

Allianz Global Floating Rate Notes Plus

Monthly commentary

Investment Objective

The Fund aims to capture income from a global universe of floating-rate notes. The Fund seeks potential long-term capital growth in accordance with environmental and social characteristics.

What Happened in April

In April, global investment grade corporate spreads widened by +13 basis points (bps) to 110 bps, with USD spreads wider by +13 bps to 109 bps, EUR wider +114 bps at 112 bps, and GBP spreads tightening by -6 bps to 105 bps. Relative to government bonds, investment grade corporates delivered -58 bps of excess returns.

April saw continued volatility across global markets driven by shifting trade policy, central bank signals, and mixed economic data. Trade tensions escalated early in the month, wiping over USD 3 trillion off US equities in two days. However, markets rebounded strongly – the S&P 500 rallied nearly 10% on 9 April after President Trump paused planned tariff hikes, and China signalled willingness to ease some of its own levies.

The US saw its first quarter of contraction since March 2022 with gross domestic product (GDP) coming in at -0.3% annualised (-0.2% estimate) down from 2.4% in the previous quarter. Core personal consumption expenditures (PCE) was higher than expected at 3.55% quarter-on-quarter (3.1% estimate) with President Trump calling for patience on tariffs and pending trade deals. Policy signals remained mixed. US Federal Reserve (Fed) Governor Waller suggested rate cuts could be on the table if tariffs impact jobs, while Chair Powell struck a more hawkish tone, emphasising inflation control. Meanwhile, the European Central Bank (ECB) cut rates by 25 bps and dropped its “restrictive” policy language.

Economic data was varied. US consumer price index (CPI) undershot expectations, indicating softening consumer demand, while job growth surprised to the upside. In the UK, inflation also eased to 2.6% year-on-year. Turning to the East, China posted stronger-than-expected GDP growth in Q1 at 5.4%, despite persistent trade pressures. Credit markets

reflected diverging recession expectations – high yield spreads widened, while BBBs remained relatively tight. Volatility, though easing (VIX down from 52 to 30), stayed elevated versus historical norms.

Investment grade gross supply totalled to USD 105.0 billion in April down from USD 190.4 billion in March. April supply consisted of USD 49.3 billion non-Financials and USD 55.7 billion Financials. In Europe, supply for April totalled EUR 66.3 billion, which is markedly down on the same month last year (-19%).

Portfolio Review

The Fund generated positive gross return in April, behind its cash reference index (secured overnight financing rate – SOFR). Positive absolute performance was generated by attractive underlying yields inbuilt within the Fund, with SOFR at 4.41% by the end of the period, whilst wider spreads detracted from relative returns in the first half of April.

In the volatile market environment that followed the tariff announcements in early April, the Fund benefitted from its conservative headline risk position (circa 1.7 years of corporate spread duration) with a quality bias, where we had been increasing the credit quality and seniority profile of the portfolio over the previous few months already as spreads had compressed and valuations had richened. Furthermore, the Fund's circa 20% liquidity buffer including cash, US Treasury floating rate notes (FRNs) and high-quality supra & agency (SSA) paper helped mitigate the spread widening effect. We successfully added value through a tactical CDX High Yield overlay. We bought protection going into the spread widening, and we sold protection mid-month, benefitting from the spread recovery. The position was closed at month-end. Elsewhere, we continued to selectively participate in new issues over the month.

Outlook

We consider the global corporate market to be at fair value, as the market is pricing in strong fundamentals across the majority of sectors, as evidenced by the recent earnings season albeit recent volatility is posing unknown risk to underlying credits. Our focus remains on sectorial and idiosyncratic opportunities, within the context of an overall light credit risk footprint. We prefer Pharma and Utilities/domestically focused sectors and we remain cautious on consumer cyclicals. Our modest risk positioning and our ample liquidity buffer provide us with high flexibility to seize opportunities going forward.

Connect with Us

sg.allianzgi.com

+65 6438 0828

Search more



Allianz Global Investors

Like us on Facebook **Allianz Global Investors Singapore**Connect on LinkedIn **Allianz Global Investors**Subscribe to YouTube channel **Allianz Global Investors**

All data are sourced from Bloomberg Barclays, Bloomberg and Allianz Global Investors as of 30 April 2025 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).