

JUNE 2025

# Stranger than fiction

Q2 2025 has been remarkable. Despite all the noise, credit spreads are tighter than before Liberation Day. Stranger than fiction, indeed.

## KEY INFORMATION

- ① **Credit markets bounced back quickly after Liberation Day:** Despite the initial sell-off triggered by the tariff shock, credit spreads have fully recovered.
- ① **Strong investor demand continues to support the market:** Credit remains well-supported, even as geopolitical and policy noise lingers.
- ① **But tight valuations leave little room for error:** Credit spreads are back near historically tight levels. While fundamentals are still sound, risks remain.

## OPPORTUNITIES

**Credit still offers attractive income – even with tight spreads:** This is particularly true in high-quality corporate bonds.

**European credit looks more attractive than US credit right now:** With the US market crowded and valuations stretched.

**Emerging market credit is showing resilience and potential:** Opportunities in LatAm and Asian credit.

## RISKS

**Trade and fiscal policy uncertainty remains:** The recent policy U-turn may have calmed markets for now, but the broader direction remains unclear.

**Valuations leave little room for disappointment:** Credit spreads have tightened significantly, meaning investors are being paid less for taking risks.

**Longer-dated bonds are more vulnerable:** These bonds are more sensitive to changes in yield curves and could underperform in a risk-off environment.



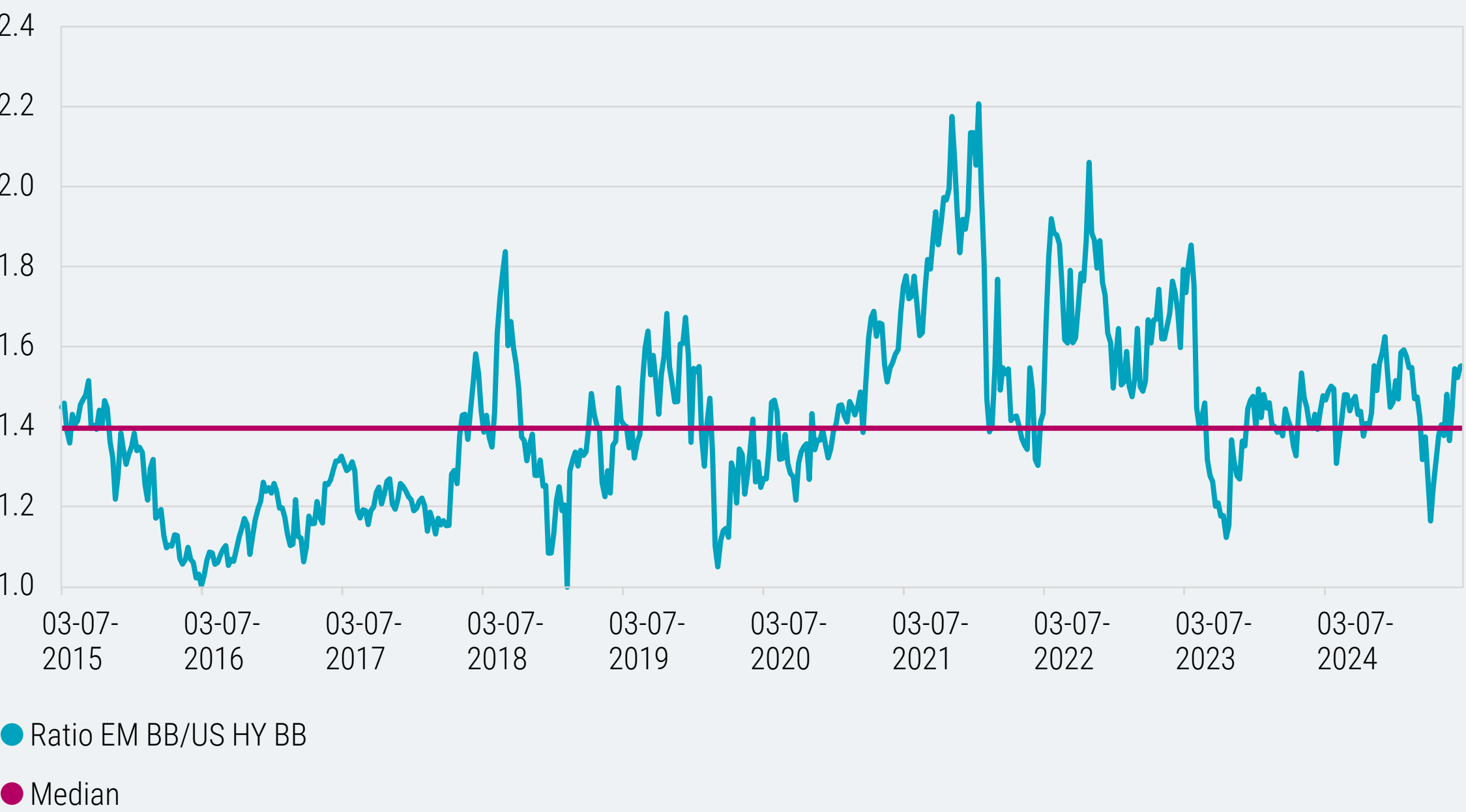
PORTFOLIO POSITIONING

-  **STAYING CAUTIOUS ON OVERALL RISK:** Given tight spreads and a long list of potential risks, portfolios remain conservatively positioned.
-  **CONTINUE TO FAVOR EUROPE OVER THE US:** Preference for European credit where technicals remain strong and spread valuations still offer relative value.
-  **FOCUS ON BOTTOM-UP OPPORTUNITIES IN EUROPEAN AND EM CREDIT:** We continue to see attractive value in European financials, corporate hybrids and EM credit.
-  **GEOPOLITICAL BACKDROP:** Escalating tensions and broader global uncertainty remain tail risks, reinforcing the case for diversified credit exposure.

CHART OF THE QUARTER

The chart shows the spread on EM BB-rated credit relative to the spread on US BB-rated bonds. While investment grade credit in EM is not cheap, we continue to see attractive value opportunities in BB-rated debt issued by EM corporates.

BB-rated credit: Emerging markets vs US



Source: Bloomberg, Robeco, July 2025.

STRATEGY INSIGHTS

How the outlook influences our strategies



CREDIT INCOME

Maintain low spread duration (currently 3.4 years) to reduce rate and spread volatility. Low exposure to cyclical sectors and increased risk in utilities and pharmaceuticals. We added in hybrids, short-dated BB credit and exposure in Asian renewables. Prefer European bank debt with 8% exposure in AT1 CoCos.



EURO CREDIT BONDS

The strategy is keeping overall market risk (beta) close to the index but is overweight European banks and underweight corporate bonds. It also has exposure to European securitized debt, which is backed by assets like mortgages or loans.



GLOBAL CREDITS

The strategy keeps overall risk (beta) close to the index, with overweights in European credits and underweights in US markets. It also holds small overweights in European financials, US media, and asset-backed bonds.

Active credit strategies

Aims to generate income by adapting quickly to change, seeking the most attractive opportunities through the credit cycle. Companies that negatively impact the UN Sustainable Development Goals (SDGs) are excluded.

This strategy focuses on the European investment grade credit market, identifying opportunities in corporate and financial bonds. It has the flexibility to move beyond the standard index when opportunities emerge.

A global corporate bond portfolio with the flexibility to invest across investment grade, high yield, and emerging markets. The strategy captures regional and economic value, aiming to balance stability and growth.

Please visit the [Robeco Credit strategy page](#) for more information.



Please visit the  
**Robeco website**  
for more information

IMPORTANT INFORMATION – CAPITAL AT RISK

This information refers only to general information about Robeco Holding B.V. and/ or its related, affiliated and subsidiary companies, (“Robeco”), Robeco’s approach, strategies and capabilities. This is a marketing communication solely intended for professional investors, defined as investors qualifying as professional clients, who have requested to be treated as professional clients or who are authorized to receive such information under any applicable laws. Unless otherwise stated, the data and information reported is sourced from Robeco, is, to the best knowledge of Robeco, accurate at the time of publication and comes without any warranties of any kind. Any opinion expressed is solely Robeco’s opinion, it is not a factual statement, and is subject to change, and in no way constitutes investment advice. This document is intended only to provide an overview of Robeco’s approach and strategies. It is not a substitute for a prospectus or any other legal document concerning any specific financial instrument. The data, information, and opinions contained herein do not constitute and, under no circumstances, may be construed as an offer or an invitation or a recommendation to make investments or divestments or a solicitation to buy, sell, or subscribe for financial instruments or as financial, legal, tax, or investment research advice or as an invitation or to make any other use of it. All rights relating to the information in this document are and will remain the property of Robeco. This material may not be copied or used with the public. No part of this document may be reproduced, or published in any form or by any means without Robeco’s prior written permission. Robeco Institutional Asset Management B.V. has a license as manager of UCITS and AIFs of the Netherlands Authority for the Financial Markets in Amsterdam.

UNITED KINGDOM

This information is provided by Robeco Institutional Asset Management UK Limited, 30 Fenchurch Street, Part Level 8, London EC3M 3BD, registered in England no.15362605. Robeco Institutional Asset Management UK Limited is authorised and regulated by the Financial Conduct Authority (FCA – Reference No: 1007814).

SWITZERLAND

Robeco Switzerland Ltd is licensed by the Swiss Financial Market Supervisory Authority FINMA as a manager of collective assets.

AUSTRALIA

This document is distributed in Australia by Robeco Hong Kong Limited (ARBN 156 512 659) (‘Robeco’) which is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order 03/1103. Robeco is regulated by the Securities and Futures Commission under the laws of Hong Kong and those laws may differ from Australian laws.

HONG KONG

Issued by Robeco Hong Kong Limited, licensed and regulated by Securities and Futures Commission of Hong Kong. The contents of this document have not been reviewed by the Securities and Futures Commission Hong Kong. Investment involves risks. This information does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation for any security.

SINGAPORE

This information is for informational purposes only and should not be construed as an offer to sell or an invitation to buy any securities or products, nor as investment advice or recommendation. The contents of this document have not been reviewed by the Monetary Authority of Singapore (“MAS”). Robeco Singapore Private Limited holds a capital markets services licence for fund management issued by the MAS and is subject to certain clientele restrictions under such licence. An investment will involve a high degree of risk, and you should consider carefully whether an investment is suitable for you.

US

This information is for informational purposes only and should not be construed as an offer to sell or an invitation to buy any securities or products, nor should it be viewed as investment advice or a recommendation to buy or sell any financial instrument or instruments. Investment management services are offered to U.S. institutional clients by Robeco Institutional Asset Management U.S. Inc. (“RIAM US”), an investment adviser registered with the US Securities and Exchange Commission (“SEC”). Such registration should not be viewed as an endorsement or approval of RIAM US by the SEC. RIAM US is a wholly owned subsidiary of ORIX CorporationEuropeN.V.(“ORIX”),aDutchinvestmentmanagementfirmheadquartered in Rotterdam, the Netherlands. RIAM US is located at 230 Park Avenue, 33rd floor, New York, NY 10169.