

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 solid as well. Technicals remain firm with strong demand for yield still evident. Risk premia has improved somewhat on strengthening corporate health and we are beginning to see some spread dispersion across markets, but valuations remain relatively unappealing, in our view.

Our Anticipated Strategy: We remain overweight credit. Current credit positioning leaves sufficient room to add risk at more attractive valuations. We are closely monitoring global markets and view any near-term dislocation and further spread widening as a potential buying opportunity. We remain focused on generating alpha via carry, security selection, new issue concession, industry outperformance, and cross-currency relative value opportunities.

We remain overweight banking, communications, and healthcare. Within technology, we are overweight, with careful consideration for sensitivity to the AI datacenter build out. We remain underweight more cyclical areas like autos, BDCs and retailers.

High Yield

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

Careful issuer selection is essential in this environment.

Our Anticipated Strategy: We remain low in HY corporates relative to history. That said we are looking for more opportunities that may emerge with increased volatility and dispersion among industries and geographies. Note, high yield exposure includes HY local and hard currency bond positioning (e.g. Brazil, South Africa).



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 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 have since added back to the underweight and increased non-dollar FX exposures. Our bias is for long term dollar weakness but short-term tailwinds keep us cautious.

Developed

Our Current View:

-Hawkish RBA and high carry should provide support for AUD.

-Fiscal volatility and Middle East-related energy disruptions could pose near-term headwinds for Europe.

Our Anticipated Strategy: Overweight AUD
Underweight GBP, EUR

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 CEE (HUF) have positive idiosyncratic tailwinds.

Our Anticipated Strategy: Overweight HUF, MXN, COP

Yield Curves

Duration

Our Current View: Global yield curves have repriced higher on resilient global growth and persistent inflation concerns. Central banks have pivoted toward hiking cycles and could remain cautious until they can see clear evidence of disinflation.

We favor a long USD duration position. We expect a more benign hiking cycle than implied by market pricing and believe term premium already reflects budget deficit/Treasury supply and policy uncertainty.

-Hedged New Zealand continues to look attractive.

-While fiscal uncertainty in Japan remains, long end yields offer value and should eventually spur domestic buying.

Our Anticipated Strategy: Long US duration and global duration overall— we expect to remain nimble and could adjust this position on any outsized moves. Modest long JPY and NZD 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 Mexico, Brazil, Colombia, and Hungary. Ready for buying opportunities elsewhere amid political vol (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 rates and risk.

Our Anticipated Strategy: Across all factors, we are far from our maximum risk. As valuations adjust, we will look for opportunities across rates, currency and credit.

Outlook

If the US Treasury market had a signature song of the summer, it might be Summer-time Sadness, or perhaps Stairway to Yield Heaven. From 4.4% in June, the US ten-year yield has risen to 5.3%, with the rise accelerating in early September. A September Federal Reserve hike plus futures market forecasts of more tightening have not turned around sentiment. Neither, to our surprise, has the news that the Strait of Hormuz is mostly open, with non-Iranian transit volumes approaching pre-conflict levels in recent weeks. Despite these volume gains, Brent oil prices have continued to hover around \$100 per barrel. Maybe this reflects how low inventories have become. Absent a conflict re-acceleration, there seems to be some down-side price room here.

Oil aside, inflation data are improving. The core personal consumer expenditure deflator, the Fed's preferred inflation measure, has stabilized at 3.0% year over year, after rising earlier in the year. Revisions helped. Even

better, the core CPI has continued to decline, and is now at 2.4%, lower than where past Fed policymakers have cut interest rates. But that's not all, bond shoppers! Average hourly earnings have fallen to 3.0% year over year, down from 3.8% a year ago. Given that productivity is tracking above 2%, this implies a unit labor cost of less than 1%. Inflation futures are stable, in our view. This bond bear market is a real rate phenomenon.

US growth is accelerating, with booming August retail sales and capital spending driving the Atlanta Fed's GDP Now estimate for Q3 to 3.7% currently. Faster real growth often correlates with higher real rates, so perhaps there is no mystery at all. But after suffering through years of negative real yields not so long ago, we now see real yields of 3% if inflation break-evens are used to deflate the nominal ten-year. We view this as the best value story for bonds since before the GFC. Yield heaven may have been achieved, though it feels more like yield purgatory for most fixed income investors this quarter, in our view.

We believe we are not, however, in credit spread heaven, as the US IG spread index is at 82bp. The Euro-zone offers better value at 100bp, aided by the impressive deterioration in sentiment towards France, in our view. As we have noted before, French politics do not lend themselves to political austerity, which France needs with a 5% of GDP budget deficit. Japan and the United Kingdom are currently seen by economic analysts as better fiscal stories. Not good stories, mind you, just better than France.

The US dollar has been stronger lately, aided by the September Fed interest rate hike, by the improving growth story, and sustained positive equity sentiment. French fiscal woes are not helping the Euro. US exceptionalism is back, with AI characteristics.

Looking forward, we are positive USD duration and duration more broadly. We remain cautious regarding non-US FX, though local events can materially move currencies, as the strong electoral showing of Bolsonaro just did in Brazil. We are cautious towards credit spreads, and choose to be selective, while finding value in some individual issuers. Once more, the biggest risk for credit spreads as well as the USD would be a deterioration in the US large-cap equity AI story. We await the Anthropic IPO with interest.

Sources: LSEG and Bloomberg, as of September 2026.

Important Disclosure

This marketing communication is provided for informational purposes only, per your request, and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor. Any opinions or forecasts contained herein reflect the subjective judgments and assumptions of the Global Fixed Income team only and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted and actual results will be different. Information, including that obtained from outside sources, is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This information is subject to change at any time without notice.

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

\$38.6 Team Assets Under Management
(Billion USD)

As of 9/30/2026.