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CREDIT

Hybrid supply fades, but will stay elevated

Corporate hybrid supply should remain reasonably elevated in 2027, although below recent peaks. We forecast €35bn in corporate hybrid supply next year



Hybrid supply is set to come off its record highs, but remains elevated

Corporate hybrid supply should remain reasonably elevated in 2027, although below recent peaks. First call volumes will fall to just €23bn. However, some hybrid first calls scheduled for 1H27 have yet to be refinanced, implying true refinancing needs are closer to €19bn for 2027.

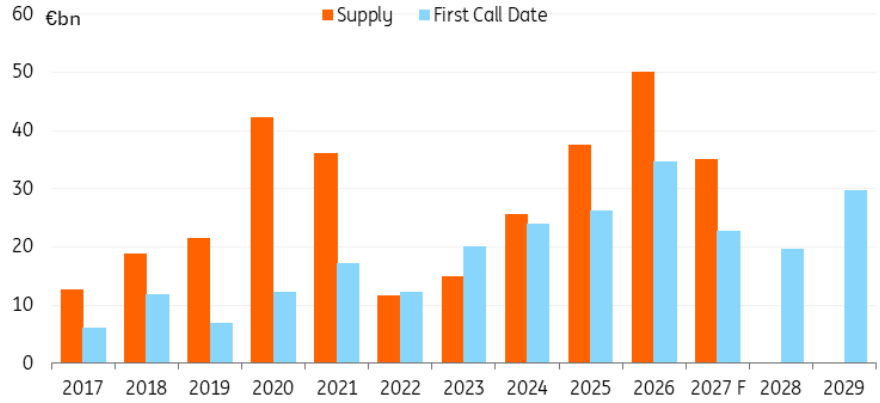
The same goes for 2028, where a good proportion of 1H28 calls will be refinanced in (late) 2027; however, this number is limited in volume as we see a further drop in first calls in 2028 at just €19bn (€12bn in 1H), so we estimate that half of those will be refinanced early, thus adding €6bn to the refinancing need in 2027. This takes the total refinancing need to €25bn.

However, the following should continue to support issuance as in 2026, and we estimate this will add another €10bn. Making up our forecast of €35bn, is:

- Rising utility capex requirements.
- Rating-defence considerations.
- A still-active M&A backdrop.

- And the new 30NCs Moody's structure.

Hybrid supply vs first-call dates



Source: Dealogic

On the hybrid structure front, we remain comfortable with both the methodology and the underlying structures. The new Moody's 30NC format has also proved popular, accounting for €15bn of issuance in 2026. The fact that the Moody's 30NC structure is just one notch down from the Basic Credit Assessment, rather than the usual two notches, results in IFRS debt accounting rather than IFRS equity accounting.

In 2026, issuance in this format reached €15bn, accounting for 32% of the €46bn market, with three issuers managing to attach an investment-grade rating to this format rather than under the traditional boilerplate format. We are confident that this 30NC structure has helped supply hit its 2026 dizzying heights.

The main downside risk to our €35bn forecast is that higher rates continue to raise the cost of hybrid funding, although the headwind is materially less severe than in 2022-23. Combined with slightly wider spreads and a more volatile market backdrop, issuance could moderate further from the above.

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