Fixed Income Strategy Update

January 2026– Executive Summary

Key Investment Themes

- The **US Federal Reserve's independence** from political interference will be a significant topic over the next few months. President Trump will announce a new Chair and the Supreme Court will decide whether to accept Trump's firing of Lisa Cook, a Fed governor.

- **Inflation** could bounce higher as prices are adjusted at the start of the year, but should then start to decline as tariff increases drop out of year-on-year comparisons.

- The **tariff topic** could return with the US Supreme Court ruling on the legality of many of the April tariffs. Even if the Administration has other options, changes could ease the impact on US inflation as Republicans are criticised for higher prices.

- **Business surveys** indicate stable sentiment in the US, Europe, and China, with improvements in Japan.

- **Corporate bonds** are starting the year at very tight spread levels. Any increase in market stress could lead to a modest widening.

Strategy Summary – January Update

MACRO SCENARIO UPDATE

- **Economic data remains resilient, buoyed** by AI-related capex spending even as labour markets are cooling. The impact of US tariffs has been limited.
- **The Fed's independence is being eroded** even as institutional safeguards are strong
- Stable oil prices are helping dampen inflation expectations.
- **AI investments** are increasing, with positive effects on growth but impacts on corporate bond issuance
- **Geopolitical tensions remain** persistent even though markets have been less affected.

FIXED INCOME STRATEGY

- Bonds: investors expect the Fed to cut rates by significantly more than the recent dots. We maintain **a more moderate duration overweight.**
- Currencies: The **US dollar is expected to weaken** further as the Fed maintains its dovish bias. The yen is challenged by the Bank of Japan's reluctance to hike rates despite persistent inflation. The Swiss Franc can appreciate further. **We maintain a short dollar position**.
- Developed credit: new issuance is a headwind to further gains despite supportive financial conditions. **We remain neutral credit exposure**
- **Emerging Market bonds continued to perform** thanks to resilient global growth and easy global financial conditions. Many local-currency bonds offer higher yields than those of developed sovereigns, though EM central banks are easing slowly. **We remain long EM bonds**

Source: GAMA

Strategy Summary*

Modestly long duration, Neutral credit stance as low recession risk and strong technicals offset, Bearish USD, particularly vs CHF, NOK and Emerging FX. Overweight EM Local.

DURATION	RATES	UW	N	OW	Fund.	Mom.	Val.	Sent.	COMMENTS
Very High	US Treasuries		G		○	○	◐	◐	After 3 cuts, the Fed signalled a pause. The new Fed Chair will be more dovish than indicated by the recent dots.
	EMU Core Government		G		○	○	◐	◐	Growth has been resilient and inflation a bit sticky. The ECB is on hold but may need to support growth.
	EMU Peripheral		G		○	◐	◑	○	Peripheral spreads continue to tighten, reaching the tightest levels in over 5 years
Medium	Swiss Confederation		G		◐	○	◑	○	Swiss inflation has moved below zero on monthly changes. Close to zero yields have increased risks of sell-offs
	UK Gilts		G		○	◐	◐	○	The UK budget calmed investors' worst worries but uncertainty remains
	China (CNY)		G		◑	◐	◑	○	China's business sentiment is stable and more stimulus is in the pipeline
Very Low	Inflation-Indexed		G		◐	○	◐	◐	Inflation breakeven have declined, and real yields have risen modestly

CREDIT RISK	CREDIT SEGMENTS	UW	N	OW	Fund.	Mom.	Val.	Sent.	COMMENTS
Very High	Developed Corporates		G		○	◐	○	○	An increase in new issuance will cause spreads to widen but low recession risk is an offset
	Short-dated High Yielding		G		◐	●	○	◐	Attractive yields while spreads are slightly wider
	Corporate Hybrids		G		◐	●	◑	○	Further bank deregulation are supportive of AT1 bonds but higher cyclical risk is a headwind
Medium	High Yield		G		○	◐	⬤	◐	After some widening in spreads, all-in yields are fairly valued
	Emerging Corporates		G		◐	◐	◑	◐	Fundamentals are positive though China's real estate uncertainties weight on what is now a very small part of the market
	Emerging Sovereigns		G		○	◐	○	○	A rally in Argentina bonds was supportive for the overall market
Very Low	Emerging Local			G	◐	◐	◐	◐	Yields outside Asian remain high making local bonds attractive. Renewed dollar weakness will benefit.

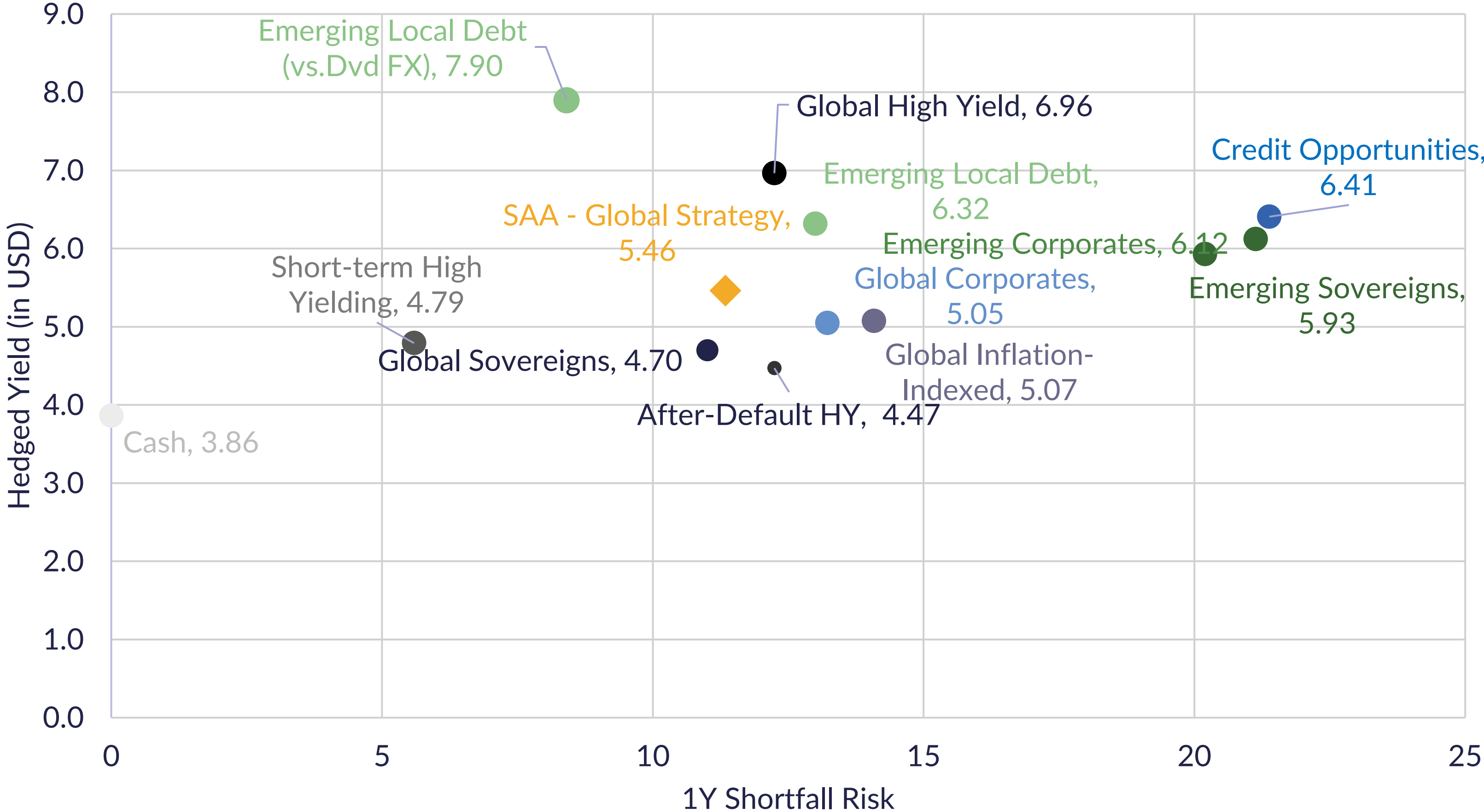
FX RISK	CURRENCIES	UW	N	OW	Fund.	Mom.	Val.	Sent.	COMMENTS
Very High	USD	G			◑	○	⬤	○	With a more dovish Fed Chair likely to suceed Powell, the Fed's tilt will lead to a weaker US dollar
	EUR		G		○	◐	◐	◐	Higher German fiscal spending and ECB on hold
	JPY			G	◐	◑	●	◐	Japanese expansionary fiscal policy and gradual monetary tightening. Currency remains undervalued
Medium	CHF			G	◐	○	○	◐	The SNB has been limiting appreciation through discrete currency intervention.
	GBP	G			◑	◐	○	○	Fundamentals are worsening for the GBP, and momentum has moved negative
	CNY		G		◐	●	◐	◐	China is allowing gradual CNY appreciation against the USD
Very Low	Other Currencies		G						We like: ILS, CLP and NOK. We don't like AUD & PLN

*Source: GAMA, 6-12 months' time horizon; G recommandations, Upgrade, Downgrade versus previous month

January 2025

Global Bonds

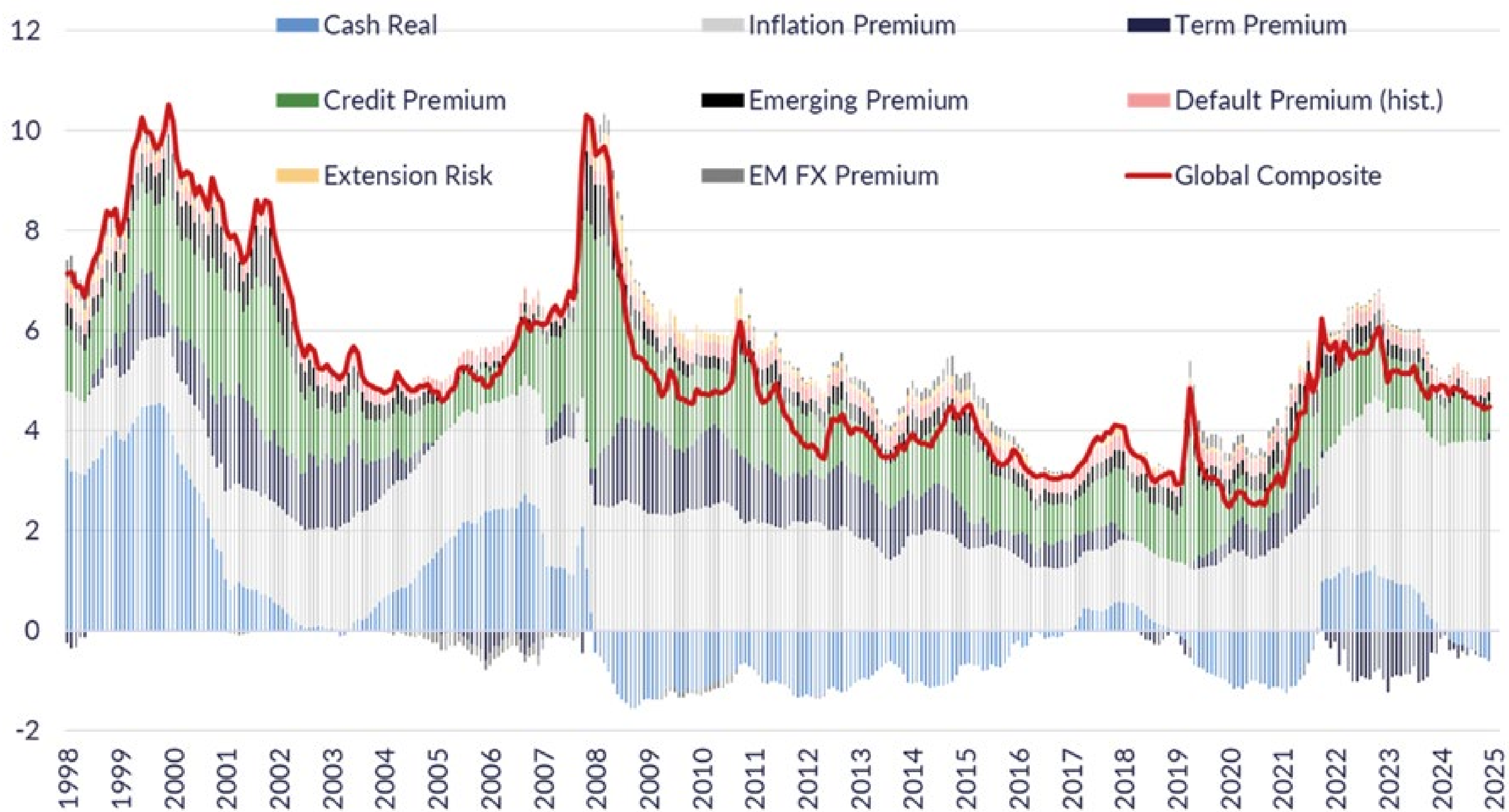
Short-term High Yielding has the best risk-return profile.



Sources: Bloomberg, GAMA calculations, *Derived from 10 global different fixed income segments

Global Bond Composite*

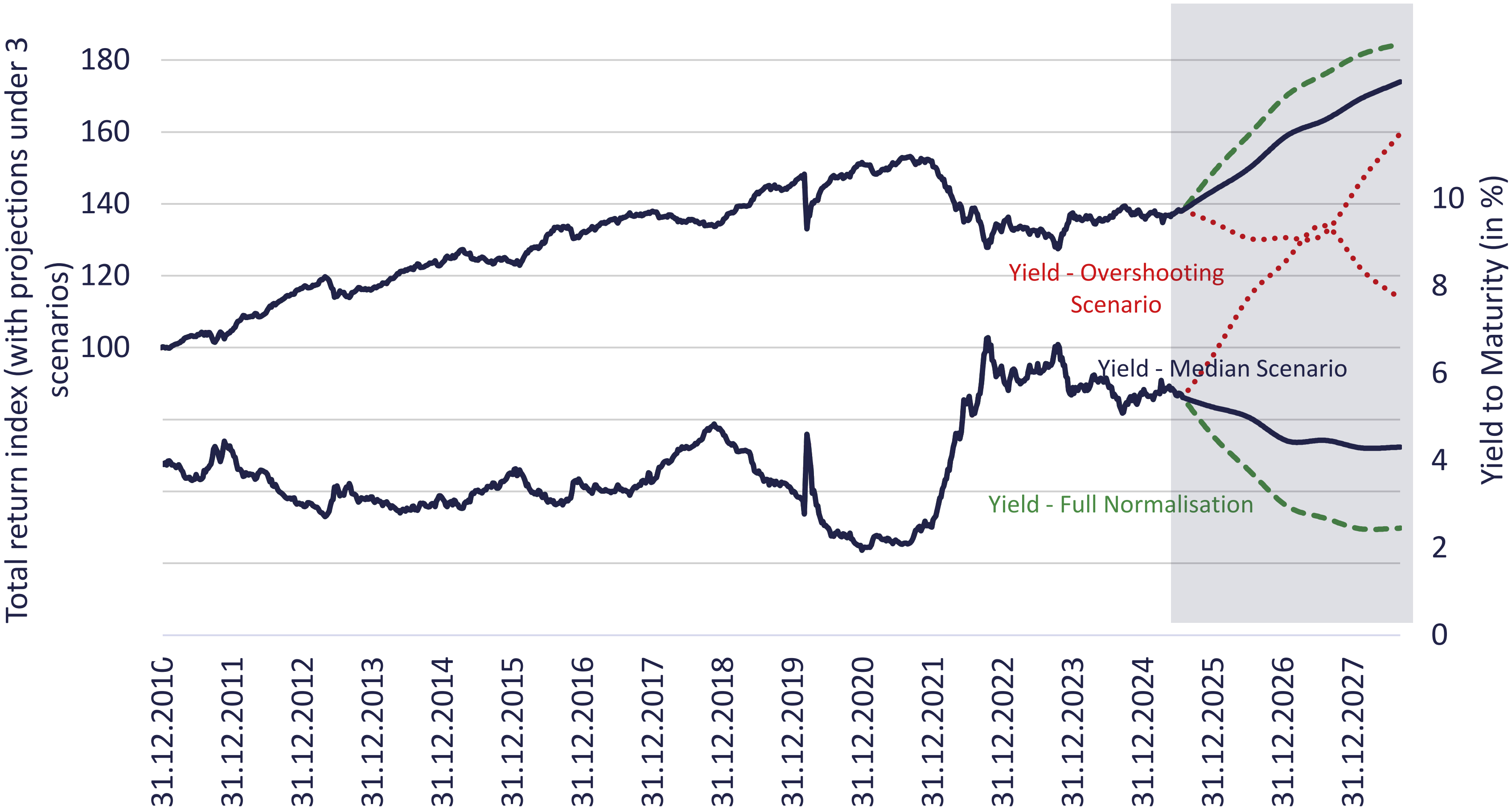
Still near the highest risk premiums since 2009



Sources: Bloomberg, GAMA calculations, *Derived from 10 global different fixed income segments

Global Bond Composite*

Projected total returns under 3 yield scenarios over 3 years



Sources: Bloomberg, GAMA calculations, *Derived from 10 global different fixed income segments

Global Fixed Income Returns in USD - 2025

Strong Fixed Income Performance, +7% for Global vs. Global Aggregate +5%

Fixed Income Segments	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	20Y Avge	Excess Return
Cash	4.4%	1.4%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.2%	0.8%	1.7%	2.1%	0.4%	0.0%	1.4%	4.9%	5.1%	4.3%	1.7%	0.0%
Short-term High Yielding	3.1%	-6.4%	21.9%	6.7%	2.1%	8.3%	3.4%	0.5%	2.5%	4.6%	2.5%	1.1%	4.9%	2.8%	0.6%	-3.2%	6.6%	6.3%	5.8%	4.0%	2.4%
Global Sovereigns	4.7%	10.7%	0.8%	3.9%	6.9%	5.7%	-1.0%	9.1%	1.7%	3.4%	2.3%	2.4%	8.7%	6.6%	-1.9%	-10.8%	6.7%	3.0%	3.5%	3.5%	1.9%
Global Inflation-Indexed	7.3%	1.0%	8.9%	4.9%	10.8%	6.8%	-4.6%	9.1%	0.0%	10.4%	3.2%	0.5%	8.5%	8.9%	5.4%	-17.4%	4.6%	-0.6%	4.5%	3.8%	2.1%
Global Corporates	2.8%	-5.0%	16.8%	7.2%	4.8%	11.1%	-0.2%	7.3%	0.2%	6.2%	5.7%	-1.2%	13.0%	8.0%	-0.8%	-14.1%	9.1%	3.6%	7.1%	4.2%	2.6%
Credit Opportunities	2.4%	-16.3%	39.8%	11.2%	4.2%	15.1%	3.1%	10.3%	4.2%	7.8%	2.2%	-2.1%	14.8%	5.4%	5.5%	-8.0%	11.0%	11.1%	7.9%	6.8%	5.1%
Global High Yield	1.9%	-27.6%	62.8%	15.1%	3.6%	19.2%	6.4%	2.6%	-0.6%	15.6%	8.4%	-2.8%	13.4%	5.8%	2.5%	-11.0%	13.7%	10.7%	8.2%	7.9%	6.2%
Emerging Sovereigns	6.0%	-12.1%	30.1%	12.3%	8.7%	17.9%	-5.9%	7.2%	1.3%	9.3%	9.3%	-4.3%	13.4%	5.2%	-2.3%	-17.4%	11.0%	7.0%	13.1%	6.3%	4.7%
Emerging Corporates	1.5%	-23.2%	53.1%	14.1%	1.5%	17.6%	-2.0%	3.7%	0.0%	10.7%	8.0%	-1.9%	9.2%	8.0%	-2.7%	-15.0%	7.1%	7.6%	8.0%	5.8%	4.2%
Emerging Local Debt	8.8%	-6.5%	23.2%	11.4%	2.5%	14.0%	-3.9%	5.2%	-5.7%	6.0%	7.8%	-2.6%	8.0%	4.1%	-9.3%	-12.8%	10.1%	-2.0%	15.9%	4.4%	2.8%
Convertibles	7.4%	-24.9%	34.5%	9.5%	-5.8%	11.7%	19.3%	6.8%	3.7%	6.4%	9.0%	-3.0%	15.5%	34.2%	4.0%	-16.6%	12.5%	11.2%	20.6%	8.5%	6.8%
Global Aggregate	5.1%	5.7%	5.2%	4.6%	5.4%	5.7%	-0.3%	7.3%	1.4%	3.9%	3.0%	1.6%	8.5%	5.4%	-1.4%	-11.2%	7.1%	3.3%	4.9%	3.5%	1.8%
SAA Global	5.2%	-3.1%	16.2%	6.5%	4.3%	8.9%	-0.5%	6.3%	0.6%	6.7%	4.8%	-0.4%	10.2%	5.5%	-0.7%	-11.7%	8.4%	4.4%	7.2%	4.2%	2.5%
SAA GHY	3.8%	-17.6%	38.3%	14.6%	-0.5%	20.6%	14.2%	4.7%	2.5%	11.7%	9.2%	-0.1%	13.8%	2.7%	3.1%	-9.3%	15.7%	10.2%	10.9%	7.8%	6.2%

Source: Bloomberg indices (hedged indices vs. USD, EM local segments excepted; expressed in USD on an unhedged basis). Data as of 1.1.2026

Global Central Bank Target Rates

CENTRAL BANK EXPECTATIONS

		Next Meeting (CET)	Current	1M	3M	6M	1Y	2Y	3Y	1Y Chge	Mthly Chge	GAMA (1Y)	Gap
	FED	2026/01/28 20:00:00	3.625	3.70	3.45	3.29	2.90	2.87	3.02	-0.72	-0.18	3.00	0.10
	ECB	2026/02/05 14:15:00	2.00	1.99	1.98	1.92	1.88	2.07	2.26	-0.12	-0.04	1.75	-0.13
	SNB	2026/03/19 09:30:00	0.00	-0.06	-0.07	-0.12	-0.15	-0.03	0.17	-0.15	-0.05	-0.50	-0.35
	BOE	2026/02/05 13:00:00	3.75	3.90	3.75	3.56	3.40	3.45	3.58	-0.35	-0.24	4.00	0.60
	Riksbank	2026/08/03	1.75	1.74	1.76	1.77	1.91	2.10	2.33	0.16	0.12	1.75	-0.16
	Norges Bank	2026/01/22	4.00	4.01	3.88	3.86	3.55	3.35	3.37	-0.45	-0.18	3.25	-0.30
	BOJ	2026/01/23	0.75	0.52	0.70	0.77	0.99	1.22	1.34	0.24	0.03	1.05	0.06
	PBOC		1.40	1.55	1.54	1.47	1.41	1.48	1.55	0.01	0.13	1.00	-0.41
	BOC	2026/01/28 15:45:00	2.25	2.16	2.11	2.04	2.09	2.37	2.47	-0.16	-0.09	1.75	-0.34
	RBA	2026/02/03 04:30:00	3.60	3.58	3.53	3.45	3.39	3.51	3.68	-0.21	0.12	3.50	0.11
	NZB	2026/02/18 02:00:00	2.25	2.29	2.20	2.10	2.23	2.71	3.06	-0.02	-0.04	2.50	0.27

Sources: Bloomberg, GAMA

Global Rates Projections

		Duration View	Current 10Y	Fwds 10Y	BBG Fcst	GAMA Median	GAMA Rosy	GAMA Black	Gap vs. Fwds	Current 2-10Y	Fwds 2-10Y	GAMA 2-10Y	Curve View
			10Y Projections (in 1Y)							Curve Projections (2-10Y, in 1Y)			
	US	Bullish	4.17%	4.40%	4.10%	3.75%	5.25%	2.75%	-0.65%	0.69%	0.82%	0.55%	Neutral
	EU	Bullish	2.86%	2.93%	2.92%	2.50%	3.25%	1.75%	-0.43%	0.73%	0.73%	0.65%	Neutral
	CH	Bullish	0.36%	0.46%	0.45%	0.10%	1.20%	-0.30%	-0.36%	0.38%	0.39%	0.50%	Neutral
	UK	Bullish	4.48%	4.77%	4.34%	4.40%	5.25%	3.50%	-0.37%	0.74%	0.92%	0.40%	Flatter
	SW	Neutral	2.84%	2.93%	2.90%	2.85%	0.90%	1.60%	-0.08%	0.74%	0.69%	0.65%	Neutral
	NO	Bullish	4.16%	4.21%	3.96%	3.80%	4.50%	3.30%	-0.41%	0.19%	0.35%	0.30%	Neutral
	JP	Bullish	2.07%	2.34%	2.03%	2.00%	2.85%	1.00%	-0.34%	0.89%	0.86%	0.60%	Neutral
	CN	Neutral	1.86%	1.92%	1.65%	1.80%	2.60%	0.90%	-0.12%	0.48%	0.53%	0.50%	Neutral
	CA	Bullish	3.43%	3.62%	3.33%	3.10%	4.60%	2.20%	-0.52%	0.48%	0.53%	0.50%	Neutral
	AU	Bullish	4.74%	4.90%	4.37%	4.15%	4.10%	3.50%	-0.75%	0.685%	0.671%	0.650%	Neutral
	NZ	Bullish	4.40%	4.62%	4.18%	4.00%	5.00%	0.90%	-0.62%	1.68%	1.17%	1.30%	Neutral

Sources: Bloomberg, GAMA

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