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CREDIT

# Euro Credit Supply: Revising our forecasts marginally higher

On the back of higher supply than initially expected, we revise our corporate supply to between €270bn and €300bn, our covered bond supply to €185bn, and our Reverse Yankee supply to €45bn



We still expect slower corporate supply in the second half of the year, but supply could marginally exceed our forecast. In any case, we forecast below €300bn.

Year-to-date corporate supply is now sitting at €203bn. We expect supply in the second half of this year to slow as large prefinancing has been done. In addition, many issuers will be looking forwards to potential rate cuts in 2024 and are likely to postpone coming to the market now in order to benefit from cheaper funding later. Furthermore, all-in yields are still rising slowly and sitting very high.

Due to a heavier level of supply than we expected in the first half of the year, our full-year forecast of €270bn could be marginally exceeded, but we expect supply will still end the year below €300bn. Redemptions have climbed, thus the technical picture remains strong with a net supply of only €24-54bn, excluding coupons.

The summer slowdown has kept primary markets quiet in July with corporate supply totalling only €11bn, down from €27bn in June. This is higher than the July supply for the previous two

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years but remains below pre-Covid levels. Net supply was negative in July, with €15.5bn in redemptions, yielding a net issuance of -€4.4bn. YTD supply is at €203bn, up 26.1% compared to the same period of the previous year and comparable to levels seen in 2021 and 2019.

Autos and industrials and chemicals remain the strongest sectors in terms of supply, both having a total YTD issuance of €38bn. For autos, this is an increase of 120% compared to the same period in 2022.

The equation was advantageous for a cost saving for Reverse Yankee supply in March, April and May, which led to a heavier supply of more than €12bn in May. As such, YTD Reverse Yankee supply is now sitting at €32bn. We, therefore, increase our forecast to €45bn, still expecting relatively slow supply to come.

We revise our covered bond supply forecast after high levels seen thus far.

Our covered bond supply forecast is revised slightly higher to €185bn for the year. Supply is already sitting at €150bn on a YTD basis, thus we expect supply to be much reduced in the second half of this year. Despite being down in July compared to June with only €8bn in issuance, covered bond supply is significant and is pencilled in for the year as the highest on record and slightly ahead of last year's €134bn.

Our financial supply forecast remains at €286bn, of which €209bn has been issued YTD. The YTD supply for financials is at its highest level on record but, similar to corporates, we expect a slowdown in supply in the coming months. July saw low levels, amounting to just €9bn.

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