



In Focus: Global Fixed Income

6 FOR 2026 OUTLOOK

Investment views from our partners at **Insight Investment**

Global monetary and fiscal policies are moving in different directions, reflecting varying growth dynamics, inflation pressures and policy priorities. While volatile, we believe this scenario can be favorable for global fixed income with an active approach that differentiates short-term shifts, structural changes and economic conditions.

OUR TOP CATALYSTS FOR CHANGE

01 Central Bank Actions

Although central banks continue to diverge across monetary policy actions, there are areas of opportunity for global fixed income. The Federal Reserve (Fed) is likely to continue prioritizing employment and growth and continue easing through 2026. Meanwhile, the European Central Bank (ECB) may ease slightly, while the Bank of Japan (BOJ) is expected to increase rates. In this environment, we see areas for active global bond managers to find relative value and new opportunities.

02 Global Fundamentals Remain Strong

Global diversification across the eurozone and emerging markets (EM) widens the scope of investment opportunity and offers access to a more varied landscape of yield curves, credit markets and central bank policy regimes—all of which can potentially allow investors to seek returns across differing economic cycles. It has also historically delivered higher returns for meaningfully lower volatility than U.S. bonds on a currency-hedged basis. We believe in taking a diversified approach to global fixed income by investing in sovereign bonds, investment grade corporates, securitized credit, and select EM exposure.

03 Value in U.S. Treasuries

U.S. Treasuries continue to be a meaningful part of a globally diversified portfolio. We think economic expansion in the U.S. has room to run, but given we are late cycle, the economy is more vulnerable to volatility. The Fed's rate cuts are likely to benefit Treasury securities at the front of the yield curve. There are risks at the long end of the curve, given continued concerns around U.S. deficits. We believe value can be found in U.S. credit considering relatively high overall yields.

04 Hedged Global Sovereign Bonds Are Attractive

Global sovereign bonds with currency-hedged exposure may present an attractive tactical investment opportunity amid ongoing uncertainty. With interest rate differentials currently favoring the U.S. and developed market (DM) government bond yields elevated, the environment supports a positive outlook for fixed income investors seeking income and risk diversification. We believe a portfolio hedged back to the U.S. dollar may effectively neutralize currency risk, therefore improving risk-adjusted return and potentially offering risk mitigation. In addition, hedged global bonds offer diversification benefits to a traditional core U.S. fixed income portfolio.

05 Emerging Markets Balance Sheets Are Healthy

Most countries in Latin America and Asia are in the process of cutting rates while retaining policy flexibility in case growth momentum slows. Many of these countries also appear to be entering a period of measured fiscal consolidation. EM GDP growth looks generally healthy, potentially supporting high yield corporates. Inflows have picked up given increased expectations of U.S. dollar weakness, which may benefit unhedged local currency EM debt.

06 Digital Infrastructure Demand Surges

Off-benchmark sectors like esoteric structured credit¹, or deals backed by data centers, digital infrastructure and whole business securitizations, may offer a compelling “complexity premium” above corporate credit. The global race to support digital infrastructure is surging, with much of the build-out being funded by fixed income. This momentum creates more opportunity for bond investors to capture the global rise in AI development.

This article is part of our 2026 Outlook series where our financial experts answer 6 key questions facing investors.

[Read our main Outlook here.](#)

About Insight Investment

Insight Investment is a leading global investment manager and fixed income specialist firm within BNY Investments.

Endnotes

1. Esoteric structured credit refers to investments with innovative or complex structures or those collateralized against nontraditional assets.

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