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Corporate Credit Monthly Update

July 2026

Europe

In the euro area, the economic outlook softened somewhat amid downward revisions to growth forecasts. Persistent geopolitical risks continued to weigh on market sentiment, against a backdrop of heightened uncertainty where any further escalation could once again disrupt global trade flows and supply chains. Faced with this challenging environment, and in response to the resurgence in inflation driven by the conflict in the Middle East and higher energy prices, the European Central Bank (ECB) raised its key policy rates by 25 basis points, bringing the deposit facility rate to 2.25%. This decision contrasted with the gradual improvement in market conditions observed towards the end of the period. Indeed, it came at a time when energy prices were already trending lower, supported by the announcement of the interim agreement between the United States and Iran.

Despite this additional monetary tightening, European fixed income markets significantly outperformed their US counterparts, as investors continued to favour euro area issuers. Yields on intermediate-maturity German Bunds (7–10 years) declined by 6 basis points to 2.80%. This decline in sovereign yields reflected a shift in market expectations, with investors assigning a lower probability to a second ECB rate hike this year as easing geopolitical tensions fostered expectations of a gradual normalisation in energy supplies. Within corporate credit, the European High Yield segment outperformed in June. In addition to the decline in sovereign yields, the asset class continued to benefit from robust inflows, reinforcing favourable technical conditions. Combined with investors' continued search for yield, this drove a meaningful tightening in credit spreads over the month, especially in B-rated names, more than offsetting any widening pressures stemming from the international backdrop. By month-end, the yield on the European corporate bond market stood at 5.62%.

United States

In the United States, the macroeconomic environment remained broadly supportive throughout June, although inflationary pressures emerged as the main area of concern. Inflation surprised to the upside, accelerating to 4.2% in May from 3.8% in April. At the same time, household consumption proved resilient and the labour market continued to show relative strength, in line with recent trends. Amid these renewed inflationary pressures, the Federal Reserve adopted a cautious stance, with the timing and extent of any potential monetary easing still under discussion within the FOMC. Accordingly, the Fed kept policy rates unchanged at its first meeting under Chairman Kevin Warsh. The decision was accompanied by a more hawkish-than-expected communication, as policymakers removed their previous easing bias and stressed the need to preserve a restrictive monetary policy for the time being. On the geopolitical front, the preliminary agreement to initiate peace talks between the United States and Iran proved fragile, with tensions persisting despite the announcement of a memorandum of understanding in mid-June. However, the temporary implementation of the ceasefire and the gradual normalisation of maritime traffic through the Strait of Hormuz triggered a sharp decline in oil prices during the month, easing a key source of imported inflationary pressure for developed economies. Supported by the Fed's hawkish stance and lower expectations for rate cuts, the US dollar appreciated by 2.3% against its basket of major currencies. Conversely, gold fell by 11.7%, losing part of its safe-haven premium as the stronger dollar and expectations of higher-for-longer interest rates weighed on investor demand.

Volatility remained elevated in US fixed income markets throughout June. Investors continued to navigate an environment shaped by shifting geopolitical developments, mixed macroeconomic data and another round of corporate earnings that generally exceeded expectations. US Treasury yields traded within a relatively narrow range for most of the month, reflecting a cautious wait-and-see approach among market participants. Upward pressure on long-term yields was notably contained by the decline in energy prices. By month-end, the yield on the 7-10-year Treasury segment stood at 4.39%, up a modest 2 basis points over the month. In corporate credit, spreads remained broadly stable and close to their historical lows, reflecting continued investor confidence in issuers' balance sheet quality. An increase in risk aversion around mid-month nevertheless weighed slightly on overall performance. Although the US High Yield market delivered a positive return of 0.25%, it underperformed its geographical peers due to its greater sensitivity to higher sovereign yields. By the end of the month, the yield on the US corporate bond market stood at 7.13%.

Emerging

Emerging economies also sought to absorb the economic implications of the interim ceasefire agreement involving Iran. While the durability of the agreement remains highly uncertain, its most tangible outcome was the commitment to reopen the Strait of Hormuz. This measure significantly eased pressure on global energy markets at a time when worldwide inventories continued to decline. Although the outlook for energy supply improved over the month, the geopolitical environment remains unpredictable, continuing to fuel market volatility. Developments in early July, notably the collapse of the ceasefire and the renewed escalation of regional tensions, underscored the fragility of any diplomatic progress.

Performance across emerging market corporate credit was mixed by rating segment in June but remained positive overall. Emerging Market High Yield returned 0.60%, supported by spread tightening in the BB segment, while B-rated issuers experienced spread widening amid this heightened geopolitical volatility. Investment Grade corporate credit delivered a more modest gain of 0.25%, reflecting its greater sensitivity to US Treasury yields. As a result, spreads on higher-quality issuers (A and BBB) came under moderate pressure during the month. By month-end, the yield on the emerging market corporate bond universe stood at 7.51%.

Edited: 09/07/2026

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Companies in the Spotlight

Flos B&B (EU)

Flos B&B Italia, an Italian premium furniture and lighting design group, has announced the sale of Louis Poulsen for approximately EUR 470m, with closing expected in H2 2026. Fitch has placed the credit on Rating Watch Positive, projecting that leverage will decline from 6.4x at FYE 2025 to 4.0x–4.5x post-closing. This represents a material deleveraging event that shifts the credit profile toward the B+/BB- territory. This should support debt repayment, primarily the expensive 10% 2028 bonds, and ease the refinancing of the remaining capital structure.

Belden Inc (US)

Belden Inc., a leading global supplier of networking solutions, announced that it has completed the acquisition of RUCKUS Networks, a global provider of intelligent network solutions, for a total consideration of USD 1.85bn. The deal was financed by issuing a new Term Loan B at S+225/99.75 maturing in 7 years. Pro forma leverage is expected to increase to about 5.3x, including Moody's standard adjustments, from 3x as of Q1 2026. However, the company, as well as rating agencies, forecasts a rapid deleveraging below 4x by the end of 2027, and toward Belden's target of 1.5x in the medium term.

Georgia Global Utilities (EM)

Georgia Global Utilities (GGU), a leading Georgian water distribution company, was upgraded to BB/Stable by both S&P and Fitch, from BB-. The upgrades reflect stronger and more resilient credit metrics, supported by tariff increases in the current regulatory period, solid EBITDA growth, and the expectation that the FFO/debt ratio will remain above S&P's 20% threshold, while Fitch expects the FFO net leverage to stay below 3.5x over 2026-2028. For FY2025, GGU reported revenue of GEL 298m, EBITDA of GEL 207m, a high EBITDA margin of 69.5%, and a debt/EBITDA ratio of 2.8x. Liquidity also remains supportive, with around GEL 182m of cash and deposits at the end of March 2026, against limited near-term maturities. The stable outlook is underpinned by expected revenue growth in the next regulatory period, continued parent support from FCC Aqualia, and a demonstrably conservative financial policy.

Central Bank Activity

	Current Rate	Previous Rate	Last Change	Next Decision
BCE	2.25%	2.00%	17/06/2026	23/07/2026
BoE	3.75%	4.00%	18/12/2025	30/07/2026
BNS	0.00%	0.25%	20/06/2025	24/09/2026
FED	3.50 - 3.75%	3.75 - 4.00%	10/12/2025	29/07/2026
BoJ	1.00%	0.75%	17/06/2026	31/07/2026

Significative Primary Issues

Europe

Issuer	*Yield*	*Maturity*	*Amount*	*Rating*
Neopharmed	5.54%	2033	€890M	B
Verisure	4.125%	2032	€1.00Bn	BBB-

United States

Issuer	*Yield*	*Maturity*	*Amount*	*Rating*
CoreWeave Inc.	9.625%	2032	$1.25Bn	B
Iron Mountain Inc.	6.265%	2035	$1.50Bn	BB-

Emerging

Issuer	*Yield*	*Maturity*	*Amount*	*Rating*
Avianca Midco	10.25%	2032	$650M	B1
Vedanta Resources	7.375%	2034	$700M	BB-

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Macro-Economic Events

Europe

Eurozone: economic activity contracted for a third consecutive month in June, albeit at a slower pace. The composite PMI remained below the 50 threshold but rose from 48.5 to 49.5, exceeding market expectations of 49.2. The latest reading points to broadly flat GDP growth, with no net private sector job creation over the past six months. Meanwhile, inflationary pressures continued to ease in June, potentially encouraging the European Central Bank to adopt a more measured approach in its upcoming monetary policy decisions.

Germany: the Ifo Business Climate Index rose to 85.6 in June, its highest level in three months, a figure in line with market expectations. German businesses reported a modest improvement in confidence, supported in part by easing geopolitical tensions. The increase was primarily driven by the Current Assessment Index, which climbed from 86.1 to 87.0, indicating that firms viewed their current business situation more favourably than in the previous month. By contrast, while the Expectations Index also improved slightly, it remained below the market consensus of 85.0, suggesting that confidence in the medium-term outlook remained somewhat subdued.

United Kingdom: manufacturing order books deteriorated further in June, posting their steepest decline since September 2020. The Confederation of British Industry (CBI) order book balance fell to -45 from -41 in May. Output expectations for the next three months also weakened, reaching their lowest level since December 2024. Despite easing price pressures, manufacturers continued to face a challenging operating environment. While the reopening of key energy supply routes has provided some relief, the normalisation of production chains and input costs is expected to take longer.

US & EM

United States: the economy added only 57,000 jobs in June, well below the 129,000 recorded in May and the 110,000 expected by consensus. This marked the weakest employment gain in four months, ending three consecutive months of above-expectation job growth. Employment continued to increase in professional and business services, social assistance and healthcare. Conversely, jobs declined in leisure and hospitality, reflecting weaker-than-usual seasonal hiring.

China: the official manufacturing PMI rose to 50.3 in June from 50.0 in the previous month, exceeding market expectations of 50.1. This marked the third consecutive month of expansion in industrial activity. Growth was notably supported by strong exports of high-tech manufactured goods, driven by the rise of artificial intelligence, while shipments of other goods remained subdued amid moderate domestic demand.

South Africa: producer price inflation accelerated for the third consecutive month, reaching 7.8% in May, up from 4.8% in April and its highest level since April 2023. The increase was primarily driven by coke and petroleum products, as well as chemicals, rubber and plastics, which surged by 22% due to higher fuel prices, notably diesel (+67%) and petrol (+28%).

Market Data Indices

Indices (end of June)	Performance			
High Yield	**MTD**	**YTD**	**Duration**	**Yield**
Corporates High Yield Europe	0.60%	1.87%	3.19	5.62%
Corporates High Yield United States	0.25%	1.92%	3.03	7.13%
Corporates High Yield Europe Excluding Financials	0.62%	1.86%	3.08	5.44%
Corporates High Yield United States Excluding Financials	0.27%	2.13%	3.07	6.83%
High Yield Emerging Markets	0.60%	4.22%	3.88	7.51%
Investment Grade				
Corporates Investment Grade Europe	0.49%	1.40%	4.55	3.57%
Corporates Investment Grade United States	0.17%	0.93%	6.62	5.20%
Investment Grade Emerging Countries	0.25%	0.75%	5.83	5.13%
Governments				
7-10 Year German Bond	0.69%	1.35%		2.80%
7-10 Year US Bond	0.25%	-0.06%		4.39%

Inflation (end of June)					
Realized inflation	June	May	April	6M	12M
Realized inflation in Europe (rolling 12-month)	2.80%	3.20%	3.00%	2.00%	2.00%
Realized inflation in the United States (rolling 12-month)		4.20%	3.80%	2.70%	2.70%

Month-to-date = MTD
Year-to-date = YTD

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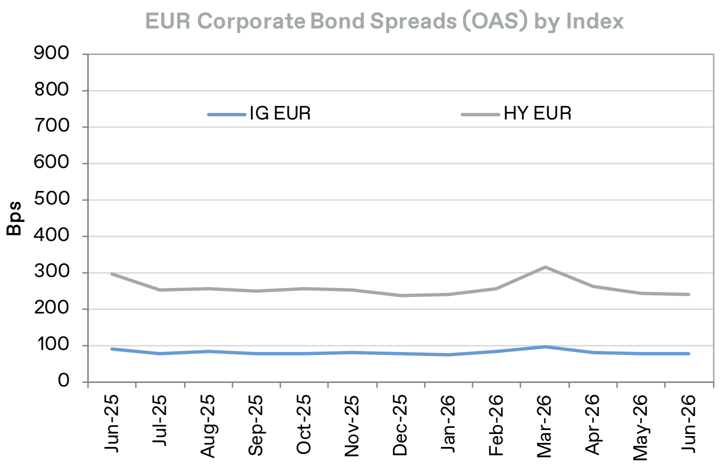

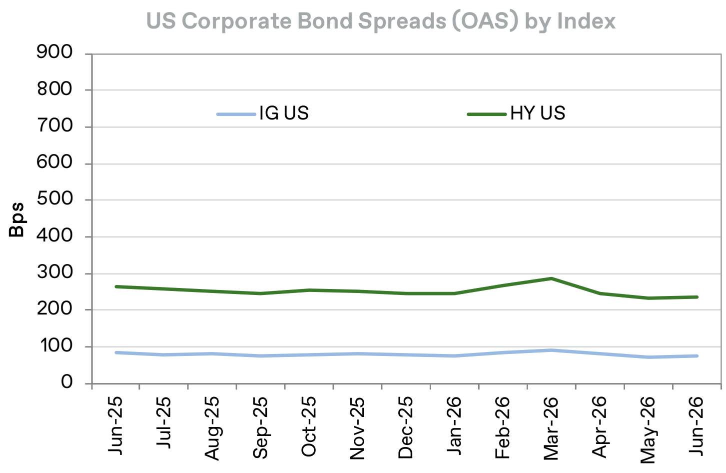

Corporate Bond Spreads

	June	May	April	12 months
Europe				
Corporates Investment Grade Europe	79	78	81	91
Corporates High Yield Europe	265	266	281	311
Corporates High Yield Europe Excluding Financials	240	243	261	295
Corporate Bonds rated A Europe	71	70	73	81
Corporate Bonds rated BBB Europe	91	91	94	106
Corporate Bonds rated BB Europe	168	169	181	211
Corporate Bonds rated B Europe	340	350	375	351
United States				
Corporates Investment Grade United States	75	73	80	85
Corporates High Yield United States	268	263	275	292
Corporates High Yield United States Excluding Financials	236	233	246	263
Corporate Bonds rated A United States	62	61	67	72
Corporate Bonds rated BBB United States	93	91	100	106
Corporate Bonds rated BB United States	159	156	167	170
Corporate Bonds rated B United States	290	287	303	291
Emerging Countries				
Investment Grade Emerging Countries	82	80	84	103
High Yield Emerging Countries	332	340	351	386
Corporate Bonds rated A Emerging Countries	65	64	67	83
Corporate Bonds rated BBB Emerging Countries	108	107	109	137
Corporate Bonds rated BB Emerging Countries	213	221	224	264
Corporate Bonds rated B Emerging Countries	355	350	373	432

Source: Anaxis AM

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Anaxis specialises in corporate credit for investors who firmly believe in fundamental investing based on in-depth knowledge of issuers. For more than 15 years, Anaxis has focused on corporate credit strategies and has developed comprehensive expertise and methods renowned for their reliability by its clients.

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