Santander Asset Management

Santander AM Euro Corporate Bond

Marketing Communication

11 / 2025

Fund commentary

The month of November was marked by significant macro developments in the U.S. and Europe, contributing to a mixed tone across sovereign curves and credit markets.

In the U.S., the government shutdown ended after a record 43 days, restoring some stability to risk assets. However, newly released labor indicators painted a mixed picture, with stronger-than-expected job creation but a rise in unemployment to 4.4%, its highest level since 2021. The Fed minutes highlighted a notable internal divide: while several members leaned toward additional rate cuts, some argued against further easing given still-persistent inflation and insufficient confirming data, leaving markets uncertain about the December rate decision and reducing cut expectations to below 30% from 66% earlier in the month. However, as we approached the end of the month, the narrative began to shift. Several members of the FOMC expressed more dovish perspectives. Adding to this evolving landscape, the news of Kevin Hassett emerging as the frontrunner for the next FOMC Chair further influenced the market sentiment. This combination of factors has contributed to a rally in both the rates and credit markets.

In Europe, the macro environment was relatively more constructive. The European Commission raised its 2025–26 GDP forecasts for the Eurozone, with November PMIs reflecting continued expansion, particularly in services. At the same time, inflation trends continued to moderate, with Eurozone headline inflation easing to 2.1% YoY in October and core inflation stable at 2.4% YoY. Several ECB officials reiterated a continuity message, signaling that the current level of policy rates remains appropriate for now. They emphasized that upcoming decisions will be strictly data-dependent and assessed meeting by meeting, offering no explicit forward guidance on the timing of future cuts. This cautious tone persists even as disinflation progresses, and growth stabilizes.

As for credit markets, Euro IG credit traded in a narrow range, with spreads widening modestly by 5bps during the month, before tightening slightly into month-end. Euro IG spreads ended the month at 81 bps, and total return was negative also because of higher rates. The spread performance was similar between periphery and core countries, despite good news on the rating front for Italy that got upgraded by Moody's to Baa2 from Baa3, that led to several upgrades on corporates. In Euro HY, credit spread widened only by 2bps, with mixed performance between BB's a B's. The primary market was quite active during the month, reaching new all-time highs for issuance (for the month of November), with YTD issuance surpassing €1Trn. The flows continued to support the asset class, with €10Bn of inflows into Euro IG (retail), outpacing US IG inflows.

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The fund generated a negative performance, penalized by higher government bond yields and slightly wider spreads, with most sectors contributing negatively except for Automotive and Media. In terms of relative performance, it modestly outperformed its benchmark. The fund remained active in the primary market, taking advantage of a strong issuance activity.

At the end of the period, the fund had a yield to maturity (YTM) of 3.19% and a modified duration of 4.64, compared to 3.22% and 4.54, respectively, for its benchmark.

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