

## Dollar credit supply: rather low supply in June

All-in funding costs have continued to rise over recent weeks, with swap rates and credit spreads under pressure



### Corporate supply running behind all previous years on a year-to-date basis

Corporate supply was significantly low in June compared to the supply seen in June in previous years, at just US\$33bn. This is the second-lowest monthly total this year, after January. Redemptions for the month of June totalled \$51bn, resulting in a negative net supply of US\$18bn. On a year-to-date basis, supply is at \$322bn, substantially lower than previous years, both compared to the substantial levels seen in 2020 and 2021, which totalled \$794bn and \$416bn YTD, respectively, and the average \$380bn supplied by this time in previous years.

All-in funding costs have continued to rise over recent weeks, with swap rates and credit spreads under pressure to new wides. As spreads are pricing in a recession, funding levels will remain high and we can expect to see very little supply for the next two summer months.

Utilities brought the most supply last month, at \$14bn. On a YTD basis, utilities supply has totalled \$58bn, lower than the \$65bn seen last year. Only the auto sector has seen an increase on last

year's YTD figure, up from \$13bn last year to \$20bn so far this year.

The Reverse Yankee supply has also been limited this year, at just €17bn YTD. The cross-currency basis swap has widened out significantly, particularly around the 5yr area. In addition, USD spreads have been outperforming EUR spreads over recent months (apart from some recent USD underperformance in the 10yr area). As a result, it is less attractive for US corporates to issue in EUR and swap back to USD.

## Year-to-date financial supply up on previous years (excluding 2020 and 2021)

Financial supply was also very low in June at just \$24bn, the lowest monthly amount thus far this year. This is indeed lower than the \$50bn seen in 2020 and 2021, but more in line with that of previous years. Redemptions were also rather low in June at \$17, thus net supply was still positive at \$7bn. Financial supply is now at \$317bn YTD. This is only marginally lower than the past two years and, on a YTD basis, is up on previous years.

Bank supply accounted for most of the financial supply, with \$12bn in bank senior supply and \$5bn in bank capital supply. June supply was skewed towards the shorter end of the curve.

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