T. Rowe Price

March 2026 outlook:

Fixed income credit sector views

Ahead of the Curve

Risk on in March

This month, T. Rowe Price's Sector Strategy Advisory Group (SSAG) maintained a positive risk stance with a tactical overweight to credit, reflecting a resilient growth backdrop despite idiosyncratic weakness in certain pockets of credit markets. Two themes continued to shape credit risk premia over the past month.

First, markets have been focused on short-term uncertainty tied to the Iran conflict and energy price volatility. While day-to-day outcomes remain difficult to predict, we expect credit markets to navigate this episode relatively well. Coming into the shock, growth momentum was firm, fiscal support remained constructive, tax-related income flows were supportive, and financial conditions were broadly accommodative.

Second, dispersion within sub-investment-grade credit remains elevated, though weakness continues to be concentrated rather than systemic. Outside isolated areas, credit markets have shown resilience, supported by solid fundamentals and technical demand.

Looking ahead, we believe the medium-term outlook is more important than near-term volatility. The current shock is stagflationary in nature, and it appears unlikely that global conditions will fully revert to their pre-conflict state. Forward markets suggest energy prices are likely to remain structurally higher—potentially 20–50% above pre-war levels—which may place upward pressure on inflation, influence central bank policy, and tighten financial conditions into the second half of the year. While we do not expect a recession, credit risk premia may need to adjust modestly higher to reflect this evolving macro environment.

Against this backdrop, we maintain a tactical overweight to credit risk but expect more episodic volatility and dispersion across sectors and industries in the coming months.

What we like: resilient carry and selective beta

For lower-risk strategies, CLOs remain a favored sector due to strong structural protections and persistent demand from bank and insurance investors. While volatility in leveraged loans has increased, higher-quality CLO tranches remain largely insulated from downgrade risk scenarios and continue to offer attractive carry relative to similarly rated corporates.

For higher-risk strategies, the committee has added to bank loans over the past month, reflecting improving relative value and resilient performance through recent volatility. Despite earlier concerns around software-related disruption, weakness has remained contained and technical demand has strengthened, supported by CLO formation and secondary market buying. Loans continue to offer some of the most attractive all-in yields in global credit, and performance may remain supported in scenarios where rate cuts are pushed out of the front end.

Emerging market debt remains a preferred overweight, supported by improving policy credibility and structural reforms in Latin America. The asset class has held in well through recent volatility, though performance is increasingly tied to broader global risk conditions rather than further spread compression. Across higher-beta credit, dispersion continues to create opportunities for security selection rather than broad beta exposure.

What we are watching: the Iran war

The committee is focused on how the evolving conflict transmits into markets. The path of the conflict—and specifically the duration of disruption to the Strait of Hormuz—is the critical swing factor for credit. A rapid reopening and normalization of shipping flows would support an upside case, while continued disruption into late-March or April, alongside visible depletion of available supply, would push markets toward a more adverse outcome characterized by supply shocks and demand destruction. Our base case remains a partial normalization over the coming weeks, with oil stabilizing at elevated levels (~$80–85) and inflation effects persisting even as risk assets recover.

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 18 March)

Negative Neutral Positive Prior month position

Sector	View and Change Versus Prior Month	Comments
Global High Yield (HY) Corporates		– Remain neutral in Global HY with all-in yields around 6.6%, healthy fundamentals and low default rates, the sector remains an attractive alternative to stretched equity valuations. – Increased dispersion within the lower-quality segments has created selective opportunities. – While the OAS of +308 bps appears rich versus history, we envision spreads remaining at historically low levels so long as interest rates remain elevated, fundamentals remain healthy and there are few significant volatility events.
Bank Loans		– Loans have stabilized following earlier weakness tied to AI-driven disruption in software, with selling pressure easing and demand recovering. – CLO formation, cash redeployment, and limited new supply are supporting technicals, while spreads now screen more compelling relative to other credit sectors. – Weakness remains largely contained to a subset of issuers, and broader fundamentals are stable. We maintain a constructive bias, favoring loans with limited AI exposure.
EM USD Sovereign and Corporate Credit		– EM credit has held in well through recent volatility, reinforcing conviction in the asset class. – Structural improvements across several sovereigns—particularly in Latin America—continue to support compressed risk premia, though valuations are increasingly dependent on global risk sentiment rather than further idiosyncratic re-rating. – The backdrop favors stability, but performance is likely to track broader credit markets more closely from here rather than idiosyncratic re-rating.
Global Investment-Grade (IG) Corporates		– IG markets continue to demonstrate resilience, with strong demand absorbing elevated issuance and keeping spreads relatively contained despite volatility in risk markets. – Supply pipelines remain robust, and relative value favors U.S. IG over Europe given technical and fundamental differences. – We prefer intermediate exposure expressed synthetically via CDX IG and remain cautious on long-duration credit.
Securitized Credit		– The sector remains a key source of carry, but the opportunity set has become more nuanced following strong year-to-date performance. – ABS has been downgraded to neutral as much of the expected tightening has already materialized, and the remaining upside is less compelling given compressed liquidity premia. – CLOs continue to offer attractive carry and structural protections, though technicals have softened modestly and supply dynamics warrant monitoring. We maintain a selective approach, favoring shorter-duration, amortizing structures and higher-quality tranches. – We are neutral RMBS and recommend investors maintain a tactical underweight to CMBS.
Agency MBS		– Spreads remain near multi-year tights following policy-driven demand and sustained investor positioning. – While technicals remain supportive, valuations offer little cushion, and the sector is increasingly exposed to shifts in volatility or policy expectations. – Heavy positioning and asymmetric downside risk argue for caution. We maintain an underweight.
Taxable Municipals		– Taxable municipals have outperformed year-to-date, leaving valuations stretched relative to corporates. – Extremely low issuance continues to support spreads, but current levels offer limited relative value. – While technicals remain favorable, we see better opportunities elsewhere and recommend trimming generic exposure while maintaining select idiosyncratic positions.

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 28 February 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	6.60	3.48	308	25	471	274	325	0.39	1.15	9.00
US HY	6.71	2.71	291	26	453	250	295	0.19	0.69	7.22
Euro HY[2]	6.99	2.76	296	23	446	264	308	0.37	1.23	6.71
Asia HY	7.19	2.59	349	25	635	311	394	0.70	2.66	9.75
Loans[3]	8.03	0.25	486	37	514	419	440	-0.77	-1.03	4.00
Emerging Markets										
EM Sovereigns (USD)	6.65	6.55	259	14	393	240	297	1.39	2.08	13.24
EM Corporates (USD)	5.72	4.15	232	20	296	210	242	0.90	1.65	7.98
Investment Grade Corporates										
Global IG	4.25	5.84	85	10	120	74	86	1.08	1.50	6.59
US IG	4.73	6.78	84	11	119	71	83	1.29	1.47	6.91
Euro IG[2]	5.00	4.64	84	9	128	73	88	0.76	1.58	5.75
Asia IG	4.32	5.18	61	3	101	56	69	1.36	1.45	7.19
Securitized Credit										
CLOs	5.83	1.41	245	41	253	188	209	0.15	0.68	5.51
CMBS	4.21	3.79	68	1	101	67	80	1.28	1.64	7.36
ABS	3.98	2.80	49	1	75	47	55	0.87	1.12	5.91
Other Spread Sectors										
Agency MBS	4.38	4.94	21	5	49	14	31	1.67	2.09	8.00
Taxable Munis	4.88	9.06	69	-3	97	66	79	2.98	2.96	7.68

Common Benchmarks

Index	Yield to Maturity (%)	Duration (years)	Total Returns (%)[1] 1M	YTD	1YR
Global Aggregate	3.38	6.25	1.41	1.65	5.19
US Aggregate	4.16	5.79	1.64	1.75	6.68

Sovereign Yields

10-Year Rates	Yield to Maturity (%)	M/M Change (bps)	1YR High (%)	1YR Low (%)
U.S. Treasury	3.94	-30	4.60	3.94
German bund[2]	4.36	-18	5.16	4.35

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Source: Analysis by T. Rowe Price, Bloomberg Index Services Limited. Data as of 28/02/2026. 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.

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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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