

Santander AM Euro Corporate Bond

1 / 2026

Marketing Communication

Fund commentary

The month of January was shaped by elevated geopolitical uncertainty, heavy issuance in both sovereign and corporate bond markets, and ongoing adjustments in central bank expectations. Market performance was driven primarily by changes in risk sentiment and interest-rate volatility rather than any deterioration in underlying fundamentals. After a volatile start to the year, risk appetite gradually improved toward month-end, supported by strong demand in primary markets and resilient economic data.

In the US, the Federal Reserve kept interest rates unchanged, signaling greater confidence in growth and labor market conditions while acknowledging that inflation remains above target. During the month, President Trump nominated Kevin Warsh to lead the Federal Reserve, a development that has attracted market attention given his previous policy views. Overall, markets continued to price a gradual Fed's easing cycle, though with some moderation in expectations compared to earlier months.

In Europe, the ECB maintained a patient stance, emphasizing that inflation risks remain contained while growth is increasingly exposed to external uncertainty. The next ECB meeting is scheduled for the first week of February, and no changes to the current policy are expected. Early in the month, macro data were supportive, particularly in Spain, where growth expectations were revised higher by international institutions. As the month progressed, survey data softened somewhat, suggesting a moderation in momentum rather than a sharp slowdown. German growth data showed tentative signs of stabilization, while political developments in France and fiscal uncertainty in Japan contributed to periods of higher volatility.

Credit markets delivered a constructive performance in January, supported by very strong primary market activity and robust investor demand. Euro IG spreads tightened modestly over the month (-6bps), ending around the low-70bp area, despite episodes of rate-driven volatility. Financials generally outperformed non-financials, with similar performance between periphery and core, except in non-financials where periphery slightly underperformed. Higher-beta segments such as subordinated debt, hybrids and high yield showed greater sensitivity to shifts in risk sentiment. European high yield also performed well but in line with IG, benefiting from spread tightening and a strong start to the year in terms of inflows. CDS markets broadly confirmed this positive tone, with iTraxx Europe remaining close to 50bp and XOVER fluctuating at slightly higher levels amid increased volatility toward month-end.

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Fund flows were supportive overall, particularly in US and European investment grade credit, reinforcing the technical backdrop for the asset class. Despite geopolitical risks and central bank uncertainty, January highlighted the resilience of credit markets, supported by solid fundamentals, active issuance and sustained investor demand.

The fund posted a positive return, supported by lower government bond yields and tighter credit spreads, despite strong primary market activity. All sectors contributed positively, with Banking and Utilities being the main contributors. In relative terms, the fund slightly underperformed its benchmark. During the month, we reduced some positions to create room in anticipation of upcoming primary market issuance.

At the end of the period, the fund had a yield to maturity (YTM) of 3.18% and a modified duration of 4.52, compared to 3.12% and 4.50, respectively, for its benchmark.

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