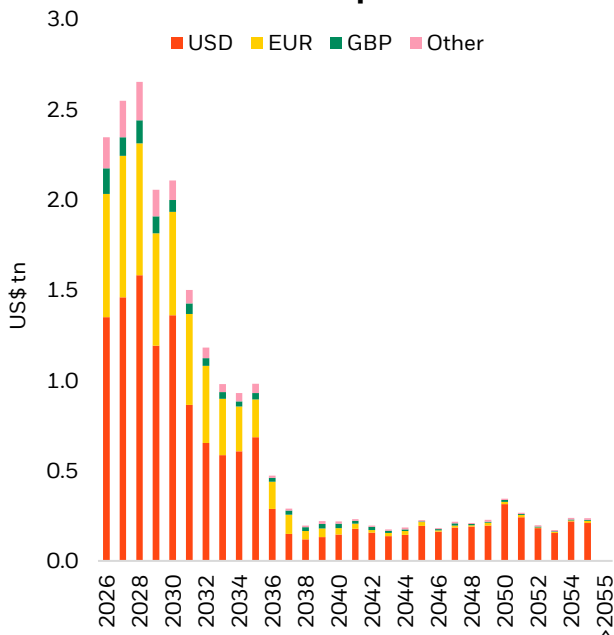
Chart 7: BlackRock issuance expectations for 2026



Source: BlackRock estimates as at 31st December 2025

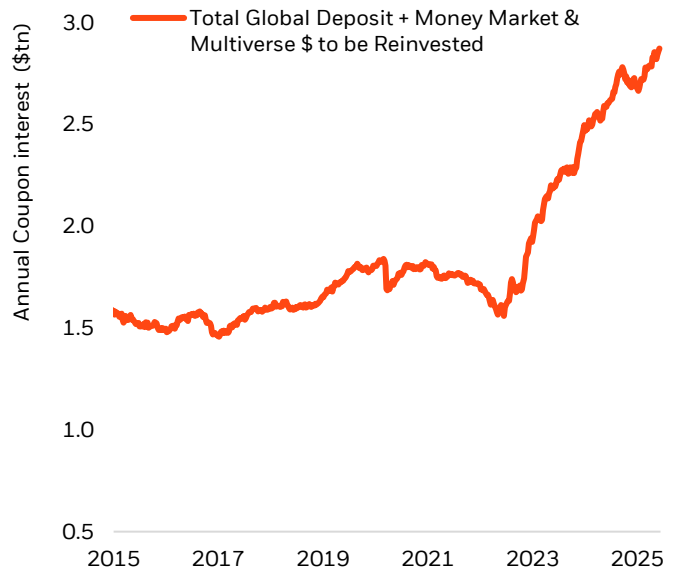
On the demand side, global fixed income investor cash balances remain high. With ~\$12tn of Global IG redemptions forecasted for the next 5yrs (Chart 8), in addition to the ~\$2.7tn of annual coupon interest generated (Chart 9), there is ample cash to be deployed towards Global IG credit.

Chart 8: Global IG Redemption Schedule



Source: BlackRock and Bloomberg as at 31st December 2025

Chart 9: Global fixed income markets annual coupon interest

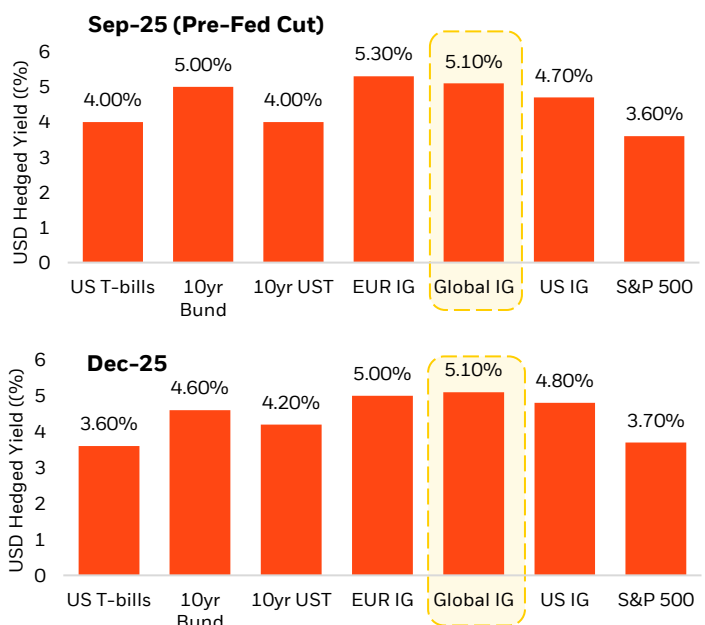


Source: BlackRock as at 31st December 2025

Looking to 2026, we expect technicals to remain strong and heightened by high investor cash balances, the Dutch pension reform and attractive all-in yields.

As the Fed continues its cutting cycle, the demand for high quality corporate bonds is expected to increase further as the returns offered from competitive short-term investments (cash) continue to diminish.

Chart 10: Global IG yields remain attractive



Source: BlackRock and Bloomberg as at 31st December 2025

Three key insights we draw from the analysis in the document:

- 1. Positive ratings momentum and strong investor demand reinforces stability:** Global IG corporates have continued to deliver improving profitability and stable balance sheets resulting in strong upwards ratings momentum. Investor flows into the asset class have been relentless and broad based. Despite the deluge in primary supply that we witnessed in 2025, the Global IG markets absorption capacity has been remarkable and a testament to fixed income investors faith in the asset class. With EUR and US IG yields closing the year at 3.2% and 4.8% respectively, carry remains attractive. This not only provides income but also a cushion against spread widening.
- 2. Dispersion calls for selectivity:** Global IG credit markets witnessed high dispersion in 2025 due to factors such as tariff uncertainty, political instability in Europe, record primary issuance alongside diverging macroeconomic conditions and central bank policy. This new regime has seen uneven recovery across companies and sectors. Higher quality credits with robust balance sheets have navigated this new regime with ease, whilst weaker names have struggled. As a result, the dispersion in bond performance between credits has increased. It is this level of heightened dispersion that makes credit markets so interesting for active investors right now.
- 3. Dynamic markets require active asset management.** We believe in this environment an active strategy is crucial. Skilled active managers can better identify alpha opportunities and capitalise on market inefficiencies whilst limiting losses during downturns by avoiding companies with deteriorating credit profiles. With credit spreads extremely compressed, careful security selection is more pivotal than ever. Being selective, active, and prudent is no longer a tactical choice but a strategic necessity.

Positioning for what's ahead

	2025 YE Spread	Key themes for 2026	2026 Spread Forecast
US IG	79	<ul style="list-style-type: none"> The economic backdrop should be supportive with potentially lower volatility from factors such as tariffs Sector developments as well as high corporate activity should induce volatility on a sector/issuer level rather than it being broad-based Strong growth expected in new issue supply as hyperscalers access the market to fund AI capex 	↗
EUR IG	78	<ul style="list-style-type: none"> Europe should post reasonable economic growth supported by fiscal packages There should be a step change for primary supply as expectations for higher M&A funding should lead to another record setting issuance year Positive hedging uplift from swapping EUR denominated assets into USD, which makes EUR credit appealing for foreign investors 	↗
AT1s	252	<ul style="list-style-type: none"> Overall solid health of banks globally should continue, however, spreads largely reflect that Low new issue supply expectations leads to solid supply/demand balance AT1s saw another year of low volatility in 2025 supporting investor's comfort with the product 	↗
Corporate Hybrids	157	<ul style="list-style-type: none"> Senior to subordinated spreads continue to be at compressed levels Extension risk still seen as low making short call hybrids still a preferred way of carry 	↗

Source: BlackRock as at 31st December 2025

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