Report | 5 March 2025 CREDIT

Euro Credit Supply: Strong supply set to continue

Supply has continued at plentiful levels over recent weeks, with February supply reaching a notable €42bn for corporates

Executive summary

Corporate Supply continues to be plentiful

Supply has continued at plentiful levels over recent weeks, with February supply reaching a notable €42bn for corporates. This matches the large supply seen last February and is substantially above the norm for February issuance, with the (February) earnings period not halting issuance as it once did.

YTD corporate supply stands at €78bn, in line with last year's YTD total. Large supply is set to continue, with multiple deals priced this week despite the wobble in spreads.

Utilities, Healthcare and Consumers drove supply in February, all coming with €6-7bn. TMT supply was very large at €10bn. Over the YTD basis Autos, TMT and Utilities are trailing last year.

Reverse Yankee supply set to stay strong

Corporate Reverse Yankee supply increased in February, with a considerable €16bn coming to the market. YTD Reverse Yankee supply is now at €19bn, ahead of last year's €17bn.

Reverse Yankee supply is set to remain strong in the coming months as the cross-currency basis swap continues to trade at very low levels (resulting in lower cost for swapping). USD credit has been seen as weak and underperforming versus EUR spreads over the past week. The spread differential has widened and is back in positive territory in the short end. This is set to open up more opportunities for a cost-saving advantage for doing Reverse Yankee deals.

Senior unsecured bond issuances remained high in February

Last month, the supply of senior unsecured bonds remained high, reaching nearly €26bn. This included €16bn in bail-in bonds and €9.5bn in the senior preferred segment. These figures represent increases of €3bn and €4.5bn, respectively, compared to February 2024 issuances.

Last month's supply brings the 2025 YTD total to €26.3bn for senior preferred instruments and to €43bn for senior bail-in bonds. The aggregate also points to a significant increase in senior issuances, being €10bn above the 2024 total at the end of February.

The supply of EUR Benchmark covered bonds reached nearly €17bn last month, a €2bn increase on the February 2024 level. This brings the total 2025 YTD supply to €43bn, still well behind last year due to the historical 2024 January supply level.

Author

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Disclaimer