Global Credit Snapshot

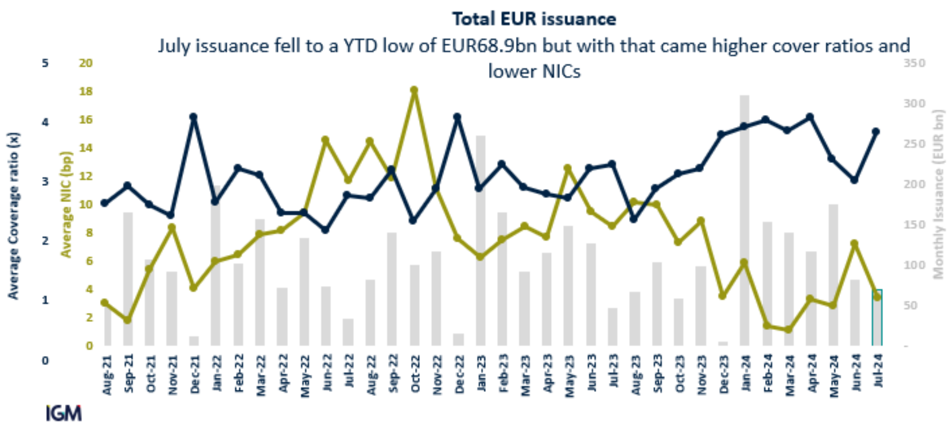
July 2024

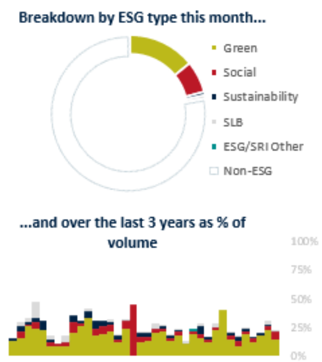
Key take-aways:

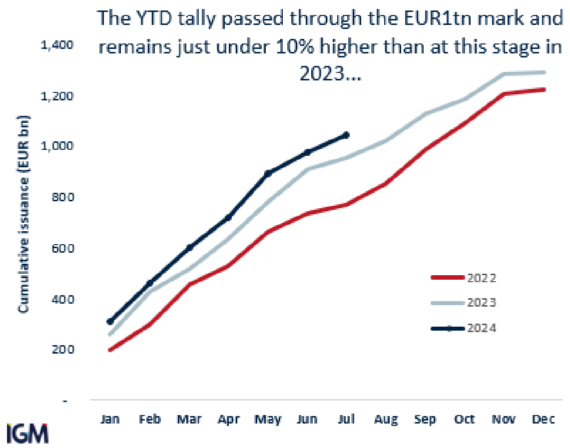
- Overall **European** issuance dipped in July in line with summer ‘norms’ but that trend was bucked by the FIG and HY sub-sectors. The YTD total passed through the EUR1tn marker and remains around 10% higher than last year
- **APAC** saw the wind taken out of its sails in the latter half of the month with July’s total of USD24.619bn (incl. Japan) marking a sharp decline from the USD35.384bn seen in June. That said, it was still sufficient for July to record the third highest month of the year so far
- IG ex-SSA issuance in the **US** for July 2024 was USD125.504bn - the second-highest ever for the month, surpassing July 2017's USD120.33bn and coming just behind July 2015's USD128.48bn. The surprisingly large haul brought the year-to-date ex-SSA new issue volume to USD1.009tn, or 23.1% ahead of this time last year

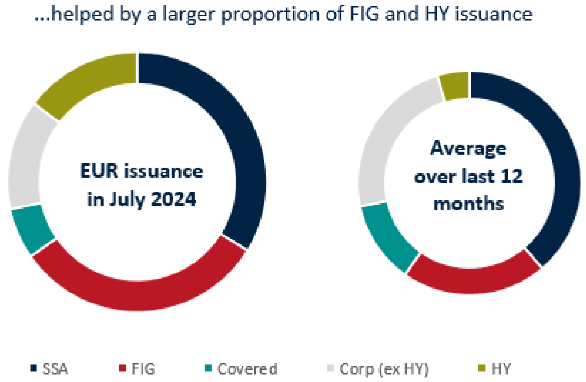
EUROPE

Spotlight on EUR issuance





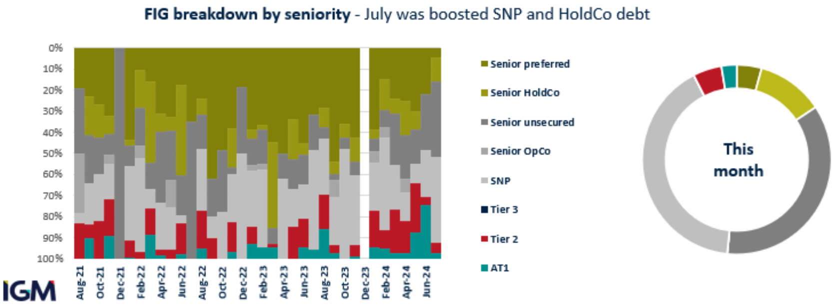


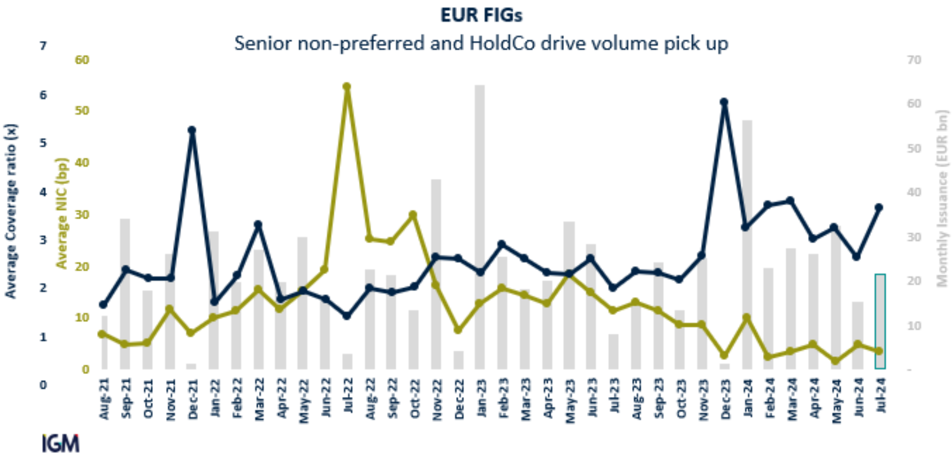


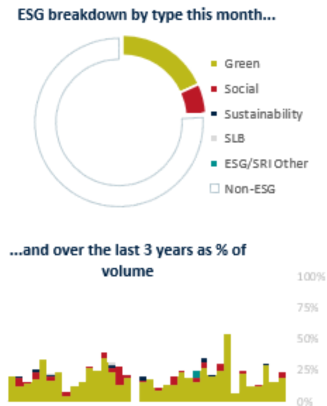
** July was another month in which overall volumes ebbed, with the month displacing June to become the slowest month of the year so far. That was partly a reflection of seasonal norms in Europe but also came as corporate issuers fell into blackout. Not all sectors slowed though with non-covered FIG and the ebullient HY market both enjoying a pick-up compared to June. Underlying yields started the month with a short-lived pop higher but then fell steadily (2yr & 10yr German yields declined by 30.2bps and 19.7bps respectively) as easing bets firmed. As the month finished, a Sep cut by the ECB was being viewed as a virtual done deal while markets were also more than fully pricing a 25bps cut by the Fed at its September rendezvous. Equity and credit markets proved far more rangebound though having both already rallied hard during earlier months of 2024, leaving both asset classes arguably priced to perfection. There was also the UK election to contend with, as well as the assassination attempt on Donald

Trump and President Biden's decision to step down from pursuing another term in the Oval Office. These events, though notable, passed without major impact on financial markets.

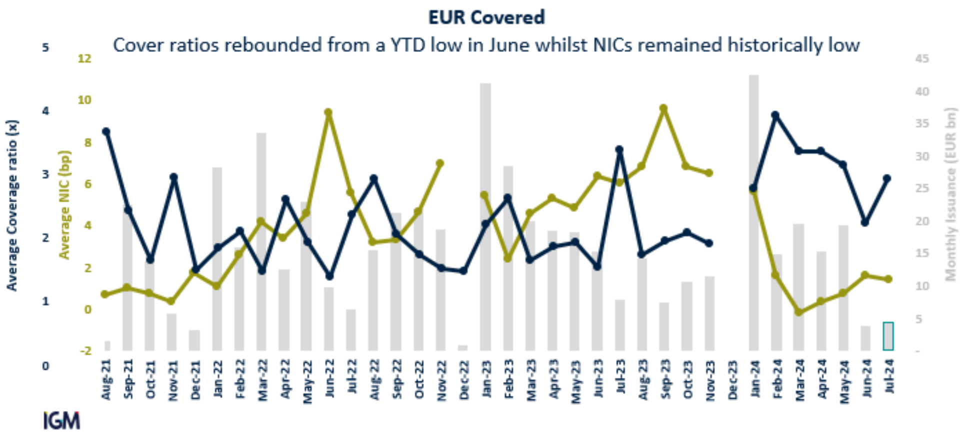
** **FIG (ex-covered)** bucked the overall slowdown, pushing 2024's run rate back above the 2023 pace and keeping it substantially above that seen in 2022. The AT1 renaissance seen in June largely stalled with issuers turning to the SNP and senior HoldCo market for funding which investors were only too pleased to provide with the average cover ratio rising on the month with average NIC falling. Not every deal flew off the shelves though with Athene Global Funding becoming the ninth euro postponement of the year (across all asset classes) with a 6yr FABN which failed to make it over the line.

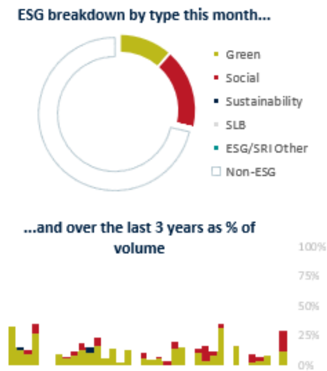


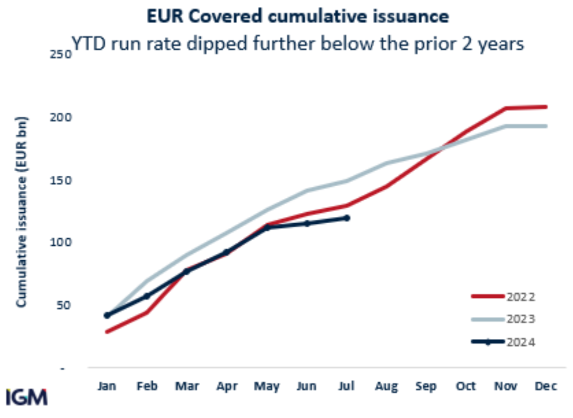


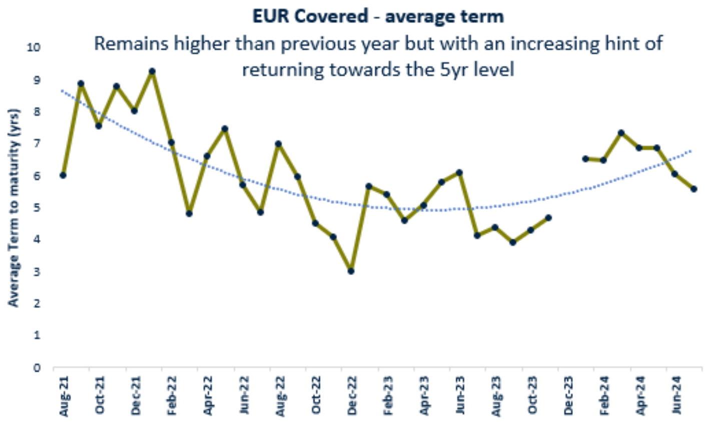


** The **covered** arena saw just seven borrowers emerge this July, printing a combined volume of **EUR4.35bn** – the lowest figure raised in the month since July 2020 when 2 tranches produced a EUR1bn total. Conditions remained favourable for issuers, with an average NIC of 1.38bp left on offer following an average 6.71bp spread compression. Deals were also covered an average 2.92x as investor interest came to EUR11.5bn. Raiffeseisen Bauspakasse Gesellschaft and DZ HYP's deals received the majority of this demand – making for two of the most successful deals, having garnered enough orders to offer a 3.67x and 4.6x cover on 10bp and 6bp spread compressions respectively. July issuance brought the total year-to-date figure to EUR119.55bn.

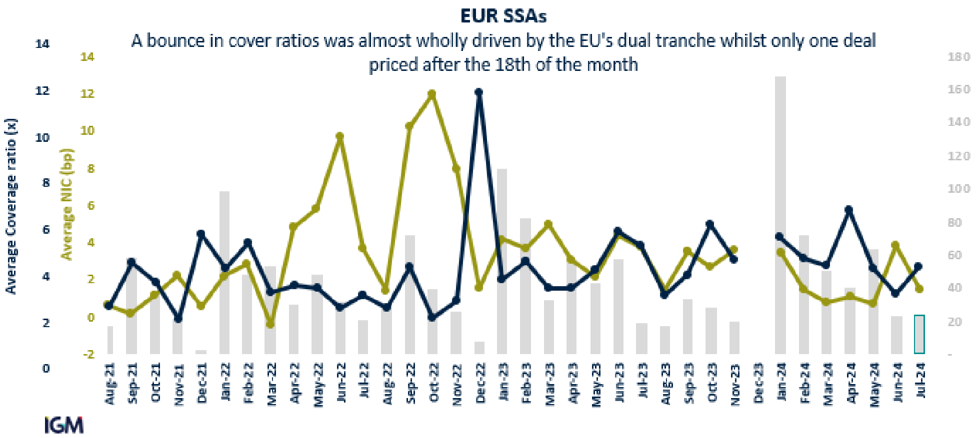


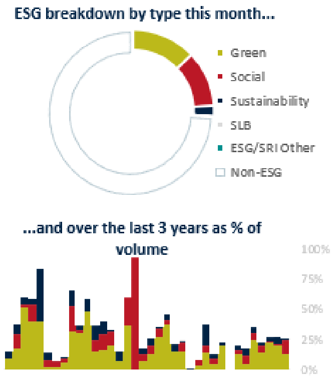




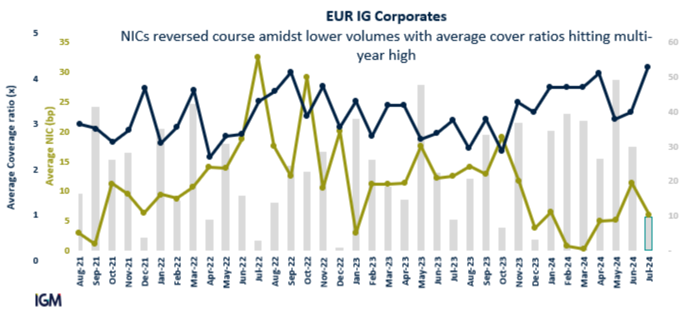


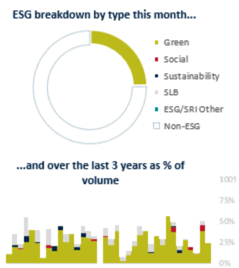
** In **SSA** space issuance was heavily skewed to the first half of the month, which in hindsight was rather predictable with the EU placing a EUR9bn dual-tranche on the 9th of the month. EUR22.828bn of the month's total supply (almost 98%) came before the 18th with a solitary EUR500m from Land Schleswig-Holstein appearing on the 24th to modestly top up the tally as the summer lull took hold earlier than many expected. NICs where assigned were well behaved (averaging 1.45bp) whilst a bounce from the previous month saw the average cover ratio of 4.35x remaining below the YTD average (4.87x), despite the EU seeing 13.2x and 20x cover for its new 5yr and Oct 2054 tap respectively.

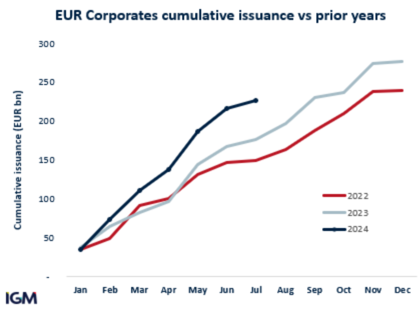




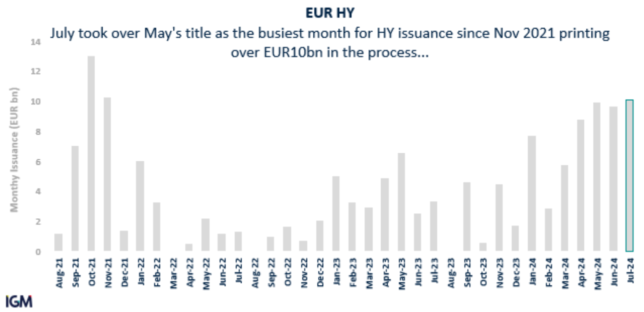
** **IG corporates** experienced a fairly underwhelming month, with the July euro total finishing at EUR11.95bn and comfortably the lowest monthly total of 2024. It was, however, more than the EUR10.9bn to price in the corresponding month in 2023 and actually marked the busiest Jul since 2020's all-time high of EUR21.06bn. In terms of the coming month, Aug is also usually a slow affair where we have averaged EUR15.486bn of single currency corporate supply in the last five-years with last year's EUR21.5bn marking the record high. The bulk of issuance in the month usually comes toward the back end as market participants filter back from summer vacations. Indeed, EUR18bn of last year's Aug haul was crammed into the final week of the month, whilst the first two-and-a-half weeks saw no issuance at all.

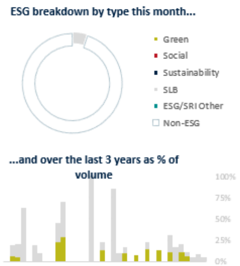


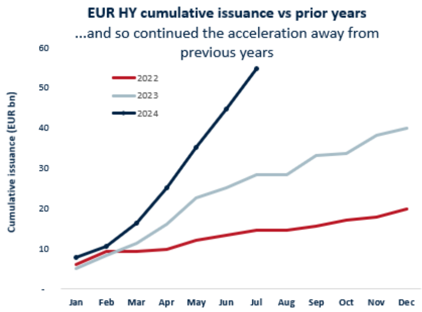




** **High Yield** saw another big month in the single currency as issuers shrugged off a procession of risk events to print over EUR10bn in a month for the first time since 2021. The year-to-date total of EUR55.1bn already puts 2024 seventh in the list of annual issuance totals, with only 2021's full year tally of EUR100bn+ probably out of reach. Jumbo sized issuance returned in July for the first time since Ford's 4.867% Aug 27 in Feb 2023 as Vodafone Spain and Recordati both issued EUR1bn+ notes, the former's EUR1.3bn 6.75% July 29 being the largest HY note since Nov 21. However, investors continued to seek extra downside protection as documentation tweaks, such as the addition of J Crew protection, remained a common sight throughout the month. For a seventh consecutive month there was ESG issuance in the sub investment grade arena, with the 2024 total now just EUR190m behind 2023's EUR7.17bn, the second highest annual total for HY ESG. Once again, 2021 remains way out in front at EUR23.36bn.

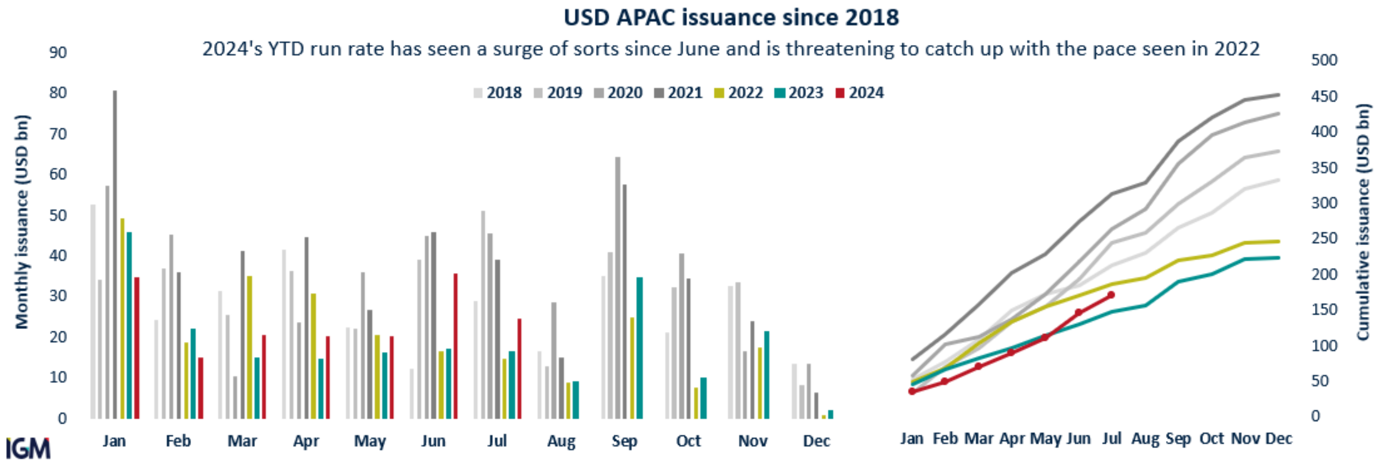




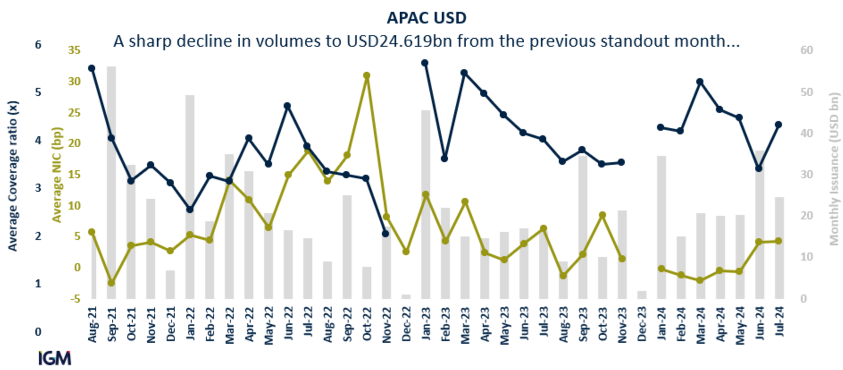


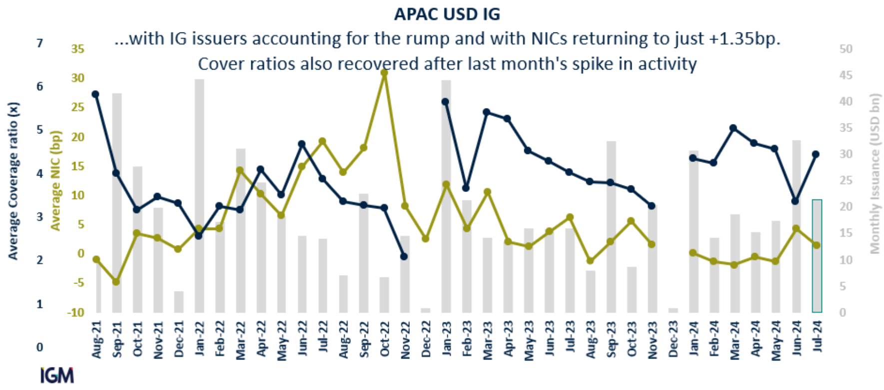
APAC

Spotlight on the region's USD issuance



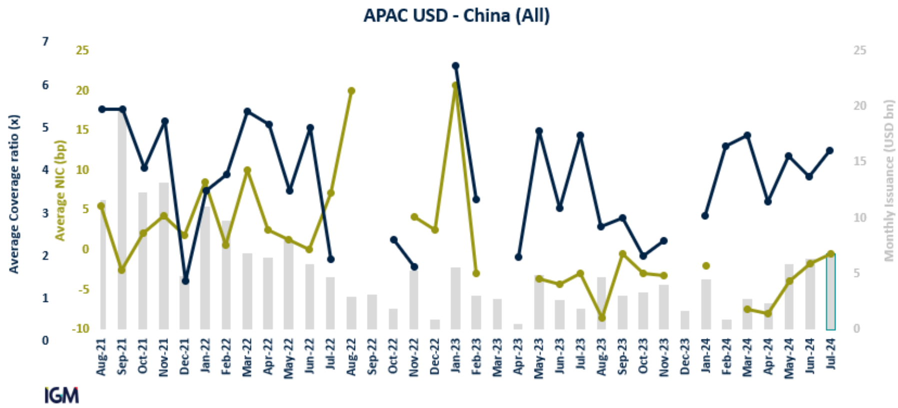
A combination of heightened broader risk market volatility and headline event risk took the wind out of the APAC USD primary market's sails somewhat in the latter part of July, which in turn saw the month close out at USD24.619bn (incl. Japan) across all ratings classes. While that marked a sharp decline from the USD35.384bn that priced in the previous month, which also boasted the highest volume month since January 2023, it was still sufficient for July 2024 to record the third highest month of the year so far. That as issuers continued to capitalise on an accommodating backdrop, characterized by lower US Treasury yields and an ongoing eagerness of investors to add credit exposure for the right name at the right price.

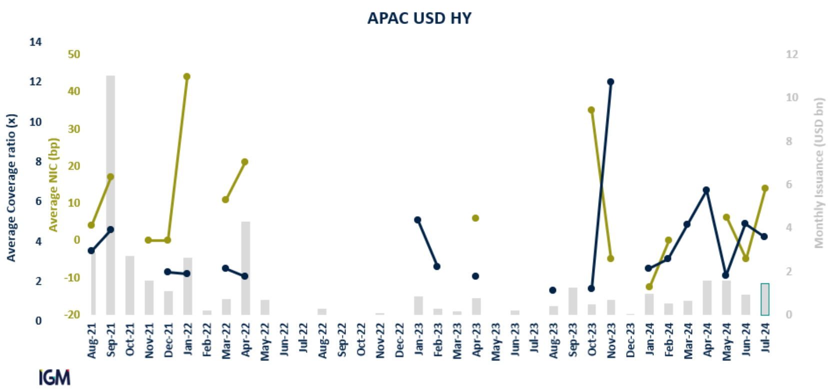




Investment grade (IG) issuance was typically dominant in July at USD21.4bn (incl. Japan) or 86.9% of total monthly issuance. Those offerings were largely embraced by investors as illustrated by comfortably oversubscribed order books by varying degrees, which in turn allowed IG issuers to lock-in attractive funding costs. That is illustrated by the healthy average cover ratio of 4.32x in July, up from ca. 3.35x on aggregate in June when some IG issuers struggled to command the same level of selective buyer interest amid much larger issuance volume. Meanwhile, the average new issue concession (NIC) fell to ca. 1.35bp in July, down sharply from the 4.35bp average NIC paid by regional IG issuers in June. It should be noted though that June and July are the only months this year that the average APAC IG NIC has been in positive territory according to IGM data.

From a geographical perspective, Chinese issuers and those from related territories returned to the offshore market amid the continuation of a trend seen in recent months, to the point where the USD6.764bn of supply from the country marked the highest monthly total from China since May 2022. As well as the typical flow of LGFV and Chinese financial deals that can sometimes lack transparency, we've also seen a mini revival of deals from government run entities which have gone well and helped to instil confidence. Moreover, Chinese issuers were able capitalise on that upbeat response to secure attractive funding costs as underlined by an average NIC of -0.43bp (negative) across the month, whilst the cover ratio came in at a solid 4.47x on aggregate, based on available data.



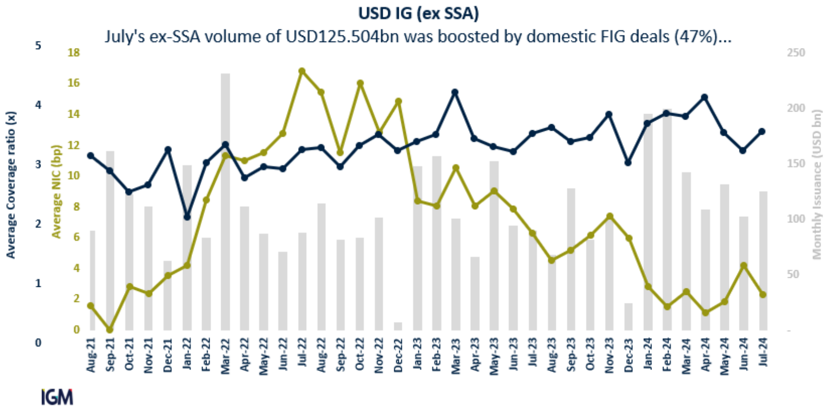


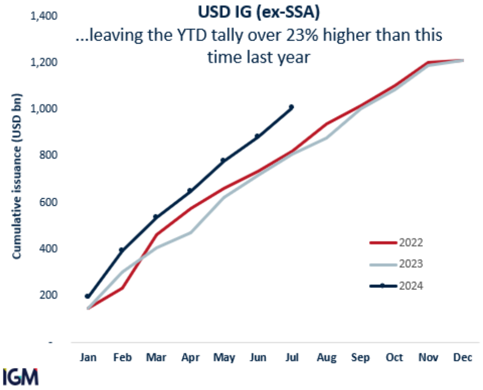
Finally, High yield supply was measured in July at just USD1.45bn, although the composition of borrowers was interesting, in so much as three of the four deals that priced were inaugural visits to the USD bond market by Indonesian geothermal power producer **PT Sorik Marapi Geothermal Power**, Indian renewable energy company **SAEL Limited** and Indian non-banking financial company (NBFC) **Piramal Capital & Housing Finance Limited** that raised a collective USD955m. We also saw a return to the US dollar market by **Joint-Stock Commercial Bank Uzbek Industrial and Construction Bank (Sanoat Qurilish Bank)** with its first offshore deal since November 2019. The average cover ratio on July 2024's HY deals was a healthy 4.24x while the average NIC was 14bp, based on available IGM data.

United States

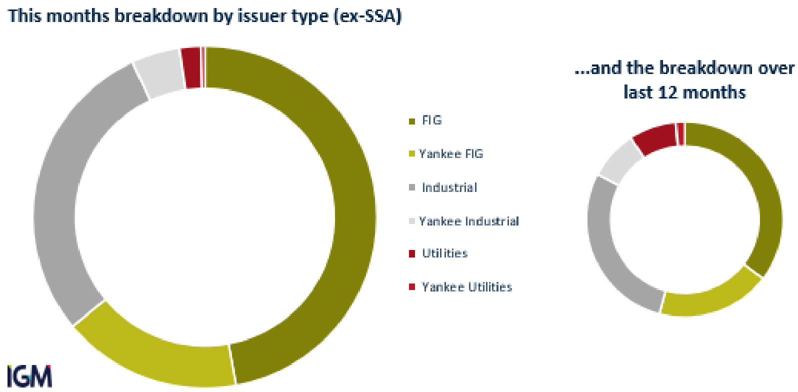
USD issuance

Ex-SSA issuance in July 2024 was USD125.504bn - the second-highest July issuance, surpassing July 2017's USD120.33bn and coming just behind July 2015's USD128.48bn. This tally blew away all monthly estimates, including the highest one of USD95bn and also the 10yr average (USD88.5bn). July 2024's haul brought the year-to-date ex-SSA new issue volume to just shy of USD1.009tn, or 23.1% ahead of last year at this time, while overall (SSA-inclusive) issuance (USD1.275tn) is up 22% over last year.

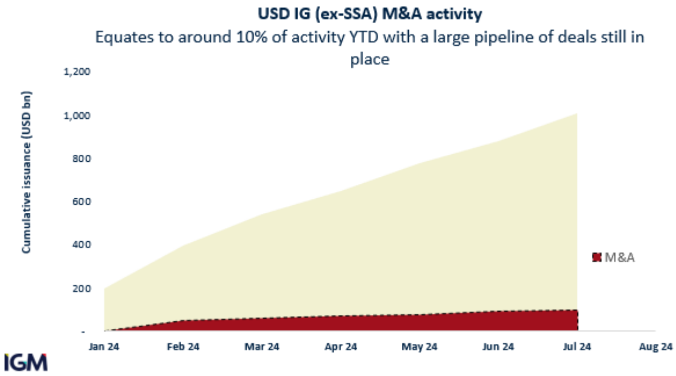




The month was dominated by domestic issuance, as US entities were responsible for 79% of the ex-SSA total. Of this, financial issuance accounted for USD59.4bn (47.33%). More granularly, five of the "big six" banks, with some coming to market more than once, accounted for 52.1% of FIG issuance. JPMorgan (USD9bn) led the charge, matching its USD9bn offering of last April as the largest FIG deal of the year, while Morgan Stanley, via two trips to the US public debt market, also raised USD9bn. Citigroup, in one form or another, also came to market twice in July, raising a total of USD5.5bn. Meanwhile, Goldman Sachs (USD5.5bn) and Wells Fargo (USD2bn) rounded out issuance from the "big six." Bank of America was the only member of the elite group who chose not to tap the market post-earnings results. In second place were industrials, with USD37.204bn (or almost 30% of ex-SSA total). In contrast, the least frequent representatives in July were utilities, with USD2.5bn (2%) of July's ex-SSA numbers, and in last place, Yankee utilities with a mere USD500m (0.40%) of July’s ex-SSA total.



July also played host to two M&A-related transactions - Occidental Petroleum's USD5bn 5-pt offering to help fund its USD12bn acquisition of CrownRock and BlackRock Funding's USD2.5bn 3pt deal to help fund the company's USD3.2bn acquisition of Preqin. That brought the number of M&A-related transactions for the year to 23, which have raised USD101.75bn, or 10.08% of this year's ex-SSA total issuance, with scores of deals still on the table. Last year there were 32 M&A-related transactions raising USD128.4bn, or 10.62% of the year's final tally. Last year there were 14 M&A-related transactions priced during the second half of the year, raising USD40.2bn in the process. While some have argued that the upcoming election could put many M&A deals on hold, in 2020, the last time we elected a president, 25 M&A-related deals were priced between July and December, totaling USD82bn.



As for August, over the last decade, high grade issuance in August has averaged a rather anaemic USD87.85bn, though we have seen as much as USD140bn (2020), but also as little as USD42bn (2014) price during the "dog days of summer". Last August, 44 borrowers raised USD68.1bn, far below the 10yr average.

US high yield saw new issue volumes of USD17.98bn from 29 tranches and 27 issuers. That made July 2024 volumes a multiple of 2.92x greater than that seen in July 2023. The largest single tranche new issues were Royal Caribbean (RCL) 8.5nc3 Sr Notes at USD2bn, and Venture Global LNG 5.5nc2 Sr Sec Notes at USD1.5bn. Six deals in seven tranches were Senior Secured. Seven new issues priced this month were rated Caa /CCC on at least one side, as the CCC sector outperformed the average in the ICE Index by over 2%. Average returns were 1.962%, where the CCC sector returned 3.997%. The average spread in July widened by 14bps to +325bps.