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CREDIT

Euro Credit Supply: Corporate supply soars but financials slow slightly

Despite the market volatility, corporate supply still saw very hefty supply. Much of this was driven by Reverse Yankee supply. Financials, on the other hand, slowed in March



Executive summary

Hefty corporate supply despite the market volatility

Corporate supply was hefty in March, despite the large volatility within the market. Regardless of the widening spreads and uncertainty, there was still windows of opportunity in which issuers certainly utilised, as the pipeline leading into the Middle East conflict was plentiful and remains so.

Supply totalled €50bn in March, pushing the YTD total up to a substantial €134bn, running ahead of previous years and up on last year's €109bn by this time. Similarly, corporate hybrids marked in another €5bn in March, pushing the YTD total up to a rather notable €22bn.

Reverse Yankee supply is a big driver of the hefty March supply

Corporate Reverse Yankee supply amounted to a substantial €24bn in March, after multiple multi-tranche deals. This drives the YTD figure up to €40bn, running largely ahead of all previous years. We forecast a record-breaking €120bn for corporate reverse

Yankee supply in 2026, as there is still a lot of financing that needs to get done and the cost-saving advantage will offer opportunities, not to mention the rush of US tech issuers coming to the EUR market. We argue that €120bn won't put too much pressure on the market and should not crowd out the European issuers. For now, the demand for credit is still very strong, and there is plenty of cash to be put to work.

Drop in bank bond supply and focus towards more secured segments

The war in the Middle East had an immediate effect on the supply of EUR-denominated bank bonds with issuances dropping to zero in the first week of the conflict. While picking up again as of the second week of the war, March issuances reached only a little over €18bn across all segments of the liability structure.

Issuers shifted their focus towards the more secured part of the liability structure, the part which also proved more resilient to the volatility and avoided the subordinated segment. Consequently, the bulk of issuances were in the covered bond segment with €11.5bn printed over March.

The largest drop stems from senior bail-in bond supply with only €3bn printed last month, down over €20bn from February's levels. While spread volatility partially explains the decrease, the overflow of senior bail-in instruments in February is also an important factor explaining issuers' lower appetite for the segment in March.

Author

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

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