T. Rowe Price

June 2026 outlook:

Fixed income credit sector views

Ahead of the Curve

Risk Off in June

T. Rowe Price's Sector Strategy Advisory Group (SSAG) downgraded its risk stance to negative from neutral in mid-June.

The recommendation is not to abandon credit risk, but to tactically reduce exposure below a neutral stance given the combination of very tight spreads, less favorable bottom-up sector views, and positioning that is no longer cautious. Credit fundamentals remain broadly resilient and all-in yields continue to attract buyers in the face of massive supply, which argues against positioning for a deep sell-off. But the compensation for holding broad beta has declined and the SSAG's assessment is that the market is more vulnerable heading into summer.

The macro backdrop reinforces that more selective stance. The current shock is best understood as a geopolitical oil shock that raises inflation first and pressures growth later. In the U.S., AI-related capex, resilient labor conditions, fiscal support, and easier financial conditions are helping offset the growth drag. That creates an unusual mix for credit: the economy can likely absorb the shock, but stronger growth and stickier inflation increase the risk that markets price a longer or more forceful central bank response.

Medium term, strong demand for income and seasonal supply dynamics can keep spreads supported. Near term, the risk is that tighter policy expectations, higher real rates, and funding or liquidity pressure force risk premia wider from levels that already price in a lot of good news.

What we like: income with structure

For lower risk portfolios, we prefer more defensive, structured sources of carry over generic investment-grade corporate beta. RMBS remains the clearest overweight in the lower-risk bucket, supported by defensive characteristics and some relative valuation pickup versus other spread sectors. Within securitized credit, the committee remains constructive on selective ABS and RMBS expressions, with ABS viewed as a diversifier that should exhibit more muted near-term volatility than corporate credit given shorter weighted-average life, structural support, and still-resilient consumer performance.

In higher risk portfolios, we favor selective carry and relative value rather than adding broad beta. The committee downgraded EMD back to neutral after the January relative value thesis, particularly in Latin America, largely played out. The team still sees opportunities in shorter-duration EM USD sovereign and corporate credit, especially in IG over HY, ex-Gulf energy exporters, select resource and renewables themes, and specific higher-yielding corporates where all-in yields remain attractive. Global HY cash remains more compelling than synthetic risk in a rising-rate environment, but broad HY valuations leave little room for disappointment.

What we are watching: policy, liquidity, and oil

The main risk we are watching is whether the market moves from "credit can absorb the shock" to "risk premia must reprice." The most direct channel is rates. If inflation remains elevated and markets price two to three Fed hikes out 12-18 months, the credit issue is less near-term default risk and more liquidity, funding, and cross-asset volatility. Higher real rates could pressure longer-duration credit, reduce the appeal of synthetics versus cash, and amplify volatility in crowded carry trades.

The second guidepost is the energy shock. The upside case is a durable reopening or normalization of energy supply chains, softer product prices, and limited spillover into core inflation. The bear case is the combination of higher energy prices, greater uncertainty and supply chain issues seeps into household spending and business investment in Q3, causing global growth expectations to weaken from the currently lofty levels. If bond yields were to rally sharply in this scenario as central bank rate hikes evaporate, it is possible that credit could not keep up, causing spreads to widen.

Our views on the remaining sectors are shown in Figure 1.

Source: Analysis by T. Rowe Price. Please see Additional Disclosures for additional legal notices and disclaimers.

Figure 1: Our views on the different sectors; and the reasoning behind that view (as of 17 June)

Negative Neutral Positive Prior month position

Sector	View and Change Versus Prior Month	Comments
Global High Yield (HY) Corporates		– We are constructive on high yield, but not aggressively so. The asset class appears fairly valued and investable, supported by income, relatively high quality, strong liquidity, shorter duration, and favorable industry composition (i.e., more hard-asset/industrial exposure). – The default backdrop remains benign, which supports carry, but current yield levels do not yet justify a more assertive risk-on stance. We would likely need a more meaningful concession in yields before upgrading the view.
Bank Loans		– Loans continue to offer attractive current income, senior-secured positioning, and limited Treasury sensitivity, but the asset-class view has become more cautious. – The underweight recommendation is driven primarily by software and AI-related risk, where stress has not yet fully appeared in downgrades or liability-management activity but could become more visible if 2Q or 3Q earnings weaken. – Loan yields remain appealing in a benign credit backdrop, but the index looks less compelling once software and AI-impacted issuers are stripped out.
EM USD Sovereign and Corporate Credit		– EMD was downgraded from overweight to neutral after the Latin America relative value thesis largely realized. – We still see selective opportunities in EM USD sovereigns and corporates, with a preference for IG over HY and idiosyncratic themes tied to ex-Gulf energy exporters, resources, renewables, and select corporate carry. – All-in yields remain attractive, but valuations are no longer as compelling.
Global Investment-Grade (IG) Corporates		– Global IG remains vulnerable to stretched valuations and higher-rate volatility, particularly in longer-duration exposures. – Technicals are strong, but spread compensation is thin and supply risk offsets demand. – We prefer up-in-quality, shorter/intermediate carry, and select sectors such as communications, aerospace and defense, utilities, and AI infrastructure beneficiaries, while remaining sellers of more cyclical long-duration credit where valuation support is limited.
Securitized Credit		– Securitized credit remains one of the better areas to retain carry with more structural protection. RMBS and ABS are ranked first within the securitized bucket, followed by CLOs and CMBS. – We favor subprime BBB and private student loan AAA/AA opportunities where sourceable, and within RMBS, we favor CRT M1s—higher-quality mezzanine slices of mortgage-credit risk that offer spread income with meaningful loss protection beneath them, backed by diversified pools of residential mortgages. – RMBS is more neutral than our last publication, but remains a favored relative-value expression within a more defensive allocation framework.
Agency MBS		– MBS offers liquidity and income, but valuation support remains limited and the sector is sensitive to rate volatility and curve moves. – We favor targeted coupon and collateral exposure, including 5s/5.5s low-payup specified pools where appropriate, rather than a broad overweight. – We maintain a neutral stance, with emphasis on expression and collateral selection rather than sector beta.
Taxable Municipals		– Taxable municipals remain supported by strong technicals and limited supply, but valuations are stretched and do not offer enough relative compensation versus corporates. – We would avoid generic exposure and retain only select idiosyncratic positions where structure or credit fundamentals are compelling.

Past performance is not a guarantee or a reliable indicator of future results.
Source: Analysis by T. Rowe Price. Bloomberg Index Services Limited.
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Sector statistics and returns

As of 17 June 2026

	Yield to Worst (%)	Duration (years)	Credit Spreads (basis points): Current Spread	M/M Change	1YR High	1YR Low	1YR Avg.	Total Returns (%)[1]: 1M	YTD	1YR
High Yield Corporates										
Global HY	6.81	3.59	276	-7	353	273	302	1.35	2.65	9.10
US HY	7.04	2.87	265	-2	335	250	277	0.88	1.77	7.05
Euro HY[2]	7.05	2.85	279	2	349	264	294	0.90	2.33	6.30
Asia HY	7.96	2.80	365	-8	454	311	364	1.03	3.57	9.93
Loans[3]	8.48	0.25	465	3	496	419	445	0.27	1.48	4.58
Emerging Markets										
EM Sovereigns (USD)	6.81	6.37	227	-9	322	225	268	2.19	3.48	13.49
EM Corporates (USD)	6.03	4.08	205	4	253	200	228	0.95	2.20	7.76
Investment Grade Corporates										
Global IG	4.67	5.84	76	-1	94	74	81	1.27	0.98	5.13
US IG	5.15	6.77	73	0	93	71	78	1.16	0.55	5.32
Euro IG[2]	5.12	4.67	77	-3	98	73	82	1.60	1.77	4.59
Asia IG	4.82	5.11	53	2	75	50	61	0.63	0.45	5.11
Securitized Credit										
CLOs	6.16	1.48	227	1	253	197	210	0.43	2.27	5.53
CMBS	4.81	3.71	64	0	84	63	73	0.37	0.35	4.46
ABS	4.57	2.83	45	-1	57	44	51	0.40	0.78	4.33
Other Spread Sectors										
Agency MBS	4.91	5.38	20	-6	40	14	26	1.06	0.58	6.11
Taxable Munis	5.28	8.88	66	-3	85	66	73	1.99	0.94	6.75

Common Benchmarks

Index	Yield to Maturity (%)	Duration (years)	Total Returns (%)[1]: 1M	YTD	1YR
Global Aggregate	3.79	6.21	1.27	0.87	3.56
US Aggregate	4.68	5.86	0.97	0.26	4.60

Sovereign Yields

10-Year Rates	Yield to Maturity (%)	M/M Change (bps)	1YR High (%)	1YR Low (%)
U.S. Treasury	4.44	-15	4.67	3.94
German bund[2]	4.38	-32	5.16	4.36

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Source: Analysis by T. Rowe Price, Bloomberg Index Services Limited. Data as of 17/06/2026. Please see Additional Disclosures for additional legal notices and disclaimers.

[1] Returns are hedged to USD.

[2] Yields are hedged to USD.

[3] Loan yields and spreads are forward to maturity.

T. Rowe Price Sector Strategy Advisory Group (SSAG)

The team

The T. Rowe Price Sector Strategy Advisory Group (SSAG) is comprised of select Fixed Income investment professionals, specializing in a range of disciplines, who collaboratively generate investment ideas for use in portfolios across our platform. Views are based on SSAG research and discussions, combining fundamental analysis from sector specialists with insights from our quantitative research experts and proprietary tools. The primary goal of SSAG is to help answer two key questions: how much credit risk to take; and within what sectors to take it. Views are intended to be tactical, are as of the date indicated, and are subject to change.

Kenneth Orchard
Head of International Fixed Income

Matt Lawton
Portfolio Manager, Head of Impact Fixed Income

Anna Dreyer
Co-portfolio manager, US Core Bond and Total Return Strategies

Vincent Chung
Portfolio Manager, Diversified Income Bond

Michael Connelly
Portfolio Manager, Global High Income

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Market indices shown on page 3 represent the following:

Global HY: Bloomberg Global High Yield Bond Index USD-Hedged; US HY: Bloomberg US Corporate High Yield Bond Index; Euro HY: Bloomberg Pan-European High Yield Bond Index USD-Hedged; Asia HY: Bloomberg Asia USD High Yield Bond Index; Bank Loans: J.P. Morgan Leverage Loan Index; EM Sovereigns (USD): J.P. Morgan EMBI Global Diversified Index; EM Corporates: J.P. Morgan CEMBI Broad Diversified Index; Global IG: Bloomberg Global Aggregate – Corporate Index USD-Hedged; US IG: Bloomberg US Corporate Bond Index; Euro IG: Bloomberg Pan European Aggregate Corporate Index USD-Hedged; Asia IG: Bloomberg Asia USD Investment Grade Bond Index USD-Hedged; CLO: J.P. Morgan CLO Post-Crisis Index; CMBS: Bloomberg US CMBS ERISA Eligible Index; ABS: Bloomberg US ABS Index; Agency MBS: Bloomberg US MBS Index; Taxable Munis: Bloomberg Taxable Muni US Agg Eligible Index; Global Aggregate: Bloomberg Global Aggregate Bond Index USD-Hedged; US Aggregate: Bloomberg US Aggregate Bond Index.

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