中証鵬元國際
CSPI Ratings

2027 Global Fixed-Income Outlook

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2026: Key Takeaways

- **Energy volatility**

Oil-price volatility and geopolitical tensions complicate the inflation outlook, while higher energy costs risk renewing broader price pressures.

- **Higher-for-longer interest rates**

Sticky inflation tempers expectations for monetary easing, keeping interest-rate volatility and duration risk elevated.

- **Stronger dollar**

Safe-haven demand and persistent U.S. interest-rate advantages supports the dollar, while shifting policy expectations add to currency volatility.

- **Fiscal pressures on sovereign debt**

Heavy issuance and deficit concerns put upward pressure on term premiums, increase yield-curve steepening risk, and drive greater differentiation across sovereign issuers.

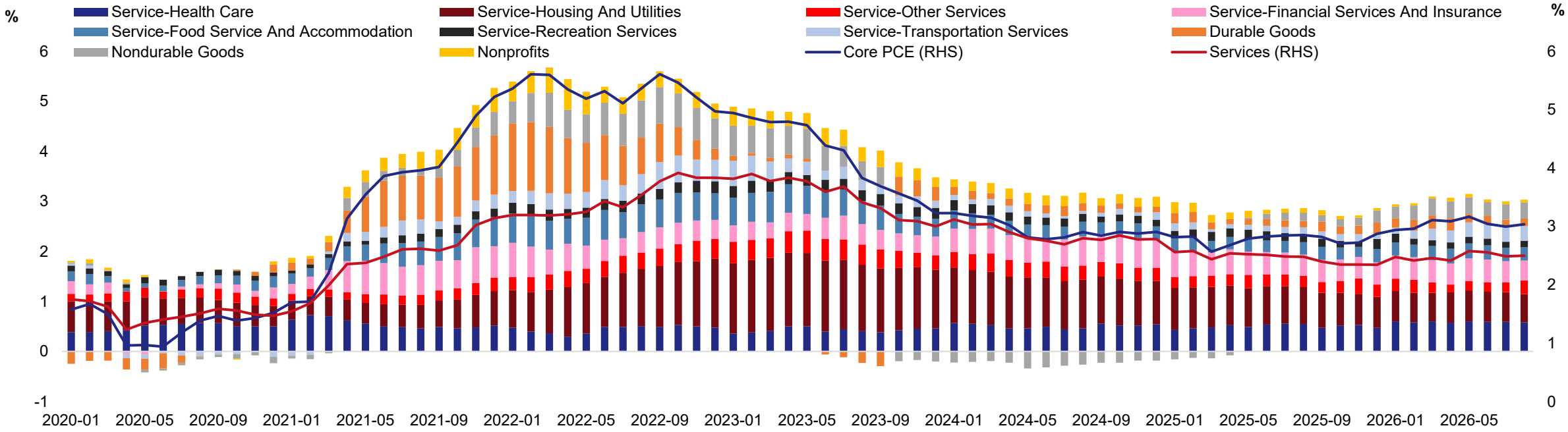
- **AI-driven financing demand**

Data-center and power-infrastructure investment creates opportunities across corporate bonds, infrastructure debt, and private credit—while increasing scrutiny of leverage and funding structures.

U.S. Inflation: Energy Reacceleration Meets Sticky Services

- **CPI — Energy disrupted disinflation:** Through October, fluctuations in energy costs drove much of headline inflation's volatility. Persistent core services pressures limited broader cooling, while easing food inflation provided only a partial offset.
- **PPI — Producer costs remained under pressure:** Energy and services drove renewed PPI acceleration, while underlying goods pressures remained relatively steady. This raised potential pass-through risks, depending on firms' pricing power and willingness to absorb costs.
- **PCE — Services kept underlying inflation sticky:** Through September, core PCE showed little sustained improvement. Health care, housing, and transportation remained important contributors, offsetting relief from non durable goods.

U.S. Core PCE

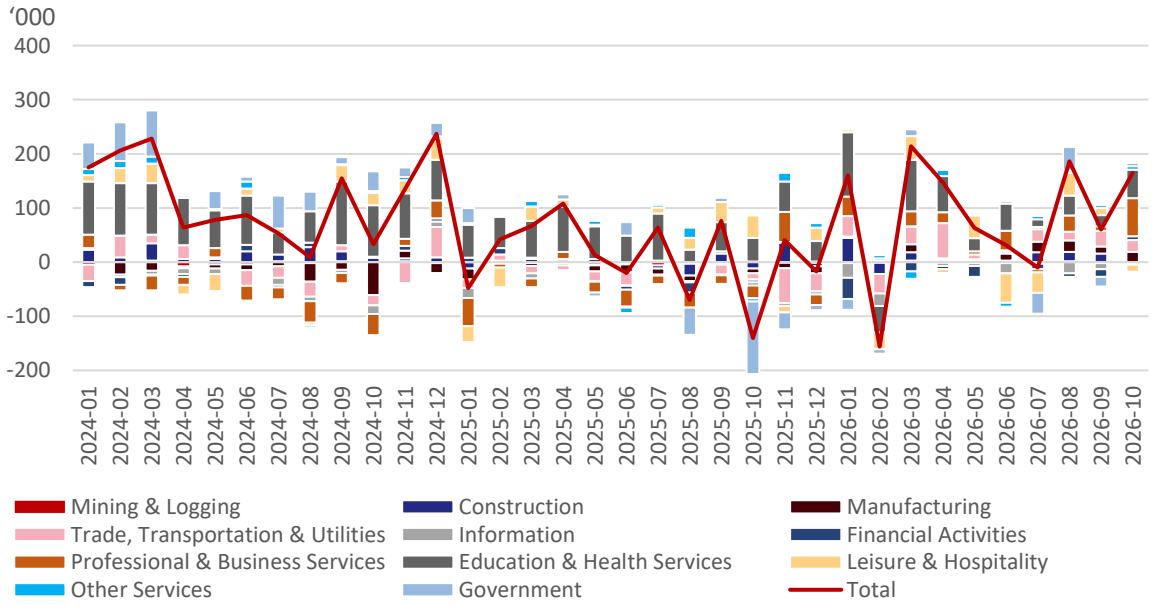


Source: Cbonds, CSPI Ratings

U.S. Labor Market: Hiring Remains Positive, but Momentum Is Uneven

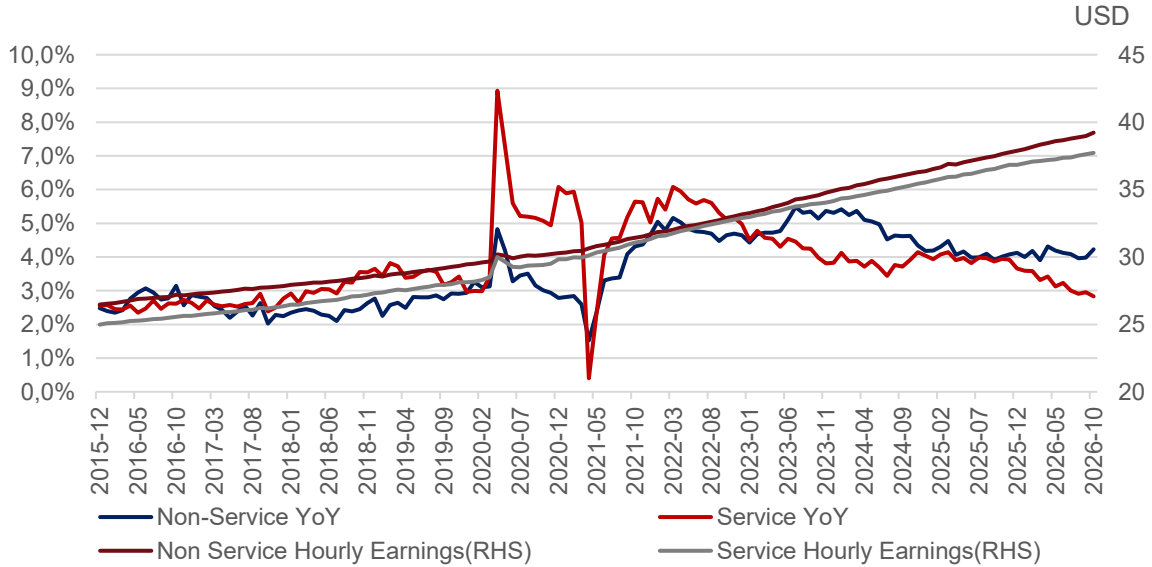
- **Job creation remained positive but volatile:** Year to date through October, U.S. nonfarm payrolls increased by approximately 861,000, averaging around 86,000 jobs per month. Professional and business services, alongside education and health services, led the gains. Mining and construction employment declined, highlighting uneven hiring across sectors.
- **Wage growth moderated:** September's annual wage growth slowed to 4.2% in production and 2.8% in services, suggesting easing labor-cost pressures despite the recent improvement in hiring.

U.S. Monthly Nonfarm Payroll Change by Industry



Source: Cbonds, CSPI Ratings

U.S. Hourly Earnings and Year-over-Year Wage Growth



Source: Cbonds, CSPI Ratings

U.S. Inflation and Employment: Outlook and Key Risks

Inflation outlook

- **Disinflation drivers:** Stabilizing energy prices, slower shelter inflation, and moderating wage growth could ease price pressures. Earlier tariff-related price increases may also fade from annual inflation readings if no additional increases occur.
- **Upside risks — higher inflation:** Renewed energy shocks, additional tariffs, persistent services inflation, and AI-related demand for power, construction, and skilled labor could delay disinflation.
- **Downside risks — lower inflation:** Weaker consumer demand, faster labor-market cooling, and greater-than-expected declines in shelter and energy inflation could accelerate progress.

Employment outlook

- **Underlying trend:** Job creation remains positive but uneven, led by education and health services and professional and business services. October’s rebound is encouraging, but broader confirmation is needed.
- **Upside risks — stronger hiring:** Resilient consumption, stronger business investment, and AI infrastructure spending could support employment, particularly in construction, manufacturing, and technical services.
- **Downside risks — weaker hiring:** Elevated borrowing costs, tighter credit conditions, trade uncertainty, and pressure on corporate margins could reduce recruitment and increase layoffs.

Rising Long-end Yields: Higher-for-Longer & Fiscal Supply Shock

- **U.S. Treasuries Break Out:** As the Fed resumed rate hikes and normalized the "Higher for Longer" narrative, the U.S. 10-year Treasury yield surged past the 4.85%–5.00% resistance level. Concurrently, the policy-sensitive 2-year yield pushed comfortably above 5.15%.
- **Bear Flattening Acceleration**: Short-term yields climbed much faster than long-term yields due to sudden rate-hike fears. This deepened yield curve inversions globally, signaling market anxieties of an elevated near-term inflation paired with long-term growth degradation.
- **Long-end yields reached multi-year highs:** Average G7 government bond yields hit their highest level since 2008; U.S. 30-year yields reached 5.33% on 18 August, before partially retreating.
- **Supply and term premiums drove the summer sell-off:** Following the initial oil-driven inflation shock, increased corporate issuance—including AI financing—and higher term premiums added pressure to long-dated sovereign bonds.
- **Highly indebted sovereigns faced greater pressure:** Yields generally rose more in heavily indebted markets, with policy-uncertainty-driven term premiums posing greater fiscal risks than growth-driven increases.
- **Shorter issuance creates a funding trade-off:** Issuing shorter-dated debt can limit immediate interest costs but increases refinancing risk; high-debt sovereigns with short maturity profiles remain most exposed.
- **Debt burdens continue to rise:** Higher borrowing costs and structural spending pressures are straining budgets. Developed-market government debt is forecast to reach USD75.8 trillion, or 104% of GDP, by end-2026.

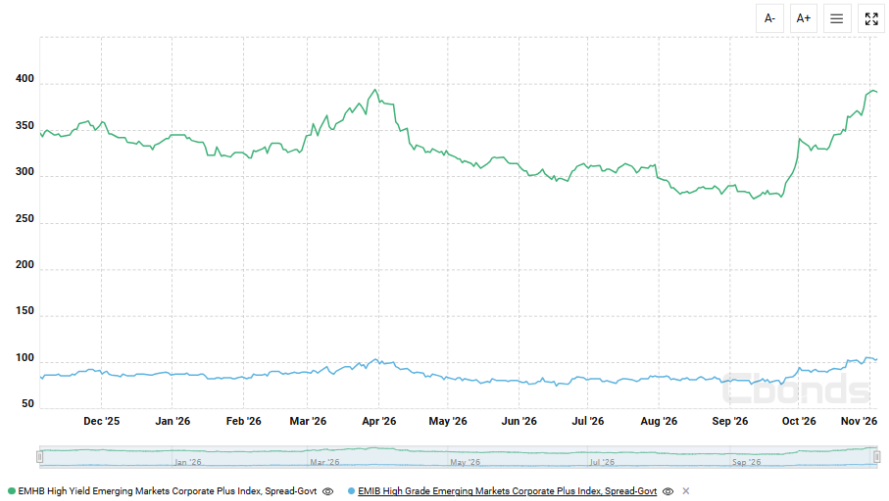
Emerging Markets: Higher Global Yields Test Resilience

- **Monetary easing under pressure:** Higher U.S. rates, dollar strength, and elevated commodity costs forces EM central banks to delay cuts or consider renewed tightening.
- **Currency depreciation risk:** Rising Treasury yields and a stronger dollar pressure EM currencies and increase the local-currency cost of servicing dollar debt.
- **Capital-flow vulnerability:** Higher global yields can trigger outflows from both hard-currency and local-currency EM bond funds.
- **Tight spreads, limited cushion:** Compressed dollar-bond spreads leave less protection against external shocks, particularly for weaker issuers.
- **Policy trade-offs intensify:** Supporting currencies and containing inflation may require restrictive rates, even as domestic growth slows.
- **Country differentiation matters:** Strong FX reserves, credible monetary policy, fiscal discipline, and lower energy-import dependence support resilience.

EM Credit: High-Yield Issuance Dormant, Rotation to IG

- **High-yield issuers face funding constraints:** Elevated dollar borrowing costs and selective investor demand make offshore issuance more challenging for lower-rated sovereigns and corporates, particularly those with large refinancing needs.
- **Investment-grade borrowers retain better access:** Stronger sovereigns and corporates remain better positioned to access international bond markets, widening the financing gap between higher- and lower-quality issuers.
- **Local-currency financing offers an alternative:** Where domestic markets are sufficiently developed, issuers can tap local banks and institutional investors to diversify funding and reduce reliance on foreign-currency debt.
- **Currency and refinancing risks remain critical:** Borrowers with substantial dollar debt but mainly local-currency revenues are more exposed to currency depreciation, hedging costs, and tighter external financing conditions.

EM Corporate Credit Spreads: High Yield vs. Investment Grade



Source: Cbonds

Thanks

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