

IGM Global Credit Snapshot – June 2023

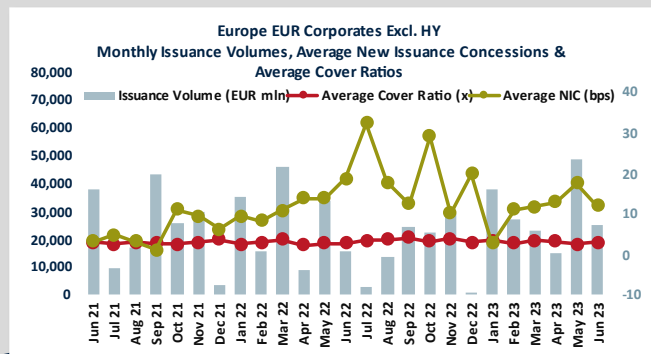
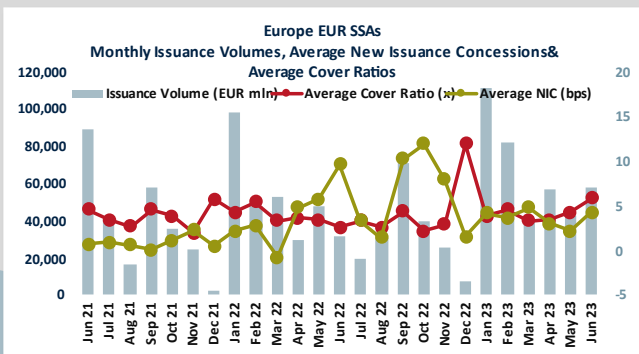
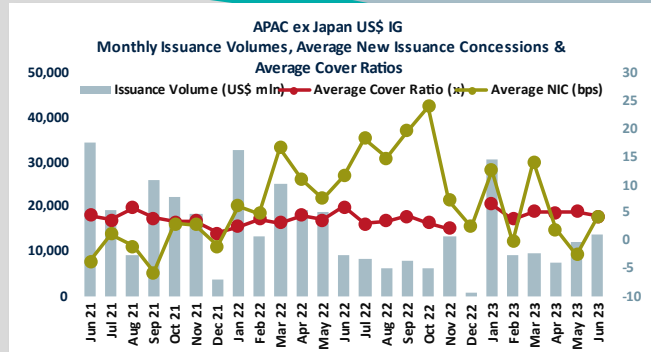
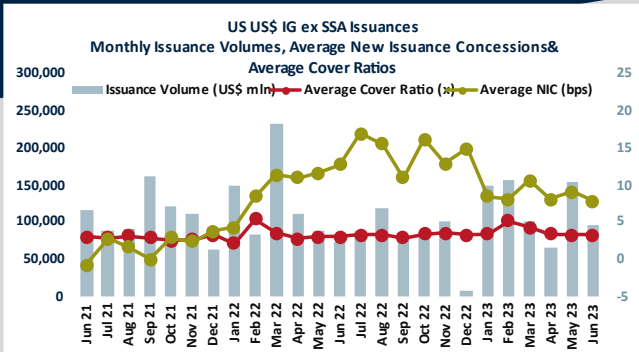
A monthly trend analysis of the European, APAC and US markets

By Gavin Hendrick



APAC bucks slowing global issuance trend

IGM Credit Dashboard: Global Monthly Issuance Trends

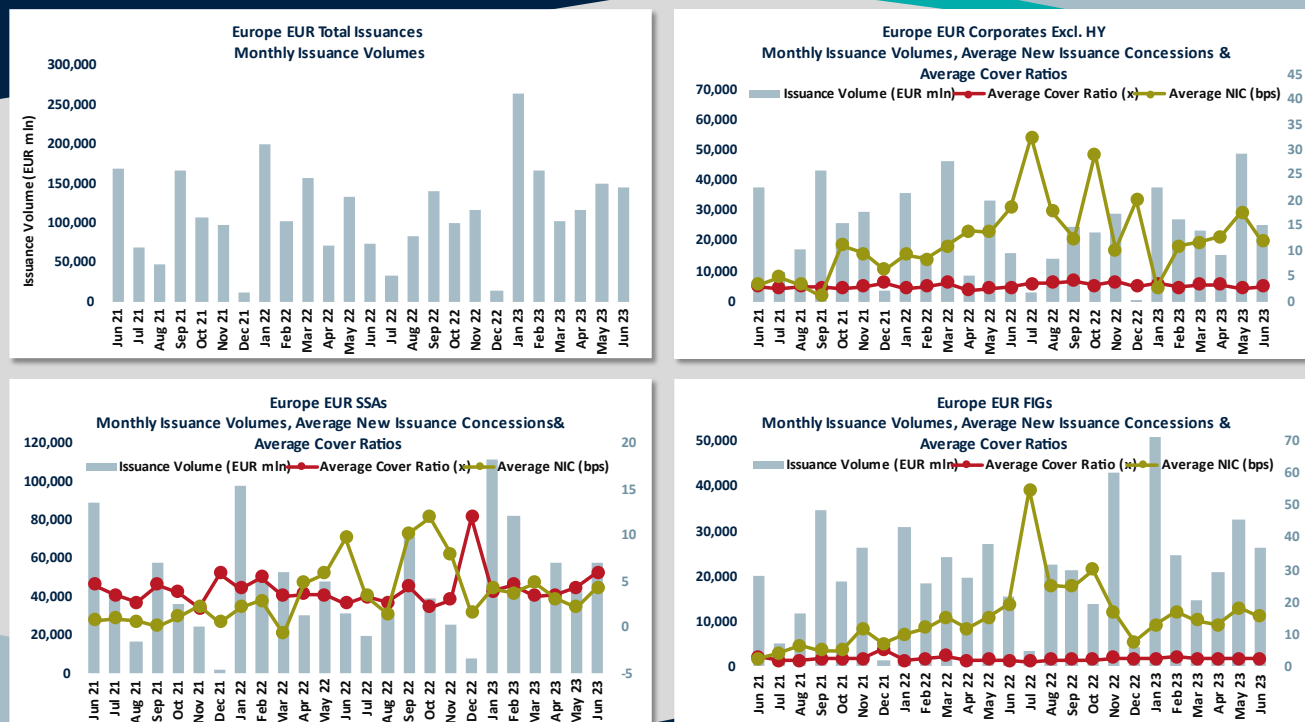


Source: IGM

- **European** issuance fell month-on-month to EUR126.675bn with an unseasonal uptick in SSA volumes not quite offsetting a slowdown for corporates. Surprisingly that total was almost double the level seen in the corresponding month last year.
- In **APAC** the USD primary market picked up momentum thanks to a geographically diverse set of issuers from Australia/New Zealand, China, Korea and Japan helping to maintain a month-on-month ascent to USD18.321bn. The majority of IG issuers were given an enthusiastic welcome by investors as reflected by comfortably oversubscribed order books paving the way for them to lock-in some attractive funding costs.
- Issuance in the **US** started slowly in June, but a sure and steady stream of corporate issues allowed ex-SSA issuance to eclipse the average monthly estimate of USD90bn – for only the third month this year.

EUROPEAN CREDIT ISSUANCE TRENDS

IGM Credit Dashboard: Global Monthly Issuance Trends



Source: IGM

**** Overall EUR supply eased back in June but the EUR126.675bn total was still 72.5% higher than that seen in the corresponding month of 2022.** An up and down risk tone, string of key central bank verdicts and holidays reduced the available window. SSAs bucked the slowing trend but that was insufficient to fully offset the slowdown in other asset classes that was led by high grade corporates. Credit spreads tightened and equities rose on the month as risk markets looked beyond tightening and slowdown concerns. In the rates complex, core EGB curves bear flattened as participants were conditioned to expect a higher for longer stance by the ECB in response to stickier than previously envisaged inflation.

**** Corporates (ex-HY):** Issuers continued to churn out trades with the final single currency total finishing up at EUR25.395bn. That was bigger than the previous June's EUR15.756bn but behind the five-year rolling June average of EUR35.41bn, whilst it also marked a sharp slowdown from May's EUR48.65bn – the highest monthly haul of 2023. Helping underpin June 2023's total was a flurry of ESG supply which finished at EUR5.925bn (23.3% of the monthly total), bringing the YTD ethical total for the asset class to EUR46.9bn – the third highest annual total on record already. The average NIC fell to 11.97bps (17.67bps in May) and the average cover ratio was stronger at 2.95x (2.64x in May), but some deals launched toward the end of the month struggled for traction amid signs of potential supply indigestion after what has been an active first half 2023.

**** FIG (ex-covered):** Activity decelerated throughout the month as the faster pace in May proved unsustainable and heavy issuance in the earlier stages of 2023 left some borrowers in a comfortable position. What did emerge was generally well received with the average NIC falling and the average cover ratio holding steady compared to May. The Tier 2 market saw further supply although a deal launched by Commerzbank toward the end of the month met with resistance from investors, suggesting that a degree of indigestion may be building. June also produced the first AT1 supply since before the collapse of SVB and the forced tie-up between Credit Suisse and

UBS. A EUR1bn line from BBVA encountered significant resistance from investors though, following which the AT1 sector remained shut for the rest of the month. Other standouts in June were a string of well received trades from CEE banks where the combination of IG ratings and eye-catching spreads proved alluring.

**** Covered:** Twenty-one tranches produced EUR15.25bn of supply in June, making it the busiest June on IGM records since 2010's record EUR27.18bn, 33-tranche haul. Italian supply was on offer for the first time this year, spearheaded by UniCredit SpA's dual-tranche Jan'27 & Jul'30 OBG, a transaction that inspired another three Italian banks to follow suit. Issuance from the country now totals EUR6bn so far this year. This not only surpasses 2022's EUR3.25bn full year total but makes 2023 the busiest year for the Italian euro covered market since 2019 when ten tranches made for a EUR7.15bn volume. Activity across the wider periphery was also notable with EUR6.5bn sold, making it the busiest month for the region so far this year. H12023 peripheral CB issuance was EUR15bn, inching toward 2019's full year volume of EUR15.15bn (EUR8.6bn during H12019), which was the last time peripheral supply was so abundant. The month's average new issue concession climbed to 6.35bps (from 4.81bps in May) - the highest the metric has been this year. Conversely, the average cover ratio dropped to its lowest this 2023, with deals just 1.53x oversubscribed (down from 1.93x in May).

**** HY (Corporate):** After May saw the highest monthly volume for HY-rated corporate issuers since November 2021, June posted the lowest monthly volume of the year (although it would still have registered as the third busiest month of 2022). The limited crop of deals were well received, with ongoing strong technicals allowing issuers to ramp in pricing during execution on most trades. Meanwhile, risk appetite was tested with Polynt wrapping the second HY-backed shareholder pay out of the year, albeit without the spread compressions seen elsewhere in June.

**** SSA:** A monthly haul of EUR57.46bn was the 3rd highest of the year so far but (for additional perspective) represented just over 50% of the volume seen in January (EUR111.525bn). The month kicked off with a host of CEE sovereign paper (Slovakia, Estonia, Croatia, Albania and Lithuania) which pulled the average NIC a touch higher to 4.3bp whilst the EU and French borrowers SAGESS (21x coverage) and Bpifrance (17.8x coverage) attracted overwhelming order books, dragging the average monthly coverage ratio to an eye-catching 5.89x.