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CREDIT

US dollar credit supply: More Reverse Yankee and Yankee supply

USD corporate supply reached $812bn in 2024, marking the highest annual levels since 2020

We see the US 10yr yield heading to the 4.25% to 4.5% range

Executive summary

High USD corporate supply totals US$812bn in 2024, the second-highest on record

- USD corporate supply reached $812bn in 2024, marking the highest annual levels since 2020. We expect USD corporate supply will increase to US$850bn in 2025, a bumper year but not record-breaking like 2020. Increased M&A activity and higher CAPEX add to the higher redemptions scheduled as the cost of debt falls. This means net supply is set to rise to US$300bn.
- The utility, healthcare, and TMT sectors led USD corporate supply in 2024, each surpassing $100bn. The oil & gas sector experienced the highest growth, with a 106% increase from 2023, reaching a total of $72bn this year.

More Yankee supply in the short end, and more Reverse Yankee supply in the long

- An interesting dynamic has formed with the cross-currency basis swap and USD

EUR spread differential, whereby the discount for the EUR basis has been removed, leaving an XCCY closer to zero. This creates a much less costly ability to swap and thus creates a large potential for Reverse Yankee supply, although this is limited to the long end. We expect Reverse Yankee supply to reach at least €65bn in 2025, compared to €64bn in 2024.
- Currently USD spreads are trading at very tight levels, particularly on the short end, resulting in a significant attraction for European issuers to do Yankee deals. Already we have seen a strong start to the year, with €8bn in corporate Yankee supply from the likes of EDF, CRH and Daimler, and a considerable €18bn in financial Yankee supply from the likes of Credit Agricole, Soc Gen and BPCE.

Record-breaking supply for USD financials in 2024

- USD financials supply reached US$14bn in December, bringing the 2024 total to US$602bn, the highest of the past seven years.
- These high levels were driven by the sharp increase in bank capital, finance and insurance YoY supply growth. Finance and insurance supply indeed doubled Year-on-Year in 2024, reaching US$123bn and US$80bn respectively.

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