

CREDIT QUARTERLY OUTLOOK

# Halo, is it me you're looking for?

- The Gulf war and AI disruption are reshaping the credit landscape simultaneously
- Private credit and BDCs face severe stress from AI-exposed software portfolios
- Seek shelter in HALO: Hard Assets, Low Obsolescence

**As Lionel Richie once asked, “is it me you’re looking for?” In today’s credit markets, the answer is increasingly HALO – Hard Assets, Low Obsolescence. These are companies anchored in physical infrastructure such as pipelines, power grids, toll roads, and mining assets.**

Their value lies in real, hard to replicate assets, and their revenue models are far less vulnerable to the disruptive force of artificial intelligence. In a world where AI is simultaneously boosting productivity for some and destroying business models for others, HALO companies offer a place to hide.

The first quarter of 2026 delivered an unusual combination of shocks. The outbreak of the Gulf war and the near closure of the Strait of Hormuz removed 15-20% of global oil and LNG supply, creating the risk of a renewed inflationary impulse and exerting disproportionate pressure on Asian and European growth.

At the same time, the AI investment boom continues at high speed, but the strain is increasingly visible in private credit, where highly leveraged, AI-exposed software companies are showing clear signs of stress. Public credit markets have remained surprisingly resilient through all of this, but we question whether they should be.

In the following pages, we outline our latest views on credit markets and our outlook going forward.

*“In every company research we screen for AI threats and opportunities*

## OUTLOOK MARCH 2026

Marketing material for professional investors, not for onward distribution



**Matthew Jackson**  
Investment grade



**Sander Bus**  
High yield

## Fundamentals

The Gulf war has removed an estimated 15-20% of global oil and LNG supply from the market due to the near closure of the Strait of Hormuz, causing sharp price spikes in Europe and Asia. With roughly 80% of Asian energy imports sourced from the Gulf, the region is particularly exposed. The duration of the conflict remains highly uncertain, but a quick resolution now appears unlikely. The shock is inflationary and brings back memories of the 2022 gas price surge following Russia's invasion of Ukraine. However, unlike in 2022, we do not expect central banks to react with the same urgency or magnitude. For a deeper discussion, see the Global Macro team's March 2026 Outlook Flashback.

Before the conflict, leading indicators suggested that US GDP growth would hover around 2%, which is close to trend. Datacenter-related capex remains an important growth driver, though part of the impulse leaks abroad through technology imports. Small businesses continue to lag in investment intentions, and it is uncertain whether the US consumer can sustain the current pace of spending.

Consumption has continued to outpace real wage growth, while the savings rate has fallen to unsustainably low levels. If the labor market weakens further, households are likely to shift toward precautionary saving, putting pressure on consumption. Private sector job growth is already negative, with only healthcare still adding jobs. The wealth effect from strong equity markets has so far supported spending, but a meaningful correction in equities or further increases in fuel prices would quickly weigh on households.

*“In a market shaped by disruption, resilience lies in assets that are hard to replicate and even harder to replace*

Higher oil prices are pushing inflation up and growth down globally, but the impact is uneven. Europe and Asia are the most exposed. Europe does not benefit from the same tech capex tailwind supporting US activity, but fiscal spending on defense and infrastructure is finally showing up in the data – just in time to cushion the energy shock. The ECB faces a difficult trade-off: if energy prices remain elevated, a hawkish shift or even a hike by June cannot be ruled out. The Fed, by contrast, is under pressure to look through the oil shock and maintain an easing bias, with rate cuts still the base case for the second half of 2026.

Asia is most at risk given its heavy reliance on Middle Eastern energy, and several countries are already rationing gas. Emerging market fundamentals and technicals had been improving prior to the conflict, supported by low net issuance, strong demand, and healthier balance sheets, but the war introduces new vulnerabilities for energy importing economies.

AI continues to be both a productivity enhancer and a business model disruptor. While AI-driven efficiency gains can lift margins for some firms, others, particularly in software and business services, face rising competitive and pricing pressure. We systematically screen for both AI-related risks and opportunities in our company research.

Private credit is where these vulnerabilities are most concentrated. Highly levered companies with challenged business models make up a large share of the space, and many have seen their equity cushions erode. Refinancing is becoming more difficult, and we expect an increase in debt restructurings. US BDCs, which are leveraged vehicles exposed to these loans, are already under pressure and are facing outflows. Notably, around 81% of all single B rated credits rely on the private credit or leveraged loan markets for funding. If these channels tighten further, replacing that capital through public markets or banks will be challenging.

**Valuations**

Spreads have widened, but far less than we would have expected given the turbulence in other markets – including private credit, rates and the geopolitical shock. Credit markets are currently pricing in a surprisingly low probability of severe commodity disruption. At around 60 bps, iTraxx Main levels are broadly consistent with only a one-month disruption and imply just a 10-15% probability of a multi-month supply shock.

Against this backdrop, we continue to see valuations as unattractive. Our primary metric for assessing value in credit remains spreads – the yield of a corporate bond relative to the government curve. While all-in yields look appealing and clearly influence flows, they remain a poor measure of credit attractiveness in isolation. The marginal buyer of credit today is increasingly yield-driven, which likely explains why spreads have remained tight despite rising macro and geopolitical risk.

Beneath the surface, dispersion and decompression are building. High yield weakness is increasingly sector-specific, with AI-related disruption now a central driver of software underperformance. Euro single-Bs in software have widened materially, whereas dollar single-Bs with energy exposure have held up better. At the higher-quality end, BBB-to-A spreads in investment grade remain historically tight, but high yield decompression is becoming visible across both EUR and USD markets.

**Figure 1** – High yield software basket credit spread vs EUR high yield credit spread



**Past performance is no guarantee of future results. The value of your investments may fluctuate.** Source: Robeco, Bloomberg, March 2026

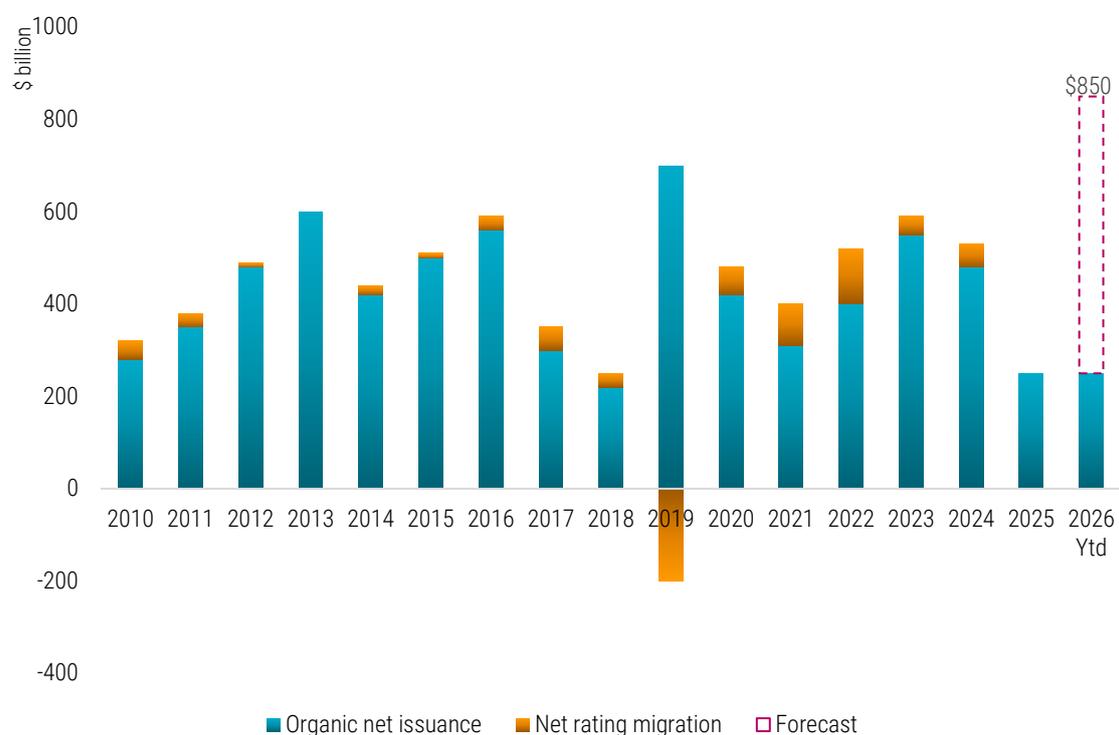
Regional valuation dynamics remain nuanced. On a purely mechanical reading of the Iran-related energy shock, one might conclude that Europe should be avoided. But that conclusion depends critically on the duration of the conflict: if the war ends within weeks, Europe will likely outperform. Meanwhile, several US-specific factors like private-credit stress, AI-related business-model risk and massive datacenter-related issuance, continue to exert more pressure on US valuations than on Europe.

Overall, spread valuations still offer too little cushion against a wide range of risks. Market conditions can shift rapidly, however, and an indiscriminate risk-off episode would likely create the kind of dislocation that offers more attractive entry points. We stand ready to add risk if such opportunities arise.

**Technicals**

New issue activity has been exceptionally heavy in investment grade markets. Hyperscaler capex expectations have been reset structurally higher and the Big Five are now expected to spend over USD 700 billion in 2026 versus USD 560 billion in earlier forecasts. This upward revision is feeding directly into higher bond supply. The positive development is that the majority of this year’s hyperscaler issuance is already completed, with issuers offering generous new issue premia to ensure strong demand. We have also seen a rise in issuance linked to M&A activity and share buyback funding, with several multi-billion transactions coming to market. These jumbo deals have offered decent concessions and attracted large order books, though they have temporarily weighed on secondary market technicals.

**Figure 1** – Annual USD investment grade net issuance



**Source:** Bloomberg, Goldman Sachs Global Investment Research, March 2026

Private credit stress is becoming a more material concern. The private credit market is heavily exposed to sectors vulnerable to AI disruption, and opacity around BDC asset valuations remains high. Rating agencies have been slow to adjust ratings, but the market has not: unsecured BDC bonds have widened 46% since end-January, more than any other credit sub segment. On top of that, BDCs are now facing sustained outflows, which is creating a more urgent and immediate source of pressure than asset quality concerns alone.

Despite the turbulence, risk aversion in public credit markets is not extreme. It is still too early to be adding risk. High yield has seen meaningful outflows in both the US and Europe, alongside sizable outflows from loan products and private credit vehicles. Investment grade, by contrast, continues to attract inflows. Elevated cash balances among high yield managers have helped absorb outflows so far, and the pattern of high yield outflows versus investment grade inflows suggests a continued rotation up the quality spectrum rather than a broad risk off capitulation.

Synthetics (CDX and iTraxx) have underperformed cash on macro hedging flows, while global investor flows – based on anecdotal evidence – appear to be slowly rotating from the US toward Europe, including from Japanese and Taiwanese accounts, supporting the European market. Demand for credit, particularly in investment grade, remains strong. New issuance continues to be met with very large order books, and yield driven buyers remain active. With all in yields for US investment grade still above 5%, the marginal buyer continues to anchor demand even as uncertainty rises.

**Positioning**

We are keeping portfolio betas broadly in line with indices. Credit spreads have not widened enough for us to increase risk meaningfully, and this is not a buy-the-dip environment given the prolonged and escalating nature of the Gulf conflict. With beta levels close to neutral, alpha generation will primarily come from issuer selection.

We are cautious on private US life insurers given their exposure to private credit, where transparency is limited and stress is mounting. We avoid BDCs entirely: they represent only a small share of investment grade benchmarks, visibility on underlying valuations is poor, and we see further room for spreads to widen. By contrast, we remain comfortable with European banks. They are well-capitalized, less exposed to private-credit-related risks, and continue to exhibit robust fundamentals relative to their US peers.

Regional positioning is not straightforward. While the Gulf conflict would, in isolation, argue for avoiding Europe, the duration of the disruption is highly uncertain. At the same time, US-specific pressures such as private-credit stress, AI-related business-model vulnerabilities, and the wave of datacenter-related issuance, are weighing more heavily on US credit than on Europe. As a result, we maintain a balanced, selective stance across regions.

The attractive new-issue premia on hyperscaler bonds create opportunities in investment grade, and we are participating selectively. In high yield, we remain cautious given the rising risk of AI-driven disruption. We focus on HALO businesses (Hard Assets, Low Obsolescence) particularly in sectors such as paper, metals, mining and critical infrastructure. We maintain an overweight in BBs within high yield, favor financials, and remain underweight software. In emerging markets credit, we prefer BB over B as valuation dispersion increases and quality differentiation becomes more important.

**Table 1** – Current positioning

	Constructive	Neutral	Cautious
Fundamentals		● →	
Valuations			●
Technicals		● →	
IG credit		●	
HY credit		●	
Financials	●		
Non-financials			●
Emerging		●	

Source: Robeco, March 2026

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