

Report | 29 July 2021

CREDIT

US Dollar Credit Supply: Slow corporate supply but high financial supply

Corporate supply was very low in July, however, due to an increase in redemptions in August, we may see corporate supply pick up slightly next month. Financial supply, on the other hand, was significant in July



Executive summary

Slow corporate supply in July, expect more in August

Corporate supply was very slow in July, amounting to just US\$16.4bn. This is considerably low when compared to July in previous years, averaging around US\$40bn. In fact, this is the lowest month of supply in the past two years, except for December last year. Redemptions were also very low in July, pencilling in just US\$18.3bn. However, this still results in negative net supply of -US\$2.1bn. Redemptions are higher in August, expected to be US\$31.5bn, which may come alongside an increase in supply. In any case, supply is running ahead of 2019, currently sitting at US\$430bn, although this is still half of what had been supplied by this time last year.

TMT and Utilities were again the sectors with the most supply, pencilling in US\$6bn and US\$4bn respectively. On a YTD basis, TMT supply is sitting at a substantial US\$164bn. Utilities supply on a YTD basis has accumulated to US\$84bn. Both sectors are indeed seeing lower supply compared to last year but are still substantial amounts relative to previous years.

Corporate Reverse Yankee supply was also zero in July. On a YTD basis, Reverse Yankee supply is sitting at €26bn. USD spreads have widened out notably. This is mainly due to the comparative lack of direct support from the Fed relative to the ECB's corporate bond purchases under CSPP and PEPP. Furthermore, the tapering talk is coming to the forefront in the US. Widening was rather notable in HY, driven by the Energy sector. The USD EUR spread differential widens in both the 5yr and 10yr areas of the curve. This opens up more cost-saving advantages for US corporates to issue in Euro. If this continues post summer, we will likely see an increase in Reverse Yankee supply.

Financial supply sees US\$36.4bn in July, up on last year

In contrast to corporate supply, financial supply was not low in July. Supply totalled US\$36.4bn in July. This is still lower than the US\$40bn+ seen in 2017 and 2018, but it is however more than seen in 2019 and 2020. In addition, redemptions were also on the high side in July at US\$31.6bn, as net supply remains positive at US\$4.8bn. Financial supply on a YTD basis is pencilled in at US\$356bn, very much in line with last year's US\$354bn YTD. This is significantly ahead of previous years.

Bank debt was the main driver for financial supply, with bank senior preferred most significant at US\$15bn, followed by bank senior bail-in pencilling in US\$8bn and US\$7bn supplied for bank capital.

Author

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority

THINK economic and financial analysis

for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.