

ASSET CLASS INSIGHTS – FIXED INCOME

Five Reasons to Consider Global Credit

MAY 2026 | BENOIT ANNE

Key insights

The time might be right for the broader use of global credit in fixed income portfolios. In our view, the asset class combines meaningful diversification across countries, sectors and issuers with supportive macro and corporate fundamentals, attractive starting yields and the flexibility to help investors either de-risk from equities or selectively re-risk from sovereign duration. In a more fragmented macro environment, global credit can provide a resilient source of income and a more balanced return potential, with active management helping investors capture the breadth of the opportunity set while avoiding weaker areas of the market. This paper explores the five key reasons that we believe make the case for including global credit in fixed income portfolios as part of an active management approach:

- Broader diversification across regions, sectors and issuers can improve portfolio resilience
- Supportive global growth and resilient corporate fundamentals underpin the asset class
- Starting yields remain attractive by historical standards, supporting income and return potential
- Global credit can serve de-risking objectives
- It is also an attractive re-risking asset class

AUTHOR



BENOIT ANNE
Senior Managing
Director, Strategy and
Insights Group

1. Global credit offers compelling diversification benefits

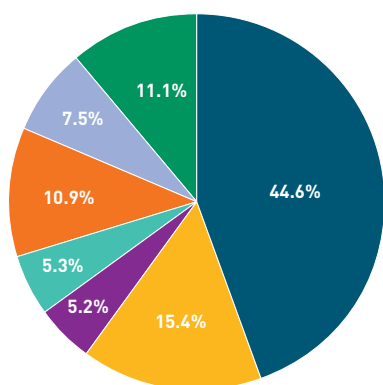
More than ever, the need for global diversification appears critical. The sources of global risk have multiplied. Investors are simultaneously navigating challenges and risks, including geopolitical fragmentation, rising fiscal concerns, global trade tensions, sticky inflation dynamics, private credit stress, climate-related disruptions and demographic pressures, among others. A high degree of country or regional concentration could therefore be misguided against this backdrop.

In an environment defined by uncertainty, macro and policy divergence and a less-reliable US-only playbook, global credit stands out as a compelling asset class for investors seeking broader diversification within fixed income. By investing across regions, sectors and issuers, global credit can help reduce concentration risk, expand the opportunity set and create a more balanced source of income and return potential. Rather than relying on one economy, one policy cycle or one credit market, investors gain access to a wider range of drivers that can strengthen portfolio resilience.

By construction, global credit offers significant country diversification. While the US remains the largest country of risk, its weight in the index is well below 50%, considerably lower than US exposure in global equity indices (Exhibit 1). The eurozone accounts for 15%, followed by supranationals and emerging markets (11%).

Exhibit 1: Global Credit by Country of Risk

■ US ■ Eurozone ■ UK ■ Canada ■ EM ■ Other DM ■ Supranational



Sources: Bloomberg. Global credit = Bloomberg Global Aggregate Credit Total Return Index Value Unhedged USD. Data as of 12 May 2026.

Global credit broadens the investable universe in a meaningful way. Different regions offer different sector compositions, capital structures and issuer profiles. The US market may provide depth in sectors such as communications, health care and large-cap industrials, while Europe can offer attractive opportunities in financials, utilities and select investment-grade issuers. Canada and other developed markets can add further variety. This breadth matters because diversification in credit is not only about geography; it is also about avoiding excessive exposure to any one sector, business model or refinancing risk. Within an active global credit mandate, a global remit gives investors more ways to express conviction and more flexibility to rotate toward areas where compensation for risk is more attractive. At the sector level, banking accounts for 15.9% of the global credit index, followed by supranationals (10.1%), utilities (7.6%) and financial services (6.8%). It is interesting to note that technology represents only 3.8% of the index.

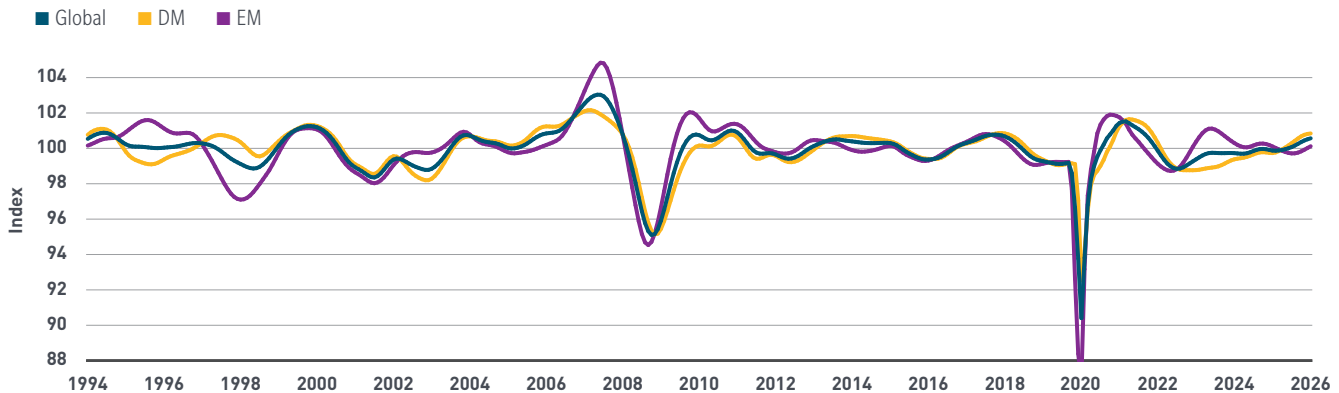
Importantly, we believe the diversification benefits of global credit are best captured through active management. A passive global allocation may broaden exposure, but an active approach may be better equipped to assess regional fundamentals, currency-hedged opportunities, liquidity conditions and issuer-specific risks. In a world of elevated macro divergence and wider dispersion across sectors and companies, active security selection and dynamic asset allocation can help investors turn global breadth into genuine diversification rather than simply a larger set of risks.

2. Macro fundamentals are supportive of global credit

The global economy continues to display a clean bill of health, which, we believe, produces a positive signal for risky assets, including credit. For now, there are no signs that the ongoing geopolitical crisis has seriously dented the global growth outlook, as illustrated by Exhibit 2. In a number of markets, economic activity is supported by a resilient consumer, strong corporate profitability and robust private investment. The US, Germany and Canada appear to be among the key contributors to developed market (DM) growth while solid emerging market (EM) growth is mainly the result of strong activity in Brazil, India, Korea and Mexico.

Nevertheless, global macro risks are skewed to the downside. Looking ahead, the key risks to watch are, first, whether global supply chains become severely disrupted, a development that could potentially harm global growth prospects, especially if the conflict in the Middle East extends into the summer months. In addition, other major risks are the impact of firmer inflation expectations and tighter financial conditions, renewed trade tensions as well as potential disappointment over AI-driven productivity and AI capex investment.

Exhibit 2: The OECD leading indicators point to a robust global growth outlook



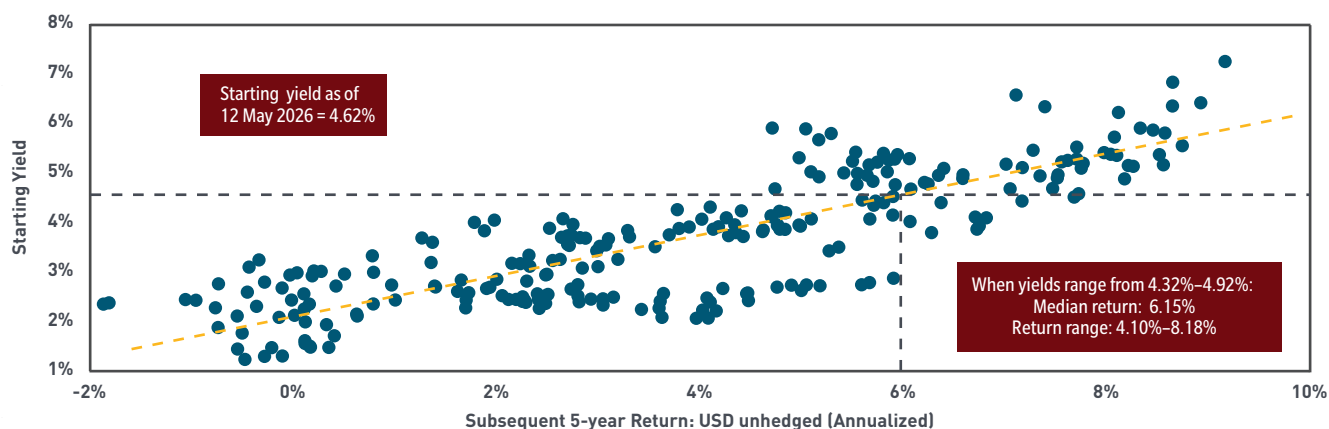
Source: Bloomberg, the Organization for Economic Cooperation and Development (OECD). Monthly data from Jan 2000 to April 2026. The Composite Leading Indicators (CLIs) are weighted based on nominal GDP from the IMF (World Economic Outlook database October 2021). The global proxy is made up of 17 countries designed to anticipate turning points in economic activity relative to trend six to nine months ahead. A CLI for any given month provides an indication of whether GDP levels are expected to be above or below long-term trends (in levels and not growth rates of the trend of GDP, as is often mistakenly thought). Trend GDP estimates are set at 100 in the system for all economies and all months. A CLI above 100 anticipates that GDP levels will be above trend levels in six to nine months, whilst a CLI below 100 anticipates that GDP levels will be below long trend levels in six to nine months. A reading above 100 that is rising predicts expansion, above 100 and falling a downturn, below 100 and falling a slowdown, and below 100 and rising a recovery. The global proxy is GDP-weighted using 2019 data.

IG credit fundamentals are strengthening. This is the case for both the US and Europe, the two largest allocations of the global credit index. In particular, credit fundamentals have been supported by a sharp improvement in profit margins and cash flow positions. Away from the US and Europe, EM credit fundamentals have displayed resilience, although dispersion has increased somewhat across countries and sectors and there are signs that leverage may be rising. Looking at sectors more closely, energy and commodities as well as IT benefit from global macro tailwinds whereas EM real estate continues to face serious challenges, particularly in China.

3. Global credit yields are attractive by historical standards

At over 4.50%, global credit yields screen as historically attractive. This is an important consideration given that starting yields tend to exert significant influence on subsequent returns. The global credit yield stands at 4.62%. In historical periods where the starting yield was between 4.3% and 4.9%, the subsequent five-year period produced a median return of 6.15%, with a range of 4.10% to 8.18% (Exhibit 3).

Exhibit 3: Global Credit: Starting Yield vs. Subsequent Five-Year Total Return USD Unhedged



Source: Bloomberg. Global Credit = Bloomberg Global Aggregate Credit Total Return Index Value Unhedged USD. Monthly data from January 2000 through 30 April 2026. Returns are gross and in USD. Past performance is no guarantee of future results. It is not possible to invest in an index.

Break-even yields point to a considerable valuation cushion. Indeed, a sharp rise in total yields — exceeding 80 basis points (bps) — would have to occur for global credit—expected total returns over the next year to turn negative. There is no denying that at roughly 70 bps, global credit spreads are tight, but we currently do not see a catalyst that would trigger a substantial spread correction in the period ahead.

4. Global credit is an attractive de-risking asset class

In today’s market environment, the case for de-risking is compelling. In particular, global equities have performed strongly over the past few weeks but valuations may represent a headwind in the period ahead. Meanwhile, there are signs of mounting stress in private credit. However, de-risking does not have to mean giving up income or moving entirely into cash-like assets. We believe global credit can play that role more effectively. It offers investors a combination of attractive yields, generally resilient corporate fundamentals and a broader opportunity set than domestic-only credit markets. In that sense, global credit can serve as a practical middle ground: defensive enough to help navigate elevated uncertainty, yet still positioned to generate income and selective total return opportunities.

One reason global credit stands out as a de-risking asset class is its resilience in the face of macro volatility.

Indeed, credit markets have held up relatively well even as the global backdrop has become more complicated, with spread moves modest by historical standards in both the US and Europe. Specifically, global credit total return volatility stands at 6.3% over the past three years¹, or about half that of the MSCI World Index. This resilience matters for investors looking to reduce risk because it suggests that credit — particularly higher-quality segments — can remain more stable than equities or more cyclical risk assets when uncertainty rises. At the same time, monetary easing in parts of the world and moderate risks of an economic slowdown may provide an underlying cushion for the asset class.

Global credit remains attractive from an income standpoint. In a higher-yield world, investors can earn meaningful carry without moving far down the credit quality spectrum. That is particularly relevant in a de-risking context, where the objective is not simply to avoid volatility, but to be compensated for the risks that remain in the portfolio. For many investors, this makes global credit appealing relative to other asset classes that may offer less income, more valuation risk or weaker downside characteristics. Put differently, global credit can help investors stay invested defensively rather than retreating entirely from markets.

Importantly, the de-risking case for global credit is strongest when paired with a quality bias and careful security selection. If de-risking is a strategic objective, it may be appropriate to favor prudent portfolio risk, a focus on avoiding issuers exposed to idiosyncratic or secular pressures and a preference for lower-beta sectors where fundamentals remain sound. This reinforces the idea that global credit is not a risk-on allocation; it can be constructed in a way that is deliberately defensive, emphasizing balance-sheet resilience, stable cash flows and sectors less vulnerable to macro shocks.

Finally, global credit is especially well suited to active management, which is critical in a de-risking framework.

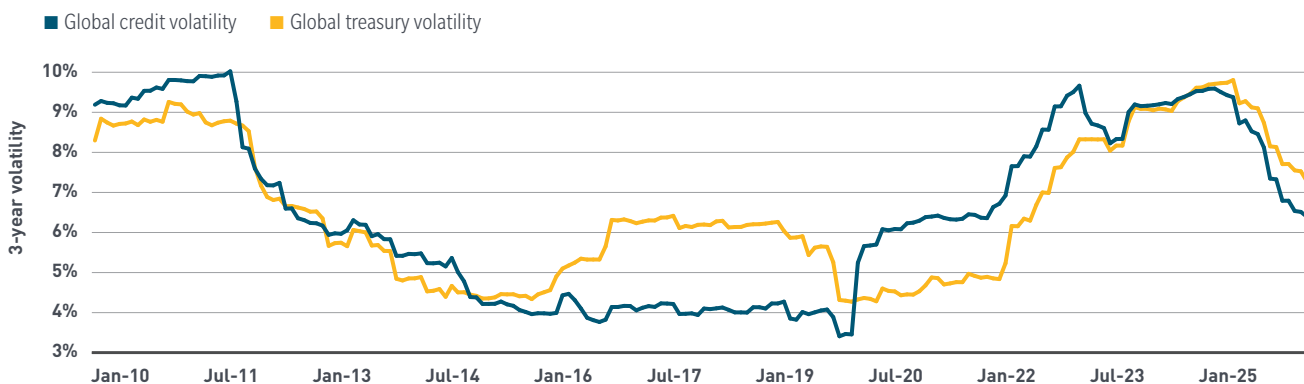
In periods of elevated uncertainty, passive exposure can leave investors tied to tight spreads, concentrated index risk or the weakest parts of the market. An active global strategy has the ability to shift across regions, sectors and issuers, manage liquidity carefully and respond to dislocations as they emerge. That flexibility can help investors manage downside risk more effectively, but also identify selective opportunities created by volatility.

5. Meanwhile, global credit is also an attractive re-risking asset class from treasuries

Global sovereigns are facing significant headwinds. In many markets, including the US and some European countries, investors have grown increasingly concerned over poor fiscal dynamics and the worsening of public debt profiles. With that in mind, the appetite for exposure to the long end of the yield curve in some markets has been challenged. In the US for instance, the long-end of the yield curve has been steepening for the wrong reasons, mainly reflecting the pricing of a higher risk premium.

Global credit offers more compelling risk-adjusted returns than global treasuries. Whether one looks at the 1-year, 3-year or 5-year timeframes, the historical returns per unit of volatility for global credit have been considerably higher than for its treasury counterpart. For instance, over the past three years, the global credit index has produced an annualized return of 5.15% for a volatility of 6.4%. In contrast, the annualized return of the global treasury index over the same period has been only 1.26%, combined with a higher volatility of 7.3%. The main driver of treasury underperformance has been a challenging rate volatility environment. It is important to note that rate volatility has been considerably higher than spread volatility, thereby hurting duration risk more than credit risk. As illustrated by Exhibit 4, global credit volatility is now lower than that of global treasury volatility.

Exhibit 4: Global credit volatility is now lower than that of global treasury volatility



Sources: Bloomberg. Global treasuries = Bloomberg Global Agg Treasuries Total Return Index Value Unhedged USD. Global credit = Bloomberg Global Aggregate Credit Total Return Index Value Unhedged USD. Volatility is calculated based on monthly data using a 3-year rolling window. Data up to May 2026 (as of 12 May).

Global credit is supported by stronger fundamentals and technicals. To some extent, one can argue that in a number of markets, corporate balance sheets appear stronger than those of their sovereigns. On one side, corporate sectors are supported by strong profitability and solid cash flow positions while on the other side, fiscal deficits, policy credibility and concerning dynamics are all contributing to higher sovereign risk premiums. On the technical front, we will need to keep an eye on the possible impact of the surge in AI-related issuance, but for now, the new supply has been met by particularly robust demand. Looking ahead, we do not believe that the expected supply pipeline will cause a spread correction.

The Case for Global Credit

For investors looking to strengthen fixed income allocations, global credit stands out for five simple reasons: broader diversification, supportive fundamentals, attractive yields and the flexibility to both de-risk and selectively re-risk portfolios. In a world where macro risks are more fragmented and concentration matters more, a global approach can help investors stay diversified, stay invested and stay selective. With yields still compelling, corporate fundamentals broadly resilient and risk-adjusted returns comparing well with other major asset classes, global credit offers a strong case for a bigger role in portfolios. In our view, the opportunity is best captured through active management, where investors can navigate regional differences, avoid weaker areas of the market and focus on the best sources of value.

Endnote

¹ Sources: Bloomberg. Global credit = Bloomberg Global Aggregate Credit Total Return Index Value Unhedged USD. Volatility is calculated based on monthly data using a 3-year rolling window. Data up to May 2026 (as of 12 May).

Investments in debt instruments may decline in value as the result of, or perception of, declines in the credit quality of the issuer, borrower, counterparty, or other entity responsible for payment, underlying collateral, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile. In addition, debt instruments entail interest rate risk (as interest rates rise, prices usually fall). Therefore, the portfolio's value may decline during rising rates.

The views expressed herein are those of the MFS Strategy and Insights Group within the MFS distribution unit and may differ from those of MFS portfolio managers and research analysts. These views are subject to change at any time and should not be construed as the Advisor's investment advice, as securities recommendations, or as an indication of trading intent on behalf of MFS. No forecasts can be guaranteed.

Diversification does not guarantee a profit or protect against a loss. Past performance is no guarantee of future results.

GLOBAL DISCLOSURE

Unless otherwise indicated, logos and product and service names are trademarks of MFS® and its affiliates and may be registered in certain countries.

Distributed by:

U.S. – MFS Institutional Advisors, Inc. (“MFSI”), MFS Investment Management and MFS Fund Distributors, Inc., Member SIPC; **Latin America** – MFS International Ltd.; **Canada** – MFS Investment Management Canada Limited.; **Note to UK and Switzerland readers:** Issued in the UK and Switzerland by MFS International (U.K.) Limited (“MIL UK”), a private limited company registered in England and Wales with the company number 03062718, and authorised and regulated in the conduct of investment business by the UK Financial Conduct Authority. MIL UK, an indirect subsidiary of MFS®, has its registered office at One Carter Lane, London, EC4V 5ER.; **Note to Europe (ex UK and Switzerland) readers:** Issued in Europe by MFS Investment Management (Lux) S.à r.l. (MFS Lux) – authorized under Luxembourg law as a management company for Funds domiciled in Luxembourg and which both provide products and investment services to institutional investors and is registered office is at S.a r.l. 4 Rue Albert Borschette, Luxembourg L-1246. Tel: 352 2826 12800. This material shall not be circulated or distributed to any person other than to professional investors (as permitted by local regulations) and should not be relied upon or distributed to persons where such reliance or distribution would be contrary to local regulation; **Singapore** – MFS International Singapore Pte. Ltd. (CRN 201228809M); **Australia/New Zealand** – MFS International Australia Pty Ltd (“MFS Australia”) (ABN 68 607 579 537) holds an Australian financial services licence number 485343. MFS Australia is regulated by the Australian Securities and Investments Commission.; **Hong Kong** – MFS International (Hong Kong) Limited (“MIL HK”), a private limited company licensed and regulated by the Hong Kong Securities and Futures Commission (the “SFC”).

MIL HK is approved to engage in dealing in securities and asset management regulated activities and may provide certain investment services to “professional investors” as defined in the Securities and Futures Ordinance (“SFO”); **For Professional Investors in China** – MFS Financial Management Consulting (Shanghai) Co., Ltd. 2801-12, 28th Floor, 100 Century Avenue, Shanghai World Financial Center, Shanghai Pilot Free Trade Zone, 200120, China, a Chinese limited liability company registered to provide financial management consulting services.; **Japan** – MFS Investment Management K.K., is registered as a Financial Instruments Business Operator, Kanto Local Finance Bureau (FIBO) No.312, a member of the Investment Trust Association, Japan and the Japan Investment Advisers Association. As fees to be borne by investors vary depending upon circumstances such as products, services, investment period and market conditions, the total amount nor the calculation methods cannot be disclosed in advance. All investments involve risks, including market fluctuation and investors may lose the principal amount invested. Investors should obtain and read the prospectus and/or document set forth in Article 37-3 of Financial Instruments and Exchange Act carefully before making the investments. **For readers in Saudi Arabia, Kuwait, Oman, and UAE (excluding the DIFC and ADGM). In Qatar strictly for sophisticated investors and high net worth individuals only. In Bahrain, for sophisticated institutions only:** The information contained in this document is intended strictly for professional investors. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of MFS International U.K. Ltd (“MIL UK”). The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser. Please note that any materials sent by the issuer (MIL UK) have been sent electronically from offshore. **South Africa** – This document, and the information contained is not intended and does not constitute, a public offer of securities in South Africa and accordingly should not be construed as such. This document is not for general circulation to the public in South Africa. This document has not been approved by the Financial Sector Conduct Authority and neither MFS International (U.K.) Limited nor its funds are registered for public sale in South Africa. Massachusetts Financial Services, Inc.®