

Global Bond 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 but lower yields could become a headwind. Our proprietary risk premium models continue to highlight very little value.

Our Anticipated Strategy: We remain overweight credit, and increased credit exposure through the March volatility, via two portfolio trades. Still, overall credit beta positioning remains moderate from a historical standpoint. We expect increased dispersion between geographies, industries and issuers, driven by the commodity shock we've seen. We are positioned for continuing late cycle dynamics, yet maintain a very liquid portfolio to capitalize on volatility events.

We remain overweight banking, energy and technology and underweight more economically sensitive areas like autos, retailers and transportation.

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 improved somewhat in the March volatility but risk premia remains well below historic average overall and for this stage of the credit cycle.

Our Anticipated Strategy: We remain low in 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 path uncertainty) which is typically negative for MBS.

In ABS, select deals exhibit strong deal structures and short, attractive, high quality carry. We've been particularly focused on Euro consumer backed ABS for carry opportunities in strong deal structures with high quality collateral.

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

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



Currency

US Dollar

Our Current View: The dollar faces numerous headwinds: twin deficits, still expensive valuation, and potential increased global investor diversification away from the US dollar. A resilient consumer, continued Gross Domestic Product (GDP) growth and US resilience to an energy shock are tailwinds.

Our Anticipated Strategy: We reduced our USD underweight as the conflict in Iran lengthened, while retaining select exposures where we see value, carry or trade resilience. As tensions in the Middle East settle, and global rebalancing away from USD is revived, we are biased to increase our USD underweight.

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.

Japanese Yen (JPY) should benefit from more competitive rates globally and resilient safe-haven demand, in our view.

Our Anticipated Strategy: Overweight Australian Dollar (AUD), JPY Underweight Euro (EUR), British 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 EM Asia and CEE have positive idiosyncratic tailwinds.

Our Anticipated Strategy: Overweight Brazilian Real (BRL), Colombian Peso (COP), Hungarian Forint (HUF), and South Korean Won (KRW).

Yield Curves

Duration

Our Current View: Global yield curves have repriced higher on inflation concerns driven by the supply chain disruption. Even if deescalation continues, we do not expect a quick return to pre-war oil prices and 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, we believe much is already priced in the market and the yield curve remains steep.

Our Anticipated Strategy: Neutral US duration and expect to range trade on outsized moves. Modest long JPY and New Zealand Dollar (NZD) duration.

Local EM Markets

Our Current View: We believe select local EM markets are currently attractive where proactive central bank tightening has resulted in high (ex-ante) real yields.

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

Key Risks

Our Current View: Credit stress remains isolated in pockets with rising default risk in segments such as software mostly a future risk.

We believe private credit redemption requests could reveal underlying solvency issues which will have public market implications.

Pullback in tech equities could have negative knock-on effect to the broader economy, in our view.

Geopolitics: Any change (ceasefire or escalation) in Ukraine, Middle East, or other conflicts will have market implications.

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

Outlook

An announced two-week cease-fire in the US-Iranian war has been greeted with joy by global risk markets. All equities are up, and European and Asian markets are outperforming the US. We see this as a relief rally as these countries were seen as the biggest losers in a world of higher oil prices and lower volumes. Global bonds have rallied and non-US currencies are broadly stronger.

Much uncertainty persists, particularly with respect to the resumption of normal shipping through the Strait of Hormuz. Markets seem to think that this issue can be resolved, possibly at a price, as the Iranians may be able to extract some tolling revenue in exchange for passage. We do not expect oil prices to fall to pre-war levels. First, the war may not be over but merely paused. Second, even if there is a way forward towards a more durable peace via negotiation, oil volumes will be depressed for some time while physical damage to regional infrastructure is repaired. In addition, oil demand is likely to increase. Many countries found that their oil and gasoline reserves were insufficient to bridge a disruption in supply, and inventories have been run down. An inventory rebuild demand hike is a forgone conclusion.

Higher prices from the oil supply shock and associated disruptions in helium, urea, aluminum and sulfur supplies will all add to upward price pressures. We see these as persisting through most of the year. Headline inflation is set to rise nearly everywhere. This may keep central banks cautious until they can see the inflation effects more clearly. If this truce really does mark the beginning of the end of the war, the negative shock to global growth and the positive shock to global inflation are likely to be moderate, in our view.

Will the Hedge America trade revive? As we analyze the events at hand, if the Straits re-open in some fashion, oil prices will likely be capped, and investor attention will shift to other themes. First, global EV demand is expected to boom. These cars are not just more economic but now command a new resilience risk premium. Chinese exports of their EV/solar/battery complex may accelerate further, in our view. This is Chinese Yuan (CNY) bullish. Second, we believe electric power infrastructure capital expenditure is also likely to be boosted. The EV plus AI demand bids join the air conditioning bid across the Global South. Nuclear power should have a robust future across the globe, in our view.

In the US, erratic monthly payroll releases show an average of 68,000 new jobs monthly in the first quarter of 2026. This pace is in line with a stable unemployment rate, given slower labor force growth. Separately, we see weaker private consumption growth from both slower job and household formation growth as well as higher inflation pressures on purchasing power. The AI boom proceeds, as does the utility capex boom, but these may do little to limit the creaking sounds from private credit portfolios. Earnings prospects remain relatively buoyant for most US industries for now. We see the Federal Reserve on hold for the next several months and Treasuries range-bound. In this world, there seems no rush to Hedge America, but global portfolio rebalancing away from overweight US positions is expected to gradually revive. In turn we are inclined to revive our USD underweight bias.

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

85 Institutional Accounts & Commingled Vehicles

\$37.3 Team Assets Under Management* (Billion USD)

As of 3/31/2026.