

# Insurance Insights

January 2026



## Policy shocks and where insurers can lock in income

This month, the Sector Strategy Advisory Group (SSAG) maintains a positive risk regime, with an emphasis on identifying durable income opportunities that can be locked into insurance portfolios. Three recent policy developments map directly into that playbook: the political transition in Venezuela and broader LatAm reform momentum, the GSE mandate to purchase USD 200 billion of agency MBS, and renewed political pressure on Federal Reserve independence.

## Venezuela and LatAm reforms: building blocks for EM income

The capture of Nicolás Maduro and the U.S.-backed transition in Venezuela, combined with improved trajectories in Argentina and Pemex, removes several long-standing “albatross” risks from the EM complex. For insurers seeking to lock in portfolio yield, this supports allocations to EM hard-currency debt, with a focus on Latin American sovereigns and high-quality corporates where political and policy reforms are reducing restructuring and default tail risks. While EM spreads are tighter than a year ago, they still offer a meaningful pickup over developed-market IG, and our Emerging Markets Debt team views the improvement in fundamentals as more secular than cyclical, making current yields attractive for long-horizon portfolios.

## GSE MBS purchase mandate: managing mortgage richness

The administration’s direction to Fannie Mae and Freddie Mac to buy USD 200 billion of agency MBS has driven a roughly three-standard-deviation tightening in current-coupon spreads, pushing valuations to three-year highs and materially rich versus IG corporates and other securitized sectors. For insurers that are already structurally long mortgage risk, now could be an opportune time to redeploy MBS exposure using the strong technical impulse that has followed the administration’s push to lower mortgage rates.

## Fed independence and duration: keep rate risk measured

DOJ subpoenas of Federal Reserve leadership have intensified concerns about political interference, but risk markets have largely taken this in stride, with equities higher and credit spreads tighter to start the year. Against a backdrop where core US inflation has hovered near 3% year-over-year, with upside risks in the first half of 2026 from tariffs, a weaker dollar, strong fiscal support, and the Federal Reserve maintaining an easing bias, the committee sees limited urgency for insurers to materially extend asset duration at today’s yield levels. The preference is to use EM and high-quality securitized credit selectively to secure portfolio income, while keeping interest-rate sensitivity close to existing liability profiles rather than adding large amounts of long-end exposure.



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## U.S. macro backdrop: resilient growth, still-elevated inflation

U.S. activity remains resilient, with 2025 growth supported by consumption and capex and near-term tracking estimates pointing to expansion modestly above potential, aided by ongoing investment in technology and AI-related capacity. Core CPI and PCE have been running around 3% year-over-year, and the team expects inflation to firm somewhat over the next two quarters before easing in the second half of 2026, while the labor market stays in an “uneasy equilibrium” of low hiring, low firing, and a still-low unemployment rate. The baseline calls for no Federal Reserve cuts in the first half of 2026 and a data-dependent path thereafter, implying a macro environment that is constructive for income-oriented insurers but still argues for measured duration positioning.

## T. Rowe Price fixed income credit sector views for January

(Fig. 1) As of January 20, 2026

Sector	View and Change Versus Prior Month	Comments	<span style="color: red;">■</span> Negative <span style="color: gray;">■</span> Neutral <span style="color: green;">■</span> Positive <span style="color: blue;">▼</span> Prior month position
Global High Yield (HY) Corporates		<ul style="list-style-type: none"> <li>Remain neutral in Global HY with an attractive 6.8% yield, healthy fundamentals and low default rates.</li> <li>While the OAS of +308bp 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.</li> </ul>	
Bank Loans		<ul style="list-style-type: none"> <li>Loans offer the best carry in credit markets with a 7.5% yield and minimal interest rate duration risk—a benefit of floating-rate structures if the Federal Reserve cuts fewer times than markets expect.</li> <li>The team favors near- to moderate-dated loans at or below par to harvest spread with some base-rate certainty.</li> <li>We also see good opportunities in selected second-lien loans. Focusing on loans with healthy fundamentals and prudent underwriting may provide the potential for attractive risk-adjusted yield for higher risk portfolios.</li> </ul>	
EM USD Sovereign and Corporate Credit		<ul style="list-style-type: none"> <li>Outstanding YTD performance in EM USD sovereigns and corporates have caused valuations to compress to multi-year tight, though momentum and diversification benefits warrant maintaining neutral allocations.</li> <li>Both sectors still offer some relative carry advantage—270 bp and 240 bp in sovereigns and corporates, respectively—and idiosyncratic events over the past month have offered some attractive opportunities in select credits.</li> <li>The team has a slight underweight recommendation for EM corporates given stretched valuations, particularly long-end outperformance relative to US credits.</li> </ul>	
Global Investment-Grade (IG) Corporates		<ul style="list-style-type: none"> <li>Global IG remains underweight, with particular emphasis on maintaining an underweight in long-end US IG corporates, though that underweight has been modestly reduced following curve steepening and spread widening in late 2025.</li> <li>While fundamentals remain solid, heavy issuance supply, rich valuations, and meaningful rate sensitivity leave little cushion against policy or macro surprises.</li> <li>The committee prefers CDX IG and intermediate-maturity cash bonds over the long end, and within IG cash, favors sectors like technology and telecommunications over utilities.</li> </ul>	
Securitized Credit		<ul style="list-style-type: none"> <li>Securitized credit shifts from overweight to neutral, reflecting a more nuanced intra-sector stance with a clear preference for ABS while remaining neutral on CLOs and RMBS and underweight CMBS.</li> <li>Favor amortizing ABS subsectors – prime and subprime auto, equipment, and private student loans – and select CLO/RMBS exposure as carry engines in a low-default environment.</li> <li>CMBS remains an underweight given full valuations and elevated credit concerns in commercial real estate.</li> </ul>	
Agency MBS		<ul style="list-style-type: none"> <li>Agency MBS remains underweight following the GSE purchase announcement, which drove valuations to extreme levels and created a risk-reward profile skewed toward future widening once current euphoria fades.</li> <li>Technicals are temporarily strong due to official buying and heavy money-manager overweight positioning, but the committee expects a more volatile regime ahead as supply, hedging flows, and policy uncertainty interact.</li> </ul>	
Taxable Municipals		<ul style="list-style-type: none"> <li>Taxable municipals remain neutral, with spreads versus corporates near the tighter end of their one-year range.</li> <li>The sector still offers important diversification benefits and robust technical tailwinds.</li> <li>The team sees potential for attractive primary-market concessions in AAA paper, supporting the neutral stance.</li> </ul>	

**Past performance is not a guarantee or a reliable indicator of future results.**

Source: Analysis by T. Rowe Price. Bloomberg Index Services Limited. Data as of 31/12/2025.  
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## Sector statistics and returns

(Fig. 2) As of 31 December 2025

	Credit Spreads (basis points)							Total Returns (%) <sup>1</sup>		
	Yield to Worst (%)	Duration (years)	Current Spread	M/M Change	1YR High	1YR Low	1YR Avg.	1M	YTD	1YR
<b>High Yield Corporates</b>										
Global HY	6.48	3.48	291	-7	471	289	329	0.78	10.02	10.02
US HY	6.53	2.70	266	-3	453	256	295	0.57	8.62	8.62
Euro HY <sup>2</sup>	6.97	2.83	281	-7	446	270	313	0.56	7.38	7.38
Asia HY	7.59	2.67	376	-9	635	311	405	0.88	9.49	9.49
Loans <sup>3</sup>	7.72	0.25	435	-1	514	419	436	0.68	5.99	5.99
<b>Emerging Markets</b>										
EM Sovereigns (USD)	6.80	6.55	253	-16	393	253	309	0.72	14.30	14.30
EM Corporates (USD)	5.90	4.16	227	-14	296	225	245	0.48	8.73	8.73
<b>Investment Grade Corporates</b>										
Global IG	4.35	5.84	80	-3	120	76	88	-0.10	7.08	7.08
US IG	4.81	6.78	78	-2	119	72	84	-0.20	7.77	7.77
Euro IG <sup>2</sup>	5.10	4.63	79	-4	128	77	90	0.05	5.42	5.42
Asia IG	4.47	5.13	63	-1	101	58	71	-0.03	8.09	8.09
<b>Securitized Credit</b>										
CLOs	5.48	1.38	200	-7	233	178	205	0.51	5.86	5.86
CMBS	4.43	3.79	75	-1	101	74	81	0.12	7.75	7.75
ABS	4.09	2.79	52	-3	75	42	54	0.30	5.93	5.93
<b>Other Spread Sectors</b>										
Agency MBS	4.63	5.57	22	-7	49	20	34	0.21	8.58	8.58
Taxable Munis	5.09	8.99	0	-73	97	66	79	-0.56	7.75	7.75

### Common Benchmarks

Index	Yield to Maturity (%)	Duration (years)	Total Returns (%) <sup>1</sup>		
			1M	YTD	1YR
Global Aggregate	3.52	6.28	-0.21	4.86	4.86
US Aggregate	4.32	5.92	-0.15	7.30	7.30

### Sovereign Yields

10-Year Rates	Yield to Maturity (%)	M/M Change (bps)	1YR High (%)	1YR Low (%)
U.S. Treasury	4.17	15	4.79	3.95
German bund <sup>2</sup>	4.55	-1	5.16	4.01

**Past performance is not a guarantee or a reliable indicator of future results.**

<sup>1</sup> Returns are hedged to USD.

<sup>2</sup> Yields are hedged to USD.

<sup>3</sup> Loan yields and spreads are forward to maturity.

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#### Additional Information Relating to The Market Indices on The Previous Page

Market indices shown on previous page 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.

Yields for European credit indices and German bunds are hedged using the EUR 3-month implied yield and 3-month USD LIBOR. Source: Bloomberg.

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