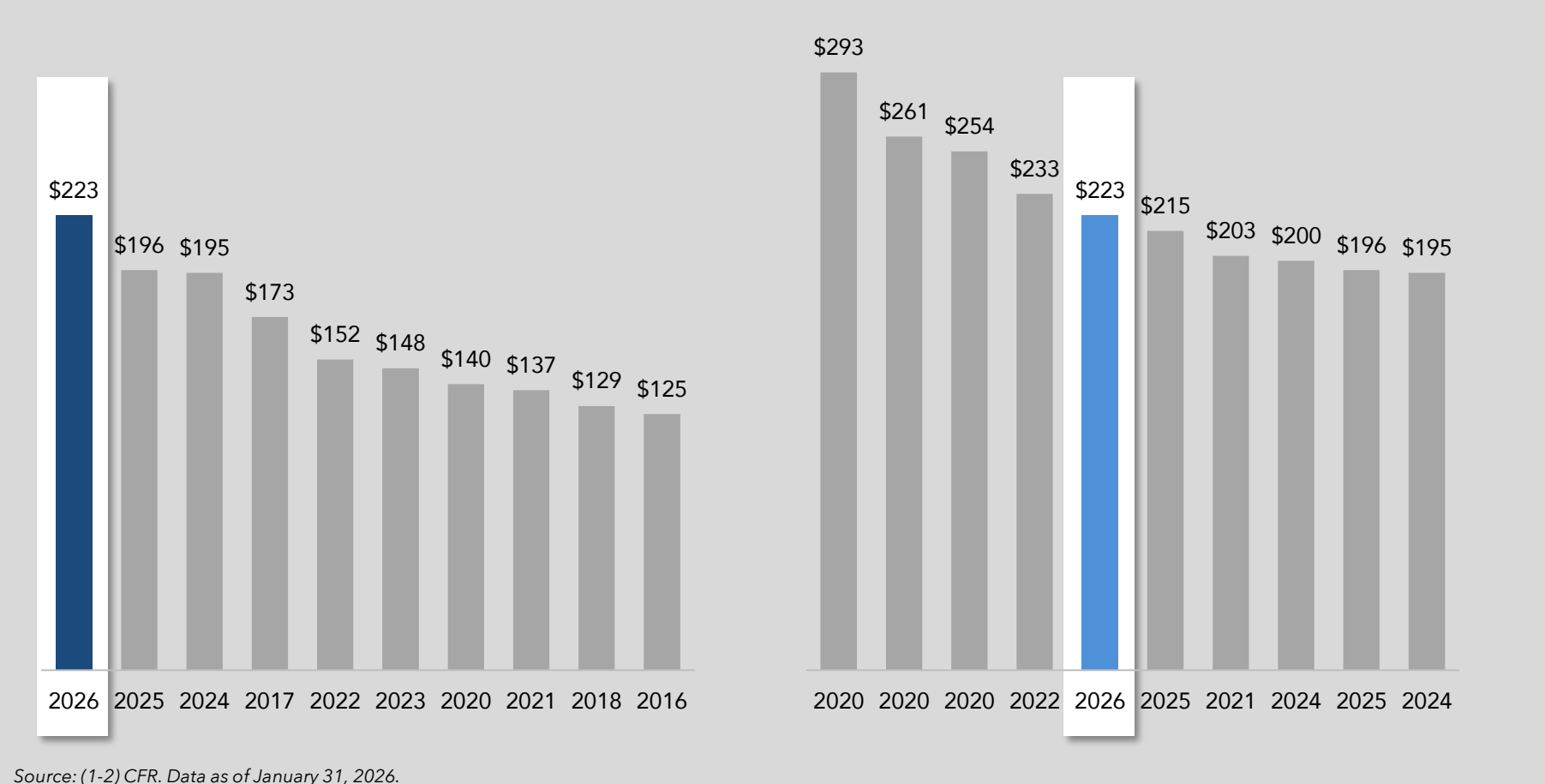


Chart of the Day



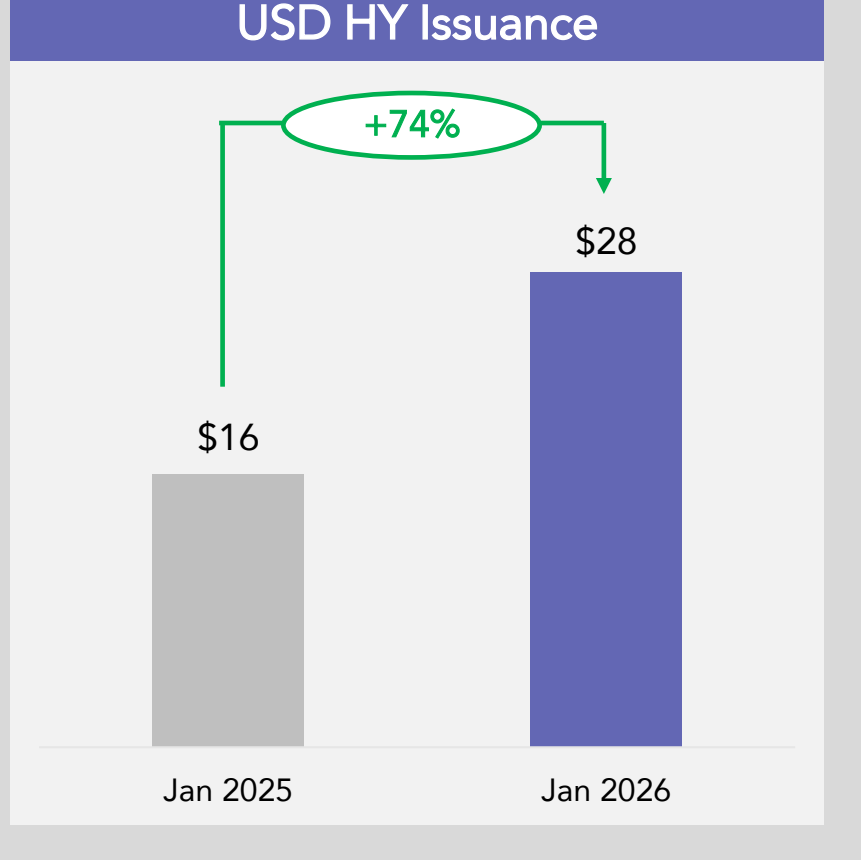
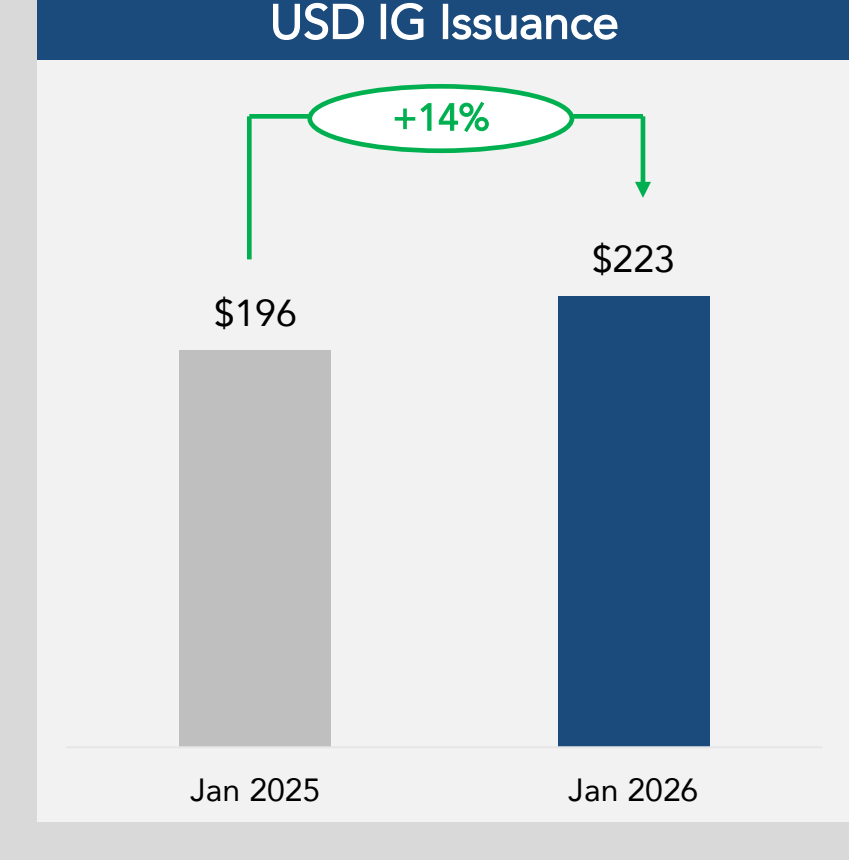
Largest January on Record, 5th Largest Month Ever

USD IG corporate bond issuance smashed prior records for the month of January, with both volumes and the breadth of issuance pointing to one of the most aggressive funding periods corporates have ever executed to start the year. IG volumes exceeded \$200 bn on the month, up mid-double digits from prior January records set in 2024 and 2025.



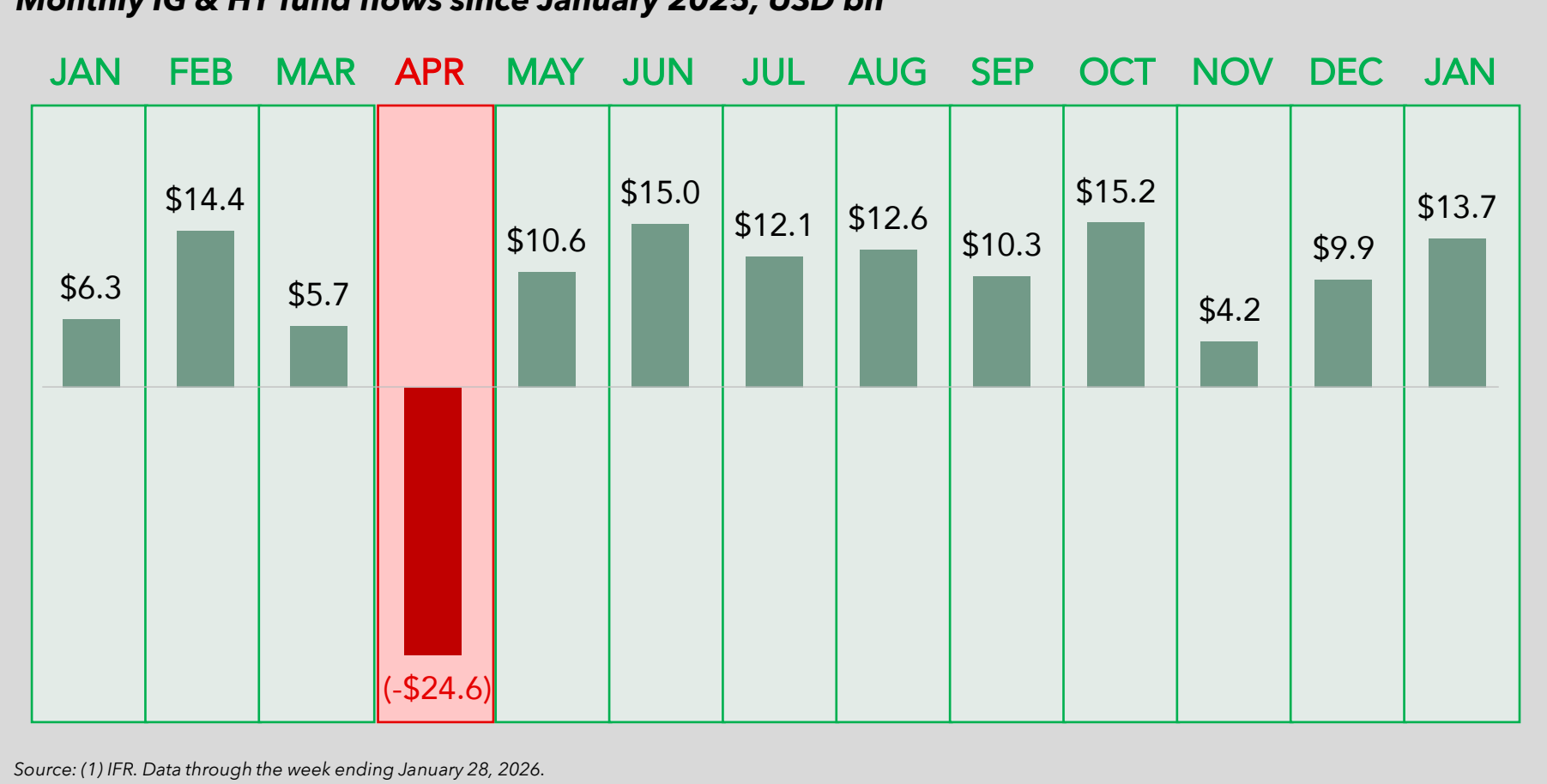
"Goldilocks" Backdrop for USD Issuance

Against a backdrop of elevated geopolitical and policy instability, January marked another "goldilocks" moment for USD credit driven by: (1) a soft-landing consensus, declining inflation and modest Fed easing; (2) a resurgent pace of yield-seeking capital flows into high quality corporate credit; (3) additional spread tightening to multi-decade lows; (4) range-bound rates; and (5) robust January IG & HY supply that was easily absorbed by the market (including a record January for IG).



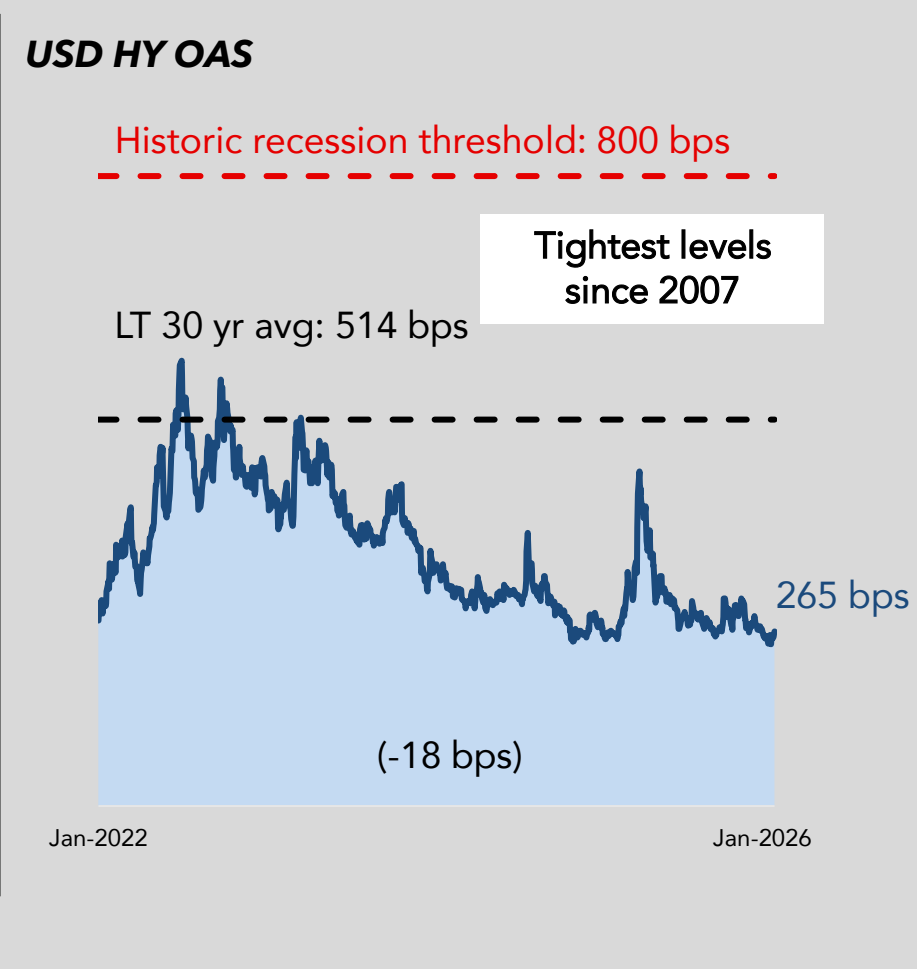
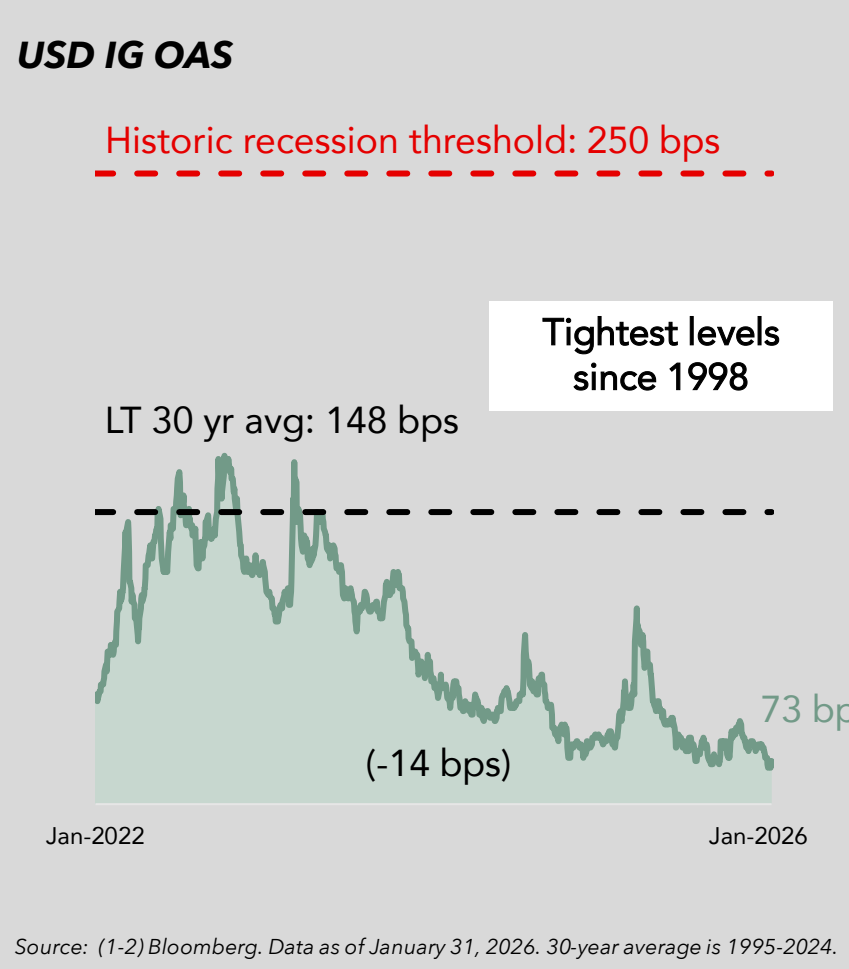
Yield-Seeking Flows into High Quality Corporate Credit

Global investors maintained their structurally long fixed income bias in early 2026, following the resurgent pace of inflows in 2025. Though dominated by IG interest, a broad range of global buyers including insurers and pension funds continued to take advantage of attractive all-in-yields from high quality corporate balance sheets, rather than adding equity risk at late cycle valuations. HY flows were comparatively smaller on the month, though "healthy" by historic comparison.



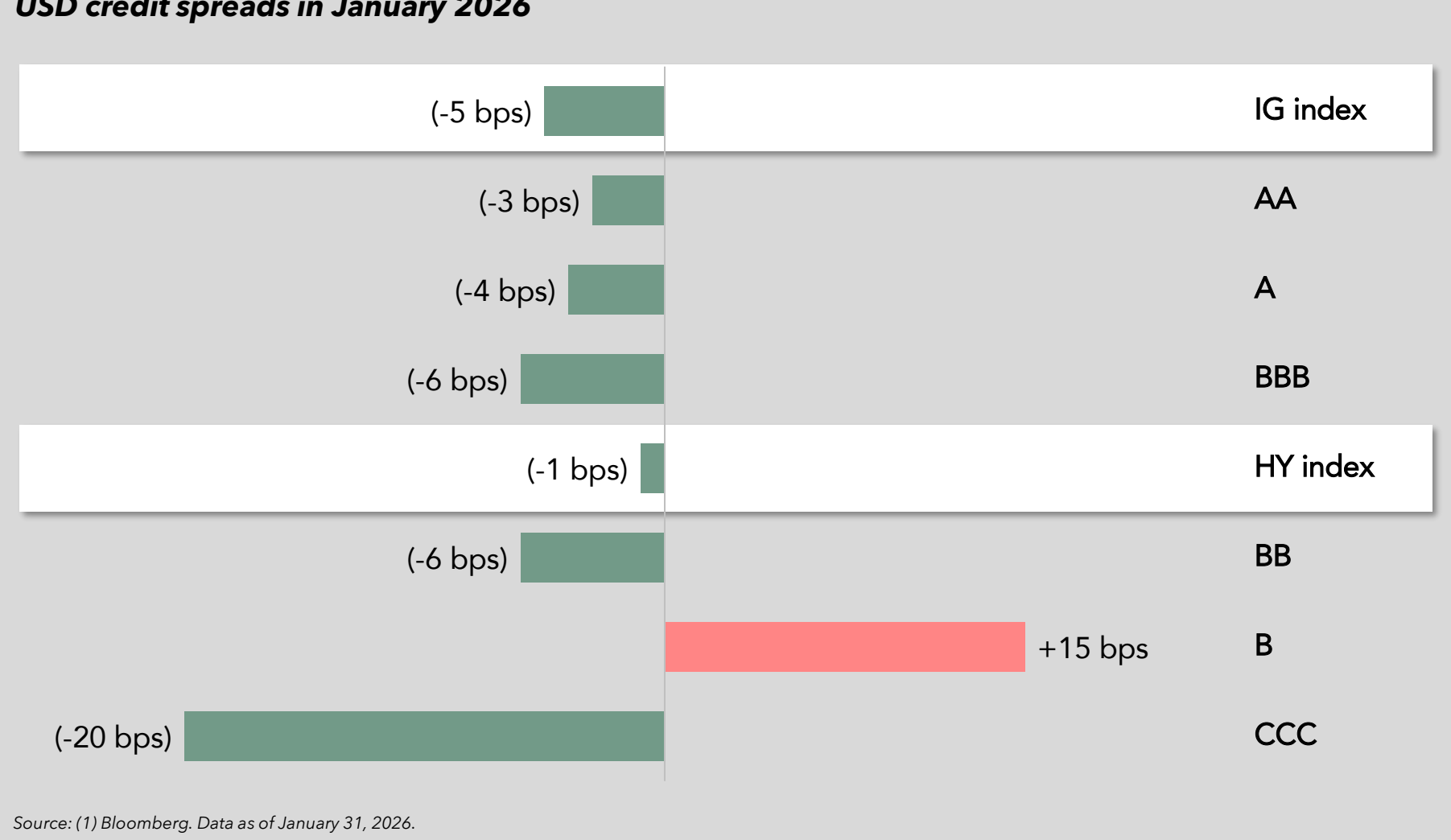
Tightest Credit Spreads This Century

From a remarkably tight starting point, and against a volatile global backdrop, IG spreads tightened even further in January to new multi-decade tights extending back to the late 1990s (tightest levels this century), while HY tightened close to the pre-GFC levels of 20 years ago. While widening risk from here remains high, the combination of strong balance sheet fundamentals, Fed easing and a stable macroeconomic backdrop have attracted strong demand from yield-seeking investors even as issuance supply remains high.



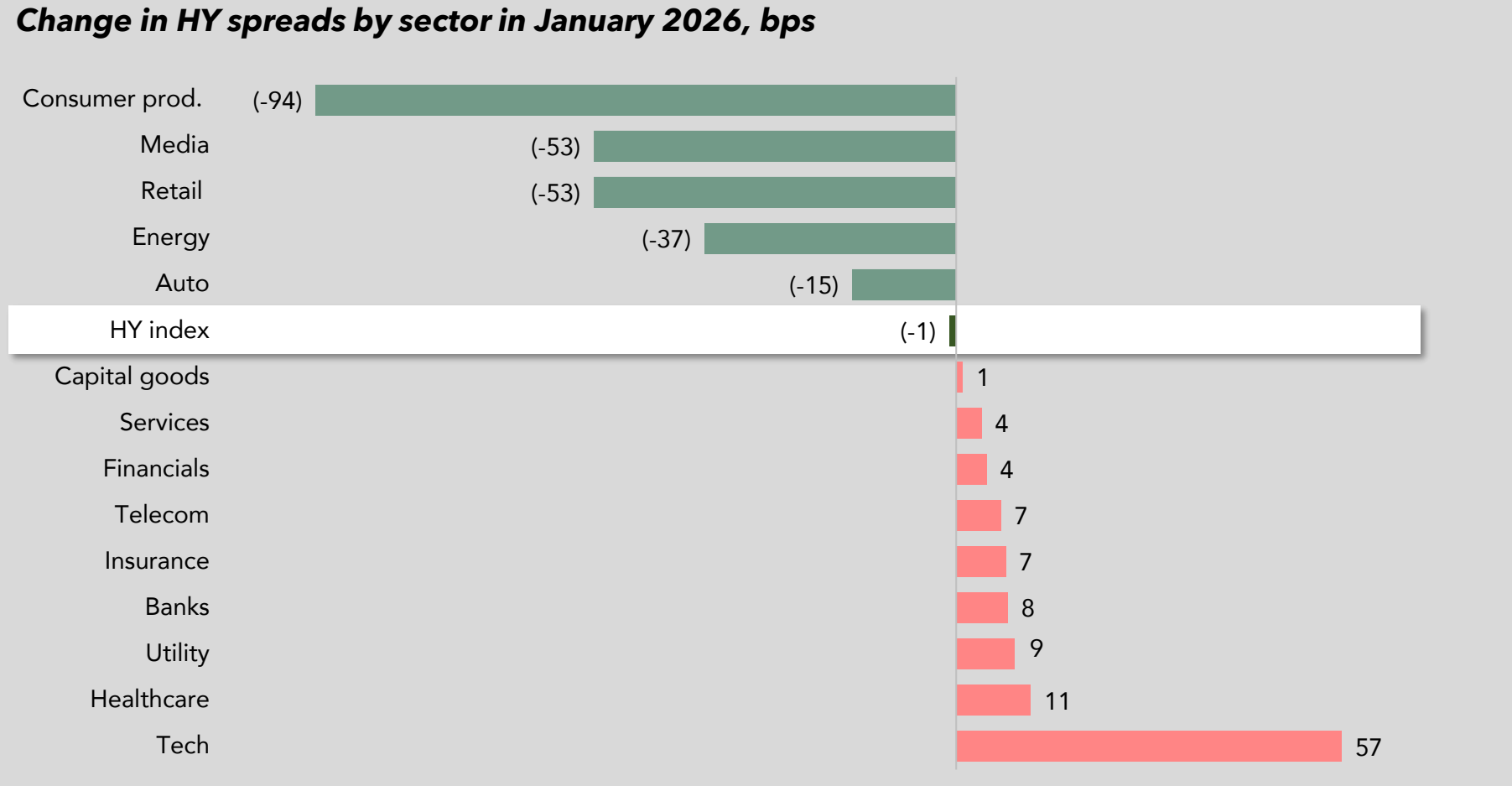
Spread Tightening Across the Ratings Spectrum

Spread tightening in January was broad-based across the quality spectrum, but the most dramatic compression came in BB/B HY, while CCCs tightened meaningfully from their late 2025 wides. With CCCs nonetheless still trading at a sizable absolute premium, even a modest shift in growth, policy or liquidity could see CCC spreads gap faster than IG or BBs.



Dispersion in HY Credit Spreads by Industry

High yield credit spread performance in January was highly differentiated. Defensive sectors like consumer staples tightened sharply, while higher-beta, structurally challenged sectors like HY tech saw notable widening. In HY, technology tends to be skewed toward smaller, more leveraged and often unprofitable issuers, a sharp contrast to the megacap IG tech and hyperscaler complex.



Global Corporate & Investment Banking Capital Markets Strategy Team

Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472

Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

Angela Sun
Analyst
Angela.Sun@mufgsecurities.com
(212) 405-6952

"Macro stability isn't everything, but without it, you have nothing."