

# Global high yield—2025 in review and 2026 outlook

## Executive summary

- Global high yield saw a strong year on a ‘Goldilocks’ economic outcome.
- Defaults were at lows, issuance is picking up, and demand remains strong.
- All-in yields, quality & accommodative financial conditions continue to appeal, amid tight spreads.

## Performance & market highlights

2025 marked a standout year for global high yield, with spreads closing at multi-year lows and returns buoyed by:

- **Resilient US** growth surprising to the upside.
- **Less hawkish Fed policy** than anticipated.
- **Active capital markets** and robust investor flows.

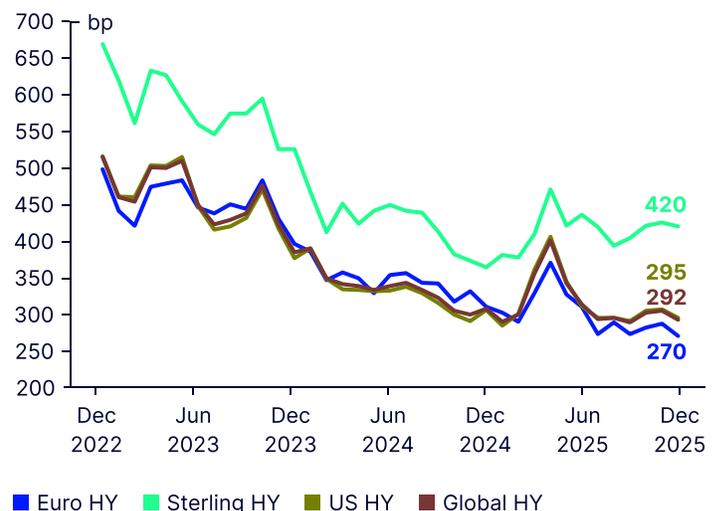
Risk-on sentiment dominated post-April, driven by easing global trade uncertainty, eurozone fiscal stimulus, and broad-based corporate profit strength beyond AI-related sectors. Growth and income assets all saw strong performance over the year, led by the S&P 500's 17.9% return.

Figure 1: Total returns of high yield in recent periods

Returns	3m (%)	6m (%)	12m (%)	YTD (%)
<b>Global HY (\$- Unhedged)</b>	<b>1.16</b>	<b>3.64</b>	<b>10.75</b>	<b>10.75</b>
<b>Global HY (\$- Hedged)</b>	<b>1.27</b>	<b>3.92</b>	<b>8.45</b>	<b>8.45</b>
Spread Return	0.25	1.71	2.77	2.77
Treasury Return	1.02	2.21	5.68	5.68
<b>Global HY (€- Hedged)</b>	<b>0.73</b>	<b>2.72</b>	<b>6.19</b>	<b>6.19</b>
<b>Global HY (£- Hedged)</b>	<b>1.24</b>	<b>3.81</b>	<b>8.36</b>	<b>8.36</b>

Source: State Street Investment Management, BofA. As of 31 December 2025. The performance data quoted represents past performance. Past performance does not guarantee future results. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

Figure 2: High yield market spread moves



Source: State Street Investment Management, BofA. As of 31 December 2025. The performance data quoted represents past performance. Past performance does not guarantee future results.

Defaults remained subdued, with the trailing 12-month global HY rate at 1.6%, continuing its multi-year downtrend. Capital markets were active: gross issuance reached \$335bn (a post-COVID high), net issuance \$120bn (four-year high). Refinancing led use of proceeds, although M&A financing saw a notable pickup as well. Investor demand was strong, with \$18.9bn of flows into US HY and €9.5bn into Euro HY.

## Outlook

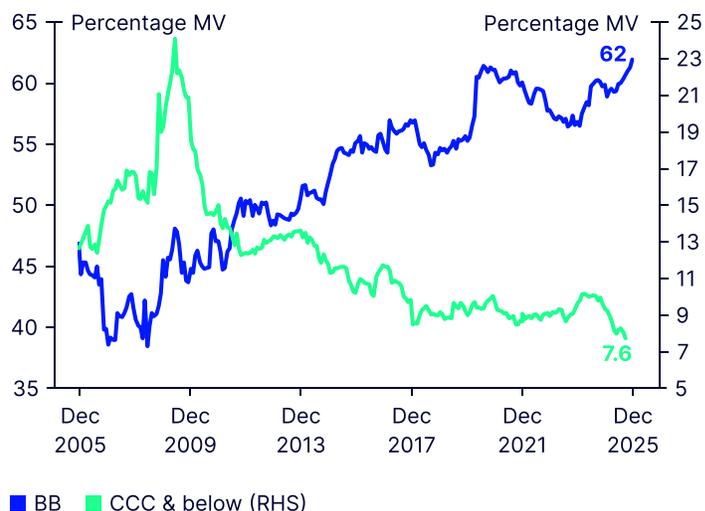
High yield enters 2026 after two strong years, with spreads in their richest historical decile. However, valuations should be viewed in context: the universe is higher quality, with 62% BB-rated bonds, shorter duration (3.1 years), and has lower dollar prices than previous spread tights. Yields remain appealing as rates have not fallen as quickly as expected, and higher coupons on recent issuance have rebuilt income. Corporate balance sheets remain healthy, the maturity wall remains manageable, and no sector-specific distress has emerged during recent periods of volatility.

Risks include a continued pickup in M&A/LBO issuance through 2026, which could weaken technicals. Also, any potential spillover from large defaults or restructurings in private credit could trigger risk-off moves.

**Bottom line:** Elevated yields, improved credit quality, and still supportive monetary conditions provide a

buffer against spread volatility, positioning high yield as a resilient income-generating asset class in today's low-default environment.

**Figure 3: Global HY: Structural shift towards higher quality**



Source: State Street Investment Management, BofA. As of 31 December 2025.

## Conclusion

High yield enters 2026 positioned for durable income, supported by strong credit quality and appealing yields despite a more complex risk backdrop.

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\* This figure is presented as of December 31, 2025 and includes ETF AUM of \$1,950.80 billion USD of which approximately \$173.02 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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