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Euro Credit Supply: Primary markets reopen early

An early reopening of primary markets after the summer slowdown helped lift corporate issuance to €24bn in August, up from €17bn in the previous month and £17bn in August 2025

Strong August supply sets the tone for September

Primary markets reopened early this year after the summer lull, with corporate supply rising to €24bn in August, from €17bn in July and €17bn in August 2025. YTD issuance reached €332bn, around 11% ahead of last year and second only to the €337bn recorded in 2020. Net supply turned positive after July, reaching €12bn in August and €128.5bn YTD.

Healthcare led August supply at €7bn, but was still 27% behind last year YTD. Utilities and TMT remain the largest sectors YTD at €63bn and €81bn, respectively, together accounting for over 40% of corporate supply.

Corporate hybrid issuance resumed after July's pause, with €4bn printed in August. YTD supply reached €40bn, more than double last year's level at this stage and already above FY2025's €37.5bn. Recent deals were well absorbed, supported by attractive allin yields despite tight spreads, with strong oversubscription and low new-issue premiums.

Reverse Yankees added €2.6bn in August and another €2bn last week, lifting YTD supply to €79bn. USD spreads have outperformed in recent weeks, beginning to eliminate the relative cost advantage of euro issuance. The 5yr area has very little to no cost-saving advantage and the 10yr area has, in theory, only 15bp or so at the index level. Given the large Reverse Yankee supply levels and the large size that issuers are bringing, the new bonds are pricing on the wide side with larger NIPs. Supply should remain substantial, particularly from US technology issuers. Given the larger NIPs, these bonds can look attractive.

August bank bond supply picks up, led by the covered segment

Bank issuances picked up in August with a total of over €35bn brought to the primary market. This is a €24bn increase compared to July's level. The increase is due to the significant rebound in activity in the covered bond segment, with €20.7bn printed last month. This sizeable flow sets the tone for September's supply and brings YTD issuances to over €146bn.

The rest of the liability structure showed a somewhat more muted return after the summer lull. Indeed, banks' senior unsecured issuances reached €12bn, up just €2bn from July's level. This was split into €5bn in senior preferred instruments and another €7bn in senior bail-in bonds (senior non-preferred). Banks also issued nearly €3bn in subordinated bonds in August (strictly in the Tier 2 format), bringing YTD supply to €33bn.

Alongside the overall rebound in banks' activity in the primary market, we also note €5.5bn printed in ESG format. Despite the MoM increase, that's still below the €12bn and €10bn recorded in May and June, respectively. This brings the YTD sustainable issuances to nearly €56.5bn, a comfortable €20bn ahead of the 2025 YTD total.

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