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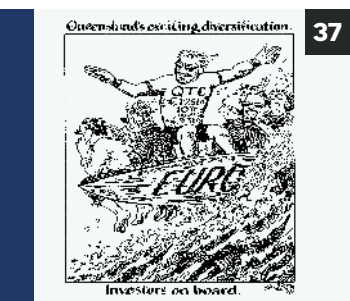
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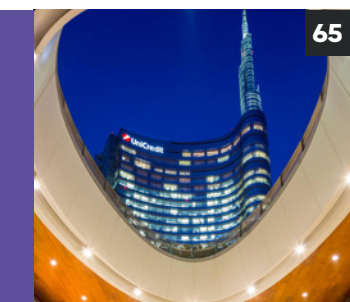
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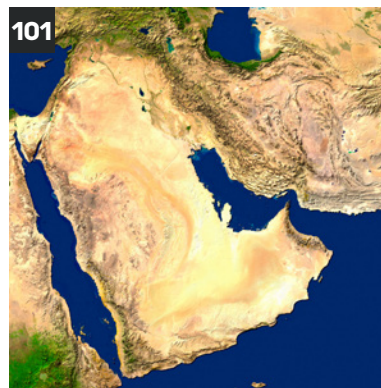
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# Digital tide laps at shore of the bond market

Technologists have convinced the European Central Bank and most financial firms that the bond market needs blockchain. Exactly what for is harder to define. Still more difficult is actually introducing it – although as **Jon Hay** reports, many believe the moment has come

**D**eep in a vault in Frankfurt lie millions of bond certificates. Each one quietly does nothing, from the moment it is printed and stored away until the day, five or 50 years later, when the bond matures and it is taken out and destroyed.

This is not a fairy tale but fact – even though few of those working in the bond market may realise it.

That paper certificates – in this example held by Clearstream, one of Europe's two main central securities depositories – are still central to Eurobonds and European government bonds grates on the nerves of the technologically savvy who want to see a streamlined, hyper-efficient market.

“I am from the derivatives side,” says Peter Kohl-Landgraf, digital transformation manager for capital markets at DZ Bank. “When I came to understand the bond market issuance process, I found it quite cumbersome. Somebody needs liquidity now. They go to the market to get liquidity. It may take up to five days because some agents are processing things. We don't know exactly how this works because the process is not transparent to us, but we rely on their efficiency. There's huge dependence on other market infrastructure providers. I want to challenge that digitally.”

For many of these reformers, blockchains, or distributed ledger technology (DLT), are the great hope – promising to create a perfect, transparent record of transactions updated in close to real time. Not only that. Securities could be programmed to manage all their own actions, such as paying coupons and principal – becoming ‘smart contracts’.

The trek toward that utopia has been frustratingly slow. At the end of 2015 *GlobalCapital's Review of the Year 2015 and Outlook 2016* carried an article like this one, exploring the prospects for

blockchains to transform the plumbing of capital markets.

A Deutsche Bank executive told *GlobalCapital* then that commercial implementations would start appearing in the next year or two, and in 10 years blockchains would be pervasive.

‘Nascent’ would have been more accurate. The European Central Bank held extensive trials of securities transactions on blockchains in 2024, many of them bond issues. Sixty-four participants completed over 200 trades totalling €1.6bn.

But that was a year ago. DLT bond activity in 2025 has been sparser – as before, a smattering of isolated transactions, each taking weeks to plan and celebrated with a press release, rather than anything approaching a normal day-to-day workflow.

The obstacles have been legion, not least regulatory. “There are still some provisions that treat DLT-based securities differently or prevent them being admitted to trading venues,” says Gabriel Callsen, director of fintech and digitalisation at the International Capital Market Association (ICMA) in London.

Fundamentally, the difficulty is trying to modify a huge, complex system while it is still running at full speed. The bond market cannot be

turned off for maintenance, nor will participants tolerate any temporary diminution in performance, since money is at stake.

Issuing or trading a bond requires reaching the maximum number of counterparties at once – no one wants to sell a bond to a subset of the investor base.

“We have done blockchain and tokenisation in the past,” says the treasurer at a large European property company. “You need investors that would like to do these technologies. As of now, I don't see any advantage for me as an issuer to use these kinds of technology.”

## Getting there

Despite the delays, there is undeniable progress. The next generation of digital technologies, including DLT, has advanced to the edge of the bond market, though not yet entered it.

Blockchain fans are brimming with confidence. “Why is the bond market where things happen?” asks Jørgen Ouaknine, global head of innovation and digital assets at Euroclear in New York. “Because it has the necessary triptych: regulatory clarity, technical maturity and client demand.”

The ECB trials proved that bonds could be issued on chain and settled by delivery versus payment (DVP), meaning immediately, using central bank money through various mechanisms.

Enthusiasts believe a breakthrough is near. “2026 will be the year of increased tokenised international debt issuance and the year of cash on chain,” says Thilo Derenbach, head of sales and business development for digital securities services at Clearstream in Frankfurt. “We will see increased usage – not only trials but real execution of DVP transactions on blockchain with tokenised securities using digital cash solutions – wholesale central bank digital currency or stablecoins.”



Peter Kohl-Landgraf, DZ Bank: bond issuance process is ‘cumbersome... I want to challenge that digitally’



Hong Kong's government issued one of the most complete DLT bonds so far in November

The full package, then.

Piece by piece, the puzzle is coming together. The ECB trials showed that the eurozone's most powerful monetary institution was behind the project. This bore real fruit in July 2025, when the ECB announced it would provide a mechanism to link DLT platforms with the Eurosystem's Target Services to enable settlement in central bank digital money.

The pilot phase, Pontes, should be up and running by the third quarter of 2026, combining elements of the three settlement systems trialled by the Bundesbank, Banque de France and Banca d'Italia in 2024.

The second stage, Appia, will be for the long term: "an innovative and integrated ecosystem" that also works for global transactions.

After several years of spadework by attorneys, the legal barriers now loom less large. "In Europe, at least from a regulatory framework perspective, we are in a relatively good space," says Derenbach. "We have comprehensive domestic regulations and we have the pilot regime."

### **Terra incognita**

Some jigsaw pieces like these now appear to be in the right places — like the corners of the picture. But even the evangelists do not pretend to know what the middle of the scene is going to look like.

The best they can say is that some elements now visible might form part of the final design.

Steps have been taken to define a common language for describing securities. The Bond

Data Taxonomy (BDT), developed by ICMA and published in February 2024, is an attempt to produce a standardised, machine-readable format in which the details of a bond can be described. This could make it easier for organisations to pass an instrument seamlessly between them without having to describe it afresh or map database fields on to each other.

Euroclear and Clearstream have long been able to transfer bonds between them through their 'bridge', which requires being able to move them from one central securities depository's database to the other.

But to ease this interoperability, they have developed a new data standard aligned with the BDT, called the Issuance and Processing Taxonomy. It is designed to be available industry-wide for use on any technology.

In December, an update of the IPT will incorporate descriptors for DLT instruments.

### **Front runners**

Meanwhile, although DLT bonds have not arrived in force yet, scouts are appearing on reconnaissance.

Perhaps the most complete transaction so far came in November, when the government of the Hong Kong SAR issued its third digital green bond for HK\$10bn (\$1.28bn). It clearly has many of the features specialists expect DLT bonds ultimately to assume (*see box*).

Notably, the novel elements do not really change the security — indeed, investors can run it on normal rails if they wish — but all the arrangements contribute to reducing friction.

## State of the art: made in Hong Kong

In November the Hong Kong SAR government issued four tranches of digital green bonds in Hong Kong and US dollars, renminbi and euros.

Totalling HK\$10bn-equivalent (\$1.3bn), it was not only the largest digital bond issue ever but had a range of sensible tenors from two to five years and attracted a huge combined book of HK\$130bn.

Among the wide, global range of institutional investors were asset managers, banks, insurance companies and private banks. "A substantial number" were first time investors in digital bonds, the government said.

The bond is a digitally native issue, meaning it is not a tokenised copy of a conventional security but was originally created on a blockchain platform — HSBC's Orion. It settled one day after pricing.

But the bond is also fully integrated with normal infrastructure and conventions. Documented under Hong Kong law, it is listed on the Hong Kong Stock Exchange and can be cleared through the Hong Kong Monetary Authority's Central Moneymarkets Unit.

"Somebody can buy it and receive it in their own CSD," says Gabriel Callsen, director at the International Capital Market Association. "CMU is linked to Euroclear and Clearstream. Any investor would not have to make any extra adjustments."

In an advance on Hong Kong's previous deals, investors were given the option to settle in tokenised central bank renminbi and Hong Kong dollars, as well as conventionally.

Each tranche also has a Digital Token Identifier — a code issued under the International Organisation for Standardisation's ISO 24165 standard. The DTIs are linked to the bonds' ISIN numbers and Legal Entity Identifiers.

Hong Kong used ICMA's Bond Data Taxonomy to describe its bond. "Of course each CSD will have its own digital representation of the security," says Callsen. "The important thing is, where it changes hands, the BDT is the facilitator for this to be done faster and more seamlessly."

The Hong Kong bond prompts two questions. First, if Hong Kong can do it on this large scale, attracting wide demand, can other issuers simply start copying it?

Callsen is cautious. "There are a number of drivers for issuance of digital securities and one missing was cash on chain," he says. "The real promise is to have securities and cash on chain, to unlock the benefits of faster settlement."

The Hong Kong deal used central bank digital currencies (CBDC) only for renminbi and HK dollars. "Following the announcement from the ECB that there will be an arrangement for CBDC from Q3 of 2026, I would expect this to drive uptake of tokenisation," says Callsen.

But getting cash on the blockchain is not the only obstacle. "Custody is one of the key issues for investors," Callsen says. "It comes back to the DLT readiness



AIIB issued one of the first full scale digitally native notes – and then tapped it

of the custodian. Not everything has been resolved. There are important things to consider: whether modifications of existing custody arrangements are needed; to understand what's done on chain and what remains off chain.”

The Hong Kong deal could be replicated elsewhere, but it would depend on the arrangements made, Callsen says.

Switzerland might be a candidate. Its infrastructure is further advanced than either the EU's or UK's. Under Project Helvetia, running until June 2027, the Swiss National Bank offers two systems for settling DLT transactions in central bank money.

One is a wholesale CBDC on the same chain as the securities: the DLT-based settlement platform of the SIX Digital Exchange. The other is settling tokenised assets in traditional central bank money through a link to Swiss Interbank Clearing.

### Reinventing the wheel?

The second question raised by Hong Kong's bond is: what is the benefit – apart from the mere fact of having used the blockchain?

“The whole idea is to streamline the operations and increase the efficiency of the process,” says Callsen. “Most issues done on DLT are settled T+1.”

But the European bond market is due to move to T+1 settlement (settling trades one business day after execution) in October 2027 anyway, using conventional

technology. The US, Canada, China and India have already done it.

Some digital bond specialists admit that messaging via DLT is not necessary to achieve faster and more efficient processing of trades.

The new technology's function is more social and institutional: it provides a clean break from old forms, and hence an opportunity for a fresh start.

“It's simply the novelty of the system that makes it faster,” says Callsen. “It's not a unique feature of DLT but a new platform that has new features, which enables parties to have access to a single source of truth.”

DLT was invented as a unique solution to a problem: how to create a currency – Bitcoin – that was not kept sound by any central authority and whose users did not trust each other. But that problem is irrelevant



Thilo Derenbach, Clearstream: “2026 will be the year of increased tokenised international debt issuance”

to regulated financial markets, which must have all-knowing overseers and rules to ensure trustworthiness.

Moreover, high frequency and algorithmic trading have existed for at least 20 years, proving that conventional messaging can work extremely fast.

Could the bond market be given a thorough efficiency makeover with ordinary technology?

### Parallel lines

Europe's two major CSDs, Euroclear and Clearstream, are trying to do just that.

Unlike much of the rest of the market, they do not need – or want – an institutional rupture to create a clean slate on which to design a sleek new market.

The CSDs have to keep the market's wires humming without interruption. Their whole mission and interest is continuity.

“Our goal is to become an entirely digital financial market infrastructure,” says Derenbach at Clearstream. “To take everything we do in the traditional world and carry it into the digital world, to reap the benefits of digitisation, for our own benefit and value creation for our clients.”

But digital does not have to mean DLT. In September Euroclear and Clearstream jointly announced they would support the issuance of Eurobonds in dematerialised, paperless form, starting in the first quarter of 2026.

Clearstream's D7 platform, developed with Google Cloud, already allows digital issuance of German and Luxembourg debt securities and structured retail products, many of them short term. It processes some 45,000 issues a week.

“The technology is ready, the benefits are real,” says Derenbach. From next year “you can issue a Eurobond within a minute, you can modify it immediately, facilitate the operational process and reduce the operational risks. And all that without necessarily using blockchain technology, but rather using digital capabilities.”

Euroclear and Clearstream are offering market participants a choice, adds Derenbach. “You can continue to issue in the traditional way, with paper; or with digital, modern technology; or with blockchain.”

Both CSDs are determined to offer DLT systems to clients that want them.

In November, Clearstream launched D7 DLT, having tested it during the ECB trials. It enables securities to be launched directly on the blockchain, which Clearstream argues is faster and simpler than traditional methods. They can be traded through Deutsche Börse's 360X multilateral trading facility, which can handle digitally native instruments. The first issuance is expected to be of MTNs and commercial paper.

When the ECB's CBDC becomes available, D7 DLT will offer settlement in that or commercial bank money represented by stablecoins.

**Link to liquidity**

Euroclear has a parallel DLT system called Digital Financial Markets Infrastructure (D-FMI).

When Euroclear devised it in 2023, the kit necessary to issue a bond on DLT was becoming more widely available. But, says Ouaknine at Euroclear: "Something was holding the market back. You had no liquidity. We had a lot of discussions with the buy side. They said: 'It's super-interesting, but there's not as much supply as we need!'"

Issuers were keener, as some wanted to be technically advanced. "But they said: 'We want real DLT, not just an entry in a ledger. We want the transaction and cash on chain, and we don't want to compromise a second on liquidity,'" recalls Ouaknine.

Euroclear decided it made sense to use DLT for primary issuance and then move bonds to the traditional system for secondary liquidity, so appetite is not constrained by how many investors are hooked up to DLT.

So far, D-FMI offers on chain issuance of non-syndicated Euro-MTNs as digitally native notes, with DVP settlement in euro or dollar tokenised deposits.

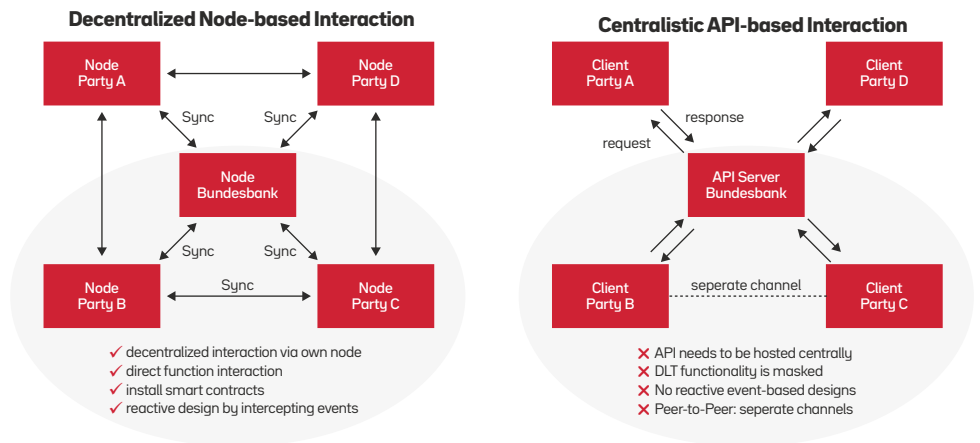
Turkey's Isbank and Akbank, Caisse des Dépôts et Consignations and the World Bank have all used it.

One of D-FMI's first successes was the Asian Infrastructure Investment Bank's \$300m 2.4 year digitally native note in August 2024.

"AIIB chose Euroclear because of our solid track record and because we could provide liquidity," says Ouaknine. Two months later, Euroclear handled the first tap issue on a tokenised bond, increasing the AIIB deal to \$500m.

The note ticks a lot of regulatory and operational boxes. It is listed on

**Comparison of Interaction Schemes on Bundesbank Triggersolution**



Source: DZ Bank Innovation Lab

the Luxembourg Stock Exchange and can be cleared in Hong Kong's CMU and the SIX Swiss Exchange.

"Its legal existence is on DLT," says Ouaknine.

Unlike a conventional Eurobond, there is no physical note or common depository. But because D-FMI is integrated with Euroclear's traditional settlement, the bond complies with the CSD Regulation.

The deal team decided against using any specific legal shelters for digital assets. "We used UK law for the security, which is the law for the majority of Eurobonds," says Ouaknine.

Though the CSDs may avail themselves of pilot regimes and sandboxes, they are keen to convey the message that regulation is not the blocker — they, as highly regulated institutions, can offer cutting edge technology under normal laws.

**Repos rampant**

Bond specialists have reached the point of being able to issue bonds on DLT but are holding back. Some adjacent markets have plunged right in.

In the repo market DLT is being used at large scale.

Broadridge, the US financial systems company, runs Distributed Ledger Repo (DLR), a platform on which by October this year an average of 8,500 trades were being made every day, totalling \$385bn.

To put that in context, the average daily turnover in the first half of 2025 on the two principal repo systems of Eurex, one of Europe's three main repo venues, was €370bn.

On DLR, repo bargains can be agreed and settled the same day, in what Broadridge claims is a faster and cheaper service than the ordinary one.

The system also permits something that has not existed before on a large scale: intraday repos in which the whole transaction lasts for less than a day.

Despite this platform's large volume, there are new entrants.

In August JP Morgan and HQLAX, a blockchain-based collateral management platform, launched a service that allows firms to agree repos that begin and end the same day, specifying the times to the minute.

Digital receipts for securities on HQLAX can be traded DVP for cash held in blockchain wallets at JP Morgan, including its JPM Coin tokenised deposits.

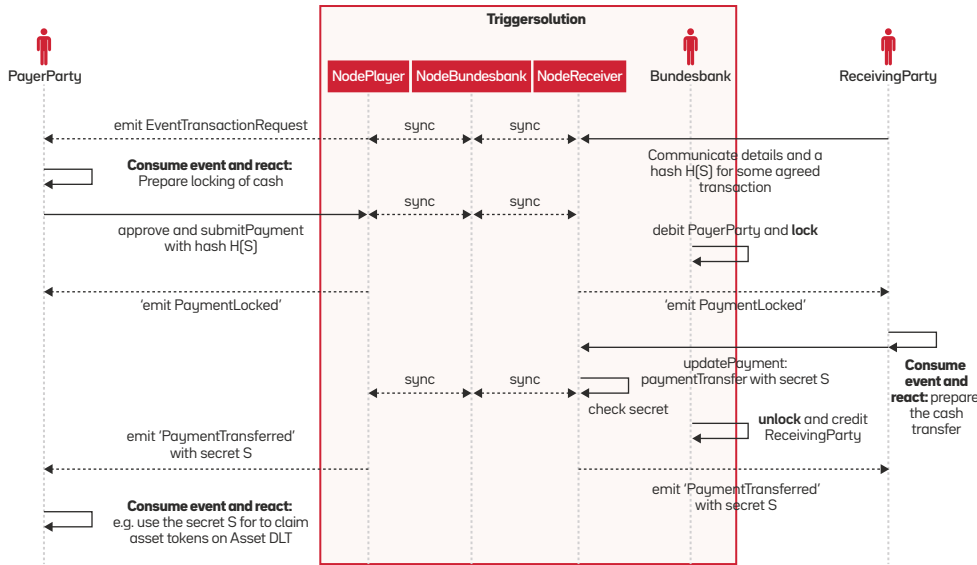
Of particular interest to the bond market is that this service relies on interoperability.

The two platforms use different ledgers but are connected by a router operated by Ownera, a fintech based in London. The router is an application orchestration layer — a kind of software that enables diverse apps to talk to each other. In more colloquial language, Ownera presents it as a "universal blockchain convertor".

The repo system is designed to be scalable, in fact to operate at what the promoters call "an industry-wide level" and be accessible for multiple trading venues and kinds of digital cash. The promoters said up to \$1bn was being traded a day.

Another market well organised and manageable enough to be put

## Reactive Event-Driven Design for Cash-Lock Transaction Scheme where parties host their own nodes



Source: DZ Bank Innovation Lab

on the blockchain at large scale is France's commercial paper market, at €310bn the largest in the eurozone.

The Banque de France and Euroclear launched a project called Pythagore in October, to tokenise the Negotiable European

Commercial Paper (NEU CP) market. A pilot phase is due to start at the end of 2026, using the Pontes central bank settlement system that will be available by then.

This will also give the Eurosystem central banks a ready base of users for their new CBDC.

For Ouaknine, Pythagore shows “the big shift compared to last year... now things are moving into production with much more intention to scale. Short term CP – we are going to move that on chain. Asset class by asset class we are going to collectively bring this dynamic into the market.”

### No roadmap

Deals like Hong Kong's and AIB's prove DLT can be used for benchmark size bond issues.

The innovations in repo and NEU CP show ordinary daily trading workflows can be moved on chain at market-sized scale. A rider is that the Broadridge and HQLX repo systems are using tokens that represent conventional bonds and deposits – they have not turned the bonds themselves into tokens.

Despite these advances, there is still little clarity about how the primary and secondary bond markets can be put on chain – or whether they need to be.

The reaction of the head of bond syndicate at one leading bank to being asked about DLT is a clue to how far off its widespread implementation may actually be.

“Syndicate people in general are Luddites,” he says. “I don't think I'm alone in not being convinced. All the deals that have come have been people showing off that they can do one – the issuer, the lead managers and a handful of investors who have set themselves up in whatever format.”

In his view, DLT bonds will not take off “until there is a single, Euroclear-equivalent clearing place. There can be no real [blockchain] bond market until there is a winner on the settlement mechanism. You need to be able to sell assets to anyone who might buy them.”

Part of the reason for the slow pace of change is indifference. The treasurer at a large European utility says: “There is so much in terms of people trying to do one [DLT bond], then they do one thing, sometimes it's only €100m, with one investor or two – it's not a true public trade. Then it disappears again. For me it's still in its infancy.”

Corporate issuers that sell two or 10 bonds a year care about picking the right day to come to market, when investors are eager and they can get good pricing. They don't care about waiting a few days after launch to receive the money.

The syndicate head says regulators would like to have faster settlement because it shortens counterparty risk – had Lehman Brothers gone bust with only one day's trades unsettled, it would have been a tidier problem.

But he thinks big asset managers are not bothered. “If BlackRock place a €100m order, they don't say [immediately] how much is going to BlackRock Germany or BlackRock UK, etc. So a delay is not a problem – it gives an opportunity to sort that minor stuff out.”

This comment points to an important truth. DLT proponents laud the efficiency of being able to tightly pre-programme a whole process. But that leaves no room for error or for circumstances to change. Sometimes looseness is a virtue.

For what seem like marginal benefits, issuers and investors are not motivated to change their habits, especially if there is cost and work involved.

“BlackRock don't want to set up on everyone's blockchain,” says the syndicate head. “How many do they want to see?”



Many DLT projects will use the European Central Bank's Pontes solution for CBDC, due in late 2026

### Cash conundrum

There are two knottier obstacles than simple inertia – although both may be within reach of solutions.

One is the settlement currency. For a trade to settle fast, the security needs to move quickly and so does the money.

DLT specialists want tokenised money that can be transferred instantly, escaping the bank clearing system, which can contain delays. Wholesale CBDCs, tokenised bank deposits and stablecoins are being explored.

“They all offer different benefits and different risks,” says Callsen. Even on chain: “Access to central bank money remains restricted to the same regulated institutions. Tokenised [commercial] bank money may be an option which could be used 24/7 to settle certain transactions, but it is restricted to the clients of that bank.”

Europe’s Markets in Crypto-Assets Regulation provides a legal framework for stablecoins, and regulated coins are now more widely available. “But they’re introducing additional risks, counterparty risks, redemption risk and other elements not present in fiat cash or central bank money,” says Callsen.

Because of this, stablecoins are not now typically used to settle bond trades, but Callsen thinks they will proliferate and assume that function in time.

Policymakers are also worried about the growth of stablecoins because they are such huge investors in short-term bond markets that they risk destabilising them if they suddenly had to cover large outflows.

For all the clever ideas about settlement currencies, in bond markets, money is one of the few things that’s simple. Do participants really want to start making it complicated?

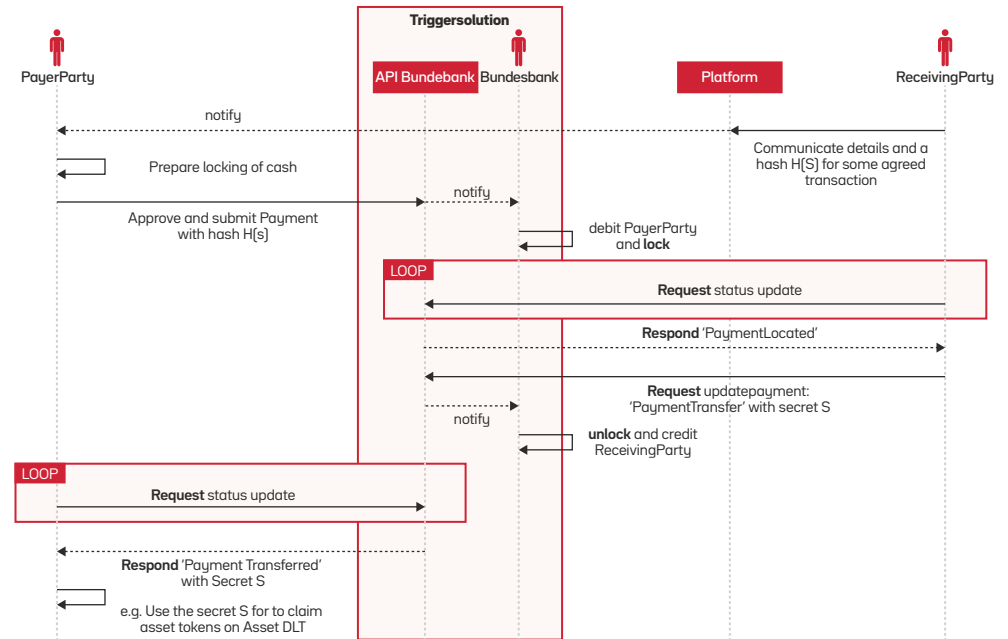
Firms may prefer just to wait for the Pontes CBDC. Before it is ready, the Eurosystem central banks are willing to use the systems they developed in 2024 to settle transactions in central bank money.

Kohl-Landgraf at DZ Bank points out that the design of the CBDC still needs to be fleshed out. “A crucial thing is whether and how programmability will be provided in the Eurosystem cash,” he says.

### Window closed

The second block to DLT adoption comes from the requirements of

### Request-Response based Cash-Lock Transaction Scheme by usage of the API Layer hosted by Bundesbank



Source: DZ Bank Innovation Lab

central bank repo windows, especially the ECB’s. As things stand, to be eligible, securities must be registered at a CSD and listed on an exchange. DLT bonds have not so far qualified.

There are legal hurdles; the ECB needs to become operationally capable to handle them; and there are risk considerations.

The ECB’s criteria for collateral include liquidity and transparent credit risk. It cannot carelessly accept extra risks, such as a DLT bond that relies on a blockchain that could fail or is less liquid than a conventional equivalent.

For highly rated bond issuers, an important part of the investor base is banks wanting to use their bonds as collateral for repos with the ECB. Until DLT bonds can enjoy that advantage on equal terms with ordinary ones, borrowers will not want to issue them for a large part of their funding.

Central banks are known to be considering how to solve this problem to facilitate uptake of DLT.

Callsen says “there are different elements” to the issue. If DLT bonds are admitted to trading on exchanges – as the Hong Kong and AIB bonds are – “there would be no liquidity obstacle,” he says. “This would then not be a reason for them not to be eligible.”

Another difficulty is DLT bonds are heterogeneous – issued in different ways and in different

places. “You’re often looking at apples and pears, so you can’t say: ‘If this criterion is met, they are all eligible for central banks,’” says Callsen. “Looking ahead, there are elements coming together, changes to legislation, to regulatory frameworks, different cash on chain forms that are becoming available. In the end there will be no distinction between the technical features, whether it’s DLT or not.”

### All to play for

If the cash leg and central bank repos can be solved, the field will then be wide open. But what will fill it? Digitisation and the elimination of paper is certainly coming – although participants will continue to have a choice for now.

But how soon DLT will be adopted in the bond market is still a wide-open question. Some of the pieces are on the board, but no one knows how they will move.

The syndicate head says: “We may get there in 10 to 20 years’ time, but it’s not clear we will meaningfully in the next five.”

Blockchain aficionados clearly still have a lot of people to win over. But some of them think the sceptics are in for a shock.

“2026 is going to be a key year when a lot of infrastructure is ready to go,” says Ouaknine. “You will have infrastructure in production that is modern, open and ready for scale.”

# Breaking down barriers: how Tradeweb is rewiring global markets



Electronic trading is evolving rapidly as market interconnection deepens and clients demand greater speed and cross-asset access. With innovation accelerating, the next challenge is turning connectivity into better liquidity and smarter execution. *GlobalCapital* spoke to the co-heads of international developed markets at Tradeweb, **Nicola Danese** and **James Dale**, about breaking down market silos, linking liquidity across products and the technologies set to shape the next chapter of electronic trading.

**How is electronic trading helping break down silos across asset classes and regions, and what benefits does that create for clients?**

**Danese:** Electronic trading helps remove many of the artificial barriers that have historically separated markets. Clients increasingly want to use familiar workflows across different asset classes and regions – whether they are trading US Treasuries, European or Japanese government bonds. By consolidating technology silos and creating more consistent protocols, we can give clients a seamless experience and support faster adoption across markets.

**Dale:** We see this trend clearly in Europe, with an increasing number of clients running multi-asset execution desks. An individual user may trade government bonds, credit bonds and derivatives across multiple currencies. Our goal is to help link the execution where possible and maintain consistency, while respecting the characteristics of each market. Portfolio trading is a good example. It began in credit, and after working with clients, we extended it into government bonds. The two markets differ, but the underlying workflow is recognisable, which helps clients move across asset classes more confidently.

**What are some examples of technology improving connectivity between markets?**

**Dale:** In credit markets, the depth of analytics available to traders continues to evolve. In portfolio trading, we now use real-time iNAV pricing from the ETF that most closely matches a client's basket of bonds to help guide execution decisions. Our rules-based automated trading solution, AiEX, is another example. It started as a simple efficiency tool, but now it's more dynamic. It reflects each trader's interpretation of liquidity and



James Dale and Nicola Danese, Tradeweb

how they want to interact with the market. As we expand AiEX across asset classes, those benefits carry over and become more interlinked.

**Danese:** On the rates side, we first built strong independent liquidity pools in swaps and European government bonds. The next step was to bring those pools together so clients could execute bonds and swaps in contingent or non-contingent workflows. We have also connected OTC and listed markets. Recently we launched the two-way pricing RFM protocol for bond-future basis trading, using established protocols elsewhere on the platform.

Repo is another example. We integrate swap-based information directly within the repo ticket and we can link execution across markets: allowing clients to launch a swap-hedging trade based on an executed repo trade with the same maturity and cash notional.

**How is greater cross-market integration changing how liquidity is managed on the Tradeweb platform?**

**Danese:** As markets become more interlinked, we can use data more effectively to help clients anticipate where the best price may come from – and under which trading protocol. Liquidity is dynamic and often subjective. By combining data across markets, we can help clients make better informed decisions.

**Dale:** Our wholesale business is a major source of liquidity, particularly through our Sweep session-trading. With the SNAP IOI protocol, we connect that wholesale liquidity directly to institutional clients. More broadly, liquidity requires a flexible toolkit. Clients can choose RFQ, portfolio trading, all-to-all or automated strategies, depending on their objective and market conditions. Cross-asset integration and data make it easier for them to select the right tool at the right moment.

**How are emerging technologies shaping the future of electronic trading?**

**Dale:** AI is a major focus. Tradeweb has a vast amount of cross-asset data, and as a near-term step we see that AI will enable clients to query it in a more natural and dynamic way. Ultimately it lowers the cost of curiosity – by allowing clients to quickly pull together data across asset classes, markets and time periods in a way that was previously strenuous.

We see AI as a tool for augmentation and amplification: helping clients use data more effectively rather than replacing their judgement. This will evolve iteratively as we work with clients and respond to their feedback.

**Danese:** DLT has potential because it addresses long-standing issues between execution and settlement. Today those layers don't naturally connect: you lose the golden copy of the trade, introduce delays and often rely on offline processes. If we redesigned the system from scratch, we wouldn't build it this way. DLT offers an opportunity to rebuild that connectivity. We see strong momentum from the ECB, from the UK's DIGIT programme for on-chain gilts, and from developments in the US around the cash leg and stablecoins.



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# Data centre boom offers acid test for Europe's capital markets

EU politicians talk enthusiastically about making the bloc more competitive, but so far, its capital markets have struggled to match the efficiency of the US. Whether it can meet the booming demand for data centres will be a defining test of its ambitions, write **George Smith, Chadwick Van Estrop** and **Thomas Hopkins**

Since the influential Draghi report on European Union competitiveness was published in September 2024, politicians have embarked upon a series of reforms to shake the bloc out of stagnation.

Many of the reforms identified by Mario Draghi, former ECB president and Italian prime minister, aim to boost GDP growth. Key among them are measures to invigorate capital markets into a so-called Savings and Investment Union, which includes a plan to revitalise securitization.

Securitization's advocates have largely welcomed the proposals, but so far nothing has been put into practice as parliamentarians deliberate what the European Commission has recommended.

Whether the EU can step up to meet the extraordinary demand for data centres — Morgan Stanley estimates there is a \$1.5tr financing gap worldwide for data centres up to 2028 — will provide a big test for this vision of its competitiveness.

Rising to the data centre challenge plays into each of three areas for action Draghi highlights in his report: “closing the innovation gap with the US and China, especially in advanced technologies”; “decarbonisation and competitiveness”; and “increasing security and reducing dependencies”.

The importance of data centres to the first objective is clear, while their huge energy demand makes them an important consideration in the second. The final area plays into the increasingly popular idea of data sovereignty and having control over key infrastructure by locating it domestically.

“One of the things we've often seen is a lot of the growth in Europe being driven by countries wanting their own digital infrastructure,” said Latham & Watkins partner Jeremiah Wagner at a *GlobalCapital* event in London in October. “That's a big movement and I think that's driven on a geopolitical basis.”

As an example, in October Italy recognised data centre developer Vantage as carrying out nationally strategic infrastructure investments that support the country's economic agenda, one of only four companies to achieve the designation. It allows Vantage to gain expedited permission for its developments, but such designations are only part of the picture.

EU data centre developers still need access to affordable financing. In that respect, the bloc is coming from a standing start in each of the three phases of financing needed to develop a data centre.

## Three phases

First is the purchase of the site and gaining permission to build. Then comes the development and construction. Finally, there is the financing backed by the income the data centre generates.

“Where the meat of the financing is done is in that construction phase, because the meat of the [capital expenditure] is in that two-year span... from spade in the ground to when the data centre is complete and operating,” Barclays managing director Gordon Beck said at the same *GlobalCapital* event.

The project finance market is crucial during the construction phase, when data centre developers raise non-recourse debt from banks and/or institutional investors to pay for the building work.

Projects then typically operate for an initial period, after which the project finance debt is refinanced, often through the securitization or private placement markets.

▼ Gordon Beck, Barclays



“In a simplified picture, you need both bank debt and capital markets financing,” says Heiko Ludwig, global head of structured finance at Nord LB. “You need bank debt in the early part because it's more flexible. Ideally, you'd then put it into the long-term arms of asset managers, pension funds and others... In my opinion, it should not be assumed that there is an endless future supply of very long-term bank debt, like 20 years and longer.”

Before even coming to that, however, developers need to obtain a site to build on. “When you're speculatively purchasing land with the intent of acquiring power and permits, that's probably best suited to something in the private credit world or a relatively structured facility and, frankly, a relatively higher risk facility versus the kind of cash flow debt financing that comes later in the piece,” said Beck at the *GlobalCapital* event.

## 'Chicken and egg'

Even some early construction work can require equity, or other more speculative capital, to line up tenancy contracts and close a project financing.

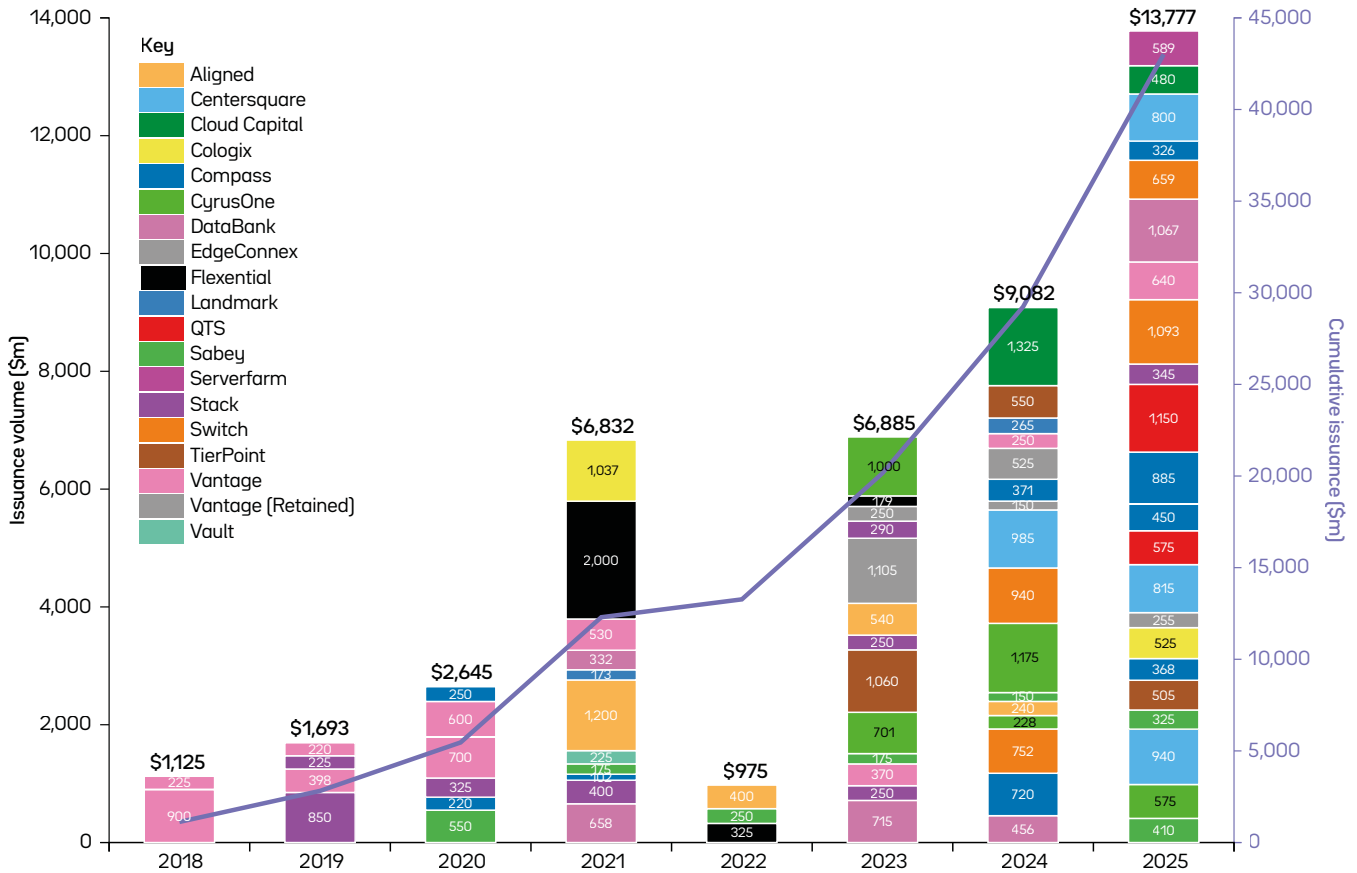
“For data centre developers, raising finance is a bit chicken and egg,” says Oliver Bradley, global head of digital infrastructure at Macquarie Capital. “Potential tenants want to know how much capacity you have in the next three to six months, which means that developers have to have begun construction, which requires a significant capital commitment.

“To get the tenancy contracts, you need to have financed and partially built your data centre, but to raise debt, you need to have the contracts.”

Given the country's dominance in AI and data centre investment, the US is by far the largest project finance market for the sector.

“As of Q3 [2025], there is an estimated \$70bn-\$80bn of non-recourse debt raised to

Data center ABS issuance in the US – 144A market



Data as of November 24, 2025 including Switch deal at initial price thoughts at time of publishing

Source: BofA, MUFG, KBRA, S&P

finance data centres in the US,” says Syed Usman Ahmed, head of digital infrastructure at Apterra Infrastructure Capital. “Four years ago the market was around \$5bn. By year end, we expect at least \$100bn of deals will have closed.”

Much of this non-recourse debt has been provided by banks. For example, two bank-funded US deals that closed in the latter half of this year are the \$925m financing for Rowan Digital Infrastructure’s Bauxite hyperscale campus and Lambda’s \$275m financing to enlarge its AI data centre portfolio.

The Rowan deal was led by SMBC, MUFG, Mizuho and Société Générale, while the Lambda deal was led and arranged by JP Morgan and syndicated to a wider lender group.

Vantage has also been in the market with a \$38bn US data centre financing, which sources have confirmed is likely to be the largest ever project financing for any asset class.

Project finance remains a bank-led market, but institutional investors are increasingly backing greenfield data centre financings.

In October, Blue Owl Capital issued \$27.3bn of notes through Beignet Investor LLC, a project finance-style holding company, to invest in an 80% interest in a US data centre joint venture with Meta.

**Europe trails**

Europe is trailing the US in the development and financing of data centres, although transactions such as Bulk Infrastructure’s €410m financing for its N01 Data Center Campus in Norway have closed this year.

“If you look at the data centre capacity due to come online in the next year, it would be about three times larger in the US versus Europe,” says Jonathan Tweed, head of TMT finance at Société Générale in London. “Europe is lagging behind the US, with project financing volumes remaining similar between 2024 and 2025.”

Both land and power are more expensive in many European markets – each factor critical to data centre development – and Europe’s capital markets are less liquid. A *GlobalCapital* source notes that about €7bn of data centre project

finance deals have closed in Europe this year, as of early November.

“I think that the hyperscale players have been focusing their attention on the US so far,” says Tweed. “The European data centre pipeline is, however, expected to grow rapidly next year with Sovereign AI and larger projects being announced throughout Europe in multiple locations.”

**Refi required**

Liquid capital markets are essential to financing data centres, as most banks expect the construction debt they provide to be refinanced.

Securitization is widely seen as offering the most competitive balance between pricing and flexibility, but the gap between Europe and the US is even more stark when comparing the depth of their respective markets in the asset class. At the time *GlobalCapital* went to press, there had only ever been two data centre securitizations in Europe.

In the US, Vantage began the data centre ABS market for what the Securities and Exchange

Commission deems qualified institutional buyers in 2018. QTS started a similar market in data centre CMBS in 2021.

In the time since those deals, the US CMBS market has swallowed about \$20bn of paper, while the US ABS market has supported another \$43bn, not including trades done in the 4(a)(2) private placement market.

In November, QTS tapped the CMBS market with a \$3.46bn deal to refinance its 2021 trade of \$3.2bn, likely the biggest CMBS deal of any type all year.

Data centre project financings usually run for five years and are 'hard mini-perms', which in project finance jargon means they require refinancing at or before maturity. Failure to refinance is treated as an event of default.

In addition, many banks have reduced their long-term infrastructure lending in the wake of reforms to bank capital requirements under Basel III.

As part of data centre financing, lenders must account for refinancing risk, which is intertwined with the risk that data centre tenants will not renew their contracts.

"The tenors of most project financings for data centres are shorter than the tenancy contracts," says James Richards, an executive director in project finance at Standard Chartered. "The banks take refinancing risk, which is related to renewal risk for the tenancy contracts."

Debt servicing depends on rental payments to data centres from their tenants. "When banks size the debt, they evaluate how much will be amortised at maturity and whether the contracts can be easily renewed or replaced," says Richards.

"The amount of refinancing risk is partially determined by the level of renewal risk and the attractiveness of the site for alternative tenants, as new lenders will want to see long-term contracts in place."

Several tenancy extensions are often required for full project debt amortisation, taking place in tandem with at least one refinancing.

Other crucial considerations for lenders are construction risk and tenant creditworthiness. Construction risk is sometimes mitigated by the developer making completion guarantees.

Lenders will also carefully evaluate tenants' credit ratings and business models – a simpler process

for hyperscalers such as Microsoft than for a newer company like, for example, CoreWeave.

Risks aside, there is immense appetite from project finance lenders to fund data centres, as the project pipeline is brimming and pricing on construction loans sits in the low-200bp to low-400bp range, according to market sources.

Top tier data centre ABS issuers in the US have priced deals with spreads on the senior notes of 140bp-160bp. In October, Compass, a dominant player in US data centre securitizations, priced a \$326m single tranche, triple-A rated ABS at 125bp, yielding less than 5%.

### The US example

The bottom line for many is that if the EU is going to get close to finding enough financing for data centres in terms of both scale and duration, securitization is going to have to step up. S&P expects annual data centre financing needs to rise to \$173bn by 2028.

"At the moment, the bank market is working very well for sponsors, but if you add up all the numbers for future needs for new and existing infrastructure, you come to a total volume that most likely could not be financed in the traditional way with the existing bank capital in Europe," says Nord LB's Ludwig.

Europe does at least have the example of the US market to follow, where there is a thriving data centre ABS market.

Senior managing director at Guggenheim Partners, Matt Bissonette, a banker who has been

involved in digital infrastructure financing for more than a decade, expects a record year for data centre securitization issuance in 2026. "It's hard to put an exact number on it... but I could see a path towards \$30bn across data centre securitization markets for stabilised assets alone," he says.

"We're seeing new investors participate, people focusing on bringing more capital into the digital infrastructure space, and I think that trend is only going to continue."

Andrew Butville, director of ABS at MetLife Investment Management, believes the \$13.8bn of US data centre ABS to have been priced by mid-November in 2025 could double in 2026.

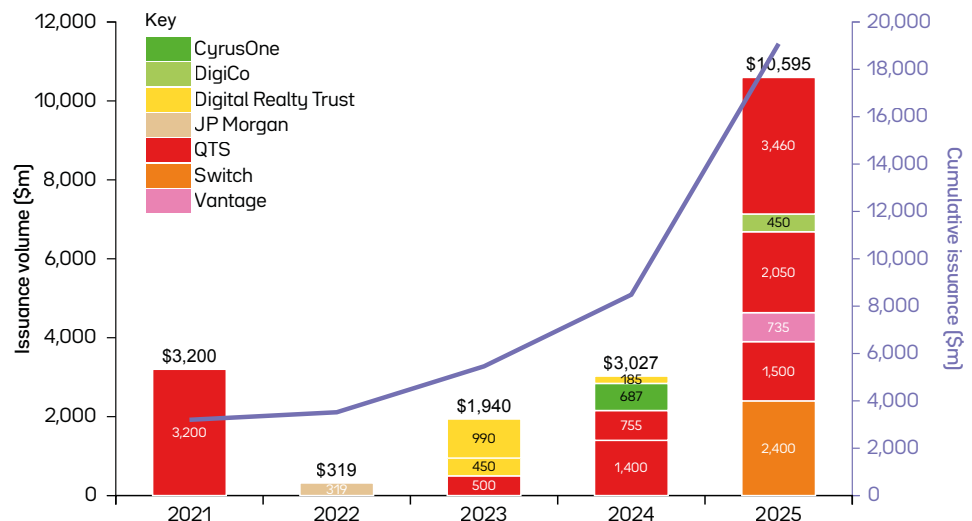
"That's based on the construction pipeline of data centres and project finance and bank finance that's flowed into the sector," he says.

There is plenty of evidence that investors will flock to the market to lap it up. If they cannot find paper at home, Bissonette expects more European investors to head to the US. "They've been limited because of regulation, but there is certainly demand from folks there," he says.

"There is a very, very strong relative value in the securitized market versus the corporate market, especially for the highest quality assets and issuers. If you're buying corporate bonds, you can see a pretty big pick-up versus the underlying hyperscalers."

The relative value judgement will vary from buyer to buyer, however, and when they get into the market.

### Data center CMBS issuance in the US – 144A market



Data as of November 24, 2025

Source: BofA, MUFG, KBRA, S&P

“We still like the space from a credit perspective, but spreads have really tightened to the point where we don't see a lot of value in particular shelves,” says Butville. “We've sold some of our exposure because it's just so much tighter than where we bought it.”

The question is whether Europe's securitization market will be able to follow the US example.

“The need for data centre financing is a very good test [for Europe's capital markets],” says Florence Coeroli, UK and global head of engineering at Société Générale. “You need issuers that are willing to go for it and test the market. For investors to put in the work to understand the asset class, they need to know there will be more transactions.”

Despite the scale of the challenge, European market sources are bullish. Matt Dunn, partner at Clifford Chance, says “the European ABS market for data centres is poised for significant growth” and could “become one of the cornerstones of digital infrastructure financing in Europe, mirroring the established success seen in the US”.

“We expect the data centre sector to grow,” agrees Kate Galustian, head of European ABS at BlackRock. “It's early days, but it's an exciting space. We want a broad investable universe.

“In an area like this, we would be extremely selective given the lack of historical data... In principle, the story is strong, but there are number of tech and operational factors to consider, as well the nascency of the market.”

## Gaining comfort

That caution speaks to both the opportunity and the challenge for sponsors issuing European data centre securitizations. Sponsors want to deepen their access to capital, but the asset class is quite different to typical European securitization deals.

“There are US investors looking at the European market, but issuers that already do ABS in the US want to come to Europe to attract new investors,” says Coeroli. “They want the financing to be additive and not drawing liquidity away from the US market.

“At the same time, it's good to have those US investors because it gives you certainty when you come to issue,” she says, considering they

## Data center ABS: historical pricings in the US

								September 11, 2025
HYPER 2025-1								ARD
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A1	25		A-/A3		Not offered			September 2027
A2	975	5.01	A-/A3	Fixed	165	5.18%	5.23%	September 2030
B	92	5.01	BBB- / NR	Fixed	215	5.699%	5.737%	September 2030
<b>Total</b>	<b>1067</b>							
VDCR 2025-1								August 20, 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	235	4.95	A-	Fixed	135	5.09%	5.15%	August 2030
B	20	4.95	BBB-	Fixed	220	5.73%	5.80%	August 2030
<b>Total</b>	<b>255</b>							
VDC 2025-1								August, 7 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A2	640	4.94	A-	Fixed	140	5.132%	5.187%	August 2030
TPDC 2025-1/2								January 4, 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
25-1 A2	245	4.05	A-	Fixed	240	6.15	6.275	N/A
25-2 A2	240	7.05	A-	Fixed	265	6.40	6.675	N/A
25-2 B	15	7.05	BBB-	Fixed	Preplaced	6.45		
<b>Total</b>	<b>500</b>							
SWTCH 2025-1								March 7, 2025
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	957125	5.03	A [low]	Fixed	200	5.036%	6.080%	March 2030
B	135925	5.03	BBB[low]	Fixed	255	6.485%	6.630%	March 2030
<b>Total</b>	<b>1093.05</b>							
VDCR 2024-1								September 10, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	425	5.00	A-	Fixed	160	4.992%	5.044%	5 years
B	100	5.00	BBB-	Fixed	240	5.775%	5.844%	5 years
<b>Total</b>	<b>525</b>							
CMPDC 2024-2								August 22, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-1	300	4.99	AAA	Fixed	135	5.022%	5.074%	5 years
B-1	33	4.99	A	Fixed	235	5.999%	6.074%	5 years
B-2	38	4.99	A[L]	Fixed	260	5.999%	6.324%	5 years
<b>Total</b>	<b>371</b>							
SWTCH 2024-2								June 6, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	671450	5.02	A [Low]	Fixed	210	5.436%	6.395%	5 years
B	94.825	5.02	BBB [Low]	Fixed	285	6.200%	7.145%	5 years
C	174	5.02	BB [Low]	Fixed	595	10.033%	10.245%	5 years
<b>Total</b>	<b>940.275</b>							
CYRUS 2024-2/3								May, 12024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
2024-2 A-2	690	5.00	A-	Fixed	225	4.500%	6.932%	5 years
2024-3 A-2	485	7.00	A-	Fixed	235	4.650%	7.021%	5 years
<b>Total</b>	<b>1175</b>							
SDCP 2024-1								April 24, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	150	4.97	A+	Fixed	170	6.000%	6.361%	5 years
<b>Total</b>	<b>150</b>							
SIDC 2024-1								March 15, 2024
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	240	5.01	A-	Fixed	180	5.900%	6.128%	5 years
<b>Total</b>	<b>240</b>							
ADC 2023-2								November 15, 2023
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	300	5.00	A-	Fixed	250	6.500%	7.024%	5 years
<b>Total</b>	<b>300</b>							
SIDC 2023-3								November 8, 2023
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
A-2	290	4.95	A-	Fixed	245	5.900%	6.967%	5 years
<b>Total</b>	<b>290</b>							
VDCR 2023-1								September 15, 2023
Class	Bal (\$mm)	WAL	Rating (S/M)	Type	Spread	Coupon	Yield	ARD
23-1 A-1	50	-	A-	Privately Placed				
23-1 A2a	776	4.97	A-	Fixed	285	5.000%	7.286%	5 years
23-1 A2b	380 (C)	4.97	A-	Fixed	-	5.250%	8.100%	5 years
23-1 B	43	4.97	BBB-	Fixed	400	5.750%	8.436%	5 years
23-2 A2a	250	6.97	A-	Fixed	295	5.050%	7.344%	7 years
<b>Total</b>	<b>1,355</b>							

Source: BofA, MUFG and GlobalCapital

may already have good knowledge of and appetite for the asset class. “And these US-based investors may deploy specific euro liquidity pockets for the European deals.”

One of the most important questions for those involved with data centre securitizations is how to structure the deals to best tap into the different pools of liquidity. The best-case scenario is a structure that can bring in both ABS investors and those who like data centres as an asset but are less familiar with securitization.

“Data centres potentially bring new types of investors into the market, away from just traditional securitization investors, but it’s very early to try and quantify the depth of the market given there’s only been a couple of deals in Europe,” says Galustian.

Looking at those two deals is somewhat instructive, however. Both used a structure more similar to a US data centre ABS than a typical European ABS or CMBS, only issuing fixed rate notes. Such bonds are unusual in Europe’s securitization market.

“I wouldn’t be surprised to see more structural features coming into future deals targeting European investors,” says Henrik Nilsson, executive director at Natixis. “The European investor base would like to buy floating rate notes for example, but you need to work out how to do the hedging.”

## How to hedge

The challenge with hedging is the long-dated nature of the assets. Data centre securitizations typically have strong incentives to call the deal at the anticipated repayment date (ARD) in the form of accelerated amortisation and step-up coupons. However, the ARD is normally five years away, but, if missed, the legal final maturity can be decades away, potentially making hedging very expensive.

Another big question is whether to mortgage the data centre and put that mortgage into a CMBS structure or securitize the cashflows from the lease directly in an ABS. Both are used in the US, but Vantage used ABS for both European deals.

“Sponsors are looking at a combination of US private placements and potentially an ABS into European markets,” says Nilsson. “The two deals from Vantage have really put [the ABS

option] on the map and there’s definitely more to come.

“Sponsors want to diversify their funding sources as much as they can. The ABS route opens up new investors and then there’s the CMBS route as well. Securitization is needed to get the liquidity the market will need.”

A challenge with CMBS in Europe is that the market is far less liquid than in the US. There had been just 11 public deals by mid-November, according to *GlobalCapital’s Asset Backed Monitor*, and that is considered a bumper year for European CMBS.

“Ideally, we would like to see a bigger European CMBS market, but we are seeing more and more deals and, especially this year, the market has been quite active,” says Nilsson. “That is definitely helpful for data centre deals because there’s an overlap in the investor base.”

The other recurring problem for European securitization issuers is fragmented regulation. Each country has its own tax and insolvency laws, which makes it difficult to combine assets in different countries into one deal.

The challenge applies across asset classes, not just to data centres, and can make it hard for issuers to achieve the scale they need for a securitization.

## Big enough data

Data centres, however, may have it better than some other asset classes because the assets are normally big enough to support a standalone securitization.

“The beauty and the difficulty of Europe is the number of different jurisdictions [versus the single, large market in the US],” says Coeroli. “We will need to consider ABS transactions country by country [instead of multi-country issuance], but that allows us to [target] deals that are the right size for the investors in a certain country.”

However, regulatory fragmentation could become a barrier that prevents issuers accessing more efficient funding structures as the market develops.

“In the US, there are master trusts of data centres,” says Nilsson. “In Europe, it’s a bit more tricky to implement because there are multiple jurisdictions. Given the size of the assets here, in most cases, it probably works to do it jurisdiction by jurisdiction. I think a master trust could be done, but there are

## “We’re trying to solve for a significant portion of a \$1tr-plus need over the next five to 10 years”

Matt Bissonette, senior managing director at Guggenheim Partners

questions on the legal side and you’d have to get everyone comfortable with the structure.”

Certainly, a solution to the EU’s fragmentation problem is not close at hand. “It takes time to create a solution that mitigates [the overreliance on bank debt],” says Nord LB’s Ludwig. “There isn’t really one answer... Maybe it takes a European solution of not thinking the unified market is one location but one set of rules. For example, if you have to deal with 16 different sets of insolvency laws, it becomes a very complicated consideration.”

Meanwhile, the US market develops apace. Not only are floating rate tranches under consideration, but there is a debate about extending the tenor of securitizations.

Head of structured products at Conning Asset Management, Michael Nowakowski, says he would not be surprised to see a 10-year ARD on a data centre deal in 2026 given that other types of securitization have done the same and that some of the biggest tenants of data centres – the hyperscalers like Alphabet and Meta – which are the underlying credits for the paper, have issued long-dated corporate bonds.

“We’re already seeing longer ARDs in some other spaces where they’re pushing seven and 10-year... so why not this next?” he says.

However, he urges for the pace to slow in 2026: “I hope the chorus of investors who are flagging a little bit of caution on this dampens some of the untethered growth that’s happening right now in this space.”

Bissonette of Guggenheim Partners says it feels like the “early innings” in the development of digital infrastructure. “We have incredible demand from investors and clients that are bringing new sites online who want to access the structured markets.

“We’re trying to solve for a significant portion of a \$1tr-plus need over the next five to 10 years.” ©

Additional reporting by Tom Hall

# Capital without boundaries: The structures shaping securitization's next phase

KIRKLAND &amp; ELLIS

Structured finance has expanded into new issuer types, new tactical situations, and new forms of capital. What's driving this period of innovation?

Over the past decade, the rise of non-bank lending has shifted more and more capital towards private credit, insurance and other alternative sources. Operating issuers are coming with whole-business, digital infrastructure and royalties-based bonds that complement traditional capital. Investors are using structured finance to make sure what they're buying fits the right pockets of capital and risk allocation on their balance sheets. Structured finance is a natural tool for placing the right product with the right risk appetite.

**How has private credit's growth changed ABS origination and placement?**

We're only at the beginning of this shift. Ten years ago, structured finance was primarily a 144A product. Now, a large share consists of private-credit or private-capital managers executing deals directly or in clubs. In large private-credit-based digital-infrastructure financings, for example, structures often need to be designed quickly as business needs arise. We often don't have time to get to a fully rated, bankruptcy-remote structured product for the first capital needs. But we can get most of the way there with private credit and enhanced structuring, then transition later to a fully structured ABS offering after further work with ratings agencies and investors.

**What is driving structured finance up the capital structure and how far can it go?**

Large pockets of capital that are willing to invest in a stable cash-flow stream outside of bond form — JVs, lines of business or carve-outs. You'll see more rated joint-venture interests, hybrids, fund structures and other isolated cash streams. It's about identifying a stable business and financing and valuing that risk independently. These structures can unlock value, especially in tactical situations with distressed companies that have one or more strong lines of business or with structured joint ventures freeing up capital for growth.

Structured finance is expanding as alternative credit grows, new asset classes emerge and investors demand more targeted capital solutions. Products that were once firmly securities are moving up the capital stack, blending with hybrid equity and fund-level structures. *GlobalCapital* spoke with **Michael Urschel**, a partner in **Kirkland & Ellis'** Complex Securitizations Practice Group, about what is driving the market's rapid transformation and where securitization is headed next

**What types of issuers or asset classes do you expect to emerge next as candidates for structured solutions?**

Across our practice, we're predicting growth in finding new and creative ways to identify stable parts of businesses, sometimes called "yieldcos" or "stablecos," and isolate them using joint ventures, structured equity sales or transactional techniques such as license agreements and IRUs. Structured finance can then take those cash flows and rate and finance them in the capital markets. Another key development will be speed of execution. Tactical scenarios often require fast action. If a capital provider can move quickly and take a view on future rateability, value can be unlocked with a structured refinancing following shortly after. The increased access to large pools of managed capital is going to help with this velocity.

**How do you see the relationship between structured finance and private equity evolving over the near to medium term?**

Seeing private equity and private debt as separate worlds is increasingly outdated. We see increased flexibility as to capital being able to change its form. Some private-equity clients have "tactical opportunities" groups that are product-neutral, and that's the right way to think about the structured-finance world today. I expect more crossover strategies, more hybrid financing and more fund-level structures. But the question then becomes: how do we make execution efficient? How do we make these products syndicateable for broader investor participation? Many of our clients are innovating at the edge while also working to make those products more efficient and replicable across their platforms.



**Michael Urschel** is a partner in the Complex Securitizations Practice Group in the New York office of Kirkland & Ellis LLP. He focuses on securitization,

structured private credit and private placements, hybrid finance and structured lending, with a particular emphasis on complex, first-of-their-kind transactions involving non-traditional assets.

**What do you expect structured finance as a sector to look like in three to five years and what will feel meaningfully different from today?**

One major development is a convergence of understanding among our clients, our counterparts and ratings agencies across different sectors of the market. Structured-finance lawyers need to "speak" leveraged finance and M&A and vice-versa. This cross-understanding helps ensure flexibility in capital structures from day one, making later execution more efficient. On our end, we're giving structuring advice earlier, making sure people know that these tools exist and don't accidentally close off these options through other financings. Borrowers and investors will continue to focus on financing the right asset with the right type of financing, tailored to the right pocket of risk tolerance. Liquidity and speed of execution will continue to be at a premium and will drive continued innovation in both areas. We also may see increased bank lending into structured finance with the recently-announced changes to leveraged lending guidance.

At one capital markets firm recently, senior management were surprised to get an email saying the number two to the CEO was leaving. Rumours of his exit proved exaggerated – it was a false alarm.

The practical joker turned out to be a new AI app that took minutes of meetings and circulated them. Somehow, it had got its wires crossed.

The risk of generative artificial intelligence making things up is well known, and has caused a sprinkling of lawsuits and firings across the business world in the three years since ChatGPT burst on the world.

“It’s always important to remember that this technology can hallucinate – the quality can be poor,” says Alexis Besse, head of fixed income quantitative strategies at Jefferies in London. “But take it away and people will scream. It already delivers significant value to the business.”

Capital market participants are being pulled in all directions by AI. One debt capital markets banker is bursting with ideas for ways it could help his business and his working life. Yet he acknowledges too “if you listen to Bill Gates, AI is going to take people’s jobs – that’s the reality. Maybe it won’t take our jobs but it will stop your kids or mine getting into a certain career path. Maybe we’ll have more plumbers.”

And asked whether in practice he is using AI day to day, he says: “I’m trying to a bit more.”

AI has its wholehearted believers, who see it as self-evidently “a superior way of researching, of access to information,” as a senior banker in Singapore puts it.

But it also has its haters, who warn of dire risks to humans’ status in the workplace, and hence to social cohesion.

But most people in the financial world share some of both types of feeling – as well as a hefty dollop of scepticism. “How’s AI ever going to get you to agree with a borrower that they should pay 100bp over swaps instead of 97bp?” asks the head of bond syndicate at a leading investment bank. “How’s it going to get you on the phone with Schrodgers?”

### Irresistible force

Like it, loathe it or laugh at it, AI is becoming ubiquitous. The big IT companies like Microsoft are pressing it on users of their

# Capital markets feel the touch of AI’s tentacles

Artificial intelligence is everywhere – but what is it doing? Capital market specialists think about it constantly, even if only because they are told to, with feelings ranging from delight to horror. Market participants are exploring myriad ways both to use AI, writes **Jon Hay**, and neutralise its risks

software with every kind of prompt and default setting, and financial firms’ leaders are embracing it eagerly.

Some investment banks have handpicked teams of young bankers to “spearhead initiatives and increase the use of AI,” one official says.

Of course, as Besse points out, AI means many things. “AI has been used in trading for years, in the form of predictive analytics,” he says. “Machine learning has long been used by every [quantitative trading] team to predict a number of things. A large part of how we trade markets systematically is based on those models and that hasn’t changed much.”

Trading firms use machine learning to model patterns in liquidity and prices, while venues use it to aggregate and clean price information.

The new wave of generative AI moves on from analysing numbers to reading, writing – even speaking – text.

“There are some important changes compared with the previous generation,” says Besse. “The main thing is the adoption of the technology. I wrote a book on AI five years ago. Then I don’t think people knew what machine learning was. Now no one doesn’t

know. The tech is being used all the way from analysts on the desk to senior management.”

As when the internet appeared in the 1990s, the capability has arrived before its uses are understood. Even the deepest experts have little idea how AI is going to change work. There is a sense of bobbing on an ocean of limitless power.

### Seeking guidance

But capital markets – as a regulated industry in which a wrong decision can cost millions – cannot tolerate too much freewheeling experimentation.

Firms, team leaders, every employee has to work out how to organise this vast new energy, channel its use in structured ways and find its most productive uses.

In mid-2024 the International Capital Market Association set up a working group to answer its members’ “call for education on the topic of AI,” says Emma Thomas, a member of Icma’s fintech and digitalisation team.

With 180 members, the group, which meets quarterly, is one of Icma’s largest. “It shows the level of keenness to digest this information,” says Thomas. “The general attitude is quite accepting and pro-innovation. A lot of people involved in the group are at the beginning of their journeys.”

Some participants are AI professionals, others ordinary bond practitioners.

One of the group’s core messages has been to distinguish between systems which process information according to programmed rules, and those which teach themselves as they go along.

“Self-learning developments are going to be very impactful,” says Thomas. “A lot are still in development, but we have seen a

▼ Emma Thomas, ICMA: ‘The real differentiator is the speed at which you can get insights’



number of models that go beyond predictable, deterministic outputs.”

A common task for the new large language models (LLMs) is extracting information from written bond documents.

The World Bank Group Treasury has developed a tool called Shastra to read dealers’ term sheets for its own funding deals and asset-liability management transactions and enter them into the World Bank’s core transaction system directly. Staff still check the information but they no longer have to enter it manually.

Treasury officials believe this will make the information more accurate and reliable, as well as saving time. Over the next three years, they will seek ways to share this data with external partners such as fiscal and paying agents, custodians, clearing systems and investors.

By comparing multiple documents on a deal, AI apps can help to prevent errors, says another digital capital markets expert. “You’d be surprised: we are still looking at settlement fails,” he says. “If you look at the number of securities that are issued, in different markets, there is still a level of complexity, which means some of these issues persist and can be solved through AI.”

While these applications are about streamlining and optimising existing administrative work, others have tried to use AI to create new knowledge.

In 2019, Bastien Winant and Marko Mravlak of the European Stability Mechanism with two academics published a paper on using machine learning to predict investor demand for ESM bonds, based on data from dealers. They believed they had produced useful forecasts and could forecast the direction of changes in some single investors’ demand. Some of the authors have produced further research in this area.

The expert says market participants are discussing AI tools “to support a financing decision”, but he has not seen them implemented yet.

### Off the desk

Participants are finding that some possible uses of AI fall into two categories – clever tasks and dumb ones.

In the primary bond market, participants are not yet using AI much for the clever tasks.

One of the core jobs before a new issue comes to market – for



the borrower and investment banks – is to survey the trading prices of comparable bonds and estimate how to structure the deal, what pricing it should offer and what investors are likely to accept.

“The proper large language model AI is not involved in what we do,” says the head of syndicate at a second top investment bank. “Can it help you work out comps for a new issue, or whether it’s a good day in the market? We know if it’s a good day.”

When it comes to suggesting comparables “it’s quite a long way from being better than a human being”, he adds.

The head of treasury at a European power company said there was already a function on Bloomberg that selected comparable bonds and enabled you to “price or look at how a bond would trade synthetically”.

His opposite number at a real estate company says “I’m interested in the subject of AI, and to hear who of the corporates is really using it. We use it only in controlling, when it comes to forecasting numbers and budgets. But in pure treasury or financing, capital markets, hedging, we don’t use AI.”

It may be coming. Covestro, the polymer company, won the Treasury of the Year award in November at Germany’s Structured Finance conference for a project called Free Lunch that it says has “revolutionised” its FX risk management using machine learning.

Thomas Böttger, the firm’s global head of finance, said in a social media post that it had turned “hedging from a cost factor into a revenue generator, while

simultaneously providing superior risk protection.”

The expert points out that “the models are ultimately there as a support, not to trigger a decision. It remains valid to provide some colour on demand.”

Thomas backs up that point. “AI is not going to give you an accurate prediction of everything that’s going to happen,” she says. “It can provide more accurate insights more quickly. The real differentiator is the speed at which you can get those insights. No one ever claimed to have a 100% accurate model for predictions.”

What is an acceptable level of accuracy is a regular topic in the Icma working group. A common view is that 97% is enough for a proof of concept to be deemed accurate enough.

But 97% may not feel good enough for a capital markets banker who stakes their reputation with a client every time they advise them. “[Using AI] to produce data is very dangerous,” says the syndicate head. “If you have to check it five times over you might as well do it yourself.”

Ultimately, a firm is fully responsible for everything it puts out. Even if AI has generated some content, the firm must have absolute confidence in it.

As the expert says, with AI-generated data or analysis, “The real risk is that it can seem perfectly plausible, but the risk is greater, the less you know about the subject.” ©

*A fuller version of this article exploring AI’s use in capital markets in more depth will be published online at [www.globalcapital.com/review-2025-outlook-2026](http://www.globalcapital.com/review-2025-outlook-2026)*

▲ Empty seats... Will AI replace human workers?

European banks indulged a flurry of M&A activity in 2025, with more deals expected in 2026, fuelled by regulatory factors and falling interest rates driving a need to diversify income sources.

“2025 was a record year for banking M&A with deal volumes in the first half of the year already surpassing what we saw in all of 2024, helping to put the industry on track for the strongest year in a decade,” says Ronan O’Kelly, a partner and head of M&A, Europe at Oliver Wyman.

The return of European bank M&A comes amid a wave of financial sector deals. According to Dealogic data, by mid-October, there had been \$410bn of financial sector M&A globally, across close to 2,000 deals. Volumes were up 74% compared to the same period last year.

“What stands out is the growing sense of preparedness to pursue larger deals,” says Richard Crosby, a partner in the London financial institutions group at Clifford Chance. “While not all have succeeded, the willingness is clear.”

Also notable has been the diversity of deals. The year saw national and cross-border mergers of universal banks, as well as moves to diversify businesses into investment banking, insurance and asset management.

The merger wave follows the long reconstruction of the sector following the 2008 global financial crisis and the eurozone crisis that followed.

Since the ECB’s decisive intervention in the summer of 2012 to do “whatever it takes” to save the euro, in the words of its then president, Mario Draghi, European banks have made a slow but decisive recovery, which is now being reflected in higher returns and valuations.

“European banks have reported significantly improved earnings generation in the last two years, supported by the high interest rate environment and improving risk profile on the back of continued progress reducing the stock of non-performing loans,” says Maria Rivas, senior vice president, European financial institutions at Morningstar DBRS.

Hyder Jumabhoy, a partner at White & Case and global co-head of the firm’s financial institutions industry group and EMEA co-head of its financial services M&A practice, says Europe’s top 20 banks “have

# Rejuvenated European banking sector driven to still more M&A in 2026

Banks are engaging in increasing amounts of M&A. UniCredit’s pursuit of Commerzbank is the biggest long-running saga in the sector, but elsewhere banks are picking each other off and adding to their portfolios with regulation, falling interest rates and EU efforts to deliver a single market the main drivers, writes **Arthur Bautzer**

generated about \$600bn of excess capital over the past three years.

“Not all of that capital can be returned to shareholders through share buy-back programmes, dividend payments and other forms of returns,” he adds. “Retained capital could be inefficient if not effectively deployed.”

Excess capital is expected to remain plentiful. Ronan O’Kelly, a partner and head of M&A, Europe at Oliver Wyman, says European banks “are set to generate over \$500bn in excess capital over the next three years and are increasingly deploying that on M&A. With many of the deals announced this year promising return on investment in the high teens, compared to [share] buy-backs at 11%-12%, it is clear to see why M&A is in favour.”

European banks’ improved capital position is the most regularly referenced driver of increased M&A. Others include fragmented markets, the need to scale and digitalisation.

“The drivers are similar to what they have been in the past, including national consolidation and non-core disposals,” says Crosby.

“Many European banking markets are still quite fragmented, particularly across Germany, Poland, Italy and Spain,” says Jumabhoy. “It is not a surprise that each of these markets has been a bright spot for bank M&A activity.”

Italy was particularly active, undergoing what Giuseppe Rumi, a partner at law firm BonelliErede and leader of the firm’s banks focus team, calls “an unprecedented period of consolidation”, with over €30bn in transactions, led by Banca Monte

## Average price/book ratios of EU and US banks

Average price/book ratios of Euro area banks is back to one



Data is based on the EURO STOXX Banks index, which covers 28 banks in the euro area and the KBW Bank index, which comprises 23 banks in the US

Source: UniCredit Investment Institute

dei Paschi di Siena's acquisition of Mediobanca for €16.5bn.

For Rumi, banks see "a strategic imperative for scale and operational efficiency to secure enhanced long-term profitability for shareholders".

Another driver is the EU's passporting regime, which is driving activity between the EU and UK. "One of the drivers is the opportunity for non-EU banks to set foot in France to rely on the EU passport opportunity," says Jean-Patrice Labautière, office managing partner at law firm Bryan Cave Leighton Paisner's (BCLP) Paris office. "Indeed, nearly six years after Brexit, some of our UK clients consider that it is a good time for them to rejoin the EU market thanks to the EU banking passport."

"While UK banking licences are no longer passportable across the European Economic Area, the UK and European banking markets in many ways remain symbiotic," says Jumabhoy. "Many banks need access to both markets to provide a genuine pan-European offering."

The need to invest in digitalisation has also driven acquisitions. "While some banks have built their technology stacks, others have focused on acquiring best-in-class tech businesses," says Jumabhoy.

### The political factor

Political opposition to consolidation, often over concerns about associated lay-offs, has remained a barrier to the largest deals, both cross-border and domestic.

"There is significant political opposition to cross-border and even domestic M&A involving national or regional champions," says Duncan



▲ Orcel: UniCredit CEO Andrea Orcel. UniCredit's acquisition of Commerzbank has been stalled by opposition from the German government

▼ MPS CEO Luigi Lovaglio. Lovaglio is under investigation by Milan prosecutors for allegedly coordinating his bank's acquisition of Mediobanca with two investors

Bellamy, M&A partner and co-head of financial institutions group at A&O Shearman.

The Italian government used its 'golden power' framework, which gives it an effective veto on transactions in strategic sectors, to impose conditions on UniCredit's acquisition of Banco BPM, which ultimately failed.

Political opposition was also said to have played a part in the failure to tie BBVA and Banco Sabadell together, a deal that the latter's shareholders rejected.

"In the case of BBVA-Sabadell, the Spanish government imposed stricter conditions for the merger to take place, such as the requirement for separate legal entities to be maintained for at least three years, and extendable to five years, following the closure of the transaction," says Rivas. "[This] significantly reduced the potential cost synergies of the transaction."

But Jumabhoy plays down the extent of political intervention in bank M&A. He believes meeting regulators' demands is the key to transactions going ahead. "Despite press speculation concerning potential deployment/non-deployment of golden powers in some markets, the real focus should instead be on delivery of robust regulatory application and approval strategies," he argues.

### Cross-border challenges

As for cross-border deals, there have been several small and medium-sized tie-ups, but none of the 50 largest European banks by assets have merged.

While UniCredit is continuing its pursuit of Commerzbank, the

German government has made its opposition to the deal clear.

The UniCredit deal would in any case be an unorthodox cross-border consolidation, as synergies would come from integrating Commerzbank with UniCredit's German bank, HypoVereinsbank.

The problems are not just political. There are institutional and regulatory barriers to cross-border tie-ups.

"Cross border banking consolidation continues to be challenging, particularly when merging large banking groups, and which we consider in part due to the lack of progress in clarifying the rules for mergers at European level," says Rivas. "This includes little progress in clarifying the requirements for bank mergers and in completing some of the key aspects of the European Banking Union, such as the creation of a European deposit guarantee fund or European deposit insurance scheme, facilitating a single capital market as well as setting up a European liquidity backstop of last resort, that could act as a safety net in case mergers do not go as planned."

Among the larger tie-ups this year which did go through was Austrian bank Erste's purchase of a 49% controlling stake in Santander Bank Polska for €6.8bn in May.

Erste took advantage of Santander's reorientation of its business towards countries where it is already well established.

The Spanish bank was also active in the UK. After rejecting an £11bn offer for its UK retail business from NatWest, Santander expanded its local presence with the acquisition of TSB from Sabadell for £2.65bn in October.

*Continues on page 24*



# European banks: in-country M&A

The graphics on this and a succeeding page draw on work by S&P Global Ratings in its report *Banking Brief: Europe will remain an M&A hotspot* in November, supplemented with *GlobalCapital* research and analysis from public sources

## KEY



Domestic consolidation



Business diversification

## ICELAND

**Arion banki** with a 1kr250bn (€1.7bn) market cap announced formal merger talks with **Kvika**, valued at €500m, in July 2025

**Islandsbanki** started merger talks in October 2025 with **Skagi**, an investment bank, insurer and asset manager. Skagi shareholders would get a 15% stake in the merged entity

## UK

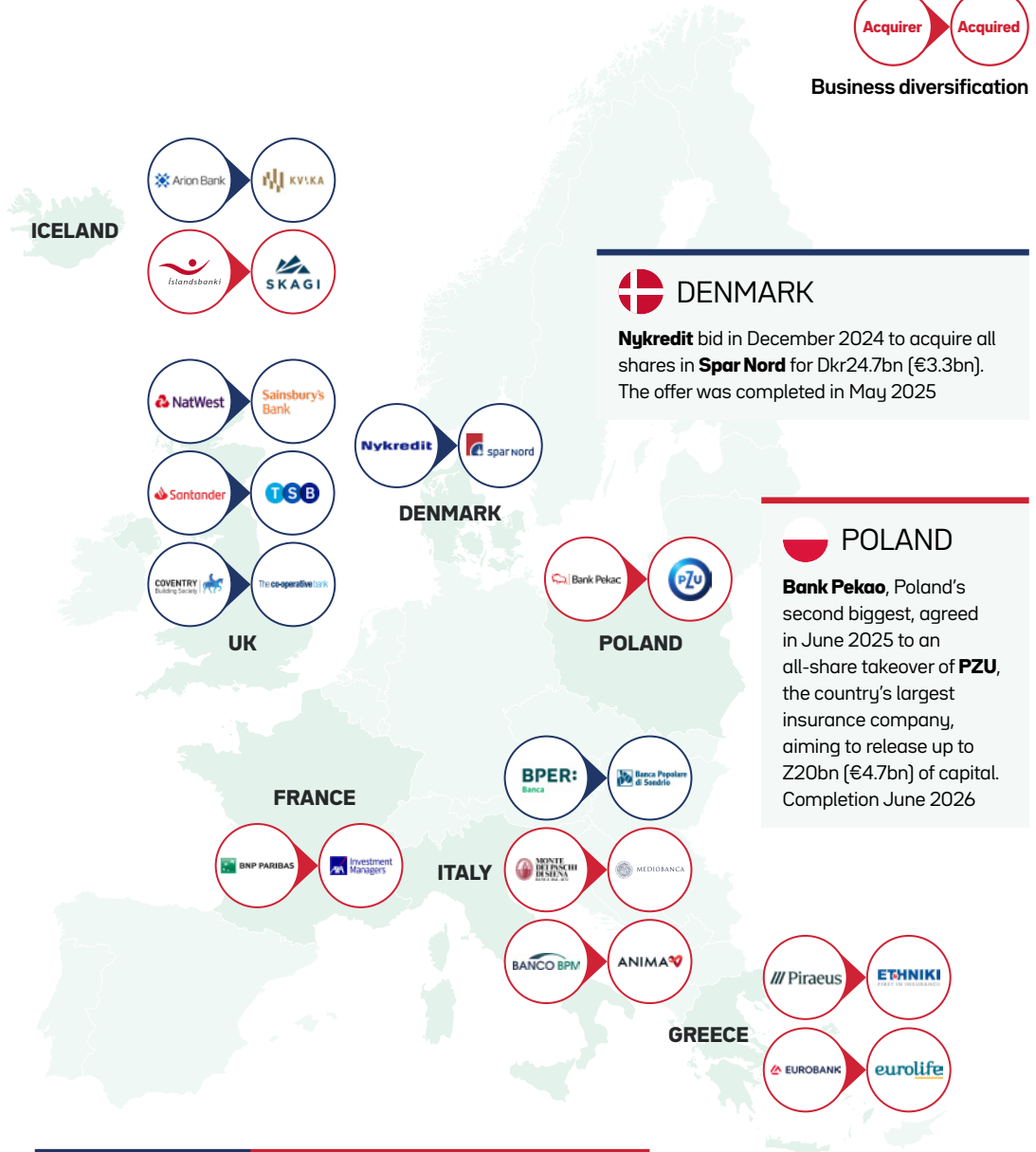
Supermarket chain **Sainsbury's** agreed in June 2024 to sell its bank with £2.5bn of assets to **NatWest**. Sainsbury's Bank paid NatWest £125m as part of the takeover, completed in May 2025

**Santander** announced in July it would acquire retail bank **TSB** from Banco Sabadell for £2.65bn in cash and integrate it into Santander UK. Completion expected in H1 2026

**Co-op Bank** returned to its mutual roots when **Coventry Building Society** bought it for £780m from hedge funds and asset managers, completing in January 2025

## FRANCE

**BNP Paribas** more than doubled its assets under management to €1.5tr by buying French insurer's **Axa Investment Managers** arm with €880bn of assets for €5.1bn in cash in July 2025



## DENMARK

**Nykredit** bid in December 2024 to acquire all shares in **Spar Nord** for Dkr24.7bn (€3.3bn). The offer was completed in May 2025

## POLAND

**Bank Pekao**, Poland's second biggest, agreed in June 2025 to an all-share takeover of **PZU**, the country's largest insurance company, aiming to release up to Z20bn (€4.7bn) of capital. Completion June 2026

## ITALY

In February 2025, Modena-based **BPER Banca** launched an all-share bid for **Banca Popolare di Sondrio** in the Alps. A July sweetening to €5.4bn in cash and shares secured the deal

After a bitter battle, the often rescued commercial bank **Banca Monte dei Paschi di Siena** bought 86% of glamorous investment bank **Mediobanca** for €16.5bn in September. But Milan prosecutors are investigating MPS, its CEO and top two shareholders for alleged market manipulation

**Banco BPM** increased its shareholding in asset manager **Anima** to 90% through a tender offer in April 2025, busting an attempt by UniCredit to buy BPM

## GREECE

**Piraeus Bank** completed the acquisition of 100% of the shares of **Ethniki Insurance** from CVC and National Bank of Greece for €600m in cash in November

**Eurobank** agreed in October to buy the 80% of **Eurolife Life** it did not already own from Fairfax Financial Holdings for €813m. Expected to close in H1 2026

Graphic: Jon Hay, Arthur Bautzer, Paul Pancham

# European banks: cross-border expansion

## KEY



Cross-border expansion



Business diversification

**ABN Amro** bought **Hauck Aufhäuser Lampe** from Fosun International in July 2025 for €672m, bulking up in wealth management and creating Germany's third largest private bank

Norway's top bank **DNB Bank** sealed Skr12bn (€1.1bn) cash takeover of unlisted investment bank and wealth manager **Carnegie**, creating DNB Carnegie investment bank. Closed March 2025

Belgian lender **KBC Bank** already has a Slovak business through Československá obchodná banka. It bought **365.bank** from J&T Finance Group for €761m in May 2025

In May 2025, **Erste Bank** became the third largest bank in Poland by buying 49% of listed **Santander Bank Polska** for €7bn in cash. Santander has kept 10% and all of consumer bank. Closing late 2025

Cooperative banking group **Crédit Mutuel** agreed in March 2025 to buy **Oldenburgische Landesbank** for €1.7bn, with the deal set to close in 2026. Investors led by Apollo had built up OLB through an 11 year roll-up strategy

Starting September 2024, **UniCredit**, with €100bn market cap, has progressively bought 29% of €40bn **Commerzbank**. 30% would trigger full takeover offer. German government opposes a merger

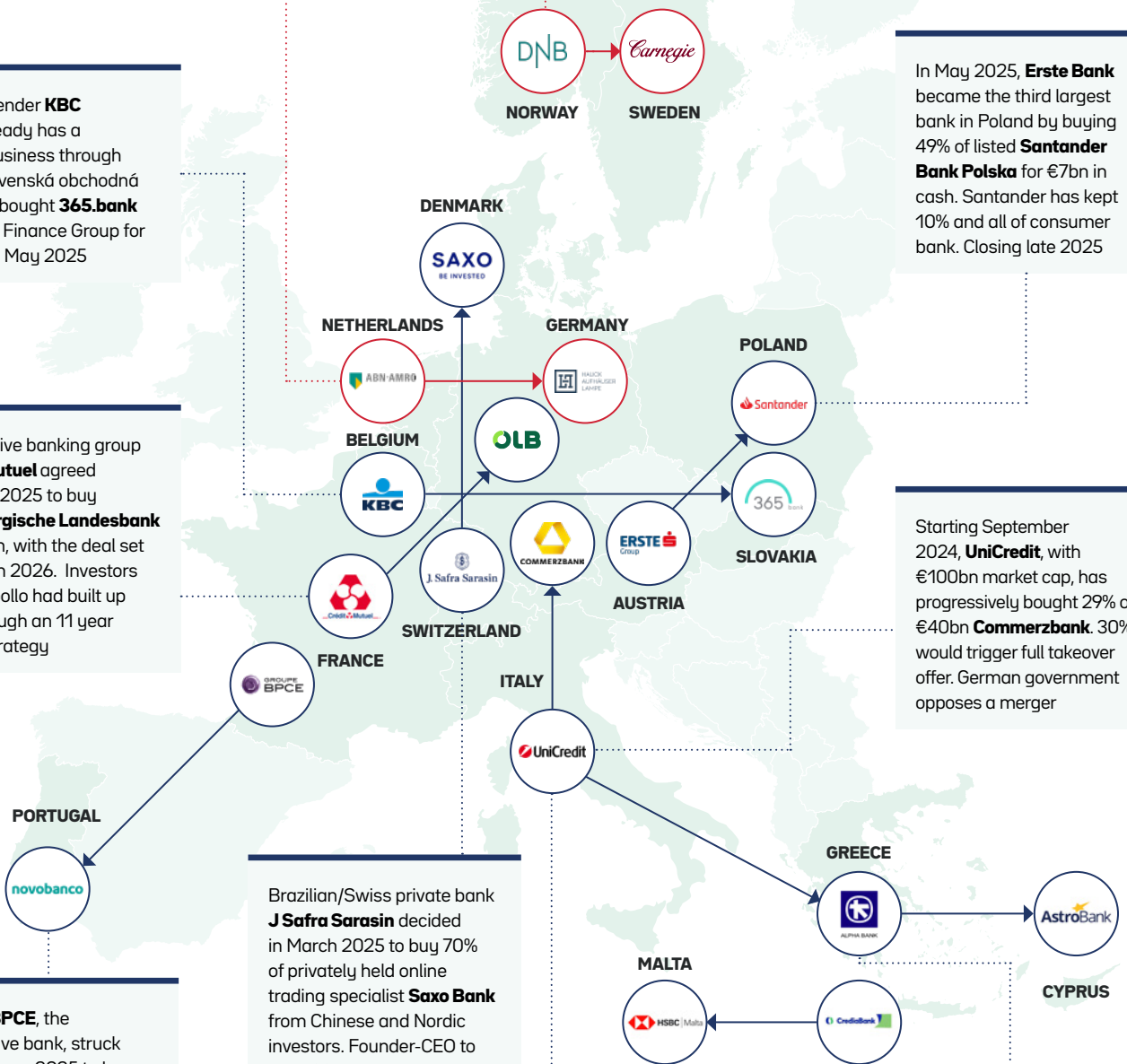
Brazilian/Swiss private bank **J Safra Sarasin** decided in March 2025 to buy 70% of privately held online trading specialist **Saxo Bank** from Chinese and Nordic investors. Founder-CEO to keep 28% stake

**Groupe BPCE**, the cooperative bank, struck deals in June 2025 to buy 75% of **Novo Banco** from Lone Star for €6.4bn, and in October to buy Portuguese state's 25% for €1.6bn. Completion due H1 2026

**UniCredit** increased its shareholding in Greece's **Alpha Bank** from 9% to 29.5% in May, August and October 2025. The two banks have merged their Romanian operations

**CrediaBank** agreed in September 2025 to buy HSBC's 70% share in **HSBC Malta**, its listed Maltese bank, for €200m. It will make an offer for the other shares. Completion by end-2026

Greece's second largest bank **Alpha Bank** bought the fourth largest in Cyprus, **AstroBank**, for €205m in cash in October 2025, giving it a 10% market share



Graphic: Jon Hay, Arthur Bautzer, Paul Pancham

Source: S&P Global Ratings, public sources

Continued from page 21

Bellamy at A&O Shearman, which advised Santander on the acquisition, says this was “a particularly strategic deal for both Santander – who reinforced their commitment to the UK market following their rejection of approaches by NatWest and Barclays for their UK business – and Sabadell, being an important part of their successful defence strategy to the failed hostile takeover by BBVA.

“This deal highlighted the dynamic nature of the current market and the clear appetite for M&A from a number of major banking groups in the UK and continental Europe.”

Two private equity-owned banks, which had been considered potential IPO candidates, were instead sold to French banks: BPCE bought Portugal’s Novo Banco for €6.4bn, while Germany’s Oldenburgische Landesbank went to Crédit Mutuel for €1.7bn.

There is no clear consensus as to whether cross-border or domestic M&A will be more prevalent next year.

“Large scale cross-border M&A is going to continue to be challenging, but smaller scale is still there to be done,” says Crosby.

“We are optimistic that bank M&A activity will continue in 2026,” says Bellamy. “We think this is likely to be focussed on domestic consolidation, but there is clearly appetite for transformative cross-border M&A, albeit with significant challenges to execution.”

Jumabhoy is also optimistic: “Cross-border M&A will continue, alongside domestic and regional consolidation.”

O’Kelly at Oliver Wyman believes cross-border deals will capture a growing share of attention. “The focus will be increasingly shifting away from domestic consolidation as many European markets are relatively concentrated, though not as a region overall, to cross-border consolidation,” he says.

“I expect further M&A at national level,” says Rumi, “particularly in EU member states where the banking sector remains highly fragmented. Cross-border deals, on the other hand, may reasonably occur if the acquiring bank already has a presence in the target market – thus making it a scale-up rather than entering a new market from scratch – or if it is looking to



▲ Banco Sabadell Chairman Josep Oliu. Sabadell successfully fought back a takeover from larger rival BBVA

support strategic diversification towards digital and capital-light business models.”

### Hope from SIU

Some market participants hope the Savings and Investment Union (SIU), the European Commission’s latest effort to break down barriers between EU member state capital markets, could drive more mergers.

Fitch said in the summer it expects that “if successful, the SIU project could provide medium-term benefit for large and diversified banks that can combine a retail and commercial banking activities to gather savings with a [commercial and investment banking] business, which is able to structure and market securitisation to distribute it to large investors or to their insurance and asset manager.

“The SIU could fuel additional bolt-on acquisitions in asset and wealth management and insurance. We think this trend might lead to larger conglomerates that could dominate the European financial industry.”

The renewed drive to integrate the EU’s capital markets and to finish Banking Union could be an indirect driver of M&A, says Rumi. “The creation of a truly pan-European marketplace could generate new economies of scale and provide the economic rationale that banks currently lack for cross-border deals,” he says.

“Indeed, breaking the structural link between banks and their home countries would foster trust among all member states and make cross-border M&A more politically feasible.”

Labautière believes the implementation of EU legislation agreed last year could have an impact. He points to the latest amendments to the EU Capital Requirements Directive (CRD VI). “There is a narrow provision included in CRD VI (Article 21c) which may have the effect of drastically changing how non-EEA lenders go about lending and providing other core banking services to EEA clients,” he says.

Previously, in some EU countries, including Germany, third-country banks without local branches or subsidiaries could still provide banking services if they were considered subject to regulations comparable to EU and national ones.

Article 21c ends this option. From January 2027, financial institutions will only be able to provide ‘core banking services’ if they have established a licensed branch in the EU.

“This Article 21c may have an impact on the cross-border banking services and potentially cross-border consolidation,” says Labautière.

### Catch a falling rate

Banks have benefited from higher interest rates in recent years, which has boosted net interest margins. Central banks are now cutting rates. The ECB forecasts inflation will undershoot its 2% target in 2026, increasing the probability of more rate cuts next year.

That could drive banks to diversify away from interest rate-based sources of income by buying fee generating businesses, such as insurance and asset management.

“You’ll see that trend continue, provided it’s the right deal,” says Crosby. “Morgan Stanley has done this really well in recent years with deals like Solium Capital, E\*TRADE, Eaton Vance and more recently EquityZen.”

“With private equity exits anticipated in the wealth management space, we see high interest in an increasingly scarce set of targets,” says O’Kelly.

According to Jumabhoy, this is just “the first wave” of bank M&A. “We have not yet seen the peak; 2026 and 2027 are expected to be busy bank M&A years.” ©

# Credit issuers add new flavours to growing Australian dollar bond market

The Australian dollar bond market's growth has propelled it to be the third most important funding currency for some international bond issuers. Its ability to offer investor diversification and arbitrage funding is attracting an increasing number of issuers from spread-conscious SSAs to banks and companies seeking strategic capital, write **Sarah Ainsworth** and **Atanas Dinov**

**M**ore and more foreign borrowers of all kinds have been coming to the Australian dollar bond market over the past few years, though until recently issuance had largely been dominated by sovereign, supranational and agency (SSA) institutions. In 2025, the market bloomed some more, luring credit issuers to print strategic and subordinated capital deals.

The rising status of the Aussie market has meant it is now contending to be the third most important funding currency for some issuers after dollars and euros. Already by mid-2025, it had grown to rival sterling in relevance for SSA and bank issuers, argue some bankers and issuers.

Bankers highlight Crédit Agricole's A\$1.5bn (\$972m) five year fixed and floating rate senior Kangaroo from August as an example of a deal size for a non-domestic bank that surpasses what the sterling market can offer.

One bank capital specialist, away from the deal, notes that it was not even the bank's first Aussie dollar deal of the year, having issued a A\$600m tier two dual tranche Kangaroo in January.

But though corporate and bank issuers expected to make debuts next year are showing growing

interest in the market, plenty of SSA funding is still being done in it, especially late in the year.

For instance, KfW completed its 2025 core benchmark funding in euros and dollars in September. After that, the German development bank was active in various currencies, including twice in the Aussie market in October.

Yet some bankers argue that the Kangaroo bond market – international issuers issuing under Australian law – represents more than just an opportunity for residual borrowing, and not just for public sector issuers. Rather, it is becoming an important strategic market for those borrowers looking to expand their footprint.

One debt capital markets banker says it is “evolving more into a G3 market” as both liquidity and investor appetite has “dramatically increased” across the curve in recent years. “It has really grown, with issuers finding more capacity and a strong investor base and evolved into something on a par with the sterling market,” he says.

Bankers across the FIG and corporate bond markets back this view, with some noting it has already surpassed the sterling market for relevance. One London-based head of FIG syndicate points out that Australian dollar bonds are

distributed far more broadly across Asia-Pacific, whereas UK investors dominate the sterling market.

Bankers are optimistic that the Kangaroo bond market will continue to flourish in 2026 as issuers reap the strategic benefits of diversification, though one banker argues that timing when to come to market is still an important factor.

“The Aussie market has come a long way,” he says. “There is more depth and liquidity. But coordination is still important and it's important that the market can digest the supply that's coming. Hopefully, as the market matures, we will see capacity for multiple trades to arrive at once, but I think we haven't quite reached that stage yet.”

## Arbitrage matters

Meanwhile, despite the health of the market, some SSAs are still at the start of their Kangaroo bond journey.

Manuel Valdez, director of debt capital markets and derivatives at Corporación Andina de Fomento, says that while the issuer mainly funds in dollars followed by euros, it has been exploring opportunities in other markets, like the Aussie dollar. “We did a A\$500m trade last year and plan to do more investor work,” he adds.

Funding in Australian dollars has often saved cost for issuers compared to the US dollar or the euro market. This is still a big driver of issuer appetite.

Several SSA funding officials tell *GlobalCapital* that they will only venture into the Kangaroo bond market if it makes sense from a funding cost perspective.

That includes the Dutch public sector bank Nederlandse Waterschapsbank. As a euro-based funder, it singles out the favourable

**“The extremely tight SSA spreads versus US Treasuries is one of the reasons why the Aussie deals have been so successful this year as they still offer a decent pick-up to govies”**

Mascha Ketting, senior funding officer at BNG Bank

funding arbitrage as a key reason to visit the Aussie dollar market.

“We see arbitrage opportunities improving in the shorter Aussie dollar maturities,” says Mark Dams, funding and investor relations at NWB. “The euro/Australian dollar cross-currency basis has modestly come our way,” he noted in October.

Jim Hopkins, assistant deputy minister, provincial treasury in finance for the Province of British Columbia, says arbitrage was a crucial factor in its involvement in the market. The Canadian province runs an Australian medium-term note programme.

“Issuing offshore bonds is about balancing fair performance for investors, while also achieving competitive funding levels relative to Canadian dollars, as the economics must be favourable for taxpayers,” Hopkins notes.

“The funding level and economics are very important for the province, so we are very patient and selective. More often than not, we are recording savings when issuing in foreign currencies,” he adds.

All of British Columbia's foreign bond proceeds are swapped back to Canadian dollars. “The liquidity has to be there in long-dated cross-currency swaps for execution,” says Jason Lewis, director, capital markets for the province. “The longer the maturity, the more risk in execution, but we achieve competitive pricing and mitigate risk through collateralisation.”

Furthermore, the capital markets team gathers a lot of information from its dealer banks, “which helps us to be well informed when approaching swap and bond markets”, Lewis adds.

### Being different matters

This approach has not been limited to the SSA sector as similar views have driven credit issuers this year.

In June, NextEra Energy — a US electric utility company — issued the first ever corporate hybrid bond in the Kangaroo market, a A\$775m 30 year non-call five trade issued in fixed and floating rate tranches. The deal followed a couple of domestic corporate hybrids, and marked NextEra's return to this market following its senior debut in 2019.

As the deal was priced at a similar level to its US dollar bond levels, according to sources based in Australia, the US utility chose to raise capital in Aussie dollars before

## “Issuing offshore bonds is about balancing fair performance for investors, while also achieving competitive funding levels”

Jim Hopkins, assistant deputy minister, provincial treasury in finance for the Province of British Columbia

it moved to the bigger and deeper euro market in early November with a similarly structured, €2.5bn dual-tranche transaction.

Then in August, Electricité de France made its Kangaroo market debut by reopening the 20 year part of the senior corporate market with a A\$500m tranche, along with a A\$500m 10 year note.

The 20 year leg was particularly notable as this was the first foreign offering in that part of the curve since Verizon's sub-benchmark sized deal in 2021. Naturally, the deal has created expectations for more foreign long-dated forays ahead.

The zeal to access Aussie dollar funding has been evident in the FIG market too, with major international banks bringing tier two issues to the market.

In early March, HSBC defied rates volatility in most major markets, stemming from a government bond sell-off, as it ventured to the Australian dollar market with a A\$1.5bn 10 year non-call five

dual-tranche tier two Kangaroo. The trade came soon after a A\$600m 10NC5 two-part tier two from Banco Santander at the end of February.

Market observers judged both issuers to have paid some new issue concession in local terms, but Santander also offered around 5bp-7bp of premium to its euro curve. This created different dynamics for both trades, with HSBC's deal being 67% anchored by Australian and New Zealand accounts while the relative value of the Spanish trade meant a higher share of non-domestic buyers.

Undoubtedly, however, both deals were popular as HSBC ended with an orderbook in excess of A\$4bn and Santander attracted A\$4bn at peak demand, and settled at A\$3.4bn.

But it was in late September that UBS gave the biggest vote of confidence to the Aussie market with its landmark AT1 — a A\$1.25bn perpetual non-call 5.5 year, which was the first foreign foray in that part of the capital structure in six years.

“The Australian dollar market has been very conducive for issuance,” Chris Chadie, global head of issuance and funding strategy at UBS, told *GlobalCapital* at the time of the issue. “We had received reverse inquiries for an AT1. We felt it was the right time for a foreign bank to reopen the Australian dollar AT1 market.”

### FIG expansion

The deal was estimated to have come 40bp-50bp inside where UBS AT1s were trading in US dollars at the time. Though UBS does not issue AT1s in euros, the level it achieved — given US dollar AT1 funding costs were around 30bp-50bp better than in euros for much of 2025 — may have saved as much as 100bp compared to a euro AT1.

The trade had a wider significance, too. In December 2024, the Australian Prudential Regulation Authority (Apra) confirmed it was phasing out the

### Landmark Australian dollar credit deals: January – October 2025

#### June

**NextEra Energy Capital Holdings** issues the market's first Kangaroo hybrid via ANZ, Bank of America, MUFG, NAB  
A\$475m 6.043% June 2055 non-call June 2035 tranche  
A\$300m June 2055 non-call June 2035 FRN tranche

#### August

**Commonwealth Bank of Australia** issues multi-tranche self-led domestic jumbo deal achieving the largest final orderbook on an Australian dollar issue from a credit issuer, as final demand hits A\$13.57bn. It achieves the tightest curve between threes and fives among major Australian banks.

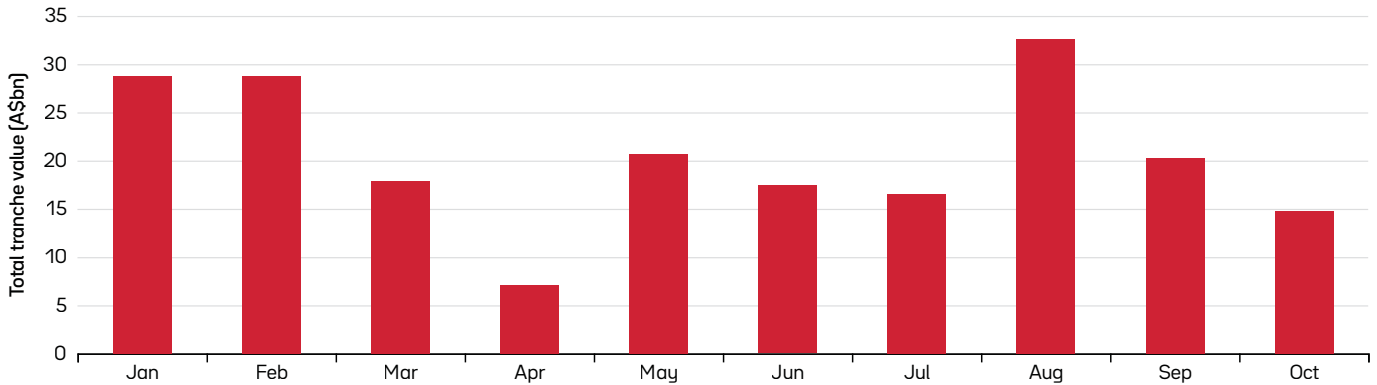
A\$2bn November 2028 FRN tranche  
A\$300m 3.9% November 2028 tranche  
A\$2bn August 2030 FRN tranche  
A\$700m 4.239% August 2030 tranche

#### September

**UBS Group** issues the first international additional tier one capital in six years via ANZ, CBA, NAB, UBS and Westpac  
A\$1.25bn 6.375% perpetual non-call September 2030

## All Australian dollar bond issuance by monthly volume, excluding government bonds

January - October 2025



Deals include domestic and foreign bonds, in all formats, including MTNs, but excludes Australian government bond issuance

Source: Dealogic

AT1 layer from Australian banks' capital requirements.

Though this is a uniquely Australian decision, with the majority of local banks' AT1s sold to retail and non-institutional investors, many market participants have worried about obstacles to foreign banks' re-entry to the Aussie AT1 market.

One of these hurdles was the targeting of retail investors, which UBS's trade did not as its trade was all sold to institutional buyers.

Another was the documentation. UBS cannot issue AT1 capital under any law other than Swiss, hence it printed the trade from its EMTN programme.

It has led some bankers to believe Apra may still show some resistance towards a Kangaroo AT1 were an international issuer to try and issue one as it could be distributed to all types of investors.

Nonetheless, UBS offered a blueprint for international banks looking to issue AT1s in the currency.

With UBS eyeing further visits to this part of the market, its approach suggests that the MTN route will be a plausible one from a regulatory perspective.

"This was not one and done," said UBS's Chadie at the time of

its AT1. "We are committed to this market. Just like we did in the Singapore dollar market, we expect to be in a position to build up our AT1 curve."

### Less arb consideration

Cross-currency funding arbitrage is not of prime concern to every issuer, however.

For example, CPP Investments, which issues debt as the Canada Pension Plan Investment Board, typically leaves its local currency issuance including in Aussie dollars unswapped, meaning it can access the market more regularly.

"One of the reasons CPP Investments can be quite programmatic in its approach is that we do not swap back to Canadian dollars. Other borrowers might be more focused on the cross-currency arbitrage," explains Sam Dorri, managing director, beta, collateral and liquidity management, at CPP Investments.

It placed two benchmark Aussie deals in the first quarter of 2025, raising A\$4.15bn.

But for most SSA issuers, regardless of arbitrage considerations, investor demand has to be sufficient.

"The extremely tight SSA spreads versus US Treasuries is one of the reasons why the Aussie deals have been so successful this year as they still offer a decent pick-up to govovies," says Mascha Ketting, senior funding officer at Netherland's BNG Bank. "A five year SSA Aussie deal could give investors a pick-up of 40bp-50bp over Aussie government bonds, and we've seen a lot of real-money accounts going back to the Aussie market."

Still, calibrating the right maturity with investor demand can be a balancing act. In the Aussie dollar bond market, investor interest is particularly strong at the longer end of the curve.

"We observe there is more investor interest in long-end Aussie dollars, though NWB does not have the balance sheet requirement in that part of the curve," says Dams.

This is where bankers find strong participation from investors beyond the local market. Long-dated paper from SSAs as well as credit issuers can fetch bids from insurance companies across all of Asia Pacific.

Other issuers see appetite across the belly and into the long end. "There's been good demand in Aussie dollars in the belly of the curve or even a touch longer to allow for some very attractive levels to be achieved," says a European agency issuer.

But local buyers certainly play their part, especially at the longer end of the curve. "The superannuation system in Australia, combined with high yields and steep curve, has meant those pension investors have good appetite for highly rated European SSAs," says a senior SSA origination banker. ©

**"The liquidity has to be there in long-dated cross-currency swaps for execution. The longer the maturity, the more risk in execution, but we achieve competitive pricing and mitigate risk through collateralisation"**

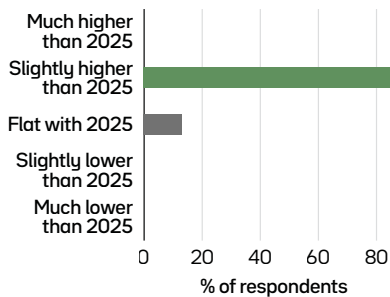
Jason Lewis, director, capital markets at Province of British Columbia

# The *GlobalCapital* survey of heads of debt capital markets

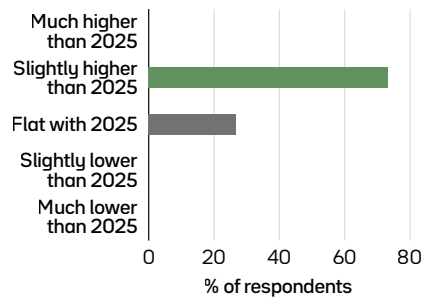
The most senior debt capital markets bankers across the Street appear to be an optimistic bunch heading into 2026. In *GlobalCapital's* survey of the heads of DCM, **Ralph Sinclair** discovers upbeat expectations for volumes, pay and hiring and asks how tech is reforming the business

What is your prediction for volumes in EMEA primary bond markets in 2026?

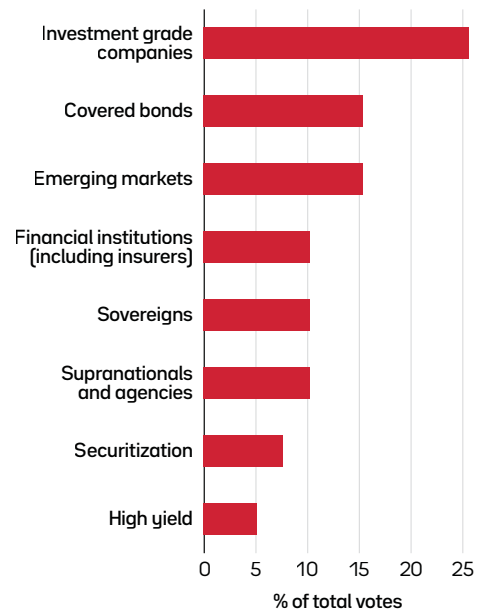
### Volumes



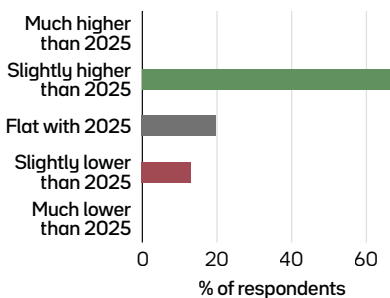
### Fees



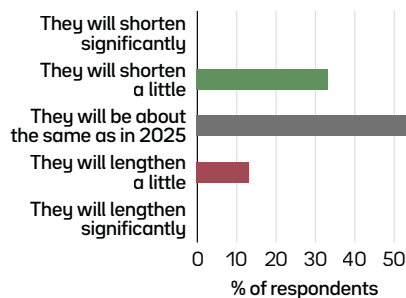
Which sectors/client groups are you most optimistic about for 2026 in terms of revenues?



### Spreads

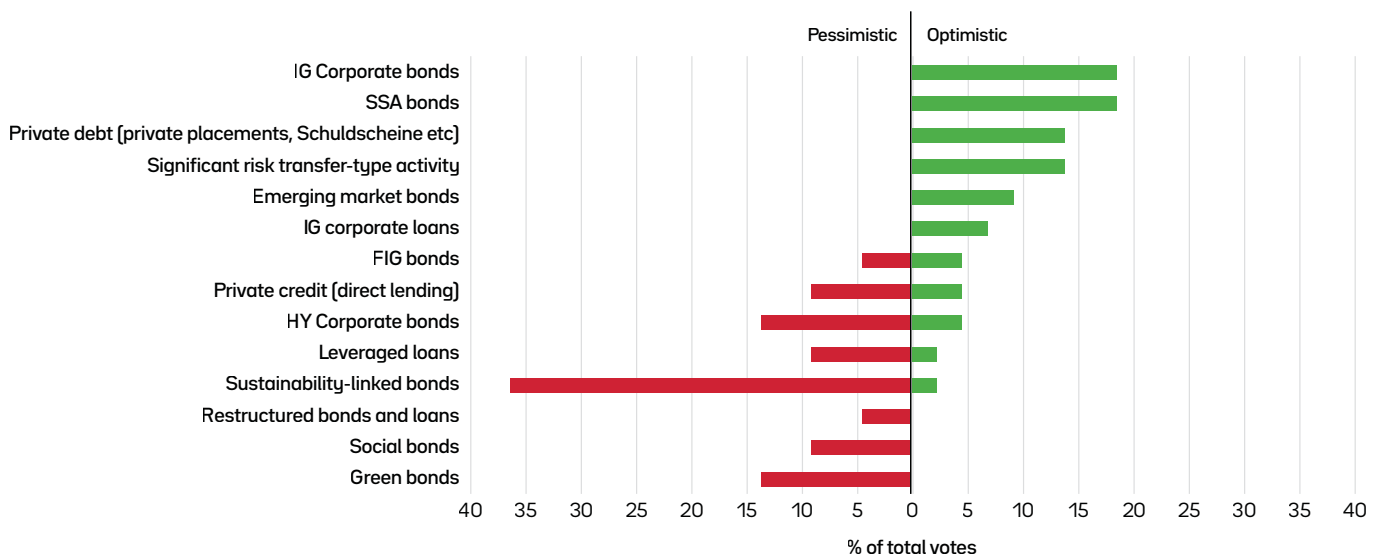


### Maturities



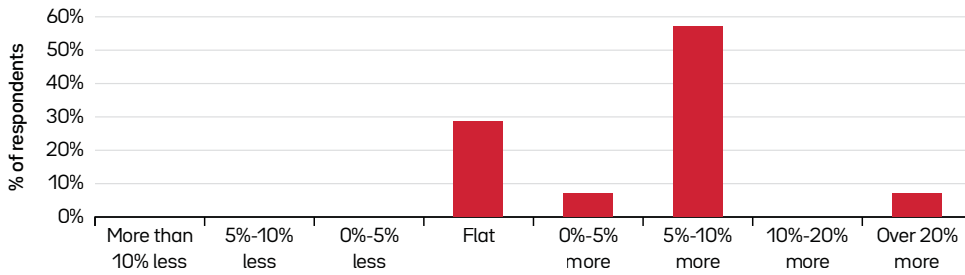
Respondents could choose as many options as they wished

Which products are you most optimistic and pessimistic about for 2026, by volume?

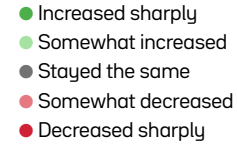


Respondents could choose as many options as they wished

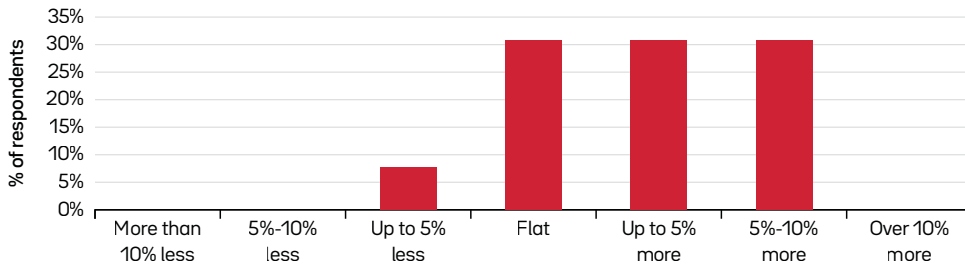
**Do you expect your business to make more or less money in 2026 than in 2025?**



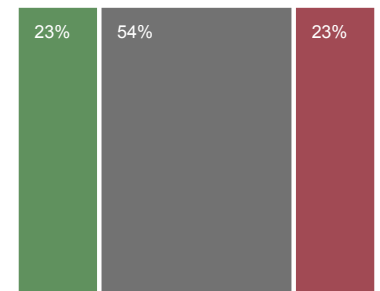
**Thinking about 2025 compared with 2024, how has the rate at which competitors have poached or attempted to poach your staff changed?**



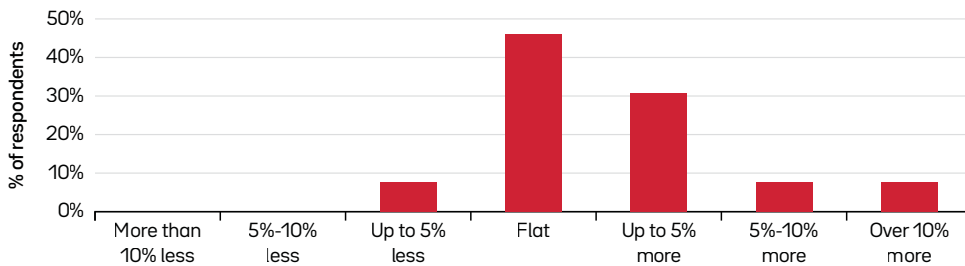
**Do you expect your MDs and directors to be paid more or less in 2026 than in 2025?**



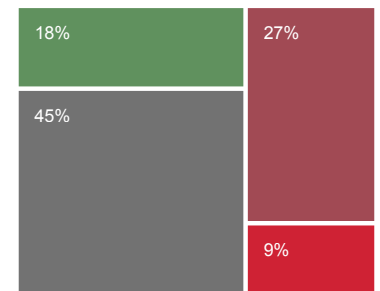
**Senior staff (eg MDs and directors)**



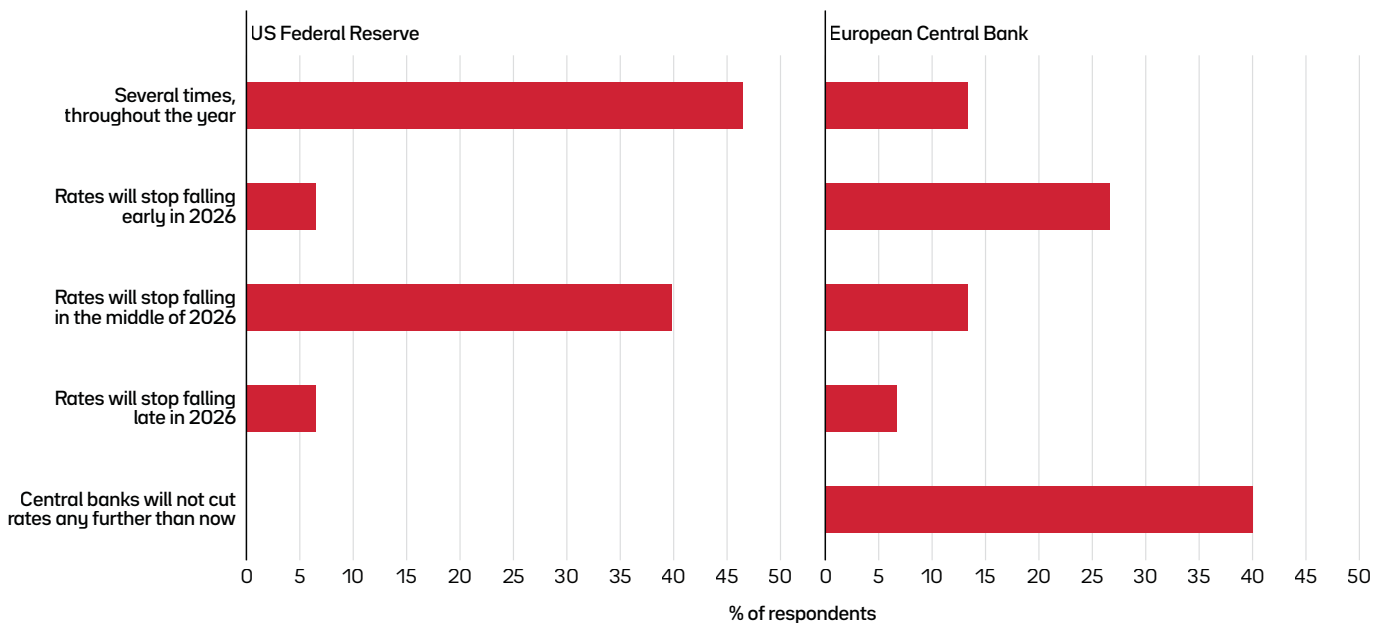
**Overall, will there be more or fewer people working for you by the end of 2026 than now?**



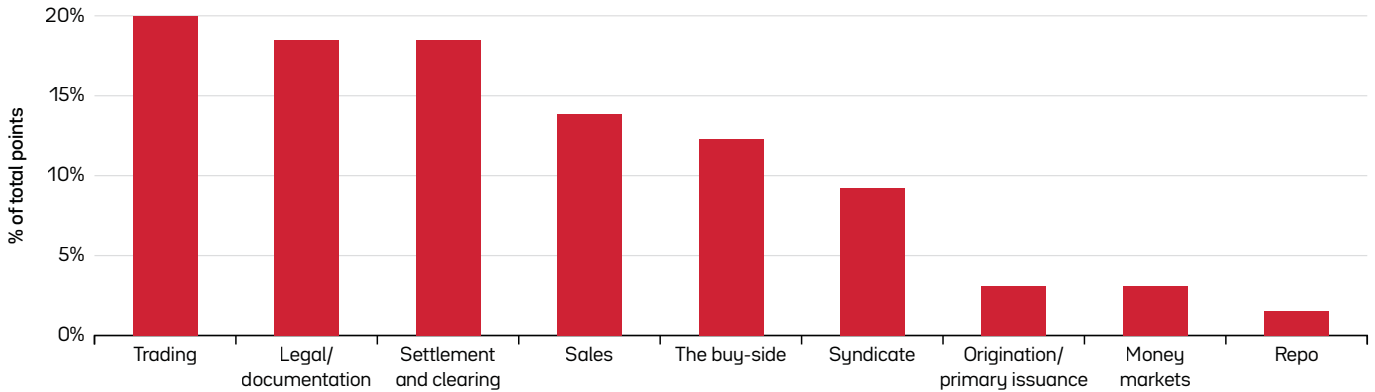
**Junior staff (eg associates and analysts)**



**How aggressively will the US and European central banks loosen monetary policy in 2026?**

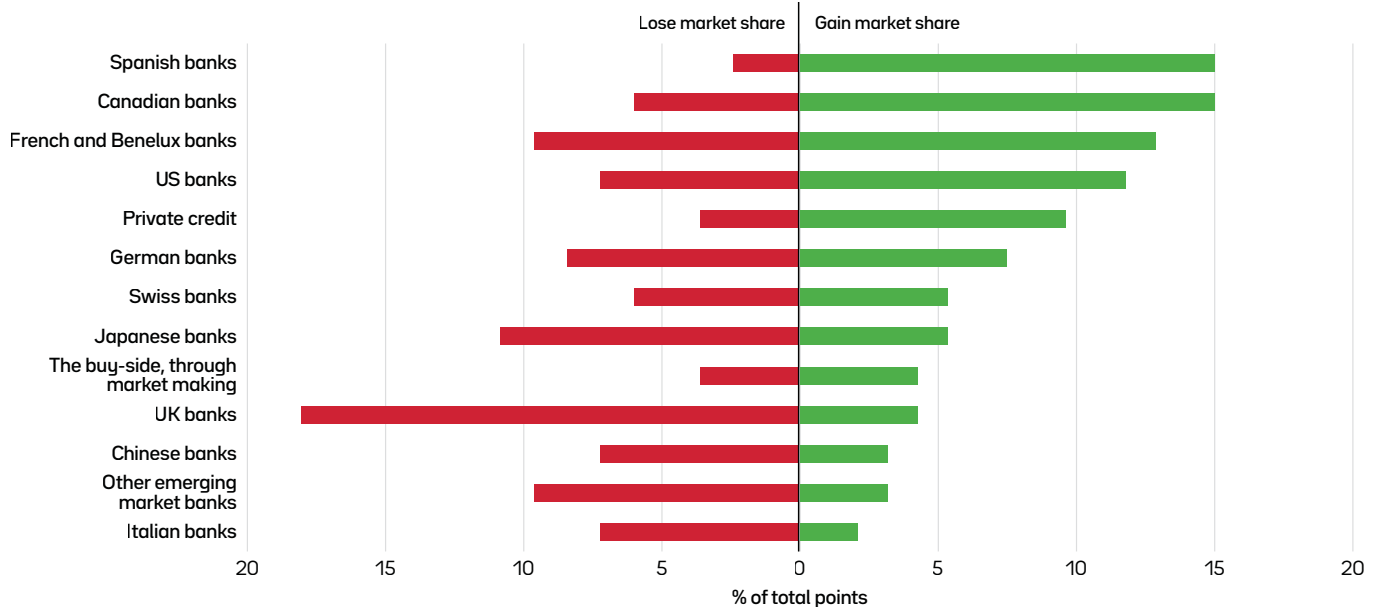


### Which sectors of the market will have the most exciting technological developments in 2026?



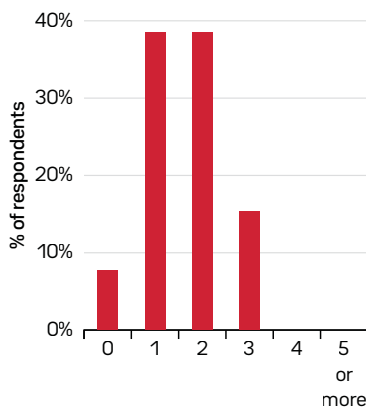
Respondents were asked to rank their top three choices. First preferences were allocated three points, second preferences were allocated two points, and third choices got one point

### Which banks do you expect to gain and lose market share in EMEA DCM the most in 2026?

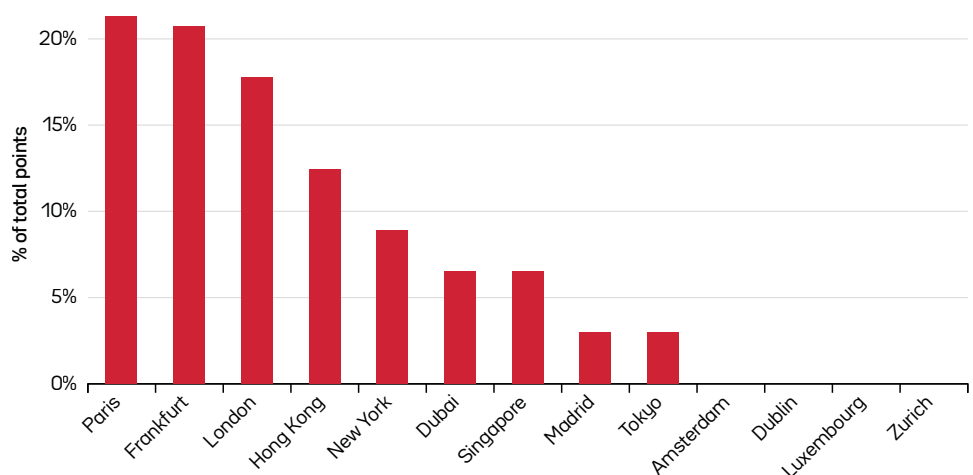


Respondents were asked to rank their top three choices. First preferences were allocated three points, second preferences were allocated two points, and third choices got one point

### How many bank mergers (announced or completed) can we expect to see in 2026 that will involve a top 25 bookrunner bank?



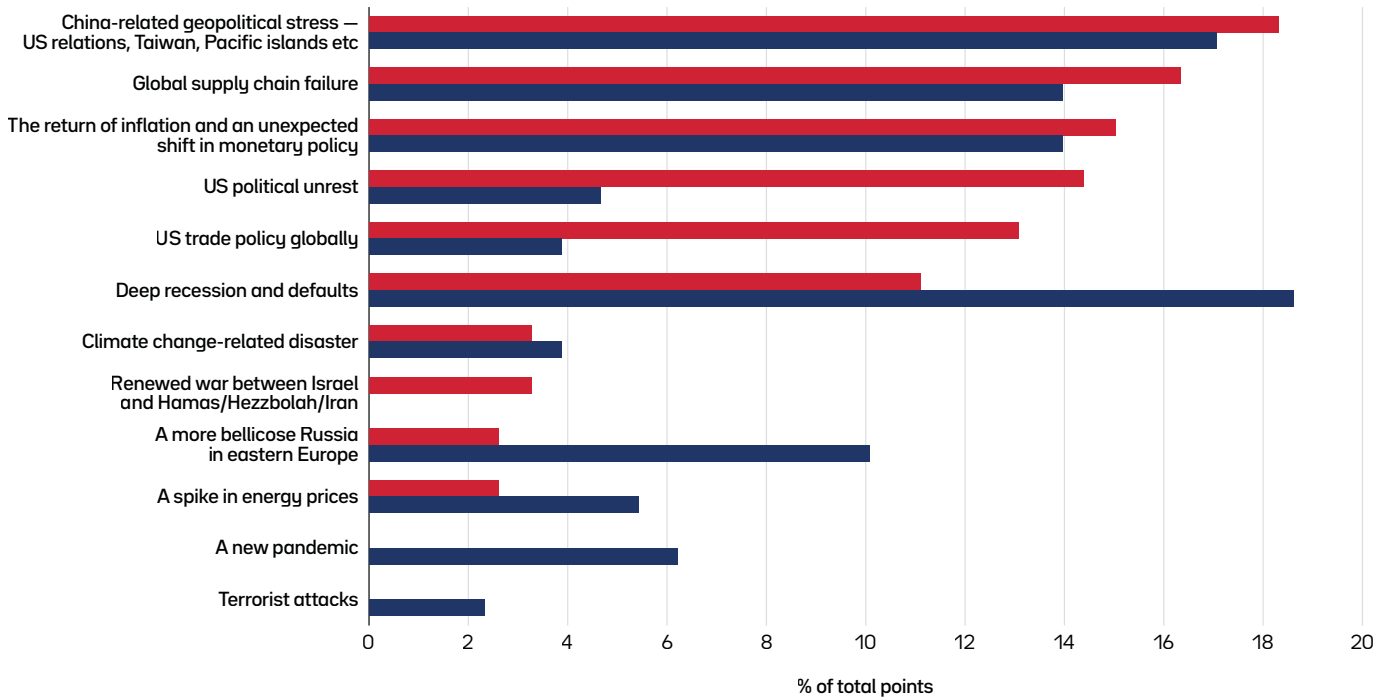
### Which will be the most important capital markets hubs at the end of 2026?



Respondents were asked to rank up to five choices in order of preference. First preferences were allocated five points, second preferences were allocated four points, and third choices got three points, and so on

### Which of the following risks to DCM in 2026 are the most likely, and which would have the most severe impact?

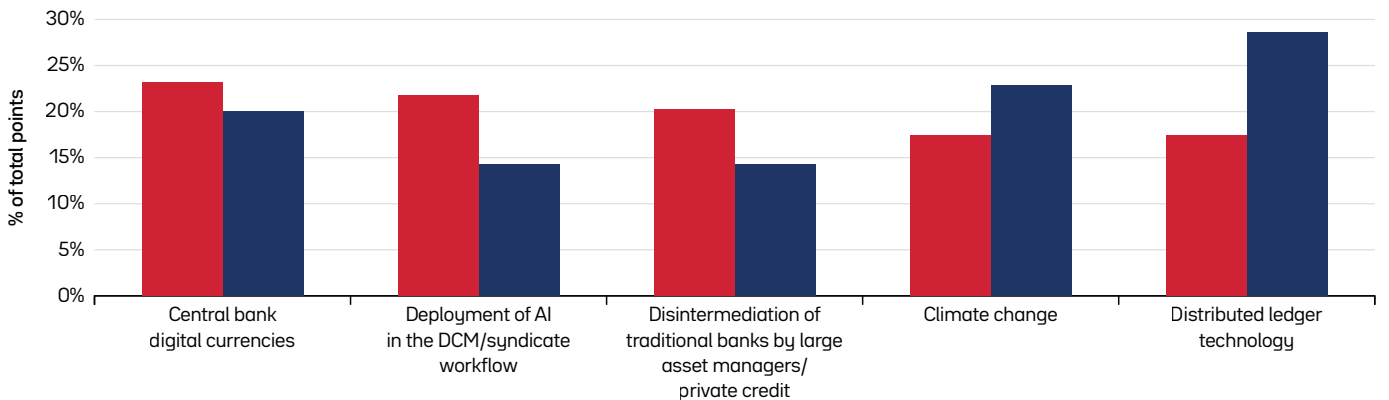
● Most likely ● Most severe if it were to happen



Respondents were asked to rank as many options as they liked. The most choices any one respondent made was five. Therefore, each respondent's top choice was scored five points, its second choice scored four points, its third choice three points and so on

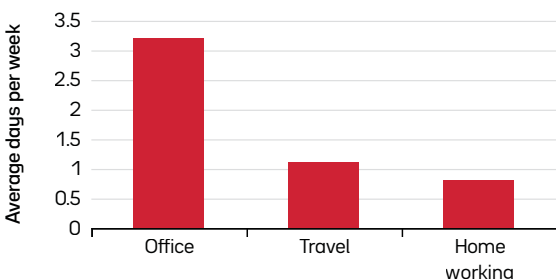
### Which of these themes in capital markets is most likely to change the way you do business in 2026?

● A true disrupter of capital markets ● Overhyped

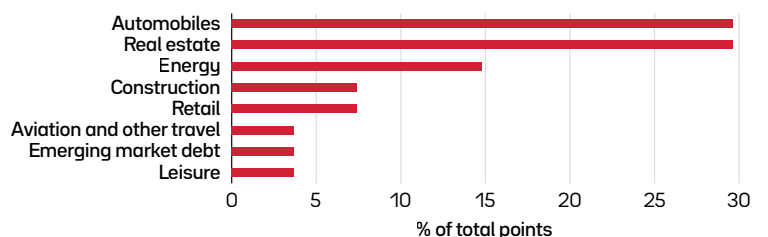


Respondents were asked to rank as many options as they liked. The most choices any one respondent made was five. Therefore, each respondent's top choice was scored five points, their second choice scored four points, their third choice three points and so on

### What is your average split of time between the office, home working and travel?

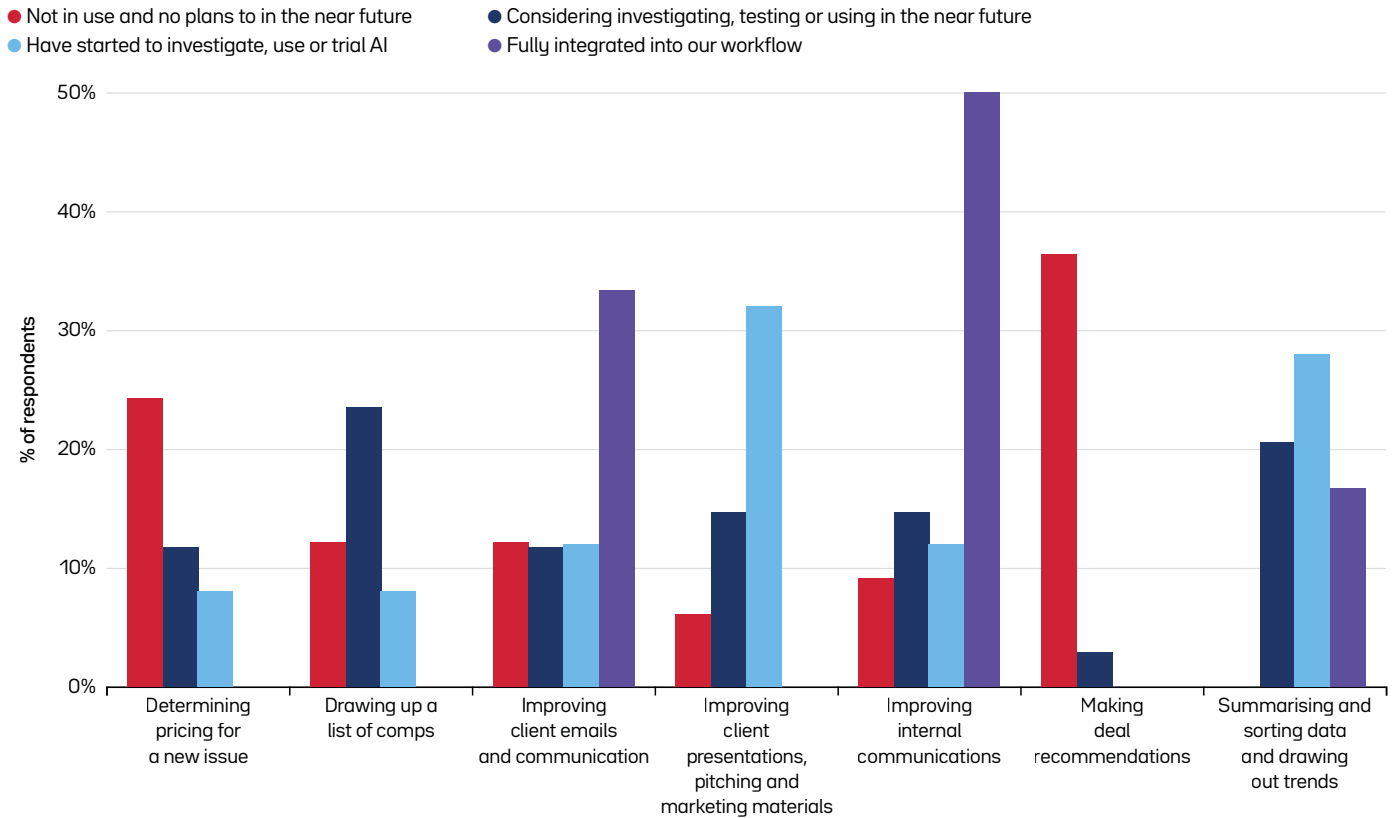


### From which sectors can we expect the most debt restructurings in 2026?

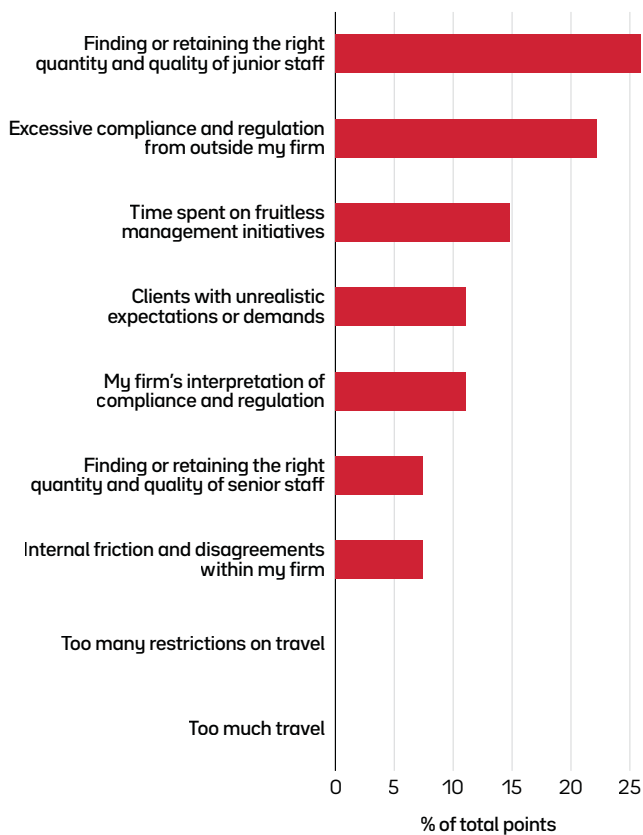


Respondents were asked to pick a maximum of three, with one point awarded to each choice

### How are you using AI in your business?



### What is the biggest burden on doing business?



Respondents were asked to make up to three choices, in no order of preference. Each time an option was picked, it was allocated one point

### What is the biggest management challenge you face in your business?



Respondents were asked to rank as many options as they liked. The most choices any one respondent made was five. Therefore, each respondent's top choice was scored five points, its second choice scored four points, its third choice three points and so on

# Debuts and derring-do define SSAs

The sovereign, supranational and agency bond market in 2025 featured a number of innovative debuts, bringing new issuers to this most venerable of asset classes. Meanwhile, some of its biggest names priced stellar deals, breaking records and pioneering new formats even in volatile markets



Deals of the Year  
GlobalCapital

## SUPRANATIONAL EURO BOND OF THE YEAR

### European Union

**€5bn 2.5% October 2030 and €6bn 4% October 2055 dual-tranche**

*Bank of America, Barclays, Crédit Agricole, LBBW, Morgan Stanley*

The European Union (EU) sealed another year of eye-catching syndications in 2025, which it issues in well-telegraphed windows.

In 2025, that strategy resulted in the EU pricing in the aftermath of Germany's "whatever it takes" moment in February and the US tariff scare in April.

But the standout was September's syndication, which happened the day after then French prime minister François Bayrou lost a confidence vote, before also losing his job.

The EU could have held back but it didn't falter, pricing an €11bn sale backed by almost €200bn of demand and shaking off any fears that the French government's collapse might disrupt its market access.

OATs had long been an important reference for EU bonds, but France's economic and political struggles have decoupled the two products.

The September transaction offered the strongest statement to the market that the EU's bonds trade on their own terms now, while the issuer proved it could maintain its predictable issuance pattern as a safe haven issuer.

## SUPRANATIONAL DOLLAR BOND OF THE YEAR

### Corporación Andina de Fomento

**\$2bn 5% January 2030**

*Bank of America, Deutsche Bank, JP Morgan, Scotiabank*

CAF's record \$2bn five year deal from January was a transaction that impressed the market on many levels.

The trade marked the biggest bond that the Caracas-based multilateral development bank (MDB) has ever sold, yet it was just one of a string of highly successful, immensely popular transactions it pulled off in 2025.

It sold hybrid capital in June and broke its own record for orders in euros in September, but it was its dollar deal from January that best exemplified how far the issuer has progressed in just a few years.

The bond was priced 50bp inside where CAF sold a deal of the same tenor exactly one year before, both versus Sofr mid-swaps and US Treasuries. The issuer paid just 40bp on top of the European Investment Bank, when it had been trading at twice that spread a year before.

This transaction was proof of CAF's evolution as a credit — the fruit of a combination of tireless investor relations work and reliability in bringing large, liquid bonds that perform in the secondary market.

## AGENCY BOND OF THE YEAR

### Bank of England

**\$2.5bn 3.75% October 2030**

*Bank of America, Barclays, BNP Paribas, JP Morgan*

As an issuer, the Bank of England is best known for its metronomic funding strategy: since 2007, the Bank has issued a three year dollar bond of around \$2bn once a year to finance its foreign currency reserves.

But in October, it spiced things up with an additional \$2.5bn five year trade that marked an important break from tradition. Investors embraced the change with enthusiasm, pouring a whopping \$11.4bn of orders into the book.

The transaction won praise from bankers on and off the deal, who referred to the result as "impressive", "great" — or simply, "wow".

The \$2.5bn size was the largest the BoE has ever raised, and it managed to achieve that paying just 8bp over US Treasuries.

Market participants viewed expanding to two deals a year as a positive for the BoE, which showcased a more flexible approach to funding as it widens its investor base.



*Attracting considerable attention whilst conceding very little  
-or- The Old Lady gets with the new programme.*

## SUB-SOVEREIGN BOND OF THE YEAR

### Queensland Treasury Corporation

€1.25bn 3.25% May 2035

Citi, JP Morgan, RBC, UBS, Westpac

#### Queensland's exciting diversification.



Queensland Treasury Corporation (QTC) became the first Australian semi-government issuer to sell a benchmark in the international capital markets with its euro debut in May.

The deal opened a new funding avenue for its peers, with Treasury Corporation of Victoria selling a €2bn 15 year in September.

QTC faced challenges along the way. The first was getting to know the investor base, which it did on an intensive two-week

roadshow covering London, Paris, Munich, Frankfurt, Luxembourg and Amsterdam in March.

Then US tariffs struck, bringing volatility to the market and demanding patience and vigilance of a debut issuer in particular.

Pricing was also a matter of debate given the bonds were not eligible Eurosystem collateral.

But the sale was a triumph, QTC tightening the spread 4bp during execution as it amassed €9.3bn of orders. The bonds then performed a further 10bp, meaning QTC has surely earned itself a repeat invitation to euros, which in turn has also helped its domestic spreads.

## SOVEREIGN BOND OF THE YEAR

### United Kingdom

£14bn 4.75% October 2035

HSBC, JP Morgan, Lloyds, Morgan Stanley, NatWest, UBS

The Gilt market has had not its most straightforward year thanks to concerns about the UK's public finances and growth. However, the UK Debt Management Office brought out a series of record-breaking Gilt syndications.

After setting a new size record with a £13bn syndication earlier in the year, it beat that with its £14bn sale of 10 year Gilts in September.

The order book reached an impressive £141bn, but it was the quality rather than quantity that enabled the DMO to price its biggest syndication yet.

Particularly impressive was the diversity in the order book, with 40% of the bonds allocated to non-UK investors – “a strong recognition of the UK as an issuer and sterling as a reserve currency for central banks,” as one of the bankers involved in the transaction put it.

## SSA ESG BOND OF THE YEAR

### European Investment Bank

€3bn 3.125% May 2037 European Green Bond Standard-aligned Climate Awareness EARN

BNP Paribas, Crédit Agricole, Deutsche Bank, LBBW

The European Investment Bank (EIB) was the first supranational to print a European Green Bond (EuGB) – a new label aligned with the European Green Bond Standard, seen as a new gold standard for its ties to the EU Taxonomy for Sustainable Activities.

The EIB was not the first issuer, or even the first SSA, to use the label but none of the others were as large and liquid, or as influential.

In fact, SSA peers said they had been waiting to see what the EIB would do in EuGBs before deciding their own path.

Investor confidence is key in new markets and bringing a deal that not only showcases but also helps increase confidence is part of the EIB's role.

It delivered. The bond remains the largest EuGB to date, having attracted 300 investors with €40bn of orders. Now it plans to print more.

The deal was also a breakthrough when it came to Taxonomy criteria to 'Do No Significant Harm', something issuers have struggled to align with. The bond showed issuers could “align to the logic of the Taxonomy by proxy”, said a bookrunner, offering confidence to other borrowers.

## MOST INNOVATIVE SSA BOND OF THE YEAR

### Climate Investment Funds Capital Markets Mechanism

\$500m 4.75% January 2028

Bank of America, BNP Paribas, HSBC, TD

The CIF Capital Markets Mechanism (CCMM) was a new supranational issuer to the market this year, using an innovative structure in January to leverage a fund, the Clean Technology Fund (CTF).

CTF is one of the two funds that form the CIF, or the Climate Investment Funds, which were created 17 years ago to finance the green transition in developing countries.

The World Bank is the trustee and treasury manager for CIF. The \$500m three year bond that it helped to sell in January not only boosted CTF's capacity for lending but also raised the prospect for other such bodies to gain capital market access.

The CCMM structure is similar, yet different, to the International Finance Facility for Immunisation and allows the CTF to access loan repayments due in the future, therefore enabling it to make new loans faster.

The CCMM's links to six major multilateral development banks helped it access traditional SSA investors, but its ability to mobilise private sector investors impressed. They made up two thirds of the allocation.

Structuring and executing what some considered to be a “truly trailblazing” transaction, has opened up opportunities for development finance institutions to use similar structures to fund other needs.



The Mechanism works!!  
CCMM's historic and extremely smooth inaugural bond launch.

# FIG issuers find new ways into old markets

With a relentless flow of cash into credit markets this year, almost every borrower could be said to have done well. But some issuers stood out for their ability to establish new footholds in certain markets that have since paved the way for peers



Deals of the Year  
GlobalCapital

## FINANCIAL INSTITUTION ESG BOND OF THE YEAR

### ABN Amro

**€750m 3% February 2031 EuGB senior preferred**

*ABN Amro, BNP Paribas, Danske Bank, Deutsche Bank, JP Morgan, Santander*

ABN Amro started European Green Bond Standard (EuGB) issuance rolling in the FIG market in February. It trailblazed the new label, joining one other corporate and SSA borrower that have used it.

The Dutch bank was eager to introduce the standard early, incorporating the framework into a larger funding round, combining the fixed rate green tranche with a €1.5bn two-year floating rate senior preferred conventional note.

ABN managed to make the new format work, even if it has taken longer for others to do so due to the more stringent criteria than in the prevailing ICMA's Green Bond Principles.

It took two more senior preferred deals from ABN — a €1bn four year followed by a €750m seven year — before other banks joined the fray. When two more banks did so in October, they used ABN's deals as a reference

Wider acceptance of EuGBs helped ABN print the third and the longest of its deals at a lower spread than its debut, but it was the original trade that was first among equals.

## ADDITIONAL TIER ONE BOND OF THE YEAR

### Eurobank Ergasias Services and Holdings

**€500m 6.625% perpetual non-call June 2031 additional tier one**

*BNP Paribas, Bank of America, Citi, Deutsche Bank, Morgan Stanley, UBS*

Greek debt has regained its place in the European bond markets, and in the credit universe the country's banks were crucial in driving this return. But being part of the full credit spectrum in earnest only happened once Greek banks had issued additional tier one capital on a regular basis.

There had been sporadic Greek AT1s between 2021 and 2024, but it was in 2025 that they became a mainstay of the European FIG market. And the first such deal of the year was Eurobank's trade in May.

At €500m Eurobank's debut in the asset class was the first benchmark AT1 offering in nearly four years.

The 6.625% coupon showed Greek AT1s were being sold at levels close to where some established European banks' deals were pricing, a far cry from the recent past.

The deal was deemed to have landed flat to fair value, having attracted €4bn of orders and paved the way for a quartet of Greek AT1s, including a second deal from Eurobank in November.

## TIER TWO BOND OF THE YEAR

### Citigroup

**€900m 4.296% July 2036 non-call July 2030 tier two**

*Citi*

Citigroup brought an ultra-rare US bank capital offering to the euro market in a year characterised by heavy Reverse Yankee issuance.

The bank surprised by coming in mid-July — later than an issuer would typically bring a strategic trade — with what was the first US tier two in euros since the start of the global financial crisis.

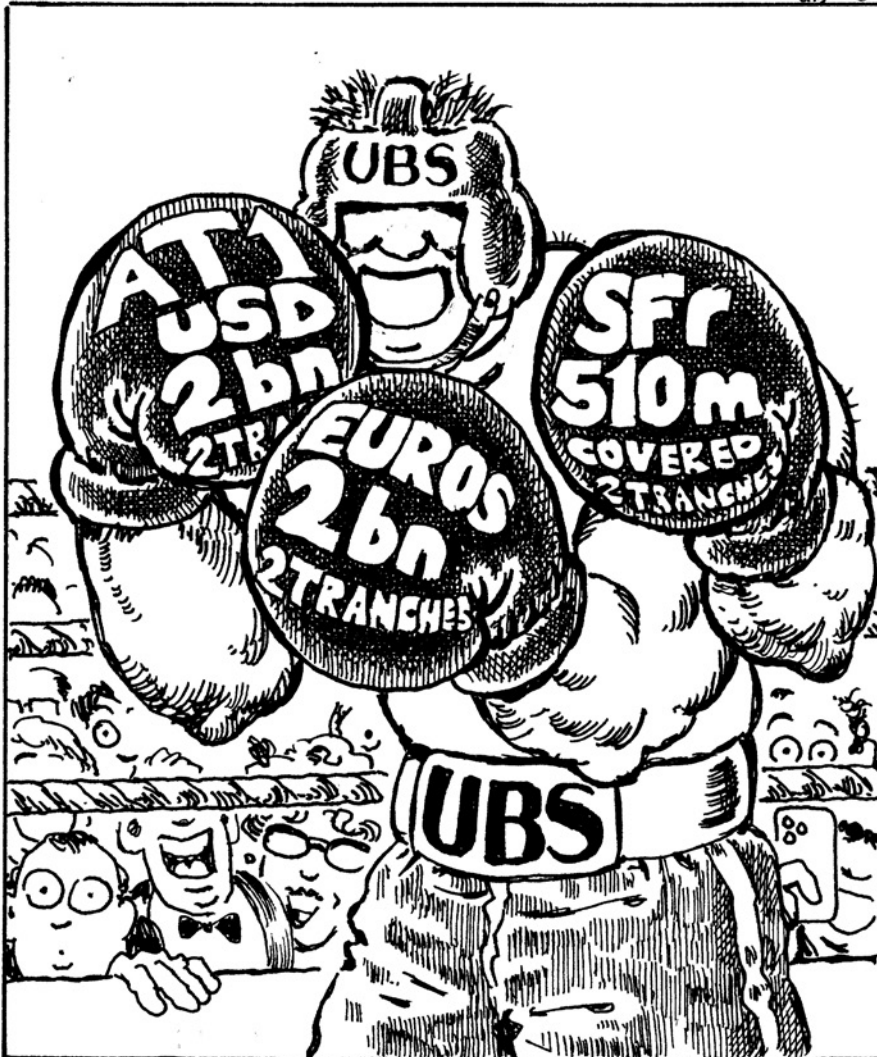
Since then, US banks have raised subordinated debt in their home market. But as relative value in euros improved for issuers, Citi

seized the moment, tapping the euro market a day after releasing its quarterly results.

Moreover, Citi minted the rare 11-year non-call 10 structure, setting its trade apart from the more common 10 non-call five deals prevalent in euros.

The US lender also achieved tight pricing on the SEC-registered trade, judged by some to have paid a negative new issue premium and pricing flat to dollars.

This degree of versatility  
is very unusual.



UBS with three knockout deals!

## NON-CORE CURRENCY BOND OF THE YEAR

### UBS Group

**A\$1.25bn 6.375% perpetual non-call  
September 2030 additional  
tier one**

*ANZ, Commonwealth Bank of Australia,  
National Australia Bank, UBS, Westpac*

UBS was instrumental in reviving AT1 issuance in the Australian dollar market with the first foreign deal in six years — and not long after the local regulator phased out the asset class for domestic banks.

The deal silenced doubters who questioned whether AT1s had a future in the currency.

The A\$8.6bn of peak demand stemming from onshore and offshore investors showed there was plenty of appetite, even after Credit Suisse's demise and consequent wipeout of its AT1 capital, which had scarred some buyers in the Asia-Pacific region.

UBS locked in a more favourable funding cost than even the US dollar market offered and where the bank has been a frequent issuer.

Issued from UBS's EMTN programme, the trade showed how other foreign banks could access Aussie AT1 funding — a market where the last deal from a non-domestic issuer was redeemed in January.

## SENIOR BOND OF THE YEAR

### UBS Group

**€750m 3.162% August 2031 non-call August 2030 senior holding company  
€1.25bn 3.757% August 2036 non-call August 2035 senior holding company**

*UBS, Commerzbank, Danske, DZ Bank, Swedbank*

UBS demonstrated confidence in its ability to read investor sentiment as it approached the euro market in the middle of summer.

Its €2bn dual-tranche, priced in August, proved popular, attracting combined orders of more than €12.5bn at a time when primary market activity is typically limited to the odd, smaller trade.

The blowout trade provided the Swiss bank with a diversified slug of funding that cost it only a limited new issue premium.

The deal formed the euro leg of a funding spree that included a \$2bn two-part AT1 and a Sfr500m two-part covered bond.

Moreover, UBS's jumbo outing unleashed an unusually early restart of FIG issuance, surprising market participants with the robust demand that followed other European bank borrowers eager to raise funding in an uncrowded market. None, however, commanded the popularity of UBS's deal.

# Corporate issuers go hyperscale

Investment grade companies demonstrated just how much liquidity was sloshing around in the euro, dollar, sterling and Swiss franc markets with a string of large deals. But these bonds did not just stand out for the amount issued. Rather, they showed that there is not always a trade-off to be made between size and price



Deals of the Year  
GlobalCapital

## CORPORATE BOND OF THE YEAR

### Alphabet Inc

€1.5bn 2.5% May 2029  
€1.5bn 3% May 2033  
€1.25bn 3.375% May 2037  
€1.25bn 3.875% May 2045  
€1.25bn 4% May 2054

Barclays, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan

Sometimes the best names are the ones you don't have to google. Alphabet, the parent company of the ubiquitous search engine, smashed into the euro market in April with a €6.75bn curve building deal across five tranches.

The sale won a thunderous reception. Demand was more akin to the European sovereign, supranational and agency market, with books topping €31.5bn by the time final terms were set. Another €6.5bn deal followed in October, making Alphabet the most active issuer in euros this year.

Alphabet brought dollar bond execution sensibilities to the euro market with a deal that spanned the curve, including one of the longest tranches of the year. For that reason, it is *GlobalCapital's* Corporate Bond Deal of the Year.

## HYBRID BOND OF THE YEAR

### Verizon

€2.25bn 3.9962% June 2056 non-call June 2031  
£1bn 5.742% June 2056 non-call June 2031

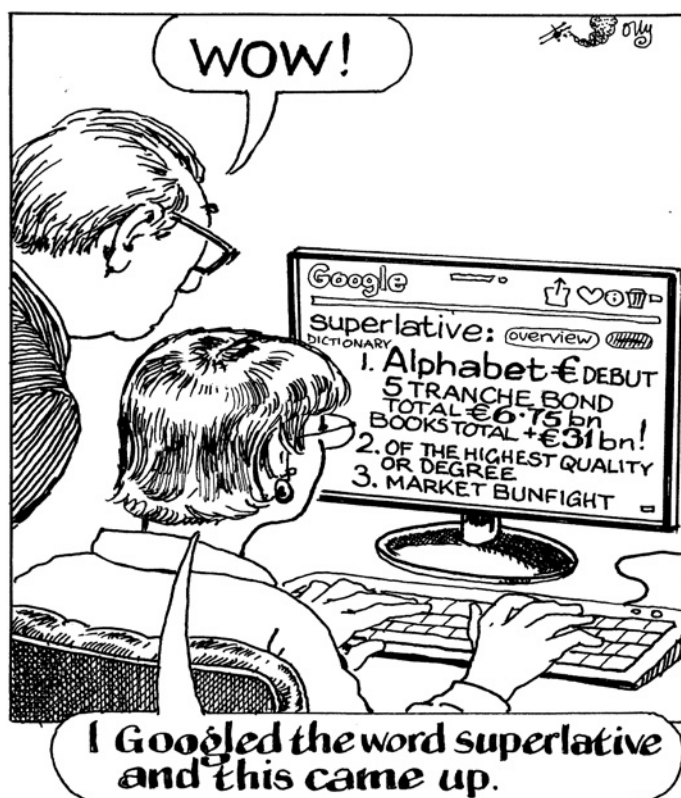
BNP Paribas, Bank of America, Goldman Sachs, JP Morgan, Mizuho, Morgan Stanley

US borrowers spent much of 2025 crossing the Atlantic to tap the euro market for cheaper funding, finding plenty of success across the curve for senior debt. But the euro market had to wait until the end of the year for the first Reverse Yankee hybrids.

Reverse Yankee hybrid supply returned to Europe's bond market after a long absence thanks to a debut deal from US telecoms firm Verizon.

Not content with issuing the first US corporate hybrids in either euros or sterling in recent memory, Verizon issued the biggest subordinated corporate prints in either currency since BP's record-setting 2020 deals.

And it did so at a tight spread, with analysts putting the difference between its senior and subordinated debt at 85bp for euros and 100bp for sterling. Verizon's dual tranche outing proved just how attractive and deep the euro and sterling markets can be for Reverse Yankee hybrid paper.



## DOLLAR CORPORATE BOND OF THE YEAR

### Meta Platforms

\$4bn 4.2% November 2030  
\$4bn 4.6% November 2032  
\$6.5bn 4.875% November 2035  
\$4.5bn 5.5% November 2045  
\$6.5bn 5.625% November 2055  
\$4.5bn 5.75% November 2065

Citi, Morgan Stanley

Across the Atlantic, hyperscalers have spent much of 2025 ramping up spending on artificial intelligence infrastructure and raising the cash to pay for it in the bond market.

Chief among them was Meta, which swooped into the dollar market in late October to seize \$30bn across six tranches ranging from five to 40 years. The \$30bn outing was the largest sale in the US high grade bond market since Pfizer raised \$31bn two years before, with the new bonds backed by a record level of demand for the currency.

Meta's deal arrived during a hot period for AI financing. Just two weeks earlier, it had raised \$27bn through a joint private project finance bond venture with Blue Owl Capital to fund a data centre project in Louisiana off balance sheet. Meanwhile, fellow hyperscaler Oracle scooped \$18bn from the market in September to help support its own AI capex.

AI spending is set to rocket over the coming years, with the market expecting many more deals like Meta's. The AI frenzy may yet still prove to be a bubble but for now, deals like Meta's show that the market has more than enough demand to match the hype.

## CORPORATE ESG BOND OF THE YEAR

### A2A

#### €500m 3.625% January 2035 EU Green Bond

Bank of America, BBVA, BNP Paribas, Citigroup, Crédit Agricole, Goldman Sachs, Imi-Intesa Sanpaolo, JP Morgan, Mediobanca, Morgan Stanley, Santander, Société Générale, UniCredit

SSAs might have pioneered the green bond market almost 20 years ago but corporate issuers were the first to use the nascent European Green Bond (EuGB) standard this year.

Italian utilities firm A2A smashed through fair value with the first EuGB deal in January, tightening by 40bp from initial price thoughts.

The official EU green stamp of approval helped A2A draw sticky demand of more than €3.5bn for its €500m print and inspired a raft of issuers to follow.

The deal was a ringing endorsement of green finance in a year dominated by US president Donald Trump's strongly pro fossil fuel and anti-ESG turn.

In fact, just three days before A2A hit the market, Trump re-entered office, where one of his first decisions was to pull the US out of the Paris Agreement for a second time and roll back a swathe of climate regulations, while vowing to "drill, baby, drill".

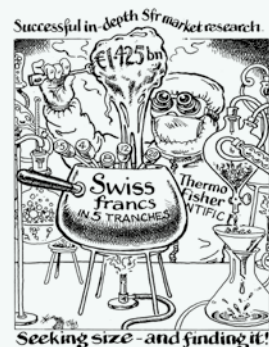
A2A proved that European issuers and investors are still committed to the green agenda.

## SWISS FRANC BOND OF THE YEAR

### Thermo Fisher

Sfr410m 0.832% September 2026 Sfr215m 1.6524% March 2037  
 Sfr315m 1.125% March 2029 Sfr135m 1.8975% March 2045  
 Sfr350m 1.4175% March 2033

BNP Paribas, Deutsche Bank, UBS



The Matterhorn may no longer adorn the front of the Toblerone box, but it is still alive and kicking in the Swiss franc market.

Thermo Fisher's five-tranche deal was the largest US corporate bond in Swiss francs in history and landed almost exactly a year after the firm's debut, which itself was the first Matterhorn – a foreign deal of more than Sfr1bn (\$1.25bn) – in seven years.

On its debut, Thermo Fisher offered four, eight and 12 year tranches. The question became how an issuer could improve on that. The answer: target the ultra-short and ultra-long ends and offer something for everyone.

The company drummed up enough impressive demand to make issuing the second quintuple-tranche Swiss deal in the last 20 years a reality.

Swiss bankers often test the limits of what is possible when it comes to funding arbitrage, but less frequently do they push for size for issuers for whom price is not the primary concern. But Thermo Fisher's five tranche outing earlier this year shows the Swiss market is not just for those seeking the cheapest price – but also for those seeking size.

## STERLING CORPORATE BOND OF THE YEAR

### Transport for London

#### £350m 5.75% October 2041

HSBC, NatWest Markets, SMBC

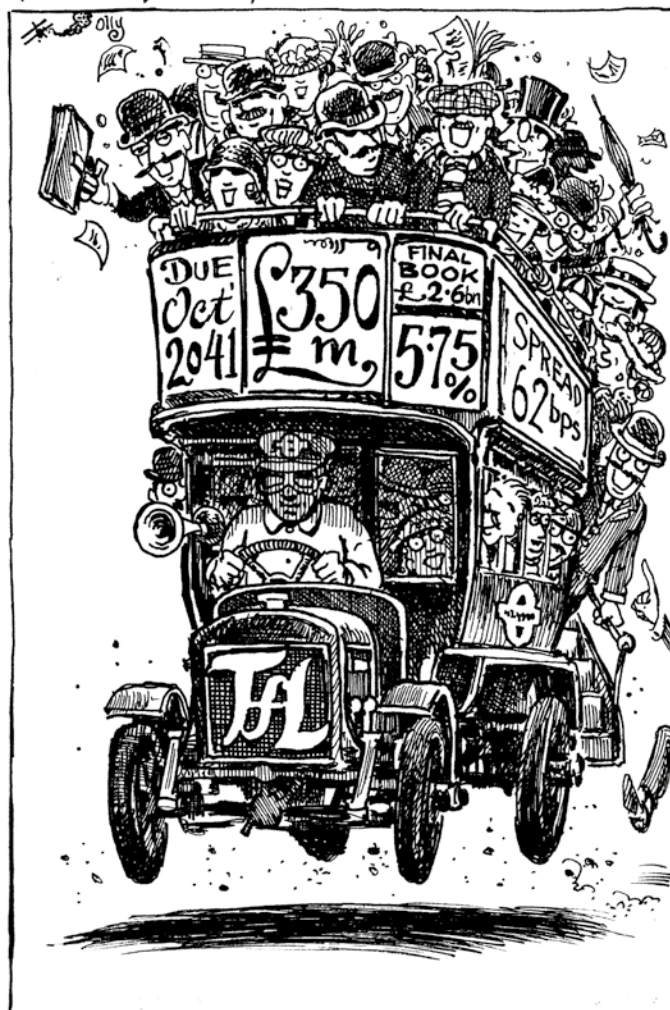
UK issuers in sterling have found themselves well bid. Issuers like the London Stock Exchange Group and Southern Water have managed to achieve books far in excess of their deal sizes. But it was Transport for London's (TfL) return to the market that stood out.

Investors leapt at the chance to pick up the first paper from TfL in over a decade, propelling the peak book for London's transport operator to 7.7 times the £350m deal size.

TfL picked a perfect window to relaunch its curve. Thanks to the sheer amount of demand stacked behind the note, the UK borrower was able to price at what was until then the tightest spread of the year so far for a sterling deal. And even then, it still landed 3bp through fair value.

Given the deal's success, investors will hope they won't have to wait too long for the next one.

Quite a squeeze, yet enormously comfortable.



You wait ages for a TfL sterling bond then suddenly a particularly good one comes along.

# Best bonds of a big bunch

The CEEMEA primary bond market in 2025 shattered the record for bond issuance by some distance. Investors flocked to buy ahead of US interest rate cuts, meaning the market was open to just about every issuer. It is hard to find too many deals that were not a success, making this the pick of a very large crop



Deals of the Year  
GlobalCapital

## CEEMEA DEAL OF THE YEAR AND CEEMEA SOVEREIGN DEAL OF THE YEAR

### Emirate of Abu Dhabi

**\$1bn 3.625% October 2028**  
**\$2bn 4.25% October 2035**

*Abu Dhabi Commercial Bank, Bank of China, Citi, Emirates NBD, First Abu Dhabi Bank, Goldman Sachs, HSBC, ICBC, JP Morgan, Morgan Stanley, SMBC, Standard Chartered*

Abu Dhabi shattered an emerging markets record when it printed a dual tranche bond in October, its only visit to the international market in 2025. The 10-year chunk landed at just 18bp over US Treasuries, the tightest from an EM sovereign at that tenor.

Its three-year bond was also not far off a record. At 10bp over Treasuries, it was the third tightest in EM sovereign history.

Those tight spreads did not deter investors; books closed at \$15bn combined. Abu Dhabi put the EM sovereign market into new territory at the 10-year tenor. It was not just a tight deal by EM standards but by any measure in the dollar market, and it was priced well inside where some gold standard US investment grade companies have sold 10-year debt this year.

The trade was a testament to the strength of Abu Dhabi as a bond issuer. It is barely EM these days, and its credit ratings of A2/AA/AA are better than many of the world's largest and most developed sovereigns.

## CEEMEA CORPORATE DEAL OF THE YEAR

### Binghatti Holding

**\$500m 8.125% August 2030 sukuk**

*Abu Dhabi Commercial Bank, Abu Dhabi Islamic Bank, Ajman Bank, Arqaam Capital, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Mashreqbank, Rakbank, Sharjah Islamic Bank, Warba Bank*

Binghatti's sukuk might seem unremarkable at first glance. The book was hefty at five times the issue size, but that was not unique in the sukuk market. Tightening from initial pricing was also in the same realm as other high yield Gulf corporates.

But what made Binghatti's trade stand out was that it came a few months after the company had seen the price of its only sukuk at the time crash 10 points in a single day. At the time the company threatened legal action against anyone "spreading misinformation" about the company or its management.

It would take a long time for some EM corporates to recover from such a wobble and regain market access. But Binghatti recovered fast and so well that when it returned to the market in July, investors were very keen to buy new debt.

Books hit \$2.5bn and Binghatti could have issued more. More than half the new sukuk went to investors outside of the Gulf too — an impressive result.

## CEEMEA FINANCIAL INSTITUTION DEAL OF THE YEAR

### First Abu Dhabi Bank

**\$1bn 5.875% perpetual non-call six-year AT1**

*Abu Dhabi Commercial Bank, Barclays, Emirates NBD, First Abu Dhabi Bank, HSBC, Standard Chartered*

This was the year of the subordinated trade in the Middle East, with volumes rocketing by more than 170% versus 2024.

This led to some investor fatigue, particularly for Saudi Arabian banks. FAB was the last Gulf bank to come to the market with subordinated debt in 2025, but there was little sign of buyer tiredness when it did.

FAB tightened 62.5bp from initial price talk, more than any other Gulf additional tier one issuer this year. This was more impressive given it also offered the lowest yield of any of those AT1s by 25bp.

A banker away from the mandate thought a yield of less than 6% would be impressive, ahead of pricing. FAB came 12.5bp through that.

So strong was demand that FAB priced far inside where similarly dated AT1s from some major European banks were trading — testament not just to the strength of the issuer but also of the Gulf banking sector.

## CENTRAL AND EASTERN EUROPE DEAL OF THE YEAR

### Uzbek Industrial & Commercial Bank

**\$300m 9.45% perpetual non-call five-year AT1**

*Citi, JP Morgan, Mashreqbank, Raiffeisen Bank, Société Générale, Standard Chartered*

The primary market for capital trades was on fire for much of the year and it spread to Uzbekistan in October, when state-owned Uzbek Industrial & Commercial Bank (SQB) landed the country's first AT1.

This was new territory for all involved and the issuer had to tread carefully. There were no obvious comparables given that no central Asian bank had printed an AT1 before, and during roadshows US president Donald Trump rattled markets with threats to impose more tariffs on China.

SQB waited for markets to calm before opening books; and the decision paid off. Demand was high, peaking at more than four times the deal size.

Uzbek issuers first appeared in the international markets in 2019 and it has taken six years for a bank to come with a capital trade.

## MIDDLE EAST DEAL OF THE YEAR

### Public Investment Fund

**€800m 2.75% October 2028**  
**€850m 3.375% October 2032**

*Barclays, BBVA, BNP Paribas, Crédit Agricole, HSBC, JP Morgan, Intesa Sanpaolo, ING, Société Générale*

A theme of the Gulf primary market in 2025 was some of its highest quality issuers' return to euros. One of those was the Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia.

Unlike the others its euro dual tranche was a debut in the currency. The deal achieved the twin aims of investor diversification and arbitrage versus dollars.

It secured the latter in some style. The longer tranche came 1bp-2bp inside where a dollar bond might have been priced, but at the shorter end, PIF priced its bond up to 15bp cheaper than it could have priced in dollars.

It also bagged some of its tightest ever spreads relative to the Saudi sovereign, at 8bp and 10bp for the three and seven-year bonds respectively. These are spreads to the Kingdom that it had secured in the sukuk market but not in bonds – until October.

PIF added new investors to its funding pool, something particularly important for large Saudi issuers.

## ISLAMIC DEAL OF THE YEAR

### State of Qatar

**\$3bn 4.25% November 2035 sukuk**

*Al Rayan Investment, Citi, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, Goldman Sachs, Intesa Sanpaolo, the Islamic Corporation for the Development of the Private Sector, KFH Capital, QNB Capital, Standard Chartered*

Qatar ended a 13 year absence from the Islamic primary market with a 10-year sukuk that nearly broke the record for the tightest 10 year from an EM sovereign set by Abu Dhabi two months earlier – although it is perhaps a stretch to call Qatar an emerging market given it has left JP Morgan's emerging market sovereign bond index.

The Qatar deal landed at 20bp over US Treasuries, making it the tightest 10-year sovereign sukuk in history.

Nonetheless, the sukuk drew peak orders of more than \$10bn and books closed at nearly three times the deal size.

Driving that demand were local Islamic investors who have not had any Qatar sovereign sukuk to buy since 2023, when its last sukuk matured. Qatar was also of interest to dedicated investment grade accounts, who picked up yields of nearly 4.5% for 10-year paper from a sovereign so cash-heavy that it does not really need to issue.

Qatar probably could have printed tighter given the demand, but it showed restraint and did not fight for every basis point, avoiding the risk of high-quality investors quitting the book.

## AFRICA DEAL OF THE YEAR

### Federal Republic of Nigeria

**\$1.25bn 8.631% January 2036**  
**\$1.1bn 9.13% January 2046**

*Citi, Goldman Sachs, JP Morgan, Standard Chartered*

It is not every day an emerging market sovereign comes to the primary market a few days after the US president threatens military intervention in the country, but Nigeria did just that in November.

Investors brushed off Donald Trump's threats, piling \$12.4bn of orders into Nigeria's dual tranche, the biggest order book for an African sovereign issuer since before 2022.

Nigeria also went long and in doing so became the only EM sovereign issuer to price 20-year paper all year, with only one other going longer.

Investors have not seen such duration from a sub-Saharan African sovereign since many lost market access in 2022 when interest rates and US Treasury yields surged.

Also notable was how little difference there was in the yields of the two tranches. The curve was just 50bp – effectively the same as the US Treasury curve, a remarkable outcome for a sovereign like Nigeria.

It was an impressive trade for a country that, while it has been on a reform drive welcomed by overseas investors, is still one of the lowest rated of the sub-Saharan African sovereign issuers at B3/B-/B.

## CEEMEA ESG DEAL OF THE YEAR

### Republic of Slovenia

**€1bn 3.125% July 2035 sustainability-linked bond**

*ESG structuring agent: BNP Paribas*  
*Lead managers: Barclays, BNP Paribas, Crédit Agricole CIB, Deutsche Bank, JP Morgan, OTP Banka*

Slovenia printed a landmark sustainability-linked bond (SLB) in June, the first from a European sovereign on international markets and just the third globally.

Investors lapped it up with the book finishing at €6bn. In January, when printing a conventional euro bond, Slovenia drew orders of €2.1bn for a sale of the same size.

Slovenia made a public commitment, via the bond market, to reduce its carbon emissions and it will accept the consequences if it does not via a higher coupon – but will also reap the financial benefit if it hits its targets.

SLBs, particularly at the sovereign level, are a nascent product and have not enjoyed the same uptake as green bonds.

More sovereigns are working on SLBs, including some with much larger economies with far greater environmental footprints than Slovenia. The hope is that Slovenia has injected momentum into a market that has yet to really take off.

The bond sealed Slovenia's status as one of the world's most forward-looking and innovative sovereign bond issuers.

Sovereign, supranational and agency bond issuers may have sailed through a string of market-moving events in 2025 – from US tariffs to commitments by Nato members to increase defence funding, to another change of government in France, to name a few – but market participants are far from complacent about the year ahead, with even more bond issuance likely to be required.

In *GlobalCapital's* 2026 SSA market outlook survey, which closed on November 10, 65% percent of respondents believe 2026's SSA issuance volume will be higher than in 2025. Forty-one per cent believe the increase will be less than 10% while 24% fear it could be more. About 35% think volumes will be roughly unchanged.

Issuance volume remains at the core of the SSA market dynamics, affecting issuance strategy and, to some extent, the direction of spreads.

"The main challenge for 2026 remains that it's going to be busy – busier than this year even, as we are expecting an increase in overall SSA issuance volume by 5%-10%," says Ioannis Rallis, head of SSA DCM at JP Morgan.

That will put the focus on issuers timing their arrival in the market and derisking their funding programmes as early as possible. "That means issuers will increasingly have to fight for the good windows," says Rallis, "and it's definitely advisable for them to take size when possible, and to frontload."

Rallis believes market conditions in the first quarter of 2026 could be constructive, meaning issuers should not hold back if they have the chance to issue. "But you need to always be responsible with allocations and size," he cautions, "instead of forcing it, which could be damaging."

This year, some large SSA issuers like the European Investment Bank and KfW had wrapped up their benchmark funding for the year by September, much earlier than usual.

A large majority of survey respondents (87%) believe SSAs will be incentivised to frontload again next year, with 11% thinking they should do so even more aggressively than they did in 2025.

"We do expect to see a lot of frontloading again between January and June, and for September-October to be the last window for the larger transactions," says Jens Hellerup, head of funding

# SSA issuers tipped to frontload once more as funding needs ramp up

US tariffs, greater sovereign borrowing needs and political upheaval proved no barrier to SSA issuers raising a large amount of funding in 2025, and getting it done early, writes [Addison Gong](#). But those challenges were just a taster for what lies in store for 2026 when the market is likely to become even more crowded

and investor relations at Nordic Investment Bank.

"There are too many known-unknowns – and unknown-unknowns – in the world, so it'll be about trying to get funding done when there's a good market."

## Facing up to competition

More issuance, and issuers' desire to frontload their borrowing, are set to make for congested issuance windows.

Survey respondents chose "finding the right window and dealing with competing supply" as the top priority for SSA issuers in 2026, taking 33% of the votes. This was followed by diversifying into different markets (23%) and being willing to pay the right premium (20%).

"Issuance windows are getting much smaller and issuers need to be nimble," says Mascha Ketting, senior funding officer at BNG Bank. "That's been one of our core strengths and we're going to continue doing that."

Being nimble is also a key strategy for many others. "Finding the right window will definitely be one of the challenges for next year, but we

saw this year that the market can absorb large volumes if the backdrop is constructive," says Maximilian Plattner, director, treasury, at Oesterreichische Kontrollbank.

"There's always the danger for the relatively smaller issuers as their deals might get lost on a crowded day. Being nimble is definitely an important part of our strategy."

In the face of fierce competition for investor attention, Hellerup says NIB will not automatically go for the most obvious issuance windows.

"There might be a better risk-reward using some of the less obvious ones," he says, "when it comes to issuers like ourselves whose spreads are tighter and the deal sizes are smaller, because you don't want your deal to get lost or appear optically too expensive on a busy day when investors are scrolling down a long list of new issues."

"Although, it does help that investors are aware that there are only so many chances to get our bonds each year."

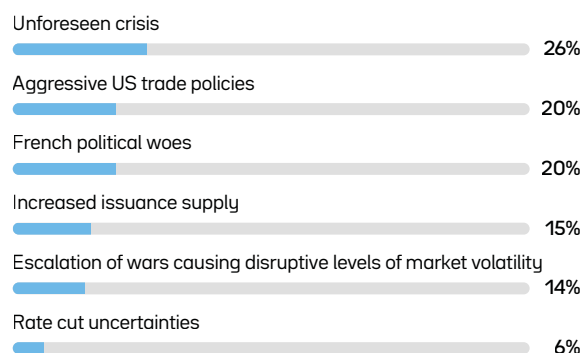
## Playing nicely

Manuel Valdez, director of debt capital markets and derivatives at Corporación Andina de Fomento, highlights the value of coordination between issuers.

"It helps that in the SSA community, issuers all know each other," he says. "For us, it's important not to step on other issuers' toes by doing something at the same time that could potentially jeopardise both our and their trades. It's about managing that, while making sure that you are not missing out."

Several issuers tell *GlobalCapital* that improving the liquidity of their bonds is another key objective for 2026. This could help reduce the

## What do you think the major disruptors of SSA issuance will be in 2026?



Source: *GlobalCapital*

frequency with which they need to come to the market.

One of them is KfW, already one of the biggest and most liquid issuers in Europe.

“KfW has a very reliable and stable euro curve, and in our view – based on our own assessment and mirrored by trading desks – the European Union and KfW are the two most liquid SSA names in the eurozone, and we intend to keep it that way,” says its senior funding manager, Jörg Graupner.

“It’s probably the most important issue for me – to provide liquidity to our lines so that investors have the flexibility to buy and sell our bonds as they wish.”

Market conditions permitting, KfW is open to doing larger transactions.

“Our aim is not to open many lines, but big and liquid ones,” says Graupner. “There will be less no-grow language used, and potentially more dual-tranche structures. This will also help us not to be in the market too often.”

Another large German borrower, State of North Rhine-Westphalia (Land NRW), has a similar plan. Its head of treasury and pension fund Andreas Becker says the sub-sovereign wants to do bigger deals than it did this year, “including a couple of dual-tranchers,” he says, “so that we don’t have to come to the market every month which should make it easier not only for us but other Länder”.

Other SSAs with smaller programmes share that thinking. “We also want to continue to improve the liquidity of our bonds,” says Valdez. “Our benchmark deals are substantially larger than they were three or four years ago, and we don’t print anything less than \$1bn anymore. All in all, we want to do bigger and more benchmarks.”

### Mind the steepening

SSAs face steeper yield curves and tighter swap spreads in 2026. This means their overall funding costs, especially at the long-end, will increase.

Elevated government borrowing globally will drive these trends, which could mean SSAs shift their issuance to shorter maturities, with spreads staying squeezed to government bond benchmarks.

“The supply to come at the sovereign level is the most obvious factor affecting the curve, and I’m afraid the story of tightening versus

### How do you think Europe should best fund its increasing defence needs?



Source: GlobalCapital

govvies including US Treasuries is not going anywhere,” says Kerr Finlayson, head of frequent borrowers group syndicate at NatWest Markets.

“There’s also the steeper curve story, with the short end anchored by interest rates and the long end being pushed up by the fiscal situation. But the question is how dramatic the steepening will be. The belly, rather than the long end, is probably the one to watch and I’d suspect that’s where we see [the most] supply.”

The steeper curve means issuers present at the long end of the curve might want to do their long dated issuance early. Becker says Land NRW wants to issue its long dated bonds next year “as early as possible”. Land NRW is a renowned issuer in the 30-50 year part of the curve and of century bonds.

Harvey Bradley, co-head of global rates at Insight Investment, says the fiscal policy and government bond issuance narrative “isn’t just a focus for Q1 2026, but something for the medium-term”.

“It’s difficult to see how policymakers could change their behaviour to meaningfully rein in spending and the issuance associated with that,” he says. “It’s a theme that’ll play out over the next few years. And this will really prevent long ends from rallying much further than they already have, particularly in places like Europe, where it looks like the rate cutting cycle is done.”

▼ Harvey Bradley, Insight Investment



However, sovereign issuers globally shifting their issuance shorter is a positive technical factor, he notes: “[It’s] something that we’ve already seen in the UK and very likely to happen in the US as well.”

Nevertheless, shorter issuance from governments is a key trend and might help prevent further curve steepening, “but the steepening is a theme we don’t see going away”, says Bradley. “In our view, the biggest steepening risk is in US Treasuries, in part because we do think the Fed will keep cutting rates.”

### Diversification, on both sides

When it comes to investor diversification, which respondents voted as the second biggest priority (23%) for issuers in 2026, Ketting says that BNG’s strong presence across the globe and with that its ability to rely on a broad investor base are key.

“That’s why you see us active in various currencies across tenors,” she says. “Our funding strategy has always been assessing where investor appetite is and trying to match that with where we see the levels in euros and being flexible to get the most attraction for our trades.”

But it is not just issuers seeking to make new friends. Investors, especially in dollars, have also been looking for new debtors to entrust their money with.

“That was one of the reasons why we were able to set our 10-year dollar transaction in motion,” says Michiel Matthijssen, also a senior funding officer at BNG. “And the diversification needs from the dollar investor base remain an interesting theme for us to observe.”

Asian central banks and bank treasuries have also increased their demand for SSA bonds. KfW says it could issue more in Asian local currencies in both public and private formats in response.

CAF’s Asian investor base has grown “significantly” in both dollars and euros, says Valdez, with participation in its deals rising to 20%-27% this year from around 9% two years ago. “We try to do at least one trip to Asia, including Japan, each year and have also gone to places like Singapore and Malaysia recently,” he adds.

Issuers speaking to GlobalCapital highlight increased demand from Australia, Canada and Latin America, too. Issuers like CAF and

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Land NRW say they are monitoring opportunities to print in Canadian dollars as early as next year.

A long-running theme in the SSA bond market has been the quest of one of its largest issuers, the EU, to be viewed as a sovereign, rather than a supranational, issuer.

More than half (54%) of survey respondents think the EU remains a hybrid issuer, sitting between sovereign and supranational classification, but is now leaning more towards being judged a sovereign. Some 27% agree it is a hybrid but mostly a supranational. About 11% think EU remains a supranational, with 8% believing it should now be regarded as a pure sovereign.

When making its euro SSA supply forecast for 2026, Crédit Agricole saw the EU as “one moving part”. “While [NextGenerationEU] disbursements will [pick up] for the last year of the programme, it is likely that they will not reach the full envelope [of €806.9bn]. The question is thus by how much?” says Victor Tanguy in its SSA and covered bond research team.

“Then, if the EU will have to fund more for Ukraine – for example, if member states can’t agree on how to use the frozen Russian assets – then we could look at 5%-10% more issuance in euros compared to 2025. But in any case, the EU won’t exceed €160bn.”

### Index inclusion

In 2025, more index providers rejected the EU’s quest to have its bonds included in their sovereign, instead of supranational and agency, indices.

“The EU kept progressing as an issuer, and we are convinced that there are fewer and fewer reasons why they are not in the government indices,” says Patrick Seifert, LBBW’s global head of corporates and DCM. “True, they still don’t fit into the narrow definition of a sovereign, but there’s definitely more clarity on the EU’s increasing mandate.

“With the new [€150bn Security Action for Europe instrument] funding and the current negotiation on the next [Multiannual Financial Framework], they’ll have room to issue new debt for the next decade, plus all the refinancing that they’ll need to do. I wouldn’t be surprised if that puts them into the top three – and not just top five – most active sovereign issuers in Europe.”



▲ Jörg Graupner, KfW

In euros, 46% of those surveyed think SSA spreads could widen versus swap rates in 2026. The majority believe this widening will only be moderate, at just a few basis points (43%). Around 35% believe spreads should remain stable against swaps, and 19% think they could tighten.

“We expect the swap spreads to tighten in both five and 10 years, and possibly 30 year as well,” says Rallis. “Given spreads are already quite tight in places, SSAs won’t be able to perform in line with swaps, so there could be a slight underperformance of SSAs versus swaps and an outperformance versus Bunds,” he adds. “The EU is likely the exception, which is still attractively priced compared to the likes of KfW, so the EU’s curve could actually buck the trend and perform against swaps.”

### Spread conundrum

Against Bunds, 59% of respondents think SSAs should continue to tighten – 38% believe spreads should stabilise near historical lows while 22% think they could even penetrate those levels. Of the rest, 30% think spreads should remain largely the same while 11% believe they could rebound from current tights.

“Spreads to Bunds are already near historical lows,” says Becker. He saw Land NRW’s five year bonds at 26bp-27bp over Bunds in early November, adding that they had not been as tight as 20bp or lower since 2021, and before that in the early 2000s.

“Spreads can certainly go down to those levels,” he says. “I have identified a lot of challenges for 2026, and spreads are definitely one of them. It could be tricky if our spreads to Bunds get too low. Our spreads to KfW and Rentenbank have been quite stable this year, but we all narrowed versus Bunds.

“The question is, for investors, if we go down below 20bp over Bunds, will that be enough to account for the liquidity differential between us and Bunds?”

But spread is not something an issuer can control. Rather, a mix of

factors including Dutch pension sector reform, driving them into buying fewer long-dated bonds than before, and Bund supply, drive it. “What we can do, however, is to make sure that we find the right window so that our deals get recognised by investors,” says Becker, “which will be challenging because of the large amount of supply to come from within and outside of Germany.”

Many issuers – even those outside of Germany – price their euro bonds not only off swaps and Bunds, but also off KfW, which makes the German policy bank’s spreads to Bunds a key metric in 2026.

### Tighter than Treasuries

Graupner says KfW’s euro curve has room to perform versus Bunds. “Especially considering the supply to come from the [German sovereign],” he says. “It must be said, however, that we have come from exceptionally high levels. We expect our whole curve – which is up to 10 years – could trade between 13bp-14bp up to the high teens over Bunds.”

Rallis thinks there is more Bund issuance to come and while KfW could also fund more, the agency has the benefit of funding in different markets like dollars. “So KfW could outperform Bunds because of its relative scarcity,” he adds.

Then, there is the all-important question of how tight SSA spreads could grind towards US Treasuries. “Depends on which investors you speak to – some of them prefer more diversification away from US Treasuries,” says Hellerup. “We did a small survey with the banks and the views were 50:50 on whether supras can price inside Treasuries.”

In *GlobalCapital*’s own survey, only 25% of the respondents believe some SSAs could both trade and price flat or even inside Treasuries.

About 44% of survey respondents think that while SSAs could trade flat or through Treasuries, they will not price flat to or inside Treasuries. Meanwhile, 31% believe SSAs should continue to trade as well as price with at a positive spread to Treasuries.

“The baseline for SSA spreads to Treasuries has to be flat,” says Finlayson. “In theory, SSAs can trade through Treasuries, given they price off Sofr mid-swaps, but it does feel like a push too far. I think there’s a floor at Treasuries flat. But then, never say never. We’ve seen some strange things happen in the market.” ©

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# SSAs flex pricing power in benchmark markets with lower new issue premiums

The public sector bond market digested more than \$900bn of benchmark syndications in the first 10 months of 2025, close to the amount raised the previous year. New issue premiums varied by currency, with the biggest annual change in the euro market, writes [Sarah Ainsworth](#)

Sovereign, supranational and agency (SSA) issuers raised more than \$910bn-equivalent through syndicated benchmarks across euros, dollars and sterling in the year to November 4, according to data from *GlobalCapital's Primary Market Monitor*.

That volume represents a 3% year-on-year decline, though the number of syndicated tranches sold increased by 1%.

Though the number of bonds issued was similar to 2024, SSA borrowers commanded more pricing power than the previous year, when measured on several metrics.

Across all currencies, issuers tightened the spread on their benchmarks during bookbuilding on average by 2.59bp this year, up from 1.97bp during the same period last year.

In line with this, deals were better covered in 2025, with order books an average of five times deal size versus 4.2 times in 2024.

Most SSA benchmark volume in 2025 was sold in the euro market, with nearly €582bn priced – an 11% increase year-on-year.

The average size and tenor of tranches in the euro market this

year was similar to 2024, at around €2bn and 9.9 years, respectively.

Spreads were tightened during execution by an average of 2.49bp, higher than the 1.99bp last year. The bid-to-cover ratio increased to 6.1 times from five times a year ago, and the average new issue premium paid more than halved to 0.86bp from 1.71bp – the largest move in premium across dollars, euros and sterling: the three currencies featured in the data.

The average spread to mid-swaps for euro SSA new issues fell to 24bp from 24.7bp in 2024. Meanwhile, the average spread to Bunds narrowed to 36.2bp from 47.2bp.

The amount that SSAs issued in the dollar market fell. They raised 6% less through dollar benchmarks compared to the same period in 2024.

The average deal size declined to \$1.9bn from \$2bn year on year, while the average maturity fell back to 4.9 years from 5.1 years.

This year's dollar SSA benchmarks were covered at 3.3 times deal size on average, exactly the same as last year.

Yet issuers were able to tighten by 3.52bp during bookbuilding this year, up from 2.53bp in the same period in 2024. SSA issuers also

paid lower new issue premiums (NIPs) on average – 0.82bp this year compared to 1.15bp last year.

The average spread to swaps was also steadier compared to those in euros, rising from 45.9bp a year ago to 47bp. However, spreads to US Treasuries compressed to an average of 19bp from 23.8bp.

Public sector issuers borrowed almost £90bn in the sterling market in 2025, 23% more than the £73bn raised in 2024. The average size of a deal this year increased to around £1.4bn from £1.1bn.

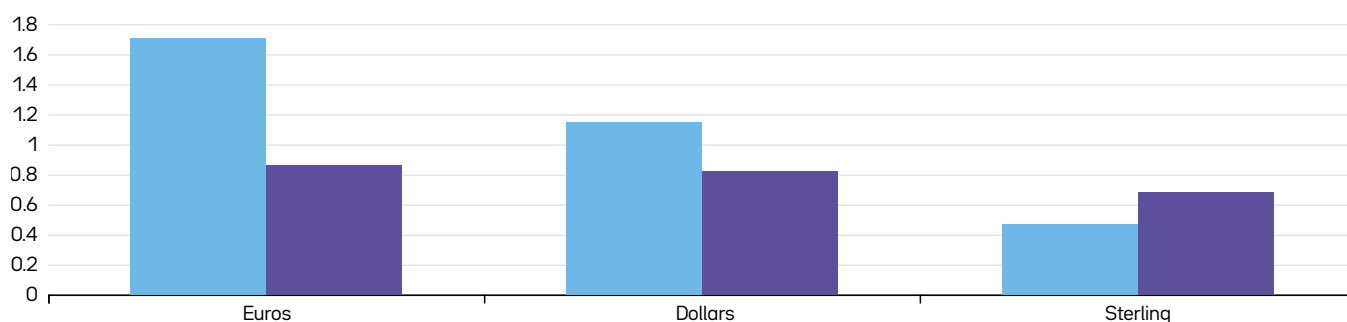
The average tenor in the sterling market this year declined to 5.8 years from 6.7 years previously.

Spreads were tightened during execution by an average of 0.83bp, more than twice the 0.39bp last year. The bid-to-cover ratio increased to 3.1 times from 2.7 times a year ago.

The average spread to mid-swaps for sterling SSA new issues widened to 40.5bp from 31.2bp in 2025. Meanwhile, the average spread to Gilts edged wider to 30.4bp from 29bp.

Unlike in euro and dollar markets, the average new issue premium paid in sterling edged slightly higher, to 0.68bp from 0.47bp from the previous year. ©

## Average NIPs paid in 2025 compared to 2024



Source: GlobalCapital

# Sukuk market's next chapter: Financing the future, sustainably



On the morning of October 21, I had the privilege of opening the markets at the London Stock Exchange, marking the issuance of the latest benchmark Euro Green Sukuk of the Islamic Development Bank (IsDB). The moment served as a fitting prelude to the 2025 Global Sukuk Summit, held at one of the world's leading financial centres.

The symbolism could not be clearer: Sukuk have moved from the margins of Islamic finance into mainstream global capital markets, where the world's savings meet the world's funding needs.

Over the past two decades, the Sukuk market has matured and accelerated at a rapid pace, surpassing \$1trn in outstanding volume in 2025. This growth reflects a structural shift in investor preferences towards instruments that combine transparency, resilience and responsible engagement with the real economy.

Asset creation lies at the heart of the Sukuk asset class. SSA and corporate issuers are using Sukuk to mobilize financing for a wide spectrum of economic activities — from transport and telecommunication networks to hospitals and schools. This approach embeds discipline, curbs the excesses that exacerbated past debt crises and better aligns incentives between issuers and investors.

Far from being exotic or opaque, Sukuk structures ensure that underlying assets are identifiable, risks are disclosed, and operations adhere to ethical and responsible finance principles. In practice, their cash flows, documentation and disclosures are seamlessly compatible with the established frameworks of conventional debt capital markets. The key distinction is clarity on the use of proceeds — a feature that provides investors with an additional layer of assurance. This transparency has broadened investor interest well beyond Muslim-majority jurisdictions, extending today across Europe, North America and other major markets.

For issuers, credibility is paramount. At the IsDB, we have long championed innovative financing tools that respond to the evolving needs of our member countries while contributing to sustainable global development. Sukuk have been

This year, the outstanding volume of the Sukuk market exceeded \$1 trillion for the first time. **H.E. Dr Muhammad Al Jasser**, President of the **Islamic Development Bank**, explains that this market is now integrated into global finance, promoting sustainable investment and transparency



H.E. Dr. Muhammad Al Jasser, President, Islamic Development Bank

central to this effort. Since 2003, the bank has issued more than \$55bn in Sukuk while consistently maintaining a AAA rating from the major international agencies. This track record anchors pricing, enhances liquidity and sets reference points for other issuers seeking to access Islamic capital markets.

The London market opening underscored another important reality: the evolution of Sukuk is no longer a regional story but one of global integration. Today, central banks, pension funds, asset managers and several multilateral development banks on every continent hold Sukuk in their portfolios. Each successful issuance adds to the product's familiarity and acceptance and strengthens market confidence.

Sukuk are no longer a niche alternative. They are now a complementary pillar of global capital markets. However, for Sukuk to fully realize their potential in global finance, the path forward calls for a more robust and innovative market ecosystem.

First, standardization and clarity. Predictable structures, harmonized documentation and transparent governance can reduce friction for cross-border investors and ensure legal certainty. Standardisation does not imply rigidity; it ensures that variations never undermine the confidence of existing holders.

Second, liquidity and market depth. While primary issuance has grown strongly, secondary markets remain underdeveloped. The next phase should focus on market-making frameworks,

efficient repo eligibility, benchmark curves across key tenors and broader index inclusion — allowing investors to enter and exit positions with ease and confidence.

Third, innovation with purpose. Green, social and sustainability Sukuk can help close financing gaps to address development challenges, climate adaptation and resilient infrastructure, especially in emerging markets and least-developed countries.

Issuers in Asia and the Gulf region have already demonstrated the potential of Sukuk to broaden participation and diversify funding — and Africa is rapidly following suit — with many sovereign and subnational issuers taking this path to mobilise resources for projects aligned with sustainability goals. And the opportunity is not confined to traditional hubs or projects: Sukuk can serve as a viable financing alternative for emerging capital-intensive sectors such as artificial intelligence.

Digital issuance platforms and tokenized settlement systems can also help reduce costs and expand investor reach, as long as safeguards evolve in step. Innovation should serve inclusion and integrity, not outrun them.

At the IsDB, our commitment is clear: we will continue to finance the future sustainably. We will continue to set benchmarks in the market, support member and non-member countries in building local Sukuk ecosystems, and work alongside regulators, rating agencies and investors to ensure Sukuk remain predictable, investable and impactful.

Markets are at their best when they reflect real needs and real opportunities. The next chapter of Sukuk is therefore not only about instruments and indices, it is ultimately about promoting growth, resilience, dignity and shared prosperity.

*The Islamic Development Bank is a AAA-rated multilateral development bank serving 57 member countries and promoting sustainable development.*

# Building competitiveness and modernisation in the bond market and Germany



*GlobalCapital:* We've just had the annual World Bank IMF meetings in Washington, DC. What were your three big takeaways from those meetings?

**Stefan Wintels, KfW:** Indeed, I came back early last week. I have attended these meetings since 2002 and I have to say that, for the first time, after six days of intense conversation, there was not the consensus building you normally observe at these kinds of meetings.

But I have three main takeaways upon reflection. The first is that there is no consensus because the world is increasingly very complex. We, of course, observe fragmentations in markets' and governments' agendas.

Point number two: we lack global growth and therefore there is a call for action, also by the IMF, to strengthen national agendas, to enhance resilience.

But on the other side, the US economy is quite resilient, despite all the trade discussions held. I was impressed by the focus of the US administration on growth and on investments in artificial intelligence.

And thirdly, as you would expect, given that many banks around the world were at these meetings, there was a debate about deregulation in the US on the one side and on the other side, the need to have a level playing field in global banking.

So, from my perspective, three interesting key takeaways. It's always worth attending and being part of the debate.

It's interesting you mentioned growth. One of the big topics that we were talking about with people in Washington was the sclerotic state of growth in the eurozone. What is KfW doing to help both the eurozone and German economies?

So, first of all, I would say, indeed, we lack growth in the eurozone. For next

KfW is one of the leading issuers in the bond market, sometimes raising as much as €80bn across global bond markets each year. The German policy bank was at the forefront of green bond innovation and is positioning itself now to do the same thing in the digital bond market. All of this borrowing is done in the name of supporting Germany's economic aims, making it an important global institution. That has become especially apparent since Germany's new chancellor, Friedrich Merz, embarked earlier in the year on a vast infrastructure and defence spending programme, amid a time of low growth in the eurozone. Fresh from the World Bank/IMF Annual Meetings in October, and as part of KfW's sponsorship of the *GlobalCapital Podcast*, its CEO **Stefan Wintels** talked to us about the difficulty in achieving global consensus, the importance of the green transition and the rise of the digital bond market.

year, our growth projections are around 1.1% for the eurozone. This is clearly well below what we need in order to fund our competitiveness and our growth agenda. But Germany is projected at 1.5%, so we are currently at the more optimistic range of the forecasts.

The second point I would like to make is that we clearly have a government in Germany committed to reform, modernise and make a lot of investments in infrastructure.

And then the third point comes back to KfW. We have a history of supporting the government, regardless of which colour it is, whether in the sixties, where we supported the internationalisation agenda, or in the nineties with reunification.

Now it's competitiveness. We, as KfW, want to support the government's agenda in competitiveness, I definitely see three things that are necessary. From a bank's perspective, we need to have a set of instruments for our core in Germany, which is the *Mittelstand*.

Secondly, we definitely need venture [capital] because innovation will play

a crucial role in this competitiveness agenda.

But also, thirdly, our international businesses are very well suited on the project finance side – KfW IPEX-Bank – but also on the development bank side, to align much more with the German economic agenda and our foreign agenda.

So therefore, there's a lot to do for us in this chapter of our history to support the German government, the German economy and the people in our country and in Europe.

**That German government agenda – the government has recently made huge infrastructure and defence spending plans. What will KfW's role be in funding that or helping to fund it? Also, how will KfW be affected in the bond market when there's so much extra debt being raised across the SSA bond market?**

I will answer your second question upfront. We will announce our funding plans in December, and therefore, I leave this to our treasury and to the board which will decide upon the funding plan.

Overall government spending, despite having debt relief, will grow over time, so additional government spending is roughly €50bn-plus next year, in infrastructure and on defence.

We have a set of instruments and programs to support the infrastructure side, whether it's companies or

**"... we lack global growth and therefore there is a call for action, also by the IMF, to strengthen national agendas, to enhance resilience"**

municipals, where we do have a big funding programme, or on the other side, the defence industry, where we are really open for business.

I think the defence industry should be treated as any other industry, and our programmes already include the defence industries, and have done for more than three years. There was never real exclusion. In addition, we have skipped away the dual use category, so we can finance munitions but, of course, no controversial munitions, and nothing which is not in accordance with international standards. Therefore, it will be interesting to see which business opportunities lie ahead of us in 2026.

The demand is increasing from my perspective, from what I hear, but the most important thing is that we scale our defence industry on the one side, and on the other side, we also drive the innovation agenda in this sector, whether we like it or not, unfortunately.

#### Where is Germany in its green transition, and how is KfW contributing to that?

I think the good news is that this government has clearly committed itself to the 2045 net zero goal — so it's even five years ahead of the Paris set of goals. This government has also emphasised, as I said in the beginning, the competitiveness agenda.

Therefore, from my point of view — and we published a joint study with Deloitte today of almost 30 pages on the economic benefits of climate action and how decarbonisation can enhance competitiveness and growth — I think it is important that we think about these things together and that we do not say they are a contradiction.

No, these are two sides of the same medal, and therefore the programs which we have in place should be and are available to green tech in the broadest sense. In addition, in venture capital, today green tech is already more than 20% of our portfolio, and Germany overall has a global leading market position for exports — 13% is Germany. We are number two behind China.

We are leading on patents, and again, as often in Germany and Europe, it's important that all the good innovation which comes out of Germany and



Ralph Sinclair, GlobalCapital and Stefan Wintels, KfW

Europe is translated into sustainable and competitive business models. That, I think, is the key issue for us as well — that we reflect upon what we offer and understand the ecosystem and then have targeted programmes and solutions also for this important sector.

As you know, we have just had the important COP 30 in Brazil, and it will be important that the world is aligning with these Paris goals, 10 years after Paris, because the biggest issue which we still have, and which makes often policy decisions very difficult, is that we do not have a global level playing field. Think about CO<sub>2</sub> pricing — it would be a major breakthrough if the world could at least agree further on minimum standards and on the pricing or market mechanism.

KfW is also contributing our intellectual capital, so to speak, not [just] with our balance sheet, to progress this important agenda because, from my perspective, it's the biggest challenge facing this planet.

**KfW was a pioneer in the green bond market and is still a leading proponent in it. To your previous point, it is also prominent in the digitalisation of the bond market, which is possibly its next big development. How has it positioned itself in this evolving market, particularly regarding**

**distributed ledger technology and tokenisation, and what role does it play in fostering innovation?**

I'm glad you asked the question, and I'll tell you a secret. I'm very proud of what KfW has achieved because I remember when I started about four years ago, I had a discussion with our group treasurer, given the relevance we have in the global fixed income market as one of the largest issuers, about how we need to drive this agenda. We need to be a pioneer in this segment.

Four years later, I'm proud to say that we are a leading issuer of digital bonds, that we drive the intellectual and learning journey together with the German and European regulators, which is important, and that we use all the opportunities we have to create a sense of urgency to create a competitive market in Europe vis-a-vis other regions.

For me, it's great to see that regulators, whether it's the European Securities and Markets Authority, the European Commission or the ECB, have clearly understood they should have a better understanding that this is a priority for us in Germany and in Europe.

Therefore we also recently joined, as you may have followed, the Regulated Layer One initiative, a joint European blockchain initiative supported by major financial institutions. The idea is that we create one distributed ledger network for digital assets to enable payments and other transactions.

This is important that we progress and establish leading infrastructure in Europe. If the ECB also progresses with the wholesale digital euro, I think we are very close to making Europe a leader, not a follower in this regard, and that should be our objective.

**"... we clearly have a government in Germany committed to reform, modernise and make a lot of investments in infrastructure"**

# SSA issuers adapt to funding in new spread landscape as bond market evolves

Public sector bond issuers navigated what turned out to be a sometimes volatile year in 2025 with aplomb. Many frontloaded issuance to derisk large borrowing programmes which stood them in good stead when choppy markets developed in response to US tariff policy and French political upheaval over its deficit, to name but two influences.

Funding requirements among supnationals and agencies may prove little changed for the year ahead, but a host of factors are already visible that will influence how this group of borrowers approaches the bond market in 2026. Chief among them is the tightness of spreads to government bonds but there are others: further elevated government borrowing to fund defence and possibly even a new entrant to the market to raise money for that purpose; the evolving market for ESG investment; digitalisation of the bond market; and the rotation out of US Treasury holdings by international investors.

*GlobalCapital* gathered a number of the SSA market's key issuers in London in November to discuss how they will set about meeting these challenges.

## Roundtable participants



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*GlobalCapital*: We'll start with the topic of relative value. It's been a big couple of years for shifting relative value in the government bond market, the changing sovereign fiscal picture and so on. How has that affected the demand for SSA bonds and how are this year's themes, for example US tariffs and de-dollarisation, affecting how issuers raise

capital in the market? Can I start with you, Jörg?

**Jörg Graupner, KfW**: Maybe the easiest answer for me is that talk about de-dollarisation is a huge word. I have read recent research about it, and I have to say maybe some shifts have happened, but not de-dollarisation.

What we have seen and is a given for all the issuers here at the

table, is a tightening of spreads to US Treasuries on the primary side and, from time to time, situations where dollar transactions have traded through US Treasuries in the secondary market.

On the dollar side, it is important to know that we have spoken to some investors who are flexible about investing in KfW where the bonds trade through Treasuries, but others have said: no, a minimum



spread of 4bp between KfW and Treasuries must be on the table from a liquidity point of view.

It's a different story in euros. We are trading tighter and tighter versus Bunds. It is not a case of trading tighter versus swaps, but more a result of the widening of what we have seen in Bunds versus swaps, instead of KfW being tighter versus swaps. We just talked about how tight KfW spread versus Bunds could be. I have to say it's a wish, but lower double digits. What I just heard from some investors was that they are comfortable with that.

**GlobalCapital:** Ales, as a buyer of these bonds, what's your perspective on how tight spreads have gone?

**Ales Koutny, Vanguard:** It varies across different markets. If you start at the issuer level, we see different pockets in terms of fundamental value. It is expected that a triple-A rated issuer should be trading at a lower yield level than a double-A issuer. Yet, if the double-A issuer is a government that can print money *ad infinitum* to pay its debts, it changes the equation substantially.

In the dollar market, if you look at large, liquid issuers like KfW or World Bank, we have seen some specific issues trading at negative spreads in the secondary market. In our view, this is due to a mix of contained issuance from SSA names, with a significant increase in government issuance, and investors looking for issuer diversification while maintaining exposure in the underlying currency.

Nevertheless, at negative spreads versus Treasuries, we see investor interest reducing substantially. We don't believe that primary issuance

will be able to meaningfully price through Treasuries bar another significant bout of geopolitical events.

When you cross the Atlantic and look at issuance in euros, you do have this big differentiation where the German curve serves as the risk-free curve and creates an extra buffer for issuers to trade at positive spreads. That allows for continuity of business as usual. If spreads are 80bp or 40bp, there's not much change from an investor perspective. It's that zero bound that can create some awkward conversations about the value of holding bonds trading inside of your risk-free curve.

**Andreas Becker, State of North Rhine Westphalia:**

I would like to underpin what Jörg mentioned – that de-dollarisation is a big word. It is right, that the official institutions and institutional investors especially are buying fewer Treasuries, but at the same time, private investors have increased their Treasury deposits. Therefore, the total level of US Treasuries is more or less the same as before.

But what we are seeing is, especially from the official and institutional investor side, a shift from Treasuries to European issuers' dollar bonds, or into the euro itself, so they change currency completely, and we are currently benefiting from it. All our order books are quite nice at the moment, with a decent oversubscription.

We called it sometime before Trump's tariff tangle because he is stepping in and out. At the beginning of this week he cut tariffs on coffee beans and cut the tariffs on Switzerland from 39% to 15%. This uncertainty is not good for the market. But, at the

moment, it is good for European sub-sovereign issuers because we get the benefit of the shift from dollar Treasury investments to other dollar issuers or euros.

I see spreads performing quite well this year, especially in the shorter term, for example, in the five-year bucket. Since the beginning of this year, NRW bonds tightened to Bunds by around 10bp-12bp, but our relative value to KfW was more or less the same as at the beginning of this year.

I share Jörg's view, that the process of narrowing the spread between KfW and Bunds, as well as between the German states and Bunds, will continue next year. I guess that a spread of 18bp-19bp between NRW and Bunds could be achievable.

**GlobalCapital:** Henry, the World Bank is one of the credits that would be expected to trade the tightest against Treasuries amid all this. What has the experience been like for you?

**Henry Coyle:** I agree with all of you, the term de-dollarisation is misleading. What we've seen is a growth in dollar buyers and people diversifying their portfolios away from govies in all currencies. It's something that's happening globally, not only in the dollar market. We have benefited like everyone here because we are seen as that alternative investment for that diversification.

Part of trading close to US Treasuries has been more of a technicality. A lot of the SSA market is marketed versus swaps, so with swap spreads moving, you have seen these spreads getting closer and closer to US Treasuries. But even the trades you've seen going through are very short-dated. They've just touched down and are back out again. I don't see any real strong demand saying this is where SSAs should be pricing in the primary market.

So far, it's been very much in the secondary market, it's been very technical and Europe has done very well. These things are going to be in and out. Unless you see a dramatic shift or some other dramatic changes to the broader market, I don't believe you're going to see SSAs pricing through Treasuries.

However, we were all wrong when we said the euro would never go to negative yields because it was

possible in the German market. It happened about 10 years ago but we aren't going back there any time soon. But we appreciate the diversification because it's brought in a strong new investor base and all of us have benefited from that.

It's KfW, it's EIB, it's World Bank, it's all the tier one triple-A names that have 0% risk-weighting that have benefited. Hopefully that will continue into the new year.

**Sebastien Rosset, EIB:** Echoing what's been said around the table, the sovereign picture in the US and Europe is changing, but the impact on pricing has been felt more on government bonds than SSAs.

To put things in context, 10 year euro SSAs were trading at almost 70bp over Bunds in early 2023 and are now around 30bp, so around 40bp of tightening in just over two years.

If you look at dollars, five years is more the bellwether in the currency. Over the same period, the spread has tightened by 10bp to end up currently in low single digits versus matched maturity Treasuries – the starting level there was much lower.

So clearly investors are still buying, and it feels like they're still viewing SSAs as a value-added proposition and viable alternative to government bonds, given the status of public finances around the world.

Now again, to echo what's been said, euro SSAs are still trading positively in terms of swaps. The pick-up versus Bunds is still attractive, so there is room to perform.

As far as dollars are concerned, we are moving in steps and it takes time for the new level to become the new norm. At some point, it was said trading in the low teens versus Treasuries was unsustainable and issuing at those levels was not feasible, yet it happened. The same comments were made when SSAs started trading in high single digits versus Treasuries, yet not only did they stay there, new bonds were priced at those levels.

Whether we're going to trade flat to through Treasuries is a regular but tough question. It will be a challenge but it's a threshold the market is focusing on. It will be interesting to see how those things develop over the next few weeks and months, but 2026 is going to be an interesting year for you.

De-dollarisation is a term we hear regularly, but the jury is still out. If you look at the volume of FX

transactions or the share of trade invoicing in dollars, it's still way ahead of any other currency. If you look at foreign currency issuance, again it's all about dollars.

Yes, the share of dollars in central bank reserves has dropped marginally and is at a two-decade low but it is still hovering around 60%, a level observed in the 1990s, so not unheard of.

What is interesting, however, is that non-resident demand for Treasuries has dropped from almost 60% during the great financial crisis to just over 30% now. So rather than talking about de-dollarisation, to me the relevant expression should be de-US Treasurisation. That's the way I would frame it.

**GlobalCapital:** You may have just coined a new financial market term. Francis, how about you?

**Francis Dassyras, ESM/EFSSF:** I agree with my colleagues here. We have seen after the announcement of tariffs a big drop in demand for US Treasuries and a rise in demand for SSA dollar bonds as international investors started to diversify their portfolios into other assets away from Treasuries.

When we did the five year ESM dollar issuance this year, we had an all-time high book of \$13bn, compared to previous years where it was between \$6bn and \$8bn.

At the same time, when we issued a dollar bond in the five-year maturity in the past, we always paid 10bp or 11bp over Treasuries. This year, due to the high demand for dollar SSAs, we paid only 4bp versus the equivalent Treasury in the five-year maturity. In the secondary market, we have seen the spread as low as 1bp versus the five-year Treasury.

Similarly for euros, what we have seen in 2025 versus previous years is a strong performance versus govies and swaps in all maturities.

All the above, confirms the shift of international investors from US Treasuries to other assets including to European SSA dollar assets. This demand is expected to continue into next year.

**GlobalCapital:** Antti, what about your experience as a smaller issuer active in a lot of currencies?

**Antti Kontio, Municipality Finance:** I've been a bit surprised this year how well everything has gone, given the reality that spreads to Treasuries are so tight. So the only thing I have to say is that at some point we have limits where investors will start to ask questions and don't participate. We haven't seen that happening yet, but they are getting tight.

I have the same view on de-dollarisation. It's only positive for SSAs. We have also seen this largely in our dollar issuance this year. We compare ourselves to the Finnish government curve and that used to be a 20bp spread when we did euros back in the day. Now it's less than 10bp, so that has also tightened a lot. The bonds are still selling well so it's a good story.

**GlobalCapital:** Patrick, representing the institution that sits in the middle of all this, what has your view been?

**Patrick Seifert, LBBW:** I was following the discussion until Sebastien came up with de-US Treasurisation. That would have been my answer, so I have to come up with something to back that up.

To show how aligned we are, let's consider that there have been

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Jörg Graupner, senior funding manager, KfW





**“The spreads widened 10bp-15bp and we have been trying to find ways to lower the average cost of funding as much as possible”**

Antti Kontio, vice-president, head of funding and sustainability, MuniFin

inflows into the eurozone at a 10 year peak, according to the ECB. That's generally a positive sign and that's partly in response to what's been happening in the US. With a year as good as this one, it's hard to extrapolate this into 2026 and onwards because I don't think this new equilibrium of international flows has been stress-tested. “Liberation day” came, felt quite ugly and within a month or so was completely forgotten.

What we can hardly ignore is that the debt trajectory looks unsustainable. There is a fair degree of irrationality in US politics and, yes, the US lost its triple-A status. It is the most liquid market, but there are good reasons to look around for value elsewhere and that has benefited the eurozone.

France is a sad story from a structural point of view, but it's been a non-event for the European govvie and SSA market. If you go back in history and look at Italy and what happened in southern Europe after the financial crisis, Europe – including its banking sector – has certainly shown itself to be much more robust.

The EU is providing further backing and there is a joint willingness to promote Europe as a whole by making it more competitive. Now the question is will we succeed in that? That is the question for the future. That concern will probably follow any progress around regaining competitiveness.

That has to do with govies being a bit more exposed to political temptations. There is a lot of discussion in Germany now about why we are spending so much money and what we are spending it on. Are we spending it for good reasons? Everyone is

happy to invest in infrastructure and anything else that helps to regain competitiveness. What investors don't want to see is money being spent on free consumption.

We think the range of exciting issuers around this table ensures this crucial link is there. These issuers are still safe in a market that overall looks almost too good to be true. You've heard the concern about private market risks and the AI bubble. I don't know if either of the two exists, but if they do I'd rather be in the SSA space to make sure that I'm well diversified, and that applies to euros and dollars likewise. Overall, that should be a good driver for fixed income going forward.

**GlobalCapital:** One topic that's rapidly come up over the last year but seems unlikely to go away any time soon is the topic of increased defence spending. Germany has made huge commitments to spend more on defence and infrastructure. How do the panellists think Europe should best use the bond market to meet its defence funding needs?

The options on the table are more government bond issuance, with the proceeds directly going to those who are buying the military kit; whether institutions like the European Union, the EIB and the ESM, should be retooled to do some of this funding and what the problems there might be; or whether we need a new multilateral development bank like the Defence, Security and Resilience Bank idea that different governments are discussing now.

Starting with the newest idea, the DSR Bank – Patrick, LBBW

is one of its supporters. What do you think the institution can bring to the table that's fresh to benefit defence spending?

**Seifert, LBBW:** It's one option among many that we need. We don't know right now which options we will need because we have no idea what this conflict with Russia, and maybe allies of Russia, will ultimately look like.

One of the things I keep hearing about defence is: let's make sure we don't prepare for the war of yesterday but for the war of the future. That's a tough call to make because it basically means we cannot just do what we've been doing before. That, to some extent, is the idea behind putting in place a bank, with, first of all, a specialisation and a geographical reach that meets Nato and that none of the existing institutions have, in my opinion. That could ultimately be helpful when it comes to supply chain financing, not so much for the larger names like Rheinmetall or EADS but for the small companies that are surprisingly weakly capitalised sometimes.

But, again, it can only be a part of a toolbox. The principle of additionality has been emphasised many times. Capital needs of around \$1.9tr suggest that a lot of existing players have room to expand but at the same time, they will have to remain true to their existing mandates. If anything, the geographical reach is where we have a gap because deterrence is a Nato issue, not just a European one. Nato commitments given could benefit from an institution like a DSR Bank and I understand that there is sizeable interest from outside Europe.

But we need a range of options and the one thing I'm not much concerned about is the capability of raising funding; all the names here could probably have done more for the right purpose. It's about deploying the funding. That is something we find difficult: taking measured risks in an industry that we have neglected for many years, whether or not the know-how is available.

You also want to immunise defence commitments from the daily hassle of policymaking. We've seen volatility around French government bonds. I wouldn't want to see a task as strategic as defence being subject to intra-day volatilities triggered by political populism. That needs to be

protected or at least have an option of being executed as far away as possible from daily policymaking.

The banks involved in the DSRB are only there to set up the infrastructure should governments decide to move ahead. It is a political decision. It comes in the context of many options that already work and will have to be combined in many ways to mitigate risk in certain parts of the defence industry.

The jury is still out at the moment – well, the governments are still out – but I don't want to be sitting here in three or four years' time thinking we had everything but missed an opportunity. That is why we are supporting this project in the context of urgency and additionality.

**GlobalCapital:** Sebastien, one of the comments I heard when talking to people about the DSRB Bank idea is that institutions like the EIB and the ESM are fundamentally not set up to handle the supply of capital to the defence industry as well as this institution would be. Yet the EIB has this year doubled its amount of funding that it does for defence.

**Rosset, EIB:** Let's take a step back to start with. Security and defence issues are not new for the EIB. In 2017, we created the European Security Initiative and allocated it €6bn. It was later upgraded to the Strategic European Security Initiative and subsequently allocated an incremental €2bn. After providing €1bn of funding in 2024, we are on track to reach €3.5bn in 2025.

Volumes are increasing, reflecting a greater focus in the sector and the EIB's increased investment in Europe's security and defence, as encouraged by the member states. We're growing but the numbers are small.

As Patrick said, big corporations are the key players in the defence industry. If you look at their recent stock performance, if they ever needed to, they would have no issues in raising funds, either by debt issuance or IPO. It therefore feels like they don't need institutions like us. We're going to be more useful to the SME part of the supply chain. But that's a small portion of the defence industry. That's the first thing.

The second thing is that supranationals like ourselves or others around the table, and even a

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Sebastien Rosset, senior funding officer, European Investment Bank



new dedicated MDB, will never be substitutes for a ministry of defence. We can lighten the burden of some of the defence budgets for some of the countries, we can cover some of the financing gaps, but our remit is not to sign defence contracts, which is a sovereign prerogative.

**Graupner, KfW:** As an institution, it's difficult to answer because this is more a political discussion when it comes to a new MDB or perhaps newly labelled defence bonds. We have an investor at the table who can maybe answer about the need for defence bonds, as opposed to green bonds.

The aim of our first green bond in 2014 was to support the market for environmental products and a broad investor base.

There is no defence bond expected from KfW.

**GlobalCapital:** Let's ask the investor. Ales, there's no doubt that governments have to ultimately spend the money but whether they raise it in the bond market must change your fiscal outlook for some of them.

And then what do you think of the European Defence Bond label? It's only been used twice by the French agency Bpifrance and before that by the French bank BPCE.

Would you welcome a new MDB or an expanded mandate for some of the European supranationals to fund defence?

**Koutny, Vanguard:** Let's put some numbers into the equation. Europe has been running just over €400bn of defence spending. Most countries are looking to increase their defence outlay by 50%, so

you're talking about something around €200bn that needs to be raised. Outside of Germany, there is not that much fiscal space to raise such an amount of money. If you were to create a single entity to raise close to €200bn, you're talking about the second largest SSA issuer by quite some margin, potentially even edging ahead of the EU as the largest SSA issuer in issuance size, if all done in a single year.

The tricky part is that Europe is not homogenous, and different countries belong or not to different entities, agencies and groups. It's all about understanding whether there is an entity that can serve as a common factor and raise those funds. We have looked at all the possible permutations, and the answer is no.

The only viable solution is a combination of national deficits increasing to fund the expansion, but also different initiatives across the board, including the establishment of a new agency to give some countries better access to funds and to coordinate procurement and supply chains.

We want to see speedier development because we have been discussing this matter for a year or so. We now have the EU's Security Action for Europe scheme but that is still in development, and we have nothing else where pen has been put to paper to determine an outcome.

On the topic of defence bonds, we have participated in all the labelled defence bonds. We don't see it as a huge differentiator as we did with the green bond label because they had a whole taxonomy framework and a specific goal they wanted to achieve. However, it is hard to say you only want to fund a country's defence but not fund



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the country itself, or to sponsor the defence segment of some SSAs but not the whole institution's mandate.

We think in some cases the label can be beneficial to attract interest as several defence-focused funds have come to the market in recent years. But we think from an investor's point of view, there is no extra benefit to investing in defence label bonds.

**Coyle, World Bank:** There's no discussion at the World Bank about being involved in defence. We are involved in development across the globe. Defence is not part of it. We're for eradicating poverty and creating jobs and prosperity.

**GlobalCapital:** Ales, when you saw the Bpifrance defence bond, was it the label that caught your attention or were you going to buy it anyway, whether it was labelled or not?

**Koutny, Vanguard:** As we have trillions of dollars in fixed income investments and the resources to support it, we analyse and engage with the vast majority of new issues, so for us it didn't make a difference as we would have looked into the bond anyway.

But if anything, it was somewhat counterproductive. We have had many dealings with Bpifrance and know the issuer well, but the fact this was a different bond, it required further conversation and extra analysis to understand the use of proceeds, so it added an extra layer of work.

As a large asset manager, we have the resources to do it, but a lack of scope to research the nuances between a defence bond and a standard bond could deter smaller investors in the market from investing in such instruments.

**GlobalCapital:** Frances, the name of the European Stability Mechanism would lend itself to defence funding perhaps, but the institution would need a treaty change, if that were to be the case, to use funds for that purpose. Is there much discussion in-house about what part it can play?

**Dassyras, ESM:** The ESM's mandate is to ensure financial stability and its interventions need to be linked to its mandate. There would need to be consensus among the 20 ESM



**"We obviously expect an uptick in European government bond issuance primarily because of Germany, potentially up to €100bn"**

Patrick Seifert, managing director, global head of corporates and DCM, LBBW

members that defence and security measures trigger financial stability risks to use funds for that purpose.

**Becker, NRW:** It is, of course, a political decision but it could be a good idea to do joint financing of defence to increase efficiency. For example, in Europe we have 180 weapon systems. In the US there are 30. If we made only some of these systems eligible for joint financing, we could reduce this number. To keep 180 systems running takes a lot of money, so cutting them would create capacity in the industry in itself and would mean the European sovereigns coming closer together. We need a united system.

**Kontio, MuniFin:** We don't finance defence, but, in general, we'd prefer to use existing institutions to raise the financing rather than a new one. Different countries are at different stages of preparedness. Finland, for example, is always well prepared but if you try to set up something that is on a par for everybody, it doesn't work that way.

**Graupner, KfW:** Who is we in this case?

**Kontio, MuniFin:** It's MuniFin.

**Koutny, Vanguard:** On the topic of mandates, we have all seen things like large projects being included in what counts as defence spending. I think infrastructure is part of the mandate of everyone at this table, but how can you define where you start to get to the supply chains of defence at which you draw a line? For those without a mandate for that type of financing, it's a question of supporting infrastructure and employment and then suddenly you see yourself in the defence industry.

**Rosset, EIB:** We had this concept of dual use when we invested in a defence project. Up until this year, we could only invest in a defence project if the civilian sector generated more than 50% of the revenues.

Now we have dropped this rule because, among other reasons, we realised that, as you pointed out, the line between what is and is not defence related is becoming increasingly blurred.

The defence sector covers a wide range of potential investments, more than what was thought initially, which defaults to only tanks and machine guns.

It ranges, to name but a few, from satellites to biotechnologies or even cybersecurity. This is constantly evolving and we have to keep abreast of developments in that industry. The only constant for the EIB is that weapons and ammunition remain on the exclusion list.

**GlobalCapital:** Let's turn to the 2026 funding outlook. I suspect at this point in early November it might be a little bit early to reveal what everyone's funding requirements will be for next year. However, perhaps the issuers could share with us some clues as to how they anticipate their funding mix and issuance patterns might change over the next year given all that's happened this year.

**Becker, NRW:** NRW's funding needs will rise significantly next year, by around 50%, but it's not just about the new possibility to raise the structural deficit at the Länder level. It is one part but it's not the main one. The main part is that the NRW government decided in the middle of this year to take over half of the debt of our municipalities.



## “We have seen after the announcement of tariffs a big drop in demand for US Treasuries and a rise in demand for SSA dollar bonds”

Francis Dassyras, team lead – funding, European Stability Mechanism/European Financial Stability Facility

Our municipalities have outstanding debt of around €20bn, of which €10bn will be shifting from municipality balance sheets to the state's balance sheet.

To comply with the German debt brake, we can't just give them the money, we have to make a change of debtor. Therefore, it is essential to look into every single contract. After studying some of the bigger municipal portfolios we have the strong guess that 40%-50% is short-term debt which will mature in 2026. These maturities are hiking our needs by €4bn-€5bn immediately.

As well as this, we have our own redemptions of around €10bn, plus the new structural component of about €2.5bn, so a total of about €17bn-€18bn next year.

On the foreign currency side, we committed to the markets one and a half years ago that we would like to build up a dollar fixed rate curve from one to five years. We have nearly completed this curve. To achieve our goal we will fill the gap in 2029 and issue a new five year bond in 2026. Therefore, we are definitely issuing at least two dollar benchmark fixed rate bonds in the three and the five year channels.

In euros, we are also committed to the market to be present on the entire curve. Therefore, we'll issue at least a five, 10 and 30 year bond every year.

It depends on market demand for sure, but apart from the previous mentioned core tenors we will issue maturities in between as well, so maybe, a seven year and a 15 year bond. Beside the euro benchmark issues in a volume up to €3bn, we are open to private placements and taps.

Regarding the taps, we see investor demand for bonds with coupons on the run, but also from a specific investor book to tap

low cash bonds. That's probably a way we will go next year as well. We did it this year and last year and therefore in total, we are quite confident that we will raise €17bn-€18bn quite smoothly.

**Graupner, KfW:** We will announce our funding needs for next year on December 9. The flexible funding approach in euros and dollars that we have established for many years now, will be also flexible next year so don't expect any change.

We have to act like a bank, so our duration needs are more at the shorter end. We do not have the flexibility to issue something longer than 10 years in size. Our duration this year was on average 4.7 years. I'm expecting maybe slightly longer next year but this is a minimum portion of higher duration needs.

I expect we will issue more in Asian currencies and in private placements, potentially increasing the share of funding done in those markets next year, because we are seeing much more interest out of Asia.

**GlobalCapital:** Are you talking particularly about Wonton and Panda bonds or Australian dollars as well?

**Graupner, KfW:** Australian dollars, Hong Kong dollars and the offshore Chinese market.

**GlobalCapital:** Chinese bank treasury demand in particular?

**Graupner, KfW:** Exactly. This is what we are seeing.

**Kontio, MuniFin:** We will also reveal our numbers next month but it's going to be very similar to this year, when we did €10bn, so no big changes.

The theme we have had for this year is what happened last year: the spreads widened 10bp-15bp and we have been trying to find ways to lower the average cost of funding as much as possible. In the past we have relied on the benchmark markets in euros and dollars. This year we did 50% in benchmarks, which is quite a low amount, so we have been more opportunistic given the price target we have had.

For example, we have been active in sterling, in Norwegian kroner and in Swedish kronor and this will continue next year as well.

The lending maturity is also getting shorter for us so that's why we need to look at shorter funding which meets the fact that the redemption profile is getting shorter. This development will most likely increase our funding volumes in the future.

**Dassyras, ESM:** Next year issuance is expected to be similar to that of 2025, which was €28.5bn-€21.5bn for EFSF and €7bn for ESM. It should be in the area of €26bn for both entities and as we have done in the last two years, we will continue to keep duration low, in the area of 6.5 to seven years.

In addition, we will keep the option of a dollar transaction, as usual.

**Rosset, EIB:** In 2025, we did €63.9bn, last year we did €63.4bn. We're going to announce the official programme in December, but all the signs are pointing to a similar number to what we've had over the last couple of years, so €60bn-€65bn is probably where we will end up.

We tend to do around 50% in euros. We are mainly present in euros because it's our home currency, our home market and a sizeable proportion of our lending is done in the currency. So again, we expect around 50% to be done in euros.

The US dollar is the second pillar currency and is expected to represent 30%-40% of our total funding.

The non-core currencies will cover the rest but the proportion can fluctuate according to arbitrage opportunities. That hasn't changed for the last few years and there's no reason to expect any change for 2026.

We're a bank with a balance sheet. We try to minimise the duration mismatch between asset

and liabilities. On the asset side, the average duration is around seven years so we will expect the duration of our funding to be close that number, that is, between 6.5 and seven years.

**GlobalCapital:** The World Bank is barely a third, nearly a half of the way through its fiscal year. What's the outlook for the rest of it?

**Coyle, World Bank:** We represent two different issuers, IBRD [International Bank for Reconstruction and Development] and IDA [International Development Association]. For both of them, the fiscal year runs from July to June. We've had a programme for IBRD of \$60bn-\$70bn for this year and approximately \$20bn for the IDA.

So far, the currency mix has remained similar to previous years. Yes, we are a bit more skewed towards dollars than everyone here because we do have a dollar balance sheet, particularly at IBRD. IDA has a balance sheet denominated in Special Drawing Rights, so we do have a more natural need for euros and sterling. But we expect the currency and the maturity mix to remain constant for both of them.

We also issue in about 20 other currencies in private placements. That depends on where the market is, but the big, outstanding one so far this year has been for dollar callables. So maybe dollars will be slightly overweight than in previous years, but we still remain committed to borrowing in the euro and the dollar market.

Just by the nature of our balance sheet, being longer on the lending side, we do tend to fund a little bit longer than everyone [here], so five years-plus is where we are. I expect our tenors and our currency mix to remain similar to previous years as we embrace the new calendar year.

Even for the next few years, we don't see the IBRD growing significantly. It always grows naturally a little bit, while IDA continues to grow and we do see that as an issuer to keep an eye on because over the coming years we expect it to continue to grow quite significantly.

IDA has historically been about 50:50 dollars and euros, with some other smaller benchmark currencies there as well. The IBRD is more like 60%-65% in dollars and 15%-20% in euros. IDA is also very long-dated.

## "A lot of the SSA market is marketed versus swaps, so with swap spreads moving, you have seen these spreads getting closer and closer to US Treasuries"

Henry Coyle, senior financial officer, World Bank



**GlobalCapital:** Patrick, what is your view next year about the sector as a whole?

**Seifert, LBBW:** We obviously expect an uptick in European government bond issuance primarily because of Germany, potentially up to €100bn. It could be one of the factors also driving relative value as discussed before.

It's fair to assume that SSA funding is going to be similar to this year, with the potential to do more, particularly if all of the structural reforms to make Europe more competitive gain some traction.

We've heard that NRW is doing a bit more and Germany is doing a bit more. Along those lines, I could personally also imagine KfW issuing a bit more in 2026. That would be great news because it would mean that structurally things are moving in the right direction. Investors and firms are taking money to do the right thing when it comes to making Germany and Europe structurally more competitive and better prepared for the future.

Andreas mentioned the 30 year maturity and a few investors will be showing signs of relief that finally something is going to be available in this part of the curve. It's true that it's been a little bit expensive and for all the SSAs working as banks, long duration is not always very economical, so there will be limited but good opportunities.

Last but not least, probably as an issuer you always want to make sure that you have a more defensive trade at hand that you can use if the market turns more challenging.

**GlobalCapital:** Turning now to the digitalisation of the bond market, we're a year on from the ECB Trials and I wanted to

ask the panellists what needs to happen next. What is the next leap forward in the digitalisation of the bond market? Ales, from an investor's point of view, as the bond market digitalises, are there any clear benefits for investors?

**Koutny, Vanguard:** There are two sides to these developments. We take advantage of inefficiencies in the bond market to generate alpha, but there are some inefficiencies that hinder our day-to-day.

Digitalisation is moving the market forward, so we are generally in favour. The key question, as markets continue to develop, is whether we will have interoperability of systems. Some of the digitally native notes we have invested in are blockchain-originated, but when it comes to settlement they still go the standard route. So that has been the easiest way to start the move towards digital-friendly assets and we have done plenty of issues on that side.

It gets more complex when you move into tokenisation because there are no specific custodians or platforms. With multiple token networks and different custody accounts, simply to be able to buy the same bonds that today we buy on a legacy system is just not workable.

If the market can settle on a model which allows interoperability where we can have our custodians seamlessly access different digital tokenised native assets, we would see that as a differentiator to continue to proactively engage with digital assets rather than wait for further developments.

**Jong Woo Nam, World Bank:** We are trying to stay up to date with what's

happening in the market through several digital bond issuances. But the key requirement for investors to participate in digital bonds, especially in public benchmark issuances, is that everything must be at least equal to that of traditional bonds.

I don't think investors will sacrifice liquidity or repo eligibility to simply participate in digital bonds. Right now, we don't have a single provider that offers a standardised platform where everyone can participate without any barriers.

The technology seems to be there, but in order for the digital bonds to take off, we need further developments in the legal, governance, and regulatory aspects, as well as secondary market liquidity and repo eligibility.

**Rosset, EIB:** Changes to any ecosystem take a lot of time and very careful adjustments. It's interesting to draw a parallel with the green bond markets. We issued the first one in 2007 and it took 10 or 15 years for the asset class to flourish. So it's clear that there's further to go in the digital bond sector, if you think that the EIB issued its first digital bond four years ago in 2021. There's plenty of experimentation to be done before the asset class reaches critical mass.

The industry deemed the ECB Trials to be very successful. The EIB is looking into the two further trials – the Pontes and Appia projects – that are going to start next year.

But we have to be clear, some hurdles remain such as ECB repo eligibility to provide funding for digital assets, interoperability between various platforms, or regulation to set market standards.

We're going to get there but, as mentioned earlier, it might take some time.

**Becker, NRW:** I'm sure that digital bonds will become the norm, but it's the beginning of a long journey. It could take another 10-15 years but digital bonds, tokenised or in another form, will succeed.

Especially from the hedging perspective, it makes a difference if you settle the bonds T plus five, T plus one or T plus zero. Therefore, every market participant is keen on this product and will try to bring it forward. But you need some goalposts at the beginning. The next biggest challenges are ECB eligibility and a functional secondary market.

**Seifert, LBBW:** Keeping it short and simple, I would echo this. We learnt that from our first blockchain-based bond mandates that having a triple-A rated issue not eligible for the ECB was, of course, a major roadblock. Steps are now being taken to remove this, yet building a granular secondary market will take a lot of education, resources and likely time.

**Dassyras, ESM/EFSF:** The ECB is trying to create an integrated system, including operations. The ESM would like to be a constructive participant in this platform and we will engage with the ECB and market contact groups. Internally we are preparing to potentially explore trials, with ECB real money, subject to any relevant approvals.

**Kontio, MuniFin:** We are very open to this development but as a smaller issuer we don't have the same resources as the bigger ones, so we appreciate whatever the bigger issuers do. We hope for some kind of standardisation in terms of the products and getting all the investors, issuers and banks together.

**GlobalCapital:** Has ESG-labelled issuance peaked? What are the

important factors here? Is it the US government's stance on the topic, the lack of a greenium or are other factors at play?

**Rosset, EIB:** To assume that ESG-labelled issuance has peaked is a bold statement that you will not be surprised to hear EIB does not endorse.

As far as we are concerned, in 2025 we've done €28bn of ESG issuance, equating to over 40% of our funding. This is double what we raised in 2023 and around 50% more than last year, so it is a long shot to think that, for us, it has peaked.

The impression here, and that's backed up by the numbers that we've seen, is that the asset class is still on the rise and is becoming even more mainstream.

Having said that, we are not going to commit to a fixed percentage of our funding to be raised in labelled format. The EIB has a use-of-proceeds policy where effectively it's the type of asset that needs to be funded that determines the type of funding or the label that we put on the bonds.

The need for funding ESG assets is increasing, so there is no reason to think that the volume or proportion of our green issuance is going to drop.

**Koutny, Vanguard:** I'm not going to dissent necessarily, but I lean to the view that the total amount of ESG issuance has peaked, but that's not because there won't be any more green bonds.

It's similar to the Article 8 and Article 9 funds discussion where everybody that was trying to find a reason to call themselves ESG was throwing an Article 8 label on their funds. We have seen much better specialisation among Article 9 funds – those that want to be ESG, with everybody else in a different bucket.

What we think of ESG issuance is that we're going to see much more of it through green bonds – bonds that are issued and financed through green initiatives. That's a growing part of the market that is far from peaking.

But as the many dubious claims of green bonds in the past expanded the market at a rate that was incompatible with the amount of assets out there to be funded, we think that perhaps we've seen the total nominal issuance volume pass its peak. That's purely because we

**"We take advantage of inefficiencies in the bond market to generate alpha, but there are some inefficiencies that hinder our day-to-day"**

Ales Koutny, head of international rates, Vanguard



are now treating ESG more as true ESG and focusing on green or social issuance, rather than just anything that can make the cut. We see more quality than quantity in the ESG issuance space going forward.

**Rosset, EIB:** What we were talking about with the regulation, fragmentation, or lack of market standards for digital assets can also, to some extent, be applied to ESG bonds.

However, we now have the EU Green Bond Standard, which provides a strict framework which can contribute to reassure investors and that must be viewed as a positive.

**Graupner, KfW:** We have been offering green bonds since 2014 and have now established a high reputation. There is no plan to stop green bond issuance over the next few years. There's a number also for 2026, which we will disclose on December 9, not only for overall funding volume but also our green bond target. This will again be a higher number than before.

Is there a change maybe in the green bond market? We want to concentrate our green bond activities more in currencies away from the dollar. We issued a green dollar bond last year, but we haven't seen any advantages in doing this in 2025 and we don't see the potential for any further demand in 2026 or in future years. So it's more about a concentration away from dollars into other currencies like the core currencies, the euro, but also the Aussie dollar and sterling.

**Becker, NRW:** NRW has always issued sustainability bonds — a mix of social and green bonds. We definitely see a change in the market. We have feedback from some big investors that, first, they want real green bonds; second, real social bonds. A mixture is OK but it's not popular because investors do not have a proper benchmark against which to measure the performance of the sustainability bonds.

When we started sustainability issuance in 2015, whether it was green, social or a mix wasn't a topic, it was just ESG. But now the world is changing more in the direction of green and the problem we have there now is that regulation is quite strict, especially for the smaller



**“We have feedback from some big investors that, first, they want real green bonds; second, real social bonds”**

Andreas Becker, head of treasury and pension fund, Ministry of Finance of the State of North Rhine-Westphalia

issuers. They can't fulfil all these regulations. Therefore, I don't see necessarily a peak for all of the market and that the supply will go down from now on, but I have a hunch that we have reached a plateau and that the market will go over to sidesteps regarding growth rates and issuer volume.

The overall market will grow further, though not fast, because investment portfolios have been built up now. Ten years ago, investors were buying every ESG bond because they were building a portfolio. Now the portfolios are there and we see mainly reinvestment and less new investment, so the growth in the market will be a little bit slower but it will grow.

**Kontio, MuniFin:** Most issuers have had green bonds in place for years and have established their space. We just need to be careful that we are not killing the market with limits on use of proceeds that are too strict.

It's difficult to know where the market is going in the future, but at least one topic I like is the more holistic approach to the whole sustainability of a company. Does it have long-term targets in place, not only for green but for its whole lending portfolio, for example? That tells investors a lot more than just a small part of the business that is taking place.

Coming up with all these targets is taking up a lot of my time now, but that's where I would hope the market is going. I don't necessarily feel that the market needs to continue to always grow at the same pace.

**GlobalCapital: Patrick,** When I asked your peers across DCM last year which product area

they were most bearish about for this year, most people, by far, said ESG-labelled debt. Do you think that has been born out?

**Seifert, LBBW:** Maybe we can agree that the hype is over. I'm not saying the trend is over because if we look at China, it's quite stunning the amount of effort they put into sustainability and turning the economy green. In contrast, I struggle to understand why we should now turn back to the US model of “drill, baby. Drill”.

Let's face it, ESG bonds are something inherent to Europe. There's a reason the euro market is still the one that appreciates ESG-labelled issuance most. Maybe we've overdone it a little in terms of who was brought to the market, not speaking of SSAs here, but business models that you could certainly argue how sustainable they were. We certainly overdid it in terms of regulation and the regulatory burden attached to it.

But Europe has a great opportunity because we rely heavily on energy and anything we can do to avoid wasting it and make more efficient use of it should benefit Europe, and also as a competitive advantage in the global landscape that we are in.

The way we look at it at LBBW is that we want to decouple economic growth from CO<sub>2</sub> production. The more we manage any business and innovation that is feeding that idea, that notion should have a high rate of success. Anything that limits what we have and cuts into the status quo, that's tough and has created a lot of frustration both with businesses as well as investors. But generally speaking, we still see the opportunity in this and continue to support the ESG market. ©

# The EU: bloc's SAFE asset adds defence to jumbo programme

One of the key numbers for the SSA bond market is the EU's borrowing need, published twice a year. The borrower has become one of the largest in the market, issuing €160bn of bonds in 2025, with a similar amount expected in 2026.

It anticipates €700bn of funding needs between 2025 and 2030 in support of the various programmes it funds, including for NextGenerationEU. Now it has a new one: a €150bn instrument, which will disburse money to member states for defence in 2026.

Siegfried Ruhl, hors classe adviser to the European Commission's Directorate-General for Budget and Balazs Ujvari, Commission spokesperson for budget and administration spoke to *GlobalCapital's* **Ralph Sinclair** about the issuer's path ahead in the bond market.

*GlobalCapital:* What guidance can you give the market at this stage about the European Union's borrowing programme for 2026?

**European Commission:** Since 2021, when we started our diversified funding strategy, we have been very structured and transparent in our communication about our funding plans, publishing them on a semi-annual basis. In line with this practice, we will communicate later in December our funding plan for the first half of 2026.

Transparency and predictability are crucial elements of our communication strategy. The issuance programme for 2026 will build on the 2025 programme.

For 2026, these funds will be used to finance ongoing disbursements under the NextGenerationEU programme but also disbursements under the new Security Action For Europe (SAFE) instrument and other funding needs, such as support to Ukraine and other neighbouring countries under established programmes. Bond issuance will be complemented by an increased amount of short-term funding to cover all liquidity needs, as necessary.

*GlobalCapital:* The SAFE programme was new this year. What is its future and what does it mean for the longevity of the bloc's expanded bond issuance needs?

**EC:** Member states have agreed on the SAFE instrument, with €150bn to be financed by EU borrowing to boost European defence capabilities. Disbursements will start in 2026, with pre-financing of 15%. The instrument will be available until December 31, 2030. That gives another five years of funding needs under this policy.

SAFE was built and fully subscribed in record time – in five months. Nineteen



Siegfried Ruhl, hors classe adviser to the European Commission's Directorate-General for Budget

member states indicated their interest in loans under SAFE and the indicated amounts exceeded the maximum size of €150bn. The tentative allocations per member state were published in September.

SAFE is another example of joint financing becoming more common for the EU as a tool to support political objectives.

Since the launch of the NextGenerationEU programme in 2020, member states have agreed on around €250bn of additional joint financing to achieve political objectives.

All these funding needs will continue to be raised under the EU's unified funding approach with the issuance of EU-Bonds and Bills. As a result, and notwithstanding any new programmes that may be agreed upon, the EU will remain a major issuer in the European capital markets for the foreseeable future.

The EU budget will continue to serve as the ultimate system of protection of our issuance, guaranteeing the programme's liabilities, making EU-Bonds and Bills a liquid and safe asset investment opportunity in European capital markets in the long run.

*GlobalCapital:* Speaking of defence funding, how does the EU fit into the expanded need for it overall between

government and supranational funding? And should the EU take on even more of this requirement through an even bigger SAFE programme?

**EC:** Similar to all other financial support programmes, the maximum size is fixed in the regulation of the SAFE policy – it's €150bn.

The SAFE instrument is one of the three pillars of ReArm Europe Plan/Readiness 2030, designed to use all immediately available levers to mobilise funding for defence investment.

The second pillar is the activation of the national escape clause of the Stability and Growth Pact, which allows a 1.5% of GDP increase in defence budgets and creates nearly €650bn in fiscal space over four years at the member state level.

The third pillar is supporting the European Investment Bank Group in broadening its lending to defence and security projects and accelerating the Savings and Investment Union to mobilise private capital so that the European defence industry is not reliant on public investment alone.

This means that EU member states will remain in the driving seat for defence while benefitting from the added value that the Union offers.

The activation of the national escape clause will facilitate member states' transition to higher defence spending at the national level, while ensuring debt sustainability at the same time, by capping the increase at 1.5% of GDP.

To date, 16 member states have submitted a request to the Commission to activate the national escape clause under the Stability and Growth Pact. The European Council has approved the activation of the 16 requests, based on the Commission's recommendations.

*GlobalCapital:* The EU wants to be viewed as a sovereign-like issuer in the bond market. Eurex recently launched futures contracts in EU-Bonds, but holding back participation in that market are US rules forbidding their hedge funds from trading them. Will the EU be making representations to be considered a sovereign under US financial regulations, and will it be making further efforts next year to be included in sovereign bond indices?

**EC:** Well, first let me mention that being viewed as a sovereign issuer is not a goal in itself. Our main objective is to maximise the successful rollout of our issuance programme to the benefit of member states.

In addition, we aim to contribute to the development of the European capital markets.

EU-Bonds have become a liquid and safe asset over recent years. Our outstanding debt has grown from €50bn in 2020 to €700bn now, helping our member states to overcome the pandemic and to make Europe greener, more digital and more resilient.

We became the second largest triple-A rated issuer of public debt in European capital markets and this also supports the European capital markets:

Including EU-Bonds in benchmark indices for strategic asset allocation means making this liquid and safe asset accessible to a wider group of investors. It also improves the credit rating and credit quality of an investor's benchmark. It makes the benchmark and the strategic asset allocation of investors more resilient without compromising returns.

Last year, the Intercontinental Exchange (ICE) decided to create a new index family by adding EU-Bonds to their existing European government bond indices.

Comparing these two index families – with and without EU-Bonds – we see that the indices which include EU-Bonds have a higher credit quality, reflected in a higher rating, while returns are almost unchanged.

Historically, the EU has been regarded by the market as a supranational issuer. The institutional set-up of the EU is closer to a sovereign than a traditional supranational issuer.

We have a budget-based financial structure. We have the power to legislate, implement and enforce law.

The EU has a common currency for the eurozone: the euro; and an independent central bank: the ECB.

In terms of our funding structure, we have much more in common with a sovereign bond issuer than we do with a development bank.

Issuing across the curve regularly, including the long end of the curve, and bringing our bonds to sizes of around €20bn using auctions, supported by a primary dealer group – all of this aligns more to a sovereign set-up than a typical supranational set-up.

There has been significant development in the market infrastructure for EU-Bonds and secondary market liquidity. And already an increasing number of market participants treat our bonds like sovereign bonds.

More and more banks are trading us from their sovereign bond desk. And in 2023, the ECB reassigned EU-Bonds under haircut category 1 in their risk control framework for credit, the same category used for instruments issued by central governments.

This development has also been picked up by the market. We saw the launch of ICE index futures at the end of last year and, in September, Eurex launched traditional bond futures on EU-Bonds.

Well-designed futures contracts, accessible to a larger group of market participants, support the objective of further developing the EU bond market ecosystem.

We therefore appreciate efforts like those of Eurex to improve the accessibility of EU bond futures. Making them eligible to a wider group of investors is the responsibility of Eurex. It is not under the Commission's control.

*GlobalCapital:* Does the EU anticipate shortening its average duration, which I think is about 15 years, in light of curves steepening and higher yields and, in particular, investors like Dutch pension funds moving out of the long end of the curve?

**EC:** While it's correct that our issuance has a slightly longer average maturity, we have never issued with an average maturity of 15 years. In 2022-2024 the average maturity was around 13 years, and this year it will be around 12 years. We have flexibility in our funding strategy and within this flexibility, we adapt to market needs.

At the same time, we aim at providing liquidity through new issuance across the curve and creating a redemption profile that enables us to have a stable market presence in the long run by rolling over our funding.

EU funding is structured based on budgetary backing and investor demand, with the objective to have funding costs at the lowest possible rates, considering the interest rate risk, and, therefore, preserving the financial strength of the Union while accounting for the absorption capacity of the market.

We will react using our flexibility, and also considering the other objectives I just mentioned.

*GlobalCapital:* Market participants have commented that investors have rotated out of OATs since the French sovereign downgrade and into other issuers. Has the EU as an issuer been a beneficiary of that?

**EC:** The EU has seen a large increase in its investor base over the last five years, from around 500 investors at the end of 2019 to almost 2,000 now.

More and more investors from both within and outside Europe take advantage of this asset and appreciate that investing in EU-Bonds avoids exposure to single-country risk.

We have had extremely strong demand with some transactions almost 20 times oversubscribed, even in periods of high uncertainty and market volatility within a single country.

Investors have perceived EU-Bonds and the euro as an anchor of safety and stability. This is something we benefit from, through increased demand from various investors based on their different reasoning.

*GlobalCapital:* Several SSA issuers have enjoyed greater central bank and official institution participation in their euro syndications this year, and higher participation from Asian investors. Has that been the same for the EU? And if so, what do you think is driving it? And do you think it is part of a rotation out of dollar assets?

**EC:** As I just explained, we benefit from being seen as an anchor of stability.

The EU's bonds are an attractive investment opportunity for investors seeking stability, credibility, liquidity and safety.

Investors outside Europe also showed this in our last transaction. Around 25% was bought by investors outside the EU and the UK.

In terms of investor type, traditionally we have good relationships with central banks and official institutions, and they continue to represent an important share of our allocation.

Some investors are restructuring their existing euro portfolios, others are changing their currency split. The increased demand we receive is down to a mixture of both. ©

**"The EU's bonds are an attractive investment opportunity for investors seeking stability, credibility, liquidity and safety"**

The European Commission

# AIIB: Panda market penetration to Wonton bond innovation



*GlobalCapital*: The AIIB is marking a decade of operations, but although it hasn't been in the bond market for quite that long, it nonetheless issues an array of different products, and we're going to focus on a couple of those now. The first is Panda bonds, which are bonds sold onshore in China by international borrowers. The AIIB has been a keen issuer of Panda bonds. Tell us about your programme in that market and how you've developed your investor base there.

**Darren Stipe, AIIB**: Just starting with the first part of that question, the Panda market itself is a fascinating market. Often, I'm in conversations about cross-border connectivity of Asian markets, and Panda is very relevant in that regard.

Maybe just outside of Panda, if you look at China's recent blockbuster dollar issuance, that one had \$234bn of bids, I think, for a \$4bn print. It's just an indicator of the fact that investors do have a strong demand for Asian assets and Panda offers an alternative that's really fitting.

It helps the domestic investor, because they get access to issuers they otherwise would have no access to at all and I think it helps the international investors as well, because they may already have CNY exposures, and it's a good complement to what's usually a [Chinese government bond (CGB)] holding.

In AIIB's case, we're 0% risk-weighted, and we're recognised as High Quality Liquid Asset Level 1 [under the Basel Liquidity Coverage Ratio], so it's a good fit for the typical Panda investor, which is usually a bank treasury. And we're also issuing around 30bp wide of that CGB level — so also compelling.

And then to say a little bit more about our programme, AIIB issues one or two times per year, ranging from a two to five year tenor and in sizes from Rmb1bn-Rmb3bn.

We could do more if we had a larger borrowing programme, so it's not to say that the market isn't deep enough for us to do more.

And then we typically swap to Shibor or Sofr. But either way, our proceeds are going to sustainable development projects within the Asia region, so we're doing all that issuance from the

The Asian Infrastructure Investment Bank may be the newest triple-A rated multilateral bank to enter the public sector bond market but it has not been backwards in coming forwards. It has spread far and wide across the capital markets since beginning its bond market funding with a dollar benchmark in 2019. It now raises around \$10bn a year from the bond market, issuing dollar, euro and sterling benchmarks.

Two other markets that the AIIB has explored in particular are those for Panda and Hong Kong dollar bonds. Its head of funding, Darren Stipe, appeared on a special, sponsored edition of the *GlobalCapital Podcast* in late November, as part of the bank's celebrations of 10 years in operation, to discuss its experiences in both arenas, including in 2025 becoming the first issuer to price a publicly syndicated Hong Kong dollar deal — the first ever Wonton bond.

perspective of having a sustainable development bond label.

**And in terms of that domestic investor base, how did they respond to the idea of buying a triple-A rated asset? Because obviously that's much tighter than some of the offerings they have looked at before.**

Yes, it's really relevant to ask about the investor base, because it's central to our objective of issuing Panda in the first place. So we're trying to get access to an investor base that we wouldn't otherwise have.

The investor base is split between onshore and offshore investors, of course; that's the whole nature of the Panda market, as you just said.

Our philosophy is that success in the long run as a Panda issuer relies on a stable onshore investor base, so that's what we cater to. And when we approach that onshore investor base, we find that it's really granular, but also that there's a process of promoting awareness that's important.

Investors onshore need to know AIIB: who we are as an issuer; why they should care about an offshore triple-A rating, so the credit quality and why is that relevant to them; and then what is a sustainable development bond?

To get that awareness out into the market we've had over 100 investors met. And so part of being a successful issuer, I think, is just getting on the ground and getting in front of investors.

But in terms of promoting awareness, it is helpful to educate them on why the Panda market is relevant to them, why AIIB is relevant to them as an issuer. But really what they're concerned about, I think, mostly, more than anything else, is liquidity. So the real way of attracting investors, I think, onshore or offshore, is going to be in the way you're transacting, and it has to be in a way that's encouraging secondary market liquidity. So, we issue in benchmark size, we're issuing frequently, and we're pricing in a way that we actually do pay a premium for the liquidity difference between our bonds and the CGB. And we also account for the difference in taxation compared to CGB in the way we price — so really hitting a market clearing price.

And when we do that in the Panda market, you get secondary market flows. So we see in our bonds healthy two-way flows — that's with onshore and offshore investors. We are seeing about five dealers actively trading our bonds, so it's really healthy. And that's what attracted that domestic investor.

**An adjacent market is that for Hong Kong dollar bonds. Issuers have been printing privately placed bonds in that market for decades. But this year, the AIIB sold its first, or the first, public bond in that market, a Wonton bond. Firstly, can you outline the difference between the two ways of issuing in the Hong Kong market**

— both private and public — and secondly, how did your experience in the Panda market inform your decision to do a Wonton deal?

Yeah, I think of the Hong Kong dollar case [that], as the IFI [international financial institution] community, we kind of got caught up in Hong Kong dollars being part of the mix of our private placement business. It's not a currency where IFIs are lending, so we think of the Hong Kong dollar market as a complement to the overall private placement business, where we're shown levels across the variety of currencies, and Hong Kong dollars just would have been one of them.

There's also a dynamic where there's a smaller set of dealers covering the Hong Kong domestic market, who also cover tier one SSA issuers and so syndication just never really came up.

I think if you look at the size of the Hong Kong dollar private placement issuance in 2024 it's about HK\$36bn, if you just focus on that tier one MDB peer set.

It was large enough in our minds that it did make us wonder: is there enough demand where a syndicated deal could be a success?

And so when we started exploring that with dealers who are on the ground and close to Hong Kong domestic investors, we thought we really could come up with a transaction that would be benchmark volume, still price close to those private placement levels and also attract a broader investor base than we're getting out of the private placement business.

Maybe we can cover it later, but there's no difference between the bond itself [and our private placements] — so same documentation, it's just the fact that it's a syndicated transaction of a larger size that's going to attract investors in who otherwise wouldn't be able to participate in a private deal.

**We talked a little bit about the characteristics of the Panda bond investor base. What's particularly different or similar in the Wonton market? And is being a triple-A rated, tightly priced issuer with a limited borrowing programme there a hindrance or a help?**

If we're comparing Panda to Hong Kong dollars, both of those investor bases are dominated by bank treasuries, so that's quite similar.

Hong Kong dollars is more domestic-driven. Panda, of course, is meant to attract both onshore and offshore participation, so especially central bank, official institution-type investors are attracted to the Panda market because they're managing their currency reserves.



Darren Stipe, AIIB

That isn't the case for Hong Kong dollars, but the fit for that domestic Hong Kong dollar investor is compelling. So, I was saying the volume of what got issued last year — around HK\$36bn of private placements. Already this year, when we introduced syndicated Wonton bond issuance, the volume has already reached HK\$23bn.

We still had HK\$44bn this year issued under the private placement format, so that still is relevant, but the overall size of Hong Kong dollar issuance for our peer set has almost doubled, and the syndicated format is already 30% of the market right out of the gates, so it's quite interesting.

For us, the size we can issue is limited by our programme size, it's true. I think there's strong enough demand that we could print more, we just have to become a larger issuer, and that's going to happen for AIIB as our balance sheet continues to grow.

**What was AIIB's approach to pricing in the Wonton market? Did you prioritise cost of funding or growing the investor base? It's always an interesting thing to think about with an inaugural deal like that, I think. Some issuers will be focusing on the arbitrage funding they can achieve, others will be looking to start a new market and driving pricing over time by growing the market. What was your approach?**

Yes, well, we were very conscious that we were going to be the first international issuer in the Hong Kong dollar market from a syndicated perspective, and so we wanted to set a precedent for both pricing and size.

On the on the size side, we looked at domestic issuer behaviour and really landed on HK\$4bn as a size. So, it was not too large — we didn't want to be too aggressive with an inaugural trade — but also not too small. You still want to get the benchmark size out of it, that's the whole point.

HK\$4bn — I would say it wasn't a size for the timid. Having done 13 private

placements in 2024, those were averaging a size around HK\$400m, so it was quite a bit larger than our normal private placement business.

And then the on the pricing, it had to make sense for both issuer and investor. So, for us it wouldn't have made sense to issue if it was going to be much more expensive than the private placement; then we would have just preferred to continue with private placements. And for the domestic investor it wouldn't have made sense if it wasn't offering some type of pick-up over the more liquid government bond.

So it's fortunate to have a sweet spot where investors were getting about 40bp over the government bond, whereas AIIB was still well within our US dollar cost of funds when we swapped the proceeds back to Sofr.

**The Panda market is known for how long-winded the approval process can be before a borrower is allowed to issue. Hong Kong is obviously a very differently regulated capital market traditionally, but what are the features that issuers need to consider before issuing their own Wonton deals?**

Yes, it's one of the things that makes the Wonton market quite attractive — [it's] a lot lighter a lift for sure. In our case, we had everything in place. We already had an MTN programme which we issued from, so no new documentation for us or investors to consider.

We already had our sustainable development bond framework, so there wasn't anything new about our labelling.

We were already 0% risk-weighted under Basel [and] Hong Kong investors already knew it. And we also already had [Central Moneymarkets Unit (CMU)] clearing and settlement — that's the natural means of clearing for any domestic investor, which is going to be the bulk of any Hong Kong dollar deal — so no change required from their side either. So, it was just really coming to the market with the syndication set-up is where the difference was.

I think any issuer approaching a Wonton trade with one or more of those elements missing might have a different experience than AIIB had in terms of size or pricing, or their ability to attract a wider investor base. It's going to be a headwind, I think, if you don't have all those elements in place.

For us, it worked out really well, and that's why we'd expect to come back to the market in 2026 with another trade.

We have a fresh programme for next year, and expect to be back with another benchmark Wonton bond.

# FIG primary issuance to go one better after phenomenal 2025 but widening looms

The European FIG market rode through 2025 on high demand for credit, providing bank issuers, large and small, with extremely advantageous funding conditions. Although investors have also benefitted from strong secondary market performance, as [Atanas Dinov](#) reports, that equilibrium may change in 2026, with anticipation mounting that spreads will widen

Although 2025 has been a phenomenal year for the European financial institutions bond market, for both issuers and investors, this equilibrium is likely to change with spreads on unsecured debt now firmly expected to widen, according to *GlobalCapital's* survey of FIG market expectations for 2026.

The primary market for FIG issuers in Europe got better and better during 2025. Investors were eager to book new unsecured paper despite ever-tightening valuations, with inflows pouring into the asset class, thanks to interest rate cuts on both sides of the Atlantic.

Spread widening – and even a prolonged correction – had been anticipated for most of 2025. Although this did not materialise for any extended period, except during the aftermath of April's US tariff announcements, it drove bank issuers to pre-fund at the end of 2024 and to front-load issuance at the start of 2025.

But, a year later, sentiment has shifted. At the end of 2025, funding was driven mainly by “the uncertainty of spread evolution,” says Alberto Maria Villa, head of FIG syndicate at UniCredit.

This is because in 2026, “the market is anticipating a potential drift wider in spreads rather than a market accessibility issue,” he adds.

As spreads tightened throughout 2025, issuers of all ranks locked in, historically advantageous levels, resulting in financial institutions printing more than €294bn of unsecured public debt in the single currency from January until the end of October, according to *GlobalCapital* data. This volume includes sub-benchmark deals as well as those from borrowers in central and eastern Europe (CEE).

The issuance volume during the period was split into €218.5bn of senior bonds, almost €50bn of tier two and €26bn of tier one capital. For the same period in 2024, senior issuance was €197bn and subordinated debt sales totalled around €64.5bn.

Looking at the projected volumes for 2026, just under 45% of survey respondents expect about the same volume of senior supply, with a third anticipating less than 20% of volume growth.

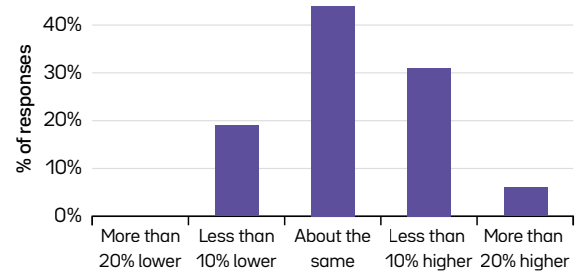
Banks were able to refinance well ahead of call options thanks to running tender offers in tandem with new issues, resulting in heavy amounts of subordinated issuance. But now, only a quarter of responders expect similar volumes to be repeated in that part of the capital stack.

Another quarter of respondents see capital issuance rising but by less than 20% year on year, with about 38% saying volumes will fall but by less than 20% versus 2025. Almost 13% say subordinated capital issuance will fall by more than 20% in 2026, which contrasts with no respondents predicting that there will be a similar drop in senior issuance.

European insurance companies were an integral part of the subordinated market of 2025. They jumped into strong demand for higher yielding credit, as they aimed to refinance legacy capital ahead of the grandfathering rule expiring at the end of 2025. They issued about 28% of total euro subordinated FIG supply and around 27% of tier one volume printed between January and October 2025.

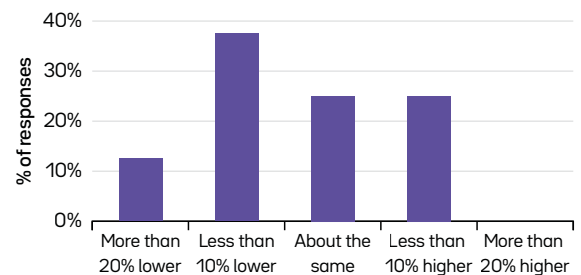
This heavier than usual presence split opinion in the survey. Around 13% of participants

How will euro FIG senior issuance volumes compare with previous years?



Source: *GlobalCapital*

How will euro FIG subordinated issuance volumes compare with previous years?



Source: *GlobalCapital*

think that insurers will print more subordinated debt in 2026 than in past years with a similar number expecting higher issuance of both subordinated and senior bonds. But 50% think that their combined unsecured funding will remain roughly the same with almost 19% expecting it to be lower.

## Issuance strategies

The majority of banks' funding is expected to be concentrated in senior bonds in 2026, according to the survey. About 41% of respondents see non-preferred as the most focused asset class having

the most focus, followed by 26% voting for the senior preferred layer.

Tier two notes received 10% of votes with the smallest share of under 9% going for AT1s.

Although covered bonds took 15% of the votes as the biggest focus, Villa highlights that “there is not really a rush to do covered bonds at the moment as the demand and supply outlook looks benign, even more so taking into account coupon payments”.

Isaac Alonso, head of debt capital markets for Germany, Austria and Switzerland at UniCredit, points out that not only 2026 redemptions but those in 2027 “will influence 2026 issuance – and not just on covered but also on senior bonds”.

The combined annual maturities, which he calls “a peak double year” for covered bond redemptions, “will determine the exercises banks choose to undertake in markets”.

UniCredit forecasts net euro public covered bond volume in 2026 to be lower than in 2025, expecting €165bn-€170bn of gross supply.

It expects €230bn-€240bn of senior preferred and non-preferred debt, €35bn in tier two and €25bn-€30bn in AT1s.

Meanwhile, 72% of survey respondents expect banks to focus their senior issuance in the belly of the curve with the remainder voting for the long end.

### Long-awaited widening

Survey respondents overwhelmingly anticipate unsecured spreads to widen from their multi-year lows, which for some asset classes and issuers have reached tightness not seen since the Covid-19 era when central banks flooded markets with liquidity.

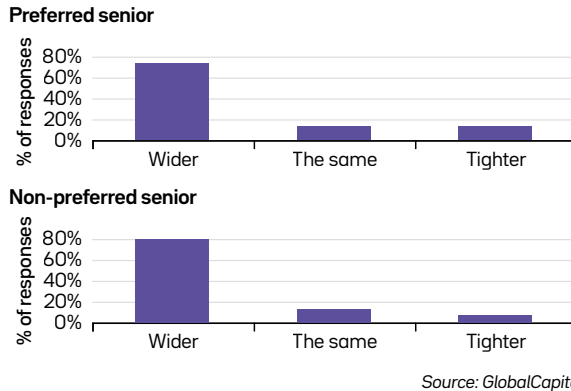
More than 73% and 80% of respondents think that senior preferred and non-preferred spreads, respectively, will have moved out by the end of 2026 compared to levels at the end of 2025.

It is even more striking for subordinated debt where not a single respondent thinks that spreads will remain unchanged. A small number said it could be the case for senior bonds, however.

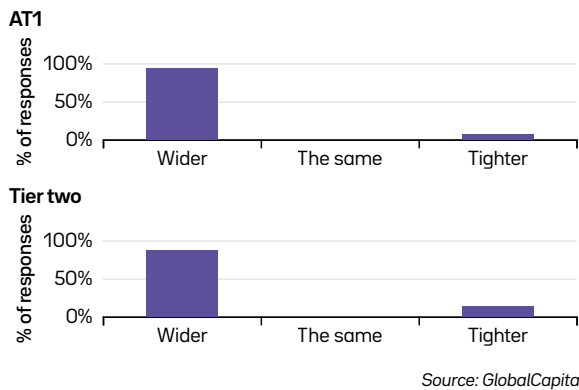
Instead, almost 87% of responders saw widening for tier two bonds and more than 93% for the AT1 layer.

Looking at the number and type of trades in October 2025, Villa

### How will bank spreads on senior bonds have moved by the end of 2026?



### How will bank spreads on subordinated bonds have moved by the end of 2026?



notes that “there is not the same extent of pre-funding as in 2024”. He attributes different reasons for pre-funding. “[There is] clearly a tactical approach to lock in the lower spreads, unlike last year when it was about having the option to have the funding in the face of uncertainty,” he says.

### Capital considerations

An important driver of the high volume of euro capital issuance in 2025 was banks’ ability to use liability management exercises (LMEs) as part of their refinancing work. Sources attribute the ECB’s more relaxed and quicker approach to granting approvals for banks to call their capital deals as the major reason behind this.

“In capital funding, LMEs were an overarching theme in 2025 that we expect to be the theme again in 2026,” says Villa.

In 2026, LMEs are likely to remain the mainstay of capital issuance strategies. Despite the spread widening expectations, banks will be looking to refinance capital that was mainly issued in 2021.

“Issuers will choose to vastly refinance spread instruments with LMEs, especially tier twos, where the spread difference between the old and the new capital are high enough as the LMEs will mitigate the double carry,” says Villa. “When it comes to AT1s, a lot of banks will consider LMEs, even those that were reticent to do one in the past.”

Financial institutions’ access to capital remains key, but they have also improved their capital structures beyond the traditional bond markets.

“Significant risk transfer (SRT) has been an important market that has been growing in Europe, and also for UniCredit,” says Alonso.

The market for SRT made 2025 “one of the most active issuance years, if not the most active one,” he notes, “as that instrument has become part of a bank’s capital financing equation”.

He underlines that the “high usage of SRTs has mitigated banks’ need to fund balance sheet growth and, in particular, the risk-weighted asset growth. This has contributed to the capital buffers of European banks”.

### Risks and opportunities

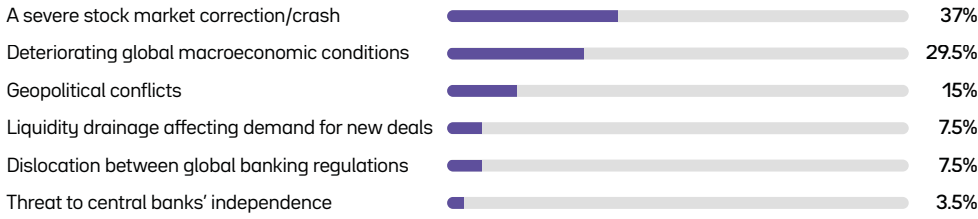
Although the US imposition of tariffs on April 2 sparked a big bond sell-off, this was not unique to the FIG market. In fact, while government bond yields continue to creep up due to expected higher issuance, demand for credit has been strong.

In Europe, that has been linked to the steadiness of the banking system. “The baseline outlook for the European banking sector for 2026 is stable as we see lots of resilience among the major banks,” says Olivier Panis, associate managing director at Moody’s, who heads the ratings management for major European lenders.

European banks have had limited lending growth in 2025 and large chunks of their funding needs were met earlier in the year, before the tariff announcement.

“Trade barriers and geopolitics turned into headwinds to banks’ operations this year and could also turn problematic in 2026, but so far this year, it has been a surprisingly good market despite all these developments,” adds Panis. “Next year we still see resilience from banks but a slowing market due to lower global economic growth.”

## What is the biggest risk facing FIG borrowers in 2026?



Source: GlobalCapital

European banks may enjoy a slight increase in lending, based on Moody's projections, as it expects 2026 economic growth in the region to improve to 1.3% from 1.2% in 2025.

UniCredit also sees European banks growing their loans business in 2026, but this will likely be "just moderate to flat loan growth", says Villa, although he also adds that deposit growth "will outpace loans in the majority of jurisdictions".

Moody's predicts the US economy expanding 1.8% versus 2% the preceding year. Growth in China and India will be higher, but both countries are expected to slow, with China growing 4.5% from 5% and India 6.4% from 7%.

Deteriorating global macroeconomic conditions are seen as the second biggest risk that could impact the FIG market in 2026, according to GlobalCapital's survey.

Macroeconomic concerns received almost 30% of the votes, but it was a severe stock market correction or a crash that topped the list.

But not all risks are obvious. "Natural disasters, such as extreme weather events, can be serious problems for banks," warns Panis.

Yet, he highlights that "the single biggest risk for European banks is a low probability event," one that can turn into a "major geopolitical shock". He highlighted the Russian invasion of Ukraine in 2022 as one example.

While senior FIG bankers saw an equity sell-off as a danger to primary bond market activity, macroeconomic deterioration could have a wider impact on banks' operations. To combat the economic weakness from US tariffs, the ECB cut interest rates more aggressively than the Federal Reserve did in 2025.

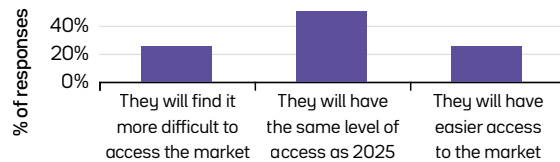
Lower interest rates can reduce banks' profitability. Interest rates in Europe are expected to keep "supporting banks' credit quality", says Panis, but "there will be a slight decrease in net interest margins in Europe".

The rating agency sees lower net interest margin decline among French banks but a sharper decline for those operating in the UK, Poland and Spain.

Meanwhile, the health of the European FIG market can often be inferred from the market access of lower tier and less frequent bank issuers. With 2025 a strong year for smaller issuers, half of survey respondents expect lower tier banks to have the same level of market access in 2026.

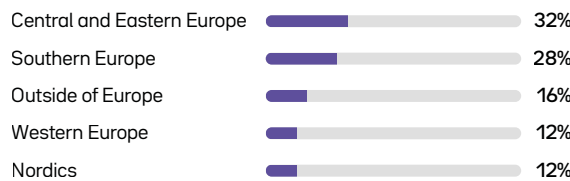
However, it was notable that the remaining votes were equally

## Will lower tier banks have better access to the market in 2026 than 2025?



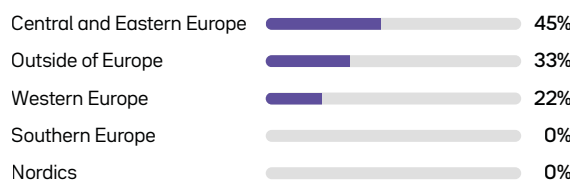
Source: GlobalCapital

## Lower tier banks from which of the following regions will have better market access in 2026 than 2025?



Source: GlobalCapital

## Lower tier banks from which of the following regions will have worse market access in 2026 than 2025?



Source: GlobalCapital

split between a better and a worse outcome for that group in 2026.

Opinion was also split on the regions that may be affected. Some 32% of voters see CEE banks having better access in 2026, although almost 45% say they are the group most likely to suffer worse access.

It is notable that Western European lenders stand out (22%) together with those outside Europe (33%) as those expected to face worse market access ahead.

## Market evolution

The diverging global regulatory landscape will also affect the performance and profitability of banks.

Thanks to accelerating local financial deregulation, US banks are most likely to benefit from changes in regulations according to around 45% of survey participants. They were followed by almost 23% voting for UK lenders. Those in the European Union, Japan and China all received equal votes, attracting 9% of respondents.

There was novelty in the environmental, social and governance (ESG) market, where around €50.5bn of euro public bonds were issued between January and October. These included five trades from three banks under the European Green Bond Standard that was introduced in the FIG market in February.

As this volume was just a touch higher than what borrowers raised in the same period of 2024, market participants expect a slight decrease of labelled bond sales in 2026.

While just under 30% expect unchanged volumes of ESG-labelled debt, the same number foresees an increase of less than 20%. Nearly 43% anticipate a drop of less than 20% compared to 2025.

The strong trend in mergers and acquisitions in the European banking sector is expected to remain a constant, with almost 73% of the respondents voting in favour of there being more in 2026. None expect this to decelerate.

And in terms of currency choices, after the euro and US dollar markets, European banks are most likely to turn to the sterling market, according to 57% of the survey respondents. Despite its growing relevance – including AT1 capital raising – the Australian dollar market came in as the second choice, collecting around 36% of votes. ©

# FIG issuers crush new issue premia as credit bid rips

Issuers had it almost all their own way in the European FIG market in 2025. Investor appetite for credit far outstripped supply, causing spreads to tighten along with the average new issue premium on syndicated benchmark-sized deals. **Flynn Nicholls** reports on the dynamics that shaped the primary market

Financial institutions increased their issuance volumes in 2025 but not enough to satisfy investors, whose appetite for credit has driven spreads to historic tight.

And while spreads widened during the volatility following US president Donald Trump's April 2 tariff announcement until July, from August on, investor demand pushed spreads tighter and suppressed the new issue premiums (NIPs) that had risen even before the US policy revelations.

It was not as if issuers were paying big NIPs at the start of the year, with many of January and February's benchmark's priced close to fair value. The average issue premium paid on a benchmark deal was just 1.6bp in January and 1.5bp a month later across all unsecured FIG asset classes in euros and sterling, according to *GlobalCapital's Primary Market Monitor*.

But in March, amid heavy order book attrition and falling subscription ratios, issuers began increasing NIPs to attract investors. The average shot up to 8bp.

Trump's sweeping tariff threats injected volatility into global bond markets. But FIG NIPs declined, averaging 7bp in April, 6bp in May, and 5.5bp in June, before falling back to 2bp in July.

After a pause in issuance, the primary market reopened in August and conditions remained constructive for issuers. In the next three months issuers paid slightly increased average concessions but not nearly as much as they had been in March and April. They paid on average 3bp in August, 2bp in September and 4bp in October across all asset classes.

## Supply choke

Supply has been uneven, with the bulk of issuance occurring in the first half of the year.

Issuers printed €180bn and £15.5bn in the first five months of

2025, but in the next five months issued just €118bn and £7bn.

Cover ratios were steady throughout the year. Across all unsecured asset classes in sterling and euros, benchmarks were on average three times subscribed in January and February, dipping to 2.5 times in March, and then returning to around three times subscribed every month from April to July.

In August, average cover ratios increased to 3.2 times, then again to 3.7 times in September, then down again to 3.1 in October.

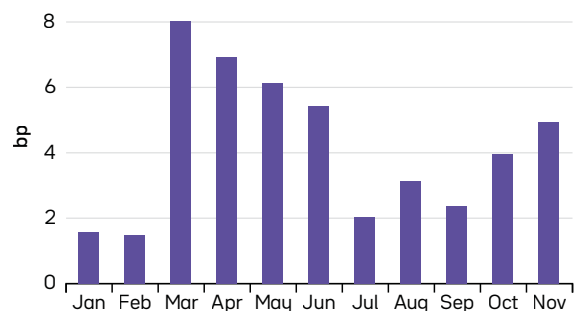
## Volumes up, spreads down

Between January and October in 2025 there was €292bn of unsecured FIG benchmark issuance in euros and sterling from 368 tranches. Order books were disclosed on 94% of them. Of that €270bn-equivalent of issuance, orders reached €797bn-equivalent, or a cover ratio of 2.95.

That cover ratio was almost identical to the same period in 2024 when €268bn was issued over 355 tranches. Order books were disclosed on 96% of those tranches. For that €257bn-equivalent of issues, demand was €762bn-equivalent; a cover ratio of 2.96 times.

With supply outstripping demand, spreads tightened across asset classes. For senior fixed rate euro deals, the average reoffer

## Average new issue premium in 2025 across all unsecured FIG asset classes in euros and sterling



Source: *GlobalCapital's Primary Market Monitor*

spread was 108bp over mid-swaps in 2025 to October, which was 19bp tighter than the 127bp average in the same period the year before.

In senior non-preferred, spreads tightened even more, with an average of 116bp over mid-swaps in 2025, 23bp tighter than the 139bp average in 2024 to October.

The average spread on tier two fixed rate euro deals was even more extreme. The average reoffer spread was 183bp over mid-swaps in the first 10 months of 2025, down a 44bp on the corresponding period in 2024.

And tightest of all, yields on euro alternative tier one notes averaged at 6.43%, down from 7.29% in the same period in 2024, an 86bp drop. 📉

## Unsecured benchmark FIG issuance, January-October 2025

	2025 (books disclosed)	2025 (total)	2024 (books disclosed)	2024 (total)
Tranches	346	368	342	355
Volume (€bn)	270	292	258	268
Orders (€bn)	797		761	
Cover ratio	2.95		2.96	
Average deal size (€m)	781		754	
Average book size (€m)	2,303		2,228	

Source: *GlobalCapital's Primary Market Monitor*

# Busy covered issuers to navigate tight market in 2026

Covered bond funders will have to weave their way through tight senior unsecured and wide SSA spreads in 2026 if they are to refinance the wave of redemptions that awaits them. One big question for the year ahead, discovers **Frank Jackman**, is whether issuers will be tempted to pay up for duration

The covered bond market may find itself in a difficult situation in 2026. To its left, wider than usual SSA spreads; and to its right, tight senior unsecured spreads in the FIG market. Both will pile the pressure on an asset class facing a higher level of redemptions that will need to be refinanced.

Of the market participants polled by *GlobalCapital* in its annual survey, 58% expect covered bond spreads to remain unchanged next year. The remainder, however, expect spreads to widen by up to 20%.

Any widening in covered bonds is likely to be the result of pressure from the SSA market. If SSA spreads move higher, thanks to elevated levels of funding required next year, many in the market expect covered bonds to follow suit.

Market participants polled by *GlobalCapital*, however, appear divided as to how likely this is to happen, with 29% of respondents expecting the spread between covered and SSAs to widen, while 43% expect it to tighten. The remaining 28% expect it to remain the same.

“Covered bonds look a little expensive versus SSAs,” says Mladen Djurdjevic, head of DCM syndicate at Erste Group in Vienna. “And as we see more SSA supply, SSAs will widen and put pressure on [covered] spreads.”

Gonzague Veillas, head of funding and treasury at Caffil adds: “Tighter jurisdictions could widen as they’re more impacted by the relative value versus SSAs”.

However, just because SSA spreads widen, it does not mean covered spreads have to move wider in tandem. In fact, this year, “covered bonds have managed to print inside SSAs or at least very tight versus SSAs,” says Djurdjevic.

“There could possibly be 10% more Länder supply – and the question is will this lead to wider spreads and therefore wider covered spreads,” says Florian Eichert, Crédit

Agricole’s Frankfurt-based head of covered bond and SSA research.

“I’m not sure if you issue €6bn-€8bn more of Länder paper, you will have a mass repricing,” he adds. “Some names like North Rhine-Westphalia can also fund some of the extra in dollars instead.”

Of course, that said, “every time [covered and SSA] cross paths, we get push-back from investors,” says Djurdjevic. “If we have a period where there isn’t much [covered] supply and spreads grind tighter in secondary, investors will have to get their heads around [covered] being tighter.”

## France in focus

One major market where investors have had to grapple with covered bonds trading deep inside the sovereign curve this year is France. Thanks to persistent bouts of political volatility stemming from president Emmanuel Macron’s decision to call a snap parliamentary election in June 2024, as his government attempts to rein in a ballooning deficit, OATs have spent much of the last 18 months under pressure.

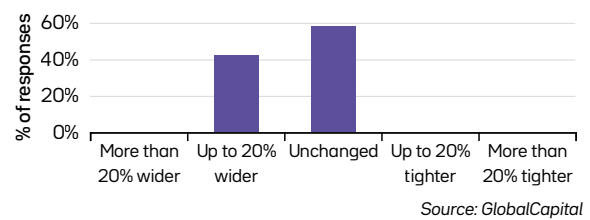
Since that election, France has been through three prime ministers, with the incumbent resigning after less than a month in office, only to be reappointed by Macron almost immediately. Understandably, this political instability – plus the persistent struggle of the French parliament to pass a budget – has pushed OAT yields up.

And although French covered bonds have tracked wider in tandem, they have done so at a slower pace, meaning for the first time in several years, paper from Europe’s most active covered bond issuing country is trading through its sovereign curve.

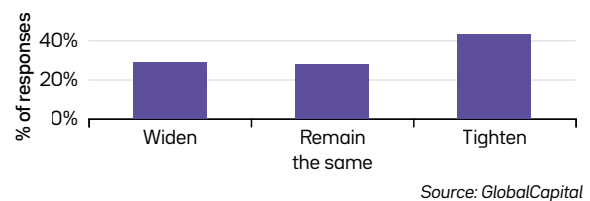
“As we saw this year, negative spreads versus OATs have been regularly accepted in benchmark format by investors,” says Veillas.

On January 10, Caffil punched through the OAT barrier for the first

## Where are spreads headed for euro benchmark covered bonds?



## What will happen to the relative value of euro covered bond spreads to SSAs in 2026?



time since 2022 with the launch of a €1.25bn 3.125% July 2033 public sector covered bond at 69bp over mid-swaps, 8bp through the French sovereign curve.

Demand for the note was not dented, despite the sub-OAT reoffer spread, with books for the note closing at over €4.25bn, according to *GlobalCapital’s Primary Market Monitor*. A string of French deals tight to, flat or even through OATs have since followed with minimal push-back from investors.

“It seems like the market does not have a problem buying French covered bonds below OATs,” says Olaf Pimper, liquidity portfolio manager at Commerzbank in Frankfurt. “This is even more true at the long end, given the rating differential between triple-A covered and single-A OATs. You’re buying less volatility in covered compared to the sovereign.”

For instance, when the French sovereign was downgraded to single-A by S&P and Fitch in the autumn this year, covered spreads hardly budged.

“OATs are wide enough to allow covered to trade 10bp-15bp inside and still offer a decent pick-up over German names,” says Eichert.

“Whether we end up inside OATs also in shorter tenors is more a function of where OATs trade,” he adds. “If you want to argue for tight or negative spreads at five years, you need OATs to sell off as covered bonds themselves are unlikely to tighten.”

However, Veillas notes: “Relative value versus OATs is not a primary reference for French covered bonds. The sovereign curve has specific dynamics that aren’t the same as covered. It is important to understand it is not the primary reference for pricing French covered given the wide differential in rating.”

**Credit compression**

But it is not just SSA spreads that are expected to weigh on covered bond levels next year. Eye-wateringly tight valuations in the credit market could leave some issuers reconsidering the make up of their funding mix and swapping covered bonds for senior unsecured deals.

“One thing we must think about is whether issuers will do senior first or covered,” says Djurdjevic. “Given senior is tight, they might opt for senior first and then covered.”

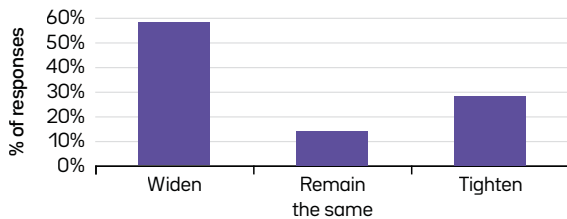
Djurdjevic says the spread between senior and covered funding was 35bp-40bp in early December.

For example, in late November, ING placed a €1bn 2.625% December 2028 note at 38bp over mid-swaps. By December 8, this note had tightened to be bid at an I-spread of 33.5bp, just 25bp back of where the Dutch bank’s €1.25bn 2.625% January 2028 covered bond was trading.

“Even the recent Air Liquide multi-tranche was priced at a level not far off French covereds,” says Eichert.

French corporate Air Liquide, rated A2/A, placed a €500m 2.625% November 2029 deal at 38bp over mid-swaps in late October, according to PMM data. Earlier that same month, BPCE placed a €1bn 2.5% October 2029 note at 32bp. As

**What will happen to the relative value of euro covered bond spreads to bank senior unsecured paper in 2026?**



Source: GlobalCapital

of December 8, the pair were bid at I-spreads of 34.1bp and 25.8bp, respectively, according to Tradeweb.

However, 58% of respondents to GlobalCapital’s covered bond market poll expect the spread between covered bonds and senior unsecured to widen next year. Meanwhile, 28% anticipate it to tighten, while the remaining 14% expect it will remain the same.

Because covered bonds “will struggle to meaningfully tighten versus swaps, for the differential to widen we need credit to sell off,” says Eichert.

There were signs that this dynamic could shift late in 2025. “In November, there was equity weakness and senior spreads widened, but on the other hand, covered spreads tightened a little,” says Djurdjevic.

**Steeper curves, longer deals**

Survey respondents overwhelmingly expect most issuance to come in tenors between five and seven years in 2026. In fact, only one respondent expects a different sweet spot for issuance, favouring the seven to 10-year bracket.

“The mid-part of the curve is still the sweet spot, where there’s the best relative value for covereds with German regions on one side and senior preferred on the other,” says Pimper, putting the sweet spot for covered paper “around five years”.

“There’s nice steepness between two and five years, flattening out as you go along the curve,” Pimper adds. “Investors don’t see the reward of taking longer risk, which isn’t as true as the mid part [of the curve].”

New benchmarks in 2025 have been issued with an average tenor of six years, PMM data shows, down from last year’s 6.3 year average.

Of course, that does not mean issuance has been wedded to the belly of the curve throughout the

year. In fact, Deutsche Kreditbank pushed out to 20 years for the first time since 2022 with the launch of a €500m 3.25% June 2045 public sector-backed deal in June.

However, long end deals were few and far between. This is in part due to the tighter valuations between SSA and covered bonds further out along the curve. “At the long end, I would rather look at SSAs,” says Pimper.

However, this could shift next year if covered spread curves were to steepen, pushing investors to go longer. “I suspect this will come from the sovereign and SSA side,” Pimper says. “If we see a huge widening there, then I guess we could at least expect some covered bonds to follow,” he adds.

“I expect spread curve steepness to be a topic next year,” says Veillas. “This year, we did something longer at 12 years and are very happy with that. But next year, if curve steepness stays as it is, I expect the same as in 2025 with not much supply at the long end, meaning anything above 12 years will be very rare.”

Alongside Deutsche Kreditbank’s 20 year deal, only one 15 year and one 12 year bond were issued in 2025, PMM data shows. Last year one 15 year deal and eight 12 year trades were issued.

“The topic of curve steepness is a natural limitation for longer offerings,” says Veillas. “Even if we’re convinced there is some demand, we will always be in a position to address it via private placements or taps of outstanding bonds.”

Conversely, the dearth of deals at the long end could help to support issuance. “If no one wants to go, then the one or two who do might achieve tight levels and benefit from a first mover advantage,” says Eichert.

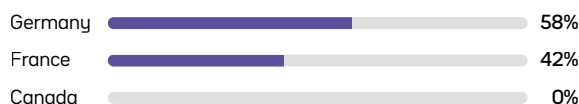
**Redemption wall approaches**

Market participants expect on average, just over €160bn of benchmark issuance in euros during 2026. At the low end, €140bn of fresh paper is anticipated, rising to €180bn at the high end. However, two thirds of respondents forecast €160bn-€170bn.

Such a number would be a slight increase on the €155bn raised in 2025 and €150bn issued in 2024, data from GlobalCapital’s Primary Market Monitor shows.

A higher level of redemptions is expected to drive this greater level of fresh supply. According to

**What do you expect to be the most active jurisdiction in 2026 for issuance volumes?**



Source: GlobalCapital

Dealogic, €149bn of benchmark paper will redeem next year, compared to €128bn in 2025.

The bulk of these upcoming redemptions was issued towards the end of the Covid-19 pandemic to refinance cheap central bank liquidity taken out during the early part of the decade through schemes like the ECB's Targeted Longer-Term Refinancing Operations.

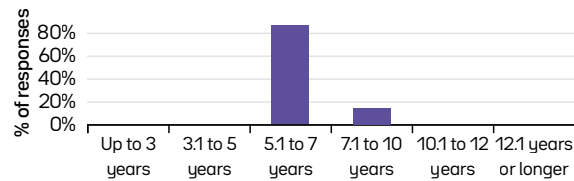
"We have €20bn more redemptions next year and think most will be replaced but maybe not one to one," says Djurdjevic.

At the same time, "loan growth will not really increase in pace, and that will be covered by deposit inflows to a large extent," says Pimper. "There's not a lot of funding pressure from loan growth."

The two usual suspects are expected to drive the bulk of covered bond issuance in euros: France and Germany. Just over 40% of respondents expect France to lead, with just under 60% championing Germany.

"Historically, these are the two largest markets [in Europe], not just with regards to population but also to loan volume," says Djurdjevic. "I think this will be same

## What will be the most popular tenor for euro covered bonds in 2026?



Source: GlobalCapital

next year. In terms of redemptions, they have a good amount redeeming that needs replacing."

As of December, France has a slight edge in the benchmark euro covered bond market, with €31.5bn issued in 2025, compared to Germany's €30.5bn, PMM data shows.

Next year, €21bn of benchmark French paper will redeem in euros, compared to €27bn from Germany, according to Dealogic.

Norway sits in third place for the year with €10.25bn. However, Djurdjevic expects that to change in 2026. "I expect the third jurisdiction to be Canada," he says. "Maybe we can expect a bit more from there compared to this year."

"Next year the Canadian names have big redemptions, and I think

they will refinance some of it," says the Eichert.

Canada's banks are set to redeem €23bn in euros next year, £9.35bn in sterling and \$12.35bn in dollars, according to Dealogic. In 2025, however, Canadian firms redeemed €9bn, £6.38bn and \$9.85bn.

"There will be a bit more of a link between redemption volumes and higher supply, although maybe not one to one," says Eichert. "Some of these covered bonds will be refinanced with unsecured supply, but I don't think we will have anyone with €7bn of redemptions sitting there doing nothing."

Canadian banks have placed €9.5bn in euros this year, ranking them sixth, down from €13.25bn in 2024 and €17.75bn in 2023, PMM shows. Instead, their focus has been on the senior unsecured market where they raised €13.6bn.

Eichert also expects Australia to be busy next year. "That is one of the few jurisdictions where the overall funding need is going up," he adds.

In total, Australian banks placed €9.85bn in euros this year, up from €4.85bn in 2024, according to PMM data. ©



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### Banks, bonuses and the Budget



Reining in private credit, AI capex looms over bonds and defence label flaps wings



US companies light up Europe's bond market as exchanges revise IPO playbook



Thought for pause: how bond markets can help after a hurricane



CLOs in focus, bank issuers plan for trouble, despatch from DC

As of the end of October, banks had printed €146.9bn of benchmark-sized covered paper, roughly in line with the €148bn printed over the same period in 2024. And although this was down from the bumper years earlier in the decade – €167.7bn was issued over the first 10 months of 2023 – those that opted to tap the market this year enjoyed stellar issuance conditions, despite bouts of volatility.

Issuance was heaviest during the first quarter, with €50.1bn placed. This, however, was down sharply from the corresponding quarters in 2023 and 2024 when €80.7bn and €73.4bn was issued, respectively.

The slow start was thanks to a repricing of the asset class in late 2024 driven by moves in the Bund-swap spread, which encouraged issuers to use the senior unsecured market instead.

That meant issuers needed to pay higher premiums on their covered bonds and there was a greater degree of price discovery.

The first trades – LBBW's €1bn 2.625% February 2030s and Crédit Agricole Italia's €1bn 3.25% February 2034s – offered premiums of 6.5bp and 9.25bp, respectively. However, the market settled, with most deals that followed offering concessions in the low single digits.

In fact, new issue concessions remained low throughout most of 2025. Banks had to pay an average premium of 1.3bp over the first 10 months of year – 50% less than 2024's 2.6bp average.

The average concession peaked at 1.9bp in a far busier than usual June. In a break from convention, June was the third busiest month of the year after January and September, with €20.35bn placed.

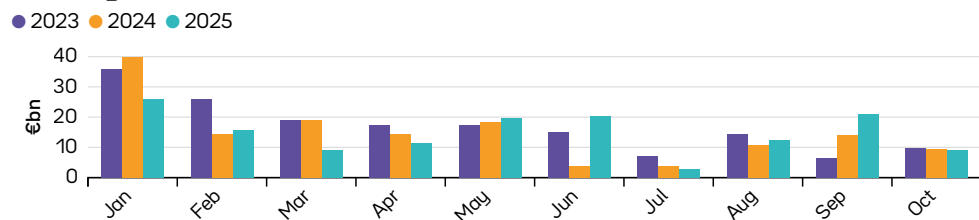
This higher average premium helped the market digest the bumper volumes and encouraged issuers bring longer dated deals.

Deutsche Kreditbank, for example, needed a concession in the low single digits to seal the longest syndicated euro covered bond since

# Covered books bulge despite dwindling new issue concessions

The euro covered bond market shook off a volatile end to 2024 to rebound with a raft of exceptionally popular deals in 2025. Investors appeared eager to pile into euro covered bond books this year, propelling bid-to-cover ratios upwards and new issue premium downwards, writes [Frank Jackman](#)

## Monthly euro covered bond issuance in 2023, 2024 and 2025



Source: GlobalCapital's Primary Market Monitor

2022 – a €500m 3.25% June 2045 public sector deal.

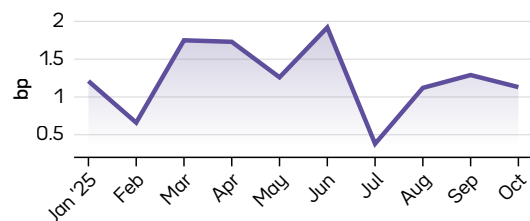
Despite periods of volatility impacting the wider market – like US tariff announcements first made in April or France's repeated unsuccessful attempts to form a stable government and pass a budget – the covered bond market remained open throughout the year.

Excluding the deals priced in April ahead of the first US tariff announcement, issuers paid an average concession of 2.6bp. However, as the market entered May, the average premium fell to 1.2bp.

### Strong bid for lower supply

Although supply over the first 10 months of 2025 compared to 2024 and 2023 was lower, demand was up. Investors pledged €386bn of orders, compared to €377.5bn in 2024 and €317.5bn in 2023. The average orderbook size was up at €2.14bn compared to €2.04bn in 2024.

## Average monthly new issue premium for euro benchmark covered bonds in 2025



Source: GlobalCapital's Primary Market Monitor

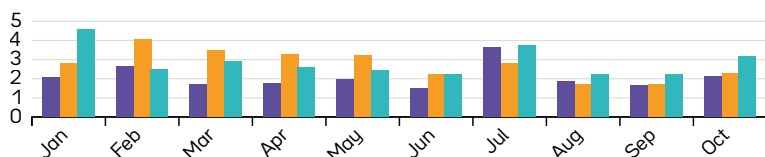
So hot was demand that January marked the highest monthly average bid-to-cover ratio recorded by *Primary Market Monitor* – 4.55, eclipsing the second highest average set in February 2024.

Bausparkasse Schwaebisch Hall (BSH), which attracted an order book more than 12.2 times the size of its €500m 2.875% January 2031s, was a key example.

But BSH was not alone. In fact, 25 of the 29 tranches issued in January had a bid-to-cover ratio higher than 2.81 – the average over the first 10 months of the year.

Strong demand persisted throughout 2025. Despite near invisible new issue premiums throughout the year, the average monthly bid-to-cover ratio for 2025 through to the end of October did not drop below 2.2 times. ©

## Average monthly bid-to-cover-ratio for euro benchmark covered bonds



Source: GlobalCapital's Primary Market Monitor

# European ABS on its feet and ready for more in 2026

The conditions are set so that 2026 promises to be even better than the already impressive 2025. A deepening of esoteric asset classes, combined with entirely new deal types, as well as more debut issuers are set to be the key themes, writes **Tom Hall**

European securitization is hoping to match all the feats of 2025 and more in 2026, with a key theme being the entrance of even more debut issuers in the market.

Market participants appear convinced that another new issuance volume record will tumble in 2026, with 97% of respondents to *GlobalCapital's* outlook survey predicting volumes will either be the same as 2025 or higher. Public issuance in 2025 is on course to beat the record set for post-financial crisis volumes in 2024.

Meanwhile, spreads are forecast to remain resilient. Only 7% of survey respondents predict spreads will move “much wider” in 2026, but 41% of respondents predict a slight widening.

Spreads in some markets sit near recent tights. Enra set the tightest spread for three years for UK non-conforming RMBS with its Elstree 2025-1 trade from February, which was priced at 72bp over SONIA, although the asset class had retreated around 10bp towards the end of the year.

“I’m expecting spreads to stay broadly the same in 2026,” says Florence Coeroli, UK and global head of engineering at Société Générale. “We’ve obviously had periods of extreme volatility in 2025 leading to some spread softening, but we have gotten over this turbulence and spreads appear to be stable now.”

For example, that resilience was visible after the equity market drop following US tariff announcements on April 2, when the ABS market only needed about a month to recover and start pushing tighter again.

However, despite the tight spreads, investors continue to make the case that securitization looks an attractive proposition compared to other asset classes.

“Spreads across fixed income are certainly tighter now than they were a year ago, but you still get a decent

amount of carry [and attractive] risk versus return,” says Kate Galustian, head of BlackRock’s EMEA and Australia securitized assets team.

“I would argue there’s a place for [securitized credit] in portfolios. You do have to acknowledge where spreads are, but they’re not at the absolute tights, whereas they are [at] or at least close to [absolute tights] in some sectors outside [securitization].”

## The year of debuts

Even better, investors can expect the range of collateral on offer to broaden further in 2026, after an already impressive 2025 for debut transactions, from auto lender Vehis in Poland to Islamic finance provider StrideUp in the UK.

“It’s always good to see new issuers and new or lesser-seen collateral types in the market,” says Maddi Rowlatt, European ABS portfolio manager for Challenger Investment Management, “because if we can do that extra bit of credit work to get comfortable with the underlying collateral and underwriting, they continue to present opportunities for investors to earn a premium over more traditional platforms and provide diversity to portfolios.”

“Newer asset classes also demonstrate a healthy securitization market.”

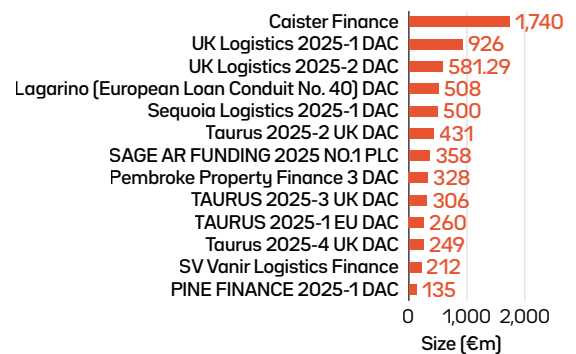
Private financing activity in 2025 provides a leading indicator of what could appear in the public market next year.

“I’m pretty confident that we’re going to see a lot of debuts going into 2026,” says Andrew Vickery, partner at Linklaters, “just based on the high volume of warehouse facilities and forward flow agreements we have seen in 2025. And as originations pick up, these lenders are going to start looking at the public ABS market.”

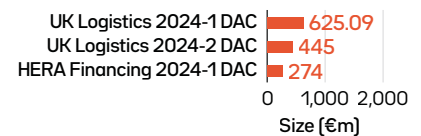
The other aspect of this trend is that these debuts will be predominantly coming from

## 2025 vs 2024 publicly and privately placed European CMBS volumes

2025 deals Total: €6,534.29mn



2024 deals Total: €1,344.09mn



Source: *GlobalCapital's* Asset Backed Monitor

non-bank lenders as opposed to banks, which have the benefit of being able to use deposits for funding and so often just use securitization as a means of funding diversification.

“A lot of this activity is in the specialised lender space, both secured and unsecured consumer lenders, SME lenders and mortgage lenders,” says Vickery. “So while regular bank issuers will continue to be active in 2026, we should be seeing a lot more debut issues from specialist lenders.”

*GlobalCapital's* survey suggests the market is not convinced that there will be a flurry of first timers, but 38% of survey respondents expect more than 10 debuts.

## Crossing that bridge

The theme of 2025 has broadly been to build on the new asset classes that emerged in 2024, those being data centre and solar ABS. This is all set to change with the emergence of new asset classes in 2026, with the

main trailblazer being the buy now, pay later (BNPL) asset class.

“I think BNPL ABS is an asset class that will begin to develop in 2026,” says Coeroli, “as there is a good level of demand from investors for these types of assets, and it feels like a natural evolution from the consumer ABS products that investors are familiar with.”

There was plenty of private market BNPL activity in 2025, a notable example being Klarna’s €1.4bn warehouse for its German BNPL receivables set up in August.

“We should see some BNPL activity from the well-known players; maybe two or three transactions,” says Susanne Matern, EMEA head of structured finance at Fitch. “But it’s still an area where it is somewhat hard to define what counts as BNPL. For example, some would say it has to be paid in one instalment to count as BNPL, so there is a grey area as to what will fit under this umbrella.”

The other asset type where originations are growing fast is bridging loans. Cerberus broke ground with its Fairbridge 2025-1 deal in November, a Dutch BTL RMBS backed by a pool of which 8.3% was bridging loans, proving it is possible to fund these loans through a public securitization.

Now public RMBS is beginning to look like a viable option for financing these receivables; 2026 could be the year more issuers enter this market.

One of the key problems in this market is that, although there is growth, it is split between about 450 lenders, of which maybe six have portfolios as big as £250m-£300m. This creates a problem as bridging loans are short dated, meaning securitizations of them would need to be issued with a revolving structure.

“Investors will need some assurance that as new assets are added to the pool [for BNPL ABS or bridging RMBS], the characteristics they underwrote on investment won’t fundamentally change,” says Rowlett. “So these are transactions where we really need to see the structure, monitor eligible collateral constraints and the ratings methodology to make appropriate credit decisions.”

It is unlikely any single originator will be able to build up a large enough origination capacity to keep adding homogenous loans into a public, revolving RMBS of bridging loans.

Hope could come in the form of a bridging loan aggregator

— like Toorak in the US residential transition loan market — which could use loans from numerous lenders, or by integrating bridging loans into traditional types of RMBS, as with the Cerberus deal.

“We think bridging loans are best financed through warehouse facilities right now,” says Alessandro Pighi, head of EMEA RMBS at Fitch, speaking before the Cerberus deal was announced. “So unless warehouse pricing becomes less competitive it seems unlikely these loans will be financed via public RMBS, but there is the possibility of bridging loans being added to BTL deals but only as a minority portion of the portfolio.”

### Data centre surge

One of the standout stars in 2026 is expected to be data centre ABS and the asset class could be a hot spot for debut issuers.

“We are expecting more operators to enter the European data centre market, with about four to six transactions likely in 2026,” says Matern. “We are expecting this to be dominated by securitizing hyperscaler facilities using an ABS-style structure, as opposed to a five year CMBS.”

This asset class been the preserve of one sponsor so far in Vantage, which priced a German data centre ABS trade in May 2025.

That example proved it was possible to securitize these assets and that there is investor interest in the bonds. Plenty more sponsors are looking to follow.

It also helps that Europe CMBS, long dominated by Blackstone logistics deals, has had a phenomenal 2025 with more to come in 2026.

“For the traditional CMBS market, so not including data centres, we could see an increase in volumes of up to 25% compared to 2025,” says Matern.

Volumes spiked and more sponsors, like Carlyle, entered the market in 2025, diversifying asset types away from logistics, with retail and office components being added into some deals from Bank of America’s Taurus shelf.

This is even without mentioning Blackstone’s enormous £1.5bn private CMBS as part of its refinancing of the Haven portfolio of UK holiday parks in August.

Those in the market feel positive that this momentum is set to continue, with 47% of survey

respondents expecting between nine and 16 deals in 2026.

“For traditional CMBS we are expecting a continuation of logistics-based transactions but also potentially office transactions,” says Matern. “We may also see one or two [commercial real estate (CRE)] CLO structures. There should be a wide variety of property types on top of logistics too, for example multifamily housing backed transactions.”

There has only been one CRE CLO in Europe, Starz Mortgage Securities 2021-1, arranged by Credit Suisse.

### RMBS: new tricks

Innovation has also been the name of the game for debut issuers in the sterling RMBS market in 2025. Waterfall Asset Management priced Europe’s first home equity line of credit (Heloc)-backed RMBS with collateral from Selina Finance, StrideUp priced the first Islamic finance RMBS since 2018, and there was more activity in later life and equity release RMBS.

Equity release is likely to grow further in 2026, as there are more mortgages to work with than in the Heloc or Islamic mortgage markets, although there is plenty of growth in these sectors too.

“Of the esoteric RMBS products we have seen in 2025, equity release probably has the best chances of growing,” says Pighi, “as there have been a few deals already so from a structuring perspective there is a clear path for future deals to follow.”

Indeed, Waterfall Asset Management’s Lifetime Mortgage Funding 2024-1, priced in late 2024, was followed up by USS joining the market as a sponsor with Summerhouse 1 in August.

The deals have proven a model, where sponsors can obtain leverage by structuring matching adjustment-eligible notes for insurers’ balance sheets and then placing mezzanine bonds with traditional RMBS funds. It ought to pave the way for more such issuance in 2026.

**“For the traditional CMBS market... we could see an increase in volumes of up to 25% compared to 2025”**

Susanne Matern, Fitch

## A shot of regulatory optimism

Regulatory changes are also coming down the track that will likely provide a further boost to activity in the European securitization market.

In 2025, the most significant regulatory activity has been in the EU, with the European Commission setting out proposed amendments for its Securitization Regulation, the Capital Requirements Regulations (CRR), the Liquidity Coverage Ratio (LCR) and Solvency II.

“The June Commission proposals fired the starting gun on the legislative process, which we feel is broadly positive for the market in that it is comprehensive,” says Shaun Baddeley, managing director of the Association for Financial Markets in Europe, “but there are still some adjustments that need to be made for the proposals to be fully effective.”

GlobalCapital’s survey also reveals an optimistic sentiment among the broader market with 61% of respondents believing EU regulation was heading in the right direction, but with 53% of that subset saying the bloc was not going far enough.

Indeed, there are still some issues that those in the market are hoping will be solved before any of these proposals are implemented.

“There are some challenging parts to these proposals, like the Article 32 language which introduce potential sanctions up to 10% of global turnover for due diligence breaches,” says Baddeley. “The other challenge is that investors can’t delegate disproportionate regulatory due diligence obligations to their asset manager, which isn’t conducive for bringing back as many investors as possible.”

There is still a long way to go before any of these proposals are implemented. The European Parliament should set out its position in the spring or summer of 2026, then there will

be a trilogue process between legislators, which may not be resolved until early 2027, so the Level 1 proposals may not be implemented until around late 2027.

Despite this long timeline, the positive atmosphere could translate into more activity in securitization for 2026.

“Before Solvency II became law at the start of 2016, we saw insurers terminating their ABS mandates throughout 2013, 2014 and 2015 in preparation, as they could see the writing on the wall,” says Baddeley. “Conversely, we may expect investors to re-enter the market as regulations, around Article 5 for example, begin to look more constructive.”

In contrast to the positivity around the growing issuer base, one of the key challenges the market has faced since post-crisis regulations became more punitive is that the

investor base has shrunk. As Baddeley notes, the exit of insurers has been particularly notable.

“Before Solvency II, European insurers’ allocations into ABS was around 7%-9% depending on the business model,” he says. “Now it’s closer to 1% of their investments, so it’s clearly possible to get that number higher.”

Regardless of the slow pace of regulatory change, the market expects the investor base to grow in 2026, with 87% of survey participants saying so.

“I think the main thing for the market to improve in 2026 is that we need to see more investors enter,” says Société Générale’s Coeroli, “especially at the senior level.”

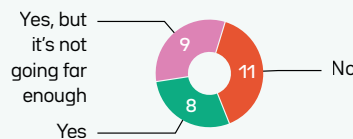
Even without the regulatory changes, geopolitical uncertainty will make the stable and defensive nature of securitized assets a big selling point for many investors in 2026.

“There is a focus on income and people looking for diversified options in their portfolios,” says BlackRock’s Galustian. “With the macro uncertainty, securitization can also play a role if you don’t want your rates exposure with your credit exposure. Given so much of the securitized market is floating rate, you typically have less sensitivity in securitized portfolios to changes in interest rates. Those things will continue to play out and securitization can play quite nicely into that.”

That could be heightened if markets continue to experience bouts of volatility in 2026.

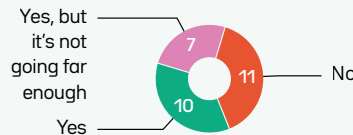
“Whenever we see volatility in the equity and unsecured debt markets, we tend to see a corresponding uptick in structured credit,” agrees Linklaters’ Vickery. “If we see such volatility in the coming months, I would expect to see investors looking at public and private securitized products. Further regulatory reform will only help increase the supply.”

### Are you happy with the direction EU regulation is heading?



Source: GlobalCapital’s market survey

### Are you happy with the direction UK regulation is heading?



Source: GlobalCapital’s market survey

There is also room to innovate within established securitization asset classes, for example by grouping assets that have rarely been securitized together before.

“We think we might see some changes to existing products,” says Pighi, “so for buy-to-let there is a push for including mixed use and small commercial assets as their yield is higher than standard residential BTL. We’ve seen this happen in the Netherlands, so the UK is likely to follow.”

Together, the UK specialist lender, has been originating and securitizing small ticket CRE loans for years, although its lending is often judged to be at the riskier end of the spectrum. Other lenders have taken an increased interest in the sector too, with Enra, a UK

specialist property finance company, launching a commercial mortgage product in October, after running a pilot earlier in the year.

### Don’t stop the structuring

There has also been innovation in structures. UK SME credit card provider Capital on Tap became the first non-bank lender to launch a master trust since NewDay in 2015. Bank of Ireland UK launched a new UK RMBS master trust debut, while France’s BPCE did the same with French mortgages.

More such structures are expected in 2026. “One of the themes of 2025 has been around issuers taking advantage of positive or stable market windows, as we saw in September, the busiest month of supply since May,” said

Challenger’s Rowlett. “We expect this feature of the market to continue and to benefit those issuers who have master trust structures or repeat issuance platforms as they are able to be much more flexible given the speed to market for new issues.”

Banks and specialist lenders appreciate the flexibility the master issuer structure brings, so are willing to pay the high costs of setting one up with the intention of staying in the market for the long haul.

Whether it is through new assets, new issuers or new structures the stage is set for European securitization to step up again in 2026. ©

Additional reporting from George Smith

# HSF Kramer: The new transatlantic force in securitization



What were the main strategic drivers behind the merger, and how does it strengthen your capabilities in structured finance and securitization?

The merger was about creating a truly global platform for our clients. By bringing Herbert Smith Freehills and Kramer Levin together we have the ability to serve clients in all major commercial centers, including New York, London, Paris, Madrid, Frankfurt, Hong Kong, Singapore, Sydney, Dubai and Luxembourg. For legacy Kramer Levin, the addition of HSF provided instant access to incredible practice groups and sector expertise globally. For legacy HSF, the addition of 350 lawyers in New York, Washington, D.C. and Silicon Valley provided instant scale in the US and access to major sponsors, investment banks and other financial institutional clients.

We see this clearly in the securitization and structured finance practice areas where we have integrated our practices, improved client relationships and shared market and technical knowledge. We are one of the few global firms with genuine depth of expertise in the US, Europe and the UK. For lender and buy-side clients with cross-border strategies, or sponsor clients assembling a syndicate across both sides of the Atlantic, we can now offer integrated teams to cover legal, regulatory and market practice issues relevant to all aspects of the transaction.

Which areas of the securitization practice do you expect to be most complementary?

Our US securitization practice has long been recognized as an innovator, often structuring first-of-a-kind and market-leading transactions on behalf of our clients. We believe that we are the preeminent firm in the US handling esoteric asset classes and are proud to have won numerous group and transaction awards from GlobalCapital, including three consecutive Esoteric ABS Law Firm of the Year awards.

Just one example of the synergies we see in the combined firm is in energy and infrastructure. The US team

The merger of Herbert Smith Freehills and Kramer Levin has created a legal heavyweight boasting over 2,600 lawyers spread across 26 offices worldwide. *GlobalCapital* spoke to **Gilbert K.S. Liu**, head of securitization in the US, and **Michael Poulton**, head of the firm's London securitization practice, about the merger

has focused on bringing securitization to the energy market for decades. We securitized the first US government energy efficiency projects over 25 years ago and have closed the first deals in residential solar, commercial and industrial solar, community solar, residential PACE, commercial PACE and other energy efficiency asset classes. The firm is widely considered the dominant global firm in energy, projects and infrastructure and the combination has been incredibly complementary. We can now bring our US experience to support the global firm's clients.

On the flip side, the firm's energy sector expertise gives the US team the ability to work with our clients to build out even more asset classes in the industry. A great example came recently when our US team was approached about the potential securitization of revenues from electric vehicle charging infrastructure – an innovation not yet seen in the US market. The team received a comprehensive deck of EV charging finance transactions drawn from multiple jurisdictions within 30 minutes.

Our securitization teams are also known for their innovative work on new and emerging asset classes. Recently, we completed a fantastic transaction for Virgin Atlantic, securitizing the airline's portfolio of London Heathrow landing slots. We regularly support first time issuers finance traditional and new assets and are currently looking at music catalogues, securities-based lending products, sharia-compliant home purchase plans, longevity linked cashflows, salary sacrifice loans and other assets.



Gilbert K.S. Liu and Michael Poulton, Herbert Smith Freehills Kramer

Insurance capital (long a stalwart of the US market) is seeking greater exposure to structured transactions in the UK and Europe. We have been particularly active in equity release (reverse) mortgages and also other assets. Our global focus on the financial services sector means we know the issues affecting that industry end to end, allowing us to create tailored solutions for different pools of capital.

What should the market expect from Herbert Smith Freehills Kramer in the securitization space over the coming year?

Regulatory developments in the US will influence the sector in 2026, so staying ahead of those changes will be a priority for us. We expect particular focus on solar and other renewable energy, internet and other digital infrastructure as well as traditional data center transactions. In just six months since the merger, we've already seen the benefits of working together, pitching together and winning new mandates. Clients are looking for creative, flexible solutions in a challenging environment, and that's where our combined platform shines. We aim to stay at the forefront of an evolving market, bringing global insight and sector expertise to every transaction.



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New European CLO issuance has shattered records in 2025, already surpassing 2024 deal volumes. The market is showing no sign that it will slow down in 2026 either. Sources note that 160-180 financing warehouses were open in November, compared with 90-100 at the same time last year, meaning a market set for further expansion.

A total of €51.75bn of new issue CLO deals had been priced by early November, data from KopenTech shows. By contrast, S&P research indicated that €45.9bn of new issue transactions were priced in Europe in 2024 – the previous biggest year for CLO issuance.

“Despite the uncertainty created around factors such as tariffs and other geopolitical tensions, investor sentiment has been buoyant,” says Anusha Singh, head of EMEA CLO primary at JP Morgan. “On the manager side, there has been a desire to grow AUM and to do resets and refinancings while market conditions remain favourable.”

Most participants in *GlobalCapital*'s European CLO market outlook survey think new issue CLO volumes will rise next year, with 45% of respondents forecasting an increase of less than 10% and 18% expecting an increase of more than 10%.

Strong appetite from new investors has propelled the European CLO market in 2025. This cohort has included more investors from Asia, with Japanese investors in particular directing more capital to Europe. Investors have shifted more broadly towards Europe in light of political uncertainty in the US.

Charlotte Claraco, a managing director at Permira Credit, highlighted the flight of investors to Europe, telling *GlobalCapital*: “The European CLO investor universe is expanding. We are seeing interest from investors that were traditionally focused on the US market and are now looking to deploy capital into Europe.”

Tariffs introduced by US president Donald Trump this year have made Europe a more stable prospect for investors. “US CLOs are more diversified in terms of issuers, but their exposure tends to be weighted more towards the US,” says Claraco. “In contrast, investing in European CLOs offers diversification through different geographies.”

The basis between US and European CLO spreads has

# European CLO investors face up to tiering amid turbulent loan market

Unparalleled European CLO market activity in 2025 compressed spreads and raised the possibility of a bigger standard for benchmark size. But, as **Thomas Hopkins** reports, leveraged loan market volatility will increasingly lead to tiering in the pricing different managers can achieve

incentivised investment in European CLOs. Bank of America (BofA) research shows US triple-A rated CLO notes in November were being priced in the low-120bp area, compared to the high-120bp to low-130bp range in Europe.

## Bigger and tighter

Though European CLOs continue, on average, to be priced wide of their US counterparts, spreads have tightened considerably relative to the first half of 2024.

The weighted average cost of capital (WACC) of European CLOs fell from 222bp in the second quarter of 2024 to 202bp in the same period of 2025, according to data from Partners Group.

As liability pricing has tightened, borrowing costs for leveraged loan issuers have dropped. “As a floating rate product, CLOs represent a very efficient conduit of funds into the broadly syndicate loan market,” notes Rob Reynolds, head of CLOs at Pemberton Asset Management. “Indeed, borrowers have benefited in two ways: Firstly, from a reduction in base rates of circa 2% since the end of 2023. Secondly, as CLOs have largely passed on the reduction in the cost of liabilities. For companies with large syndicated

loans, the combined effect is a significant cost saving.”

The size of European CLOs is also creeping up from the €400m market standard, as large new issue deals, such as Arini Capital Management's €615.7m European CLO VII, demonstrate.

“Issuance sizes for CLOs will grow in 2026. We have been stuck at €400m benchmark size since the beginning of the CLO 2.0 era,” says Mehdi Kashani, head of structured credit at Arini.

“I am expecting that with increased demand across the capital structure that transaction sizes will trend towards €500m benchmark size on a more consistent basis. I think we will see a continued uptick in volumes, both in terms of primary issuance and secondary trading. The advent of CLO ETFs will certainly help that.”

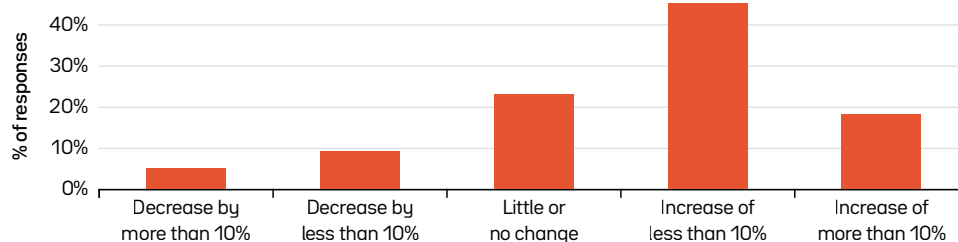
KopenTech data shows that the average European new issue deal size was €431.2m between January and early November 2025.

## Debut issuers

The US has more than 150 CLO managers, with about half that number in Europe, according to TwentyFour Asset Management.

But data from TwentyFour also shows that, at \$930bn, the US

## Expected change in European CLO new issue volumes in 2026 vs 2025



Source: *GlobalCapital*

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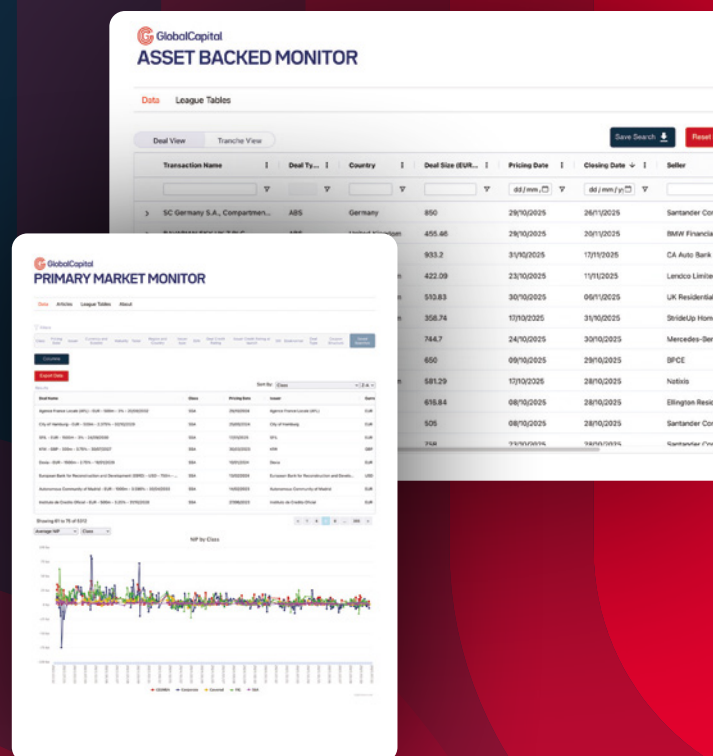
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CLO market is roughly three times larger than the \$290bn size of the European market.

The European CLO market has, nonetheless, added first-time issuers, with managers such as Royal London Asset Management and Silver Point pricing their first deals. This is likely to continue in 2026, with 55% of survey participants expecting there to be six to 10 debut CLOs next year.

There is almost certainly a link between the growing availability of captive CLO equity and the number of new managers. “We have seen even more managers price their debut CLOs in the European market this year,” says Gauthier Reymondier, a partner at Bain Capital Credit Europe. “In my view, this has come from demand for CLO equity from investors, which is crucial for CLOs.

“Demand has been fostered by the fact that many managers now have captive equity vehicles that can take the majority equity position or all the equity in their deals. With fewer CLOs needing third-party equity, appetite from investors has increased for CLOs that do choose to raise equity. The pace of CLO issuance has also increased as a result.”

### Resets surge

Alongside soaring new CLO issuance, a high volume of reset deals has been a feature in 2025. As of early November, €49.1bn of reset deals had been printed this year, compared with €29.86bn in the whole of 2024, according to KopenTech.

Managers of CLOs have taken advantage of the lower spreads on offer to reset deals, bringing pricing down and improving the arbitrage for equity investors.

Average coupons on triple-A rated CLO notes were at 191bp in the second quarter of 2023 and 146bp in the same quarter of 2024, Partners Group data indicates.

The average triple-A spread tightened to 133bp in the second quarter of this year. Consequently, a large number of deals from 2023 and the first quarter of 2024 have been reset.

The movement of spreads will partially determine the volume of resets next year.

A majority of survey participants expect some widening of spreads during 2026, with 36% predicting widening of less than 15bp and 23% anticipating widening of more than 15bp over the course of the year.

“In terms of reset activity in 2026, as with any year, if spreads widen, there will be lower volumes,” says Matthias Neugebauer, a managing director at Fitch. “Even if spreads stay where they are, resets from 2024 will eventually dry up, once the early 2024 deals have been reset.

“I think managers would wait a bit before resetting deals from the second half of 2024. If spreads tighten a little bit, we could certainly see as many resets as we have in 2025, or possibly more as the big vintage of 2021 deals come out of reinvestment.”

The average triple-A coupon for the third and fourth quarters of 2024 was 129bp, according to Partners Group. This is broadly in line with current spreads, meaning that some tightening would need to take place for deals priced in the second half of 2024 to be reset next year.

### Regulatory shocks

The European CLO market endured two major regulatory upheavals during 2025.

The first came in April, when the European Supervisory Authorities (ESAs) interpreted the sole purpose test to mean that no more than 50% of the revenue from an originator can come from retention investments. This caused many managers to re-evaluate their retention structures.

The second jolt relates to non-EU managers' status as originators rather than sponsors. “Post-Brexit, CLO managers outside the EU and US CLO managers have needed to find a way to be eligible risk retention holders,” says David Quirolo, a partner at law firm Orrick. “They can no longer be sponsors and have to be originators.

“In order to make the originator model more efficient, manager-originators were using conditional sale agreements, which required manager-originators to buy back assets that defaulted within 15 days from CLOs.”

In August, the European Commission responded to a 2021 question about originators' use of conditional sale agreements. “The EU Commission has now indicated that the use of CSAs does not make an entity an originator,” says Quirolo. “It does seem a bit unfair to exclude these managers based on the use of such agreements, in that the Commission has been clear that managers are good risk retention holders.”

In a more positive regulatory development, the Commission's proposed changes to Solvency II for insurance companies will see a reduction in the regulatory capital requirements for insurers investing in CLOs.

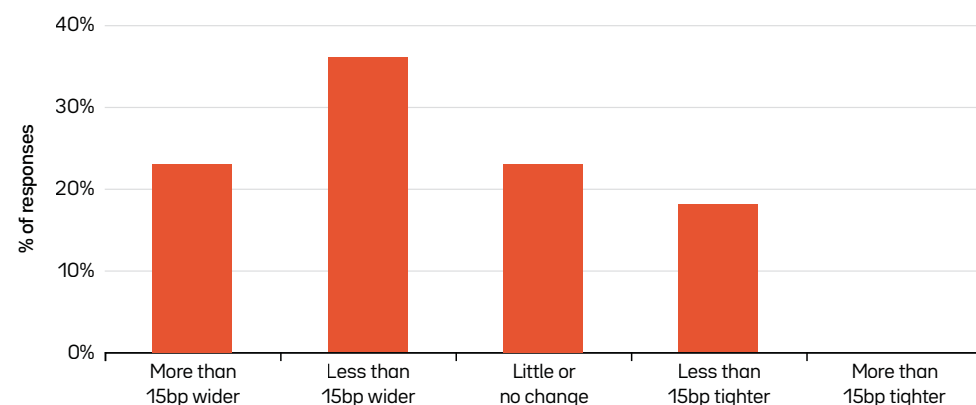
If formally approved, these changes will come into force in early 2027, growing the buyer base for the asset class.

CLO equity arbitrage has compressed over the course of 2025. Successive waves of asset repricings have occurred and while liability pricing has tightened, it is still elevated relative to 2020 or pre-Covid levels.

“I think the market for CLOs is fundamentally healthy. But there are still some technical headwinds that will make CLO issuance more complicated,” says Ed Watson, global head of CLO equity solutions at JP Morgan.

“The equity arbitrage is quite tight, with double-B and single-B tranches being issued at par, which reflects tight relative value through the capital stack.”

### Predicted shift in euro CLO spreads year-end 2026 vs 2025



Source: GlobalCapital

Despite this, CLO issuance has reached unprecedented heights. Third-party investors may have taken a view that arbitrage and returns will improve over time but lower initial returns may eventually make CLOs less attractive to equity investors.

“The day-one arbitrage makes it difficult to get an IRR of 15%,” says Watson. “In this context, the need for about 40% of managers to raise third-party equity targeting that context of IRR on a deal basis will be a natural brake on CLO issuance, alongside tight loan pricing”

**Unsettled loan market**

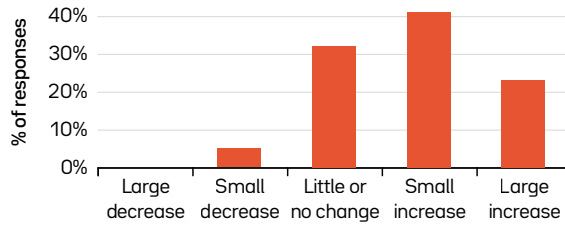
Among the most pressing concerns for CLO managers moving into 2026 will be the bifurcated nature of the leveraged loan market.

Research from Barclays in early November referred to 55% of loans trading at par and 5% of loans trading below a price of 80.

A dearth of leveraged loans relative to demand from CLOs has caused the majority of credits to trade at par, before falling rapidly in price in the event of a rating downgrade to B- or triple-C.

The shortage of leveraged loans is connected to a softer leveraged

**Expected change in European leveraged loan volumes 2026 vs 2025**



Source: GlobalCapital

buyout (LBO) market, as private equity sponsors have struggled to achieve returns in a period of elevated interest rates and public equity prices.

The situation is unlikely to improve much next year, survey participants believe, with 41% of respondents thinking loan supply will increase by only a small amount in 2026, while 32% predict little or no change.

Managers face the prospect of collateral pools declining in quality due to credits unpredictably falling to a triple-C rating, at which point they become difficult to sell.

This can cause overcollateralisation tests to be breached if triple-C rated


credits make up more than 7.5% of portfolios, lowering returns for equity investors.

More than half of survey participants expect an increase in the percentage of triple-C credits in CLO portfolios, with 36% predicting an increase of up to one percentage point and 23% expecting a rise of one percentage point or more.

In the next year, there will probably be more tiering among managers in the pricing levels they can attain, as investors become more focused on credit quality.


“Credit selection is going to define CLO performance over the next year, and we believe that dispersion will continue to dominate,” says Jacob Walton, co-head of European CLOs at Sona Asset Management. “However, the CLO market does benefit from healthy aggregate fundamentals.

“Default rates are low and managers are being careful about tail risk on the whole. There are also supportive technicals, whether it be global interest in European CLO triple-As or the large number of CLO equity funds being raised. Managers and investors are currently highly vigilant on idiosyncratic risk.”



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# Numerix: Yield demand, discipline and AI set the tone for structured finance



## What were the defining trends in structured finance markets in 2025?

Structured finance markets were characterised by strong new issuance, diversification and a reach for yield. Private credit continued to expand, with lenders increasingly entering areas historically dominated by banks. This momentum was supported by strong demand from traditional investors as well as the emerging retail segment, where platforms and product innovation broadened market access. Heading into 2026, credit performance will remain a deciding factor as to which asset classes outperform. Investors will continue to prioritise attractive income opportunities while balancing pricing and credit parameters with robust security and portfolio analytics. This disciplined approach is critical for successfully navigating the complexities of today's market cycles.

## How do you expect the macro environment to shape structured finance issuance and performance in 2026?

Political headwinds include potential debate on implementing mortgage portability, the introduction of a 50-year mortgage product and potential discussions around privatising Freddie Mac and Fannie Mae. Any of these will introduce uncertainty into the housing market finance ecosystem, increasing the need for adaptable analytics that can model new loan structures and borrower incentives.

The politicisation of the Federal Reserve could add a layer of uncertainty to rate expectations. Although a more dovish Fed stance and an easing of monetary policy may ultimately lead structured finance investors to more heavily weigh both strategic model portfolio and tactical investment decisions. Rate cuts and a steepening yield curve could pull investors out of cash and short-duration investments into longer-duration securitised assets, underscoring the importance of tools that evaluate curve risk, carry dynamics and convexity across scenarios.

The mortgage market will present its own structural shifts. With rates likely to decline and the digitisation of

Structured finance issuance rebounded in 2025, buoyed by refinancing requirements and a yield-hungry investor base. As the new year approaches, all eyes are on the trends that will create risks and opportunities over the next 12 months. *GlobalCapital* spoke to leading analytics and risk-technology firm **Numerix** about key credit dynamics, investor behaviour and the technology shaping the market.

the mortgage servicing business model, refinancing activity may increase. However, digitisation among servicers is already driving refinancing at historically narrower spreads, reshaping prepayment behaviour and risk models. Elsewhere in securitised products, the large volume of loans maturing in 2026 across CMBS could signal pockets of stress, requiring deeper credit analysis and resulting differentiation supported by loan-level surveillance and scenario-driven cash flow tools.

Innovation will remain a defining theme. AI and large language models are transforming analytics and loan-level insights, while tokenisation of bonds at issuance may enhance liquidity and broaden investor access. Together, these forces point to a market rich with opportunity, demanding firms be equipped with precise analytics and active risk management.

## How are analytics and technology evolving to support more complex structured products in a shifting risk environment?

As structured products become more complex, investors are demanding analytics that provide a comprehensive, multi-perspective view of risk and return. Platforms that support full fixed-income analytics—capturing investment objectives including return targets, risk limits and regulatory considerations—are increasingly in demand.

Investors are looking to integrate asset-liability management, scenario-based return modelling, quantitative risk analytics including VaR and model portfolio ingestion with full P&L attribution. This fosters closer alignment between portfolio construction and ongoing performance evaluation.

To address the increased complexity, analytics must move beyond curve dynamics to capture behavioural and

structural drivers of cash flow. This requires flexible technology that can incorporate granular scenarios, streamline model updates and scale with expanding data demands—ensuring structured finance participants can evaluate risk with confidence even as market complexity increases.

## How are investor preferences evolving across CLOs, ABS, RMBS, CMBS, and structured notes?

A stronger reach for yield and heightened credit selectivity means that as spreads tighten in higher-quality tranches, investors are moving further down the capital structure to enhance carry, while demanding granular transparency into collateral performance. For investors, this dynamic will continue to drive the need for loan-level analytics and scenario-based modelling, particularly in RMBS and consumer ABS where borrower behaviour can significantly influence cash flows.

Technology is accelerating this evolution. AI and large language models enable faster data processing, behavioural pattern detection, and automated scenario generation. This helps analyse borrower behaviour, credit dispersion and identify stress points across portfolios. Ultimately, these tools support proactive risk management and provide a competitive edge in relative-value decision-making.

With the Fed expected to ease interest rates, a steepening yield curve may encourage rotation out of cash and short-duration corporates into longer tenored structured products. As allocators aim to outperform model portfolios, carry generation and credit differentiation will remain key drivers of demand. Integrating granular analytics with portfolio-level insights will be essential for identifying attractive relative value opportunities across the securitised products landscape.

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# Chronic engine and aircraft shortages to help US aviation ABS to soar in 2026

Rising aircraft values and higher re-leasing costs caused by a supply shortage are expected to tip cash into aviation ABS and entice debut issuers in 2026. As cash runs down the waterfall, sales of equity notes tied to aviation lease ABS may return, writes **Chadwick Van Estrop**

**P**redictions abound that aviation ABS issuance in the US market will be \$10bn-\$15bn in 2026. If those prophecies are right, volumes will beat the recent record year of 2019 – the year before the Covid pandemic grounded the global aviation industry.

Issuance in each of the market's three segments – lease, loan and engine securitizations – could grow with global shortages of commercial aircraft and their power units predicted to last until 2030, industry sources say.

Against this backdrop, leading market figures say the sector's ABS structures are battle-hardened, having survived the successive shocks the aviation industry has endured, from the Covid-induced manufacturing slow down, to planes stranded in Russia after it invaded Ukraine in 2022, to rising interest rates making financing more expensive.

"If we are operating under the same market conditions we were at the end of 2025, or tighter, and we don't have a significant geopolitical event which disrupts normal market activity, the debt-only issuers could easily lift the aviation ABS market to \$15bn of issuance in 2026," says Ian Flood, director of aviation ABS at Deutsche Bank.

"Once people see that the residual ABS market is available – and they will see that very, very early in 2026 – there's going to be a very significant wave of issuance."

Flood predicts publicly listed aircraft leasing companies, which issued paper in the aircraft ABS market in 2018 and 2019, could return in 2026 to refinance and issue new equity note (e-note) tranches in the process.

"There has been a massive lag in production from both Airbus and



Boeing that will take time to filter through the chain," says Ankush Chowdhury, global head of aviation at BNP Paribas. "Maintenance, repair and overhaul capacity is also very stressed right now, which is further exacerbating the issue."

As lessors command higher prices for planes and engines thanks to a shortage of them globally, and if more investors buy the resulting securitizations pushing spreads tighter, so there will be more money paid into aviation ABS structures that will reach as far as the e-notes at the bottom of the capital stack, making them a more compelling proposition for investors.

**"Once people see that the residual ABS market is available – and they will see that very, very early in 2026 – there's going to be a very significant wave of issuance"**

Ian Flood, Deutsche Bank

▲ Boeing has gone from producing about 800 commercial aircraft a year before the Covid pandemic to about 450 in 2025

Higher interest rates since 2022 and lower advanced rates on aircraft ABS deals mean issuers have retained mezzanine, junior and e-notes on recent issuance.

"If you can sell the residual in an aircraft ABS pool, that is an alternative to selling the assets themselves as part of a trade sale," says Chowdhury. "If you're a leasing company trying to sell \$2bn a year of assets in a trade sale market, being able to sell \$500m or more in the financial markets via an ABS deal is a significant de-risk pathway that those issuers have."

"We expect 2025 issuers to keep returning to market, but we also expect portfolio sale transactions from the larger public lessors to third party equity in 2026, adding more to the already strong pipeline," he continues.

He believes aviation ABS issuance could hit a record in 2026 and that the shortage of aircraft is expected to continue for three to five years. Market sources tell *GlobalCapital* that Boeing has gone from producing about 800 commercial aircraft a year before the Covid pandemic to about 450 in 2025.

Not everyone is so bullish, however. Nomura's head of ABS, Keith Allman, describes the \$15bn issuance prediction for 2026 as optimistic.

"One reason 2019 hit \$10bn of issuance was that e-note sales were completely open, which means the market pulled in issuers that normally wouldn't sell ABS," he says. "There are several lessors that don't hit the ABS market because they have no need to unless they're going to do e-note sales.

"There may be a couple opportunities for e-note sales in 2026, but I don't think it's going to be a robust, 2019-style free-for-all market. There will be a heavy focus on asset and obligor quality."

About \$17.5bn of aviation-linked paper went through the ABS market in the US in 144A format during 2018 and 2019, some of which will come up for refinancing in 2026.

Carlyle, Pimco, Castlake and Sky Leasing are among aviation lessors that tapped the ABS market in 2025.

Flood says the market could be favorable in 2026 for issuers who have previously brought deals. "As an ABS issuer, if you're clear-eyed about the aircraft shortage, and if there are defaults of leases in a portfolio, you could actually get more cash in the structures after re-leasing," says Flood.

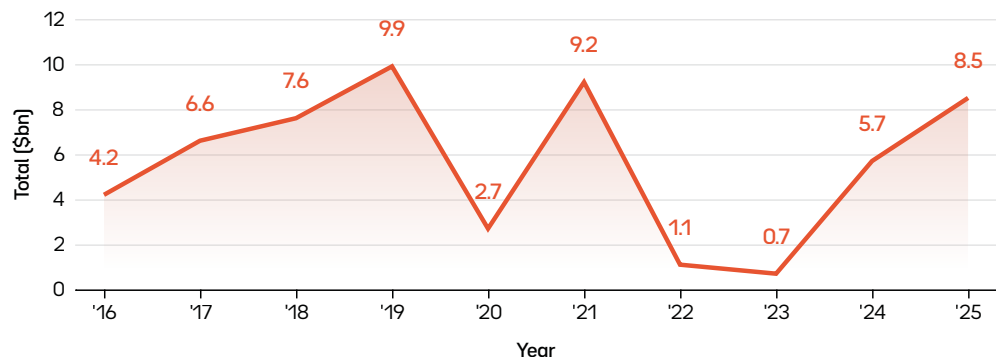
"When you sell an aircraft in an ABS deal, that is trading at 80 or 90 cents on the dollar, and then you pay back debt at par, that's a straight profit to noteholders. There's been quite a lot of profits that have accrued to holders of ABS debt over the past two to three years. Over \$15bn has been paid down to bondholders since Covid, some due to aircraft sales in the structures."

There is excitement building that new issuers will come to the public market in 2026. "Certain issuers

**"There may be a couple opportunities for e-note sales in 2026, but I don't think it's going to be a robust, 2019-style free-for-all market. There will be a heavy focus on asset and obligor quality"**

Keith Allman, Nomura

## Aviation ABS issuance in the US – 144A market



Source: Academy Securities, CreditFlow

may have been active in the private markets in the past but will now turn to the public market for the first time," says Chowdhury. "The new entrants will come from both the operating lease and loan sides of the market."

### First time flyers

Debut issuers are already said to be lining up on approach. "There are a number of leasing companies that have been around for a very long time in aviation that are well known, respected and capable managers of assets," says Flood.

"They simply haven't used ABS in the past because pricing has not been competitive and the leverage was not compelling for the strategy they were pursuing. Now, with the pricing, leverage and liquidity in the market, it is supportive of different types of business models, so we're going to see a lot of players using ABS for the first time."

Meanwhile, there have been structural tweaks within the asset class. Payment waterfalls have been adjusted on aircraft lease ABS since 2024 to pay scheduled principal and interest on the senior notes before any payments are made on the subordinate notes. However, tight pricing is diminishing the allure of aviation ABS compared to other asset classes.

"We're very comfortable with the downside protection because of the structures," says Vinnie Zhang, senior ABS analyst at Loomis, Sayles & Company. "But opportunity for spread pick-up, relative to other sectors, is shrinking. At a 150bp spread on a senior note, there are other sectors which offer a similar or wider level in the ABS market – for example data centers, fiber and solar."

He says positive aviation industry fundamentals, a resurgence of global air travel, which has been about 10% higher in 2025 than in 2019, combined with production delays for aircraft will help grow aviation ABS in 2026.

However, he sounds a note of caution. "Many of the aircraft are leased to tier two or tier three airlines in emerging markets," he adds. "The cash generated from the aircraft is very sensitive to a credit event from the related airline and also any disruption caused by geopolitical conflict."

### E for equity... and elusive

The allure of owning e-notes could grow if interest rates are cut further in 2026. "If the cost of debt is going down, it's unlikely aircraft leases are going to reprice that quickly; so that could make the sale of e-notes more favorable," says Allman.

Zhang, whose firm has been an active buyer of aircraft ABS paper, says: "It is probably not worth it for the large lessors to sell equity notes; they would rather sell the aircraft as a whole via a trade sale. I don't think there will be a very popular e-note market over the next two to three years. The model of private equity firms partnering with aircraft servicers for equity is more likely than a syndication of e-notes."

Chowdhury agrees that it is unlikely tradeable equity notes will return in force in 2026. "We don't see tradable e-note coming back in 2026 but would expect this private format to continue," he says. "The mezzanine area of the capital stack is an area where we are seeing more investor activity.

"Servicer strength, capability and history are a very important

focus for the mezzanine and equity area of the capital structure, and the more capable servicers will have more success attracting interest and [achieving] competitive pricing.”

### Aviation loan ABS

Aviation loan ABS deals are also catching investors’ attention. Zhang expects this market to grow in 2026, beyond its current issuers PK AirFinance, Ashland Place and Volofin.

He says the asset class provides an attractive cost of financing for issuers, where senior notes can be priced below 150bp over the I-curve, compared to the underlying collateral originated at around 300bp over.

In October 2025, aviation loan originator Ashland Place priced the senior note, rated AA by KBRA, on its APL Finance 2025-1 deal at 125bp over the I-curve. PK AirFinance priced its PKAIR 2025-2 deal in September 2025 with a triple-A rated senior note at 130bp over.

The supply shortage in commercial aviation will help aviation loan ABS. “The manufacturers are years behind with their orders,” says head of structured products at Conning, Michael Nowakowski. “I would not be surprised at all to see a couple of new entrants to the aviation loan ABS market.”

The aviation loan ABS market is also a good option for investors taking their first steps in aviation securitizations. “It’s a great relative value versus other asset classes that’s going to keep expanding,” says Allman.

“In aviation loan ABS you have a loan against the hard asset and you’re putting a loan on that loan, so your implied loan-to-value ratio is actually fairly low. That’s how you’re able to get to triple-A ratings on the upper tranches.”

### Aircraft engines

In recent years, only one issuer, Willis Lease Finance Corp, has brought an ABS deal to the 144A market in the US backed solely by aircraft engine lease payments.

Its WestF 2025-A deal was priced in June 2025 with a single-A rated \$524m senior note coming at 165bp over the I-curve. The deal’s \$72m junior note, rated A-, was priced at 215bp over.

Owners of aircraft engines face the upside of a 6%-22% unlevered internal rate of return over the life of their investment, according to aviation finance data provider Ishka.

The typical timeline for aviation warehouse borrowing to be refinanced via the ABS market, says Allman, is between 12 and 18 months after the warehouse was established.

At time of publication, Nomura was working on closing a warehouse line of financing to an aircraft engine lessor with a view to an eventual capital markets securitization. “Engines have great value retention,” says Allman. “Generally, they’re longer-lived assets than an airframe. They generally are most of the aircraft’s value. By the time an aircraft is 15 years old about 75% of its value is in the engines.”

The supply of commercial aircraft engines is constrained because

**“The manufacturers are years behind with their orders. I would not be surprised at all to see a couple of new entrants to the aviation loan ABS market”**

Michael Nowakowski, Conning

maintenance is needed at more regular intervals due to technical problems with some newer models.

“As a result, there is higher demand for parts and higher demand for spare engines as they’re working through these teething problems,” Allman explains.

Commercial aircraft engine owners also benefit from the shortage of aircraft. “You have this dynamic where the [aircraft] owners are in the driver’s seat because of the supply-demand imbalance,” says Nowakowski. “And a step deeper, the engine owners are in an even better position because these aircraft are flying later into their useful life.”

### Master trusts in play

Master trust aircraft lease ABS deals were an emerging feature of the sector’s dealmaking in 2025. Carlyle established its master trust in 2024 with two deals.

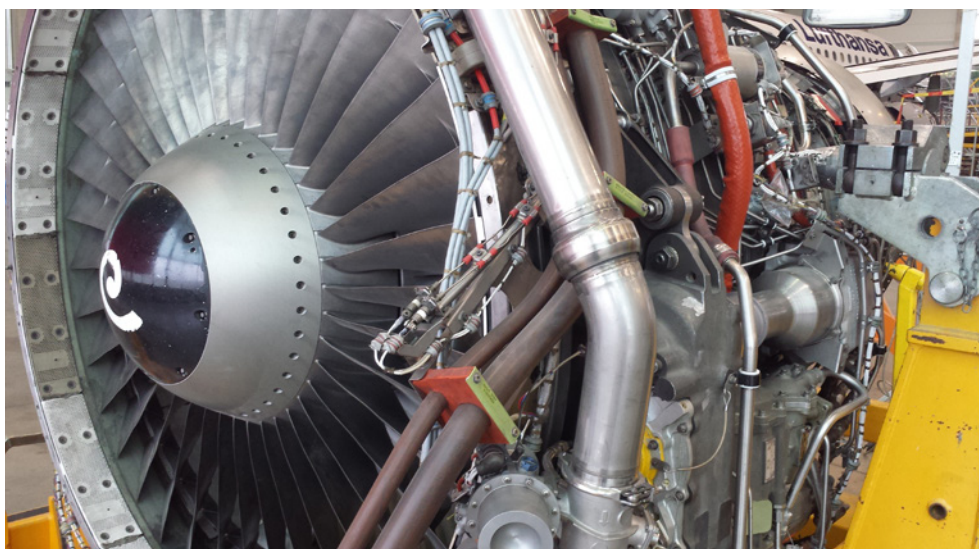
As of November 2025, Carlyle had issued another three deals from the master trust; the \$518.4m AASET 2025-1 in February; the \$525.67m AASET 2025-2 in June; and the \$602.44m AASET 2025-3 in November.

Griffin Global Asset Management added to the aviation lease master trust canon in November 2025 when it closed its debut \$1.245bn deal. The trade featured a BB- rated \$125m class ‘Y’ note. The principal for that note will only be paid down with excess cash flow.

Investors had pushed back on master trust aviation lease ABS deals where the view of future collateral in the pool was clouded.

“There has been investor push-back on structure and pricing for these types of structures without clear line of sight to pipeline assets expected to be acquired and funded into the master trust in the future,” says Chowdhury. “We don’t expect master trusts to be the preferred structure unless with pre-identified portfolios.”

▼ Owners of aircraft engines face the upside of a 6%-22% unlevered internal rate of return over the life of their investment



# Standard Chartered brings global reach to the developed markets



Standard Chartered has focused on structured credit and securitized products – can you walk us through the key achievements and challenges that each of you have experienced?

Over the past four years, we have been focusing on scaling our structured credit and securitised products and positioning ourselves as a globally recognised, trusted and credible financial institution offering a full suite of capabilities – from securitised products trading and financing to bespoke structured financing solutions across the credit spectrum for sponsors and credit funds. Today, our track record of consistent origination and seamless execution speaks for itself, strengthening our position in the West (Europe and Americas), which are our focus areas in addition to Asia, Africa and the Middle East where we are well established.

In the structured credit space, Standard Chartered has always had a strong presence in emerging markets (EM) and our broad strategy has been twofold: preserve our leading position in EM and expand meaningfully into the developed markets, particularly in the West.

Increasing competition and changing market conditions meant that we had to remain ahead of the curve in the EM space while leveraging our strong client relationships to gain a foothold in the West.

We are proud that over the last couple of years we have established a strong presence in financing transactions – ranging from vanilla repo and total return swaps against securitized assets to private securitization solutions. This momentum is reaping results, and we are seeing a strong growth trajectory.

Additionally, some of our biggest achievements have been building our footprint in the US, arranging our first European CLO, being one of the most active trading desks in Europe and rapidly ramping up warehouse capabilities in the EU. The main challenge was distinguishing ourselves and gaining market share in highly competitive markets where many players are well established. To shift that dynamic, we made a concerted push into public markets by building our sales and trading capabilities and then used that to increase our presence in other areas of the market.

In recent years, Standard Chartered has expanded its structured credit and securitized products in both emerging and developed markets – establishing a strong footprint in private securitization and asset-backed lending. **Tanja Petrovic, John-Paul Parker and Amit Padhye** of Standard Chartered Bank describe the challenges and opportunities ahead

**Standard Chartered has been making significant headway in the US in the last 12-18 months, especially in private securitization and asset-backed lending. What would you attribute this success to and what are your growth ambitions in the US going forward?**

Our success and progress reflect two key strengths: the breadth and depth of our global client franchise, which enables us to penetrate globally and to originate high-quality trades, coupled with our ability to deliver seamless execution – from structuring to underwriting and distributing. We are encouraged by this and are focused on delivering and further building on our positive momentum.

For instance, asset-backed lending has been a particular success story. We have an experienced team and have built the right capabilities. These enablers smoothed the internal risk discussions and allowed us to execute several key transactions quickly. We are also seeing an increased risk appetite and the hold sizes per transaction are going up. The ambition is to significantly scale up the activity and deepen our long-term partnership with clients in line with our brand promise, 'Here for good'.

In private securitization, the US has been a particular focus for us, and we have been deliberate in prioritising the asset classes we would like to zero in on given the sheer size of the market. This includes partnering with US originators that would benefit from our strengths, while also collaborating with other players to help us expand into other asset classes.

**As private and structured credit managers become more sophisticated, how do you strike a balance between providing them with innovative financing/structuring solutions and navigating the uncertainties in the market today?**

In the current macroeconomic environment, discipline is the new alpha in private and structured credit. While we

are open to having constant engagement with our clients and offer solutions to best address their requirements, we maintain our underwriting independence and stand firm on our terms and standards. In addition, we keep our risk committee abreast of live transactions and the latest market developments to deliver better outcomes to both our clients and the bank.

Selecting the right trades is the most important step – when underwriting a new transaction, we are aware that some of these are multi-year transactions and market cycles will certainly test the strength of that selection process. The key risk mitigation is having the right expertise, rigorous underwriting and comprehensive monitoring, which in turn leads to proactive action.

We also recognise that choosing not to pursue a transaction with suboptimal risk-reward is just as important as executing the right trade. Our investment in people and processes reflects this philosophy.

**Outside more developed markets like the US and Europe, can you share a few examples of the jurisdictions where you see interesting opportunities?**

The Middle East and Asia have always been core to our footprint and it's in our DNA to be a super-connector bank and to deliver seamless execution across geographies. However, we do see compelling opportunities in many other markets such as Australia, Hong Kong, South Korea, Saudi Arabia and UAE. Each market has its own dynamics, but the momentum in asset-backed financing continues to grow in these regions. Recently, we completed two private securitization trades in the Middle East and are seeing increased interest and opportunities in southeast Asia. In structured credit financing, we remain active in providing single-asset and portfolio financing for private credit and broadly syndicated loans across the globe. As our presence broadens, we want to extend our role to support our clients across the full financing lifecycle.

# Office pace: Manhattan prime real estate drives US CMBS market with new asset classes set to join

Single asset, single borrower deals drove the US CMBS market in 2025, particularly on New York City collateral as office attendance rose. With interest rates predicted to fall further in 2026, market participants are looking forward to a greater variety of deals on commercial real estate from other cities and sectors, writes **Pooja Sarkar**

Issuance volumes in the US commercial mortgage-backed securities market were driven in 2025 by single asset, single borrower (SASB) backed deals. Much of that activity was thanks to rising office occupancy, especially in New York City, and falling interest rates. With those trends set to continue, more SASB issuance is expected in 2026 alongside a rising amount of commercial real estate (CRE) CLOs.

Such deals will meet willing demand as money managers and insurance companies appear keen to lay hands on whatever paper they can find. “The new issue market is performing well and SASB has overtaken the majority of CMBS issuance this year,” says Brian O’Hara, senior CMBS analyst at Janus Henderson.

It follows a tough time for CMBS and the CRE market in the US in recent years as first the Covid pandemic increased working from home, lowering office usage, and then interest rates rose to combat spiraling inflation. But O’Hara hopes the market now believes the opposite trends in rates and office working will bring more deals to the market.

The securitization of loans on trophy assets in Manhattan in particular has sparked the revival in the US CMBS market. Between January 2025 and late October, issuers brought \$177.3bn of paper, according to Moody’s, surpassing the full year 2024 total of \$165.2bn. This includes around \$47bn of agency CMBS and \$130bn of non-agency paper.

SASB CMBS issuers had priced paper totaling \$76bn in the year to early November, according to Deutsche Bank, compared to \$70bn for 2024.

“We anticipate a declining or stable interest rate environment which will spur another record year of CMBS issuance with spreads being stable or tighter,” says Edward L

Shugrue III, managing director and portfolio manager for the RiverPark Floating Rate CMBS Fund.

Commercial real estate company CBRE highlights the trends in Manhattan office usage. In November it said that leasing activity, measured in square footage, was 48% of the five-year monthly average and that year-to-date leasing activity was up 38% on the year before.

The amount of space available to be leased was also falling, it said. Of the office space included in its survey, the availability rate had fallen 2.5 percentage points to 16.4% over the last year.

Brendan Jordan, co-head of commercial real estate origination at Atlas SP Partners, believes that the CMBS market by the end of 2025 may well surpass the total priced in 2021—a strong year for the market.

## SASB comeback

Manhattan is the largest office market in the country and therefore is the most active in terms of CMBS issuance. Many of the deals to be priced this year have been on trophy Manhattan offices. In September, SL Green and PGIM sold a \$1.4bn deal backed by its 11 Madison Avenue office building. Brookfield sold \$1.25bn of paper backed by the 5 Manhattan West office building in Hudson Yards in the same week. Both deals were oversubscribed.

“We observe that New York city had this bullish return to office theme that is helping a lot of the financing of these high-quality offices, and the spreads are still attractive to most fixed income sectors for similar rating,” says Zachary Aronson, managing director at MacKay Shields.

Office visits, according to data from Placer.ai, are still below pre-Covid levels but are steadily rising in New York City, ahead of the US average. Visits in July were 96%

of January 2020’s total for New York, which Placer.ai calls the recovery rate, versus the US average of 79%.

Market experts say that the buoyancy of the underlying real estate market is increasing issuers’ ability to bring securitizations of New York office towers, something that has not been the case since Covid.

The overall absorption rate, a measure of how fast real estate is being leased, hit a record high this quarter for Manhattan, at 4.8m sq ft, with the activity not just limited to prime office space, says O’Hara.

Assuming the macroeconomic environment does not deteriorate, and interest rates continue to fall, Jordan believes 2026’s SASB issuance activity could surpass this year’s.

However, as the Placer.ai data shows, while the office market is recovering, it is not in a golden age. There are still plenty of older properties and securitizations experiencing distress, cautions Aronson. Meanwhile, outside New York, other markets are slower to recover.

While there were deals this year backed by CRE in Seattle and Los Angeles, the recovery rate in the latter also peaked in July compared with all months since January 2020 but only at 65%, according to Placer.ai. Houston is another market where market participants say the office market is yet to recover from the Covid era.

There are nonetheless bright spots in US CRE away from the office

## CRE CLO issuance volumes

	2020	2021	2022	2023	2024	2025*
Total issuance (\$bn)	8.5	43.6	29.6	6.4	5.4	16.3
Avg issued deal size (\$bn)	0.65	0.89	0.96	0.64	0.77	1.02
Number of deals issued	13	49	31	10	7	16
Excess spread	0.7%	1.3%	0.7%	0.7%	1%	0.8%

\*Jan 1, 2025 to October 20, 2025  
Data includes only typical CRE CLOs, namely those with both assets and liabilities that pay floating rates

Source: Moody’s Ratings

sector. Darrell Wheeler, a senior vice president at Moody's Ratings, says that the CRE market is recovering in pockets. He expects more deals from sponsors in the retail and hotel sectors. However, those will likely be backed by top tier buildings boasting tenancy rates of more than 90% and boasting healthy earnings per sq ft.

This will favor issuance backed by Class 'A' shopping malls of the sort O'Hara says he has seen an uptick in during 2025. Class 'A' malls are the top tier of outlets that typically generate \$700-\$1,000 of sales per sq ft, are let to premium brands, have near full tenancy rates and are located in affluent areas with high footfall and consumer spending, according to Rockstep Capital, a Houston-based retail-focused investment fund.

The Taubman Realty and Nuveen sponsored International Plaza, Tampa retail mall-backed trade and Brookfield Properties' \$300m five year CMBS of its North Star Mall in San Antonio, Texas were both oversubscribed when priced in October.

Such oversubscription hints at why spreads in the secondary market for mall-backed issuance are the tightest they have been for the last few years, notes O'Hara, with the triple-A rated tranches quoted at around 110bp over the benchmark.

### Conduits stuck

While SASB issuance appears revitalized, the conduit market for deals that pool a number of underlying assets is lagging. Market sources expect 2025 volumes will end higher than the year before but not by much, with the level of interest rates said to make fixed rate deal execution a challenge.

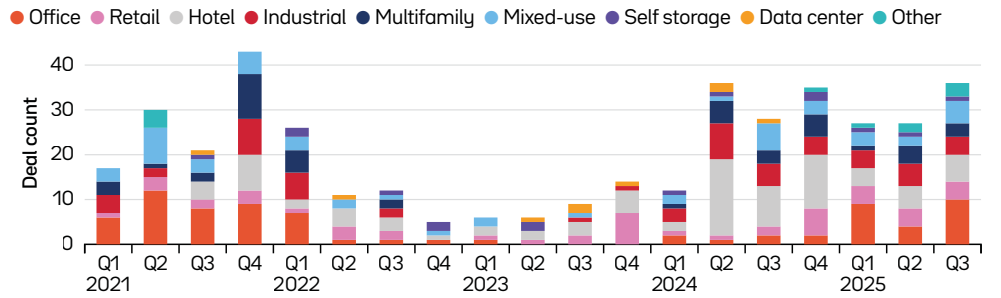
However, further Federal Reserve interest rate cuts, and clarity on forward guidance, would make 2026 a year of real potential for a recovery in volumes, believes Jordan.

The CMBS market as a whole is also somewhat split, says Aronson, who points out that distress levels in the more subordinated tranches, especially for deals from around 2016, are trading at low cash prices.

One strategist points out that the 'D' tranche of Tishman Speyer's 2024 securitization of the Rockefeller Center was being quoted wide of 500bp, having been priced at 340bp in October 2024.

Spreads widened after US president Donald Trump first announced sweeping tariffs on April 2. Since then, spreads have tightened, in some cases to tightness not seen for a decade.

## Single-asset, single-borrower (SASB) issuance



Data as of September 2025

Source: Moody's Ratings and TREPP

The outlook for spreads does not appear to be resoundingly positive. A research analyst at one Wall Street bank says spreads on triple-A notes have held in over the fall of 2025, but the subordinated tranches of new issues were widening.

This was notable in conduit deals, says O'Hara, and related to a lack of demand as the US economy appears to falter. "We're seeing a slowing economy and jobs growth has slowed, which is a concern," he says. "Investors are a little reticent in going down the stack, but spreads are flat to a little wider."

### CRE CLO resurgence

A smaller market is that for US CRE CLOs. There was \$25bn of paper priced between January and October, according to Deutsche Bank. Nonetheless, that is still remarkable growth compared to 2024, when \$9bn was issued.

Atlas SP Partners, an active participant in CRE CLOs, finds that there is plenty of paper available in the market, and competitive lending has helped it to grow.

"Where the CRE CLO market sits today, you can get issuers," says Jordan. "Whether they are mortgage [real estate investment trusts] or debt funds, they are able to get issuances out in the CRE CLO market at nearly 90% advance in the 160bp over type of financing construct that allows them to be very competitive in the lending market."

The average size of a CRE CLO in 2025 was \$1bn, according to Moody's, the biggest in the last five years. But although deals are growing on average, they are still fewer in number than previously, with 16 priced in 2025 compared to 31 in 2022 when the average size was \$956m.

The Wall Street bank analyst notes that there is more demand for CRE CLOs than there is supply. This will help sponsors to assemble deals of big enough size to achieve cost-efficient financing, suggesting the market could grow further in 2026.

Stability of spreads will also help the market to grow as issuers weigh the risk of the time taken to gather enough collateral to place into a CLO to get it to a size they can bring to market.

The triple-A rated tranches of CRE CLOs have held in at around 140bp-145bp over the benchmark. While there have not been any new creative new structures in the market, major names like Benefit Street Partners and Arbor Capital have placed deals this year.

Meanwhile, loan modifications remain high in this market compared to other sectors, according to Deutsche Bank research. The bank notes that 28% of CRE CLO loans have been modified, meaning the terms have been changed to make them more affordable to the borrower. This reflects rising Sofr rates and problems with the underlying properties. Delinquencies of 60 days or longer in CRE CLOs have reached 3.6%, says Deutsche, with 6.1% of loans in special servicing.

Many of the deals with such loans were done between 2021 and 2022, according to a fund manager, when interest rates were lower, with the borrowers having exercised extension options. That is a positive, he says, as it is better than the borrower handing back the keys to the property to the lender.

CRE CLO delinquencies remain lower than in CMBS, argues Wheeler, adding that recent performance trends in the asset class demonstrate the resilience of the deal structures.

Refinancing activity has been driving further issuance, with sponsors now putting more capital into deals to make the debt portion economic, allowing for securitizations to come to market.

O'Hara says he expects more of this activity in 2026. Acquisitions are also driving the increase in SASB issuance, say sources.

That will, of course, depend upon having enough sponsors that are sufficiently capitalized to be able commit more of it to deals that need refinancing. ©

Europe's high grade corporate bond market roared through 2025, printing record volumes at tight spreads even as the risks rolled by from US tariff policy, France's ratings wobble and conflicts in Ukraine and the Middle East.

Corporate borrowers had issued €370.8bn of syndicated benchmark bonds by November 21, up 10% from the same period in 2024, according to *GlobalCapital's Primary Market Monitor*.

Despite the higher volume, the new issue premium issuers paid has been a fraction of the amount offered a year ago, averaging 1.4bp compared with 5bp in 2024, PMM shows.

"What has impressed me throughout this year is the depth of liquidity in the euro markets and its ability to absorb peaks in supply," says James Cunniffe, head of corporate and structured debt syndicate at HSBC in London.

"November has been incredibly busy in the euro IG market with the second busiest week on record, but deals continue to be well covered, pricing with minimal concessions," he notes. "The market has demonstrated its ability to take down spikes in supply without repricing."

Yields have remained high enough and, with rates broadly steady into the year end, euro IG funds have kept attracting cash inflows, meaning solid orderbooks that have pushed curves tighter even for a heavy amount of issuance. However, market participants expect wider spreads and intermediate tenors to be features of 2026's deals.

Three quarters of respondents to *GlobalCapital's* corporate bond market survey expect spreads to widen as compensation for interest rate cuts and a more unsettled macroeconomic environment, while 17% think they will remain unchanged and only 8% believe they will tighten.

Investors say yields of 3%-3.5% are attractive, given liquidity, diversification and the average rating in Europe's bond market versus the US, but if they fell towards 2.5%, they might reassess.

"Global economic growth looks gloomy at the moment, and I don't expect much positive news going into next year," says a senior portfolio manager in London. "Tariffs' impact on major economies may also bite later – through higher prices or softer demand – so we need to monitor closely."

# Wider spreads and belly bid in sight as corporate bond market resets for 2026

A booming 2025 investment grade corporate bond market in Europe set a high bar as investors brace to pay higher premiums and shift to the belly of the curve in 2026. Meanwhile, capex, M&A and Reverse Yankees look set to keep the pipeline full, write [Diana Bui](#) and [Frank Jackman](#)

For those who expect spreads will tighten, Giulio Baratta, global co-head of IG finance at BNP Paribas, foresees a constructive and stable credit backdrop. "We expect spreads to be flat to slightly tighter in Europe and modestly tighter in the US," he says. "Term rates, especially in the mid maturities, should be broadly stable."

"Spreads are tight, but fundamentals are strong and fund flows have been robust this year," says Jack Daley, portfolio manager at TwentyFour Asset Management. "Net supply may be near €200bn; flows into European IG and aggregate have been about €100bn-€150bn, and coupon cash-backs add roughly €30bn a year."

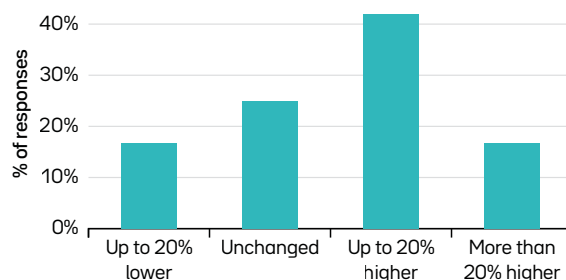
He notes that a supportive technical backdrop could also underpin spread tightening. "If growth holds and inflation trends toward targets, new tightens are possible," he adds. "All-in yields and an upward rate curve help anchor spreads."

## Capex, M&A and Rev Yanks

Issuance is expected to grow by most survey respondents, with 58% expecting a rise, while 25% believe volumes will be flat and only 17% expect a decline.

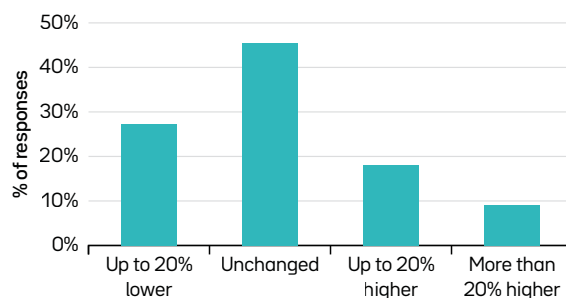
Some point to M&A activity driving jumbo deals next year. "The Street now points to 2026 as the more active year for M&A," says Baratta. "Our acquisition financing pipeline and the news flow clearly show a marked increase in M&A momentum. As a consequence, we expect 2026 to be at least as busy as 2025 when it comes to net corporate bond issuance."

## How will 2026 investment grade corporate bond supply compare to 2025?



Source: GlobalCapital

## How will 2026 IG Reverse Yankee volumes compare to 2025?



Source: GlobalCapital

M&A financing is underway. L'Oréal, for example, raised €3bn in a three-part deal in November to finance its biggest M&A deal, the acquisition of Kering's beauty business for €4bn.

Others think large capex programmes, led by AI and data centre infrastructure projects, will be the major driver. Alphabet, for example, printed €6.5bn in November to accelerate its AI and cloud infrastructure programme.

Foxconn, the Taiwanese electronics manufacturer, made an impressive debut in late October, raising €650m to fulfil its plan of shifting its business toward AI hardware.

“The tech sector is very underrepresented by local names in Europe and repeat deals from US names like Alphabet are an additive to European supply,” says Cunniffe. “The overwhelming market response shows that these names offer euro investors the opportunity to diversify their euro portfolios into hyperscalers.”

Reverse Yankees have also been a hot and not unrelated topic this year, with a flood of issuance into Europe. Alphabet raised a total of €13.25bn this year in euros, while Verizon and NextEra’s debut jumbo hybrids wowed the market in the first week of November, one of the busiest weeks of the year for Europe’s IG corporate market.

“We continue to see an increase in Reverse Yankee supply across the euro market as a complementary source of funding at competitive funding terms,” says Cunniffe.

US companies partly bring euro issuance to take advantage of lower rates. “When comparing the 10-year US Treasury to euro mid-swaps, it’s almost 140bp higher,” adds Cunniffe. “And for those with net investment hedge capacity, issuing in euros remains a compelling argument.”

Of survey respondents, 45% think Reverse Yankee issuance in 2026 will remain unchanged. Meanwhile, 27.5% expect it will be higher and the same share predict a decrease.

**Belly well bid**

After a spate of long dated issuance at the start of the year, the belly of the curve proved the sweet spot in the end.

This is predicted to remain the case. An overwhelming 75% of respondents chose the five to 10-year sector as the most popular for the coming year. Meanwhile, 17% voted for the maturities up to five years, while 8% think 10-15 year tenors will prevail.

“In 2025 investors reached for yield and bought more seven and 10-year paper, and even longer in large Reverse Yankees. With the German curve normalising and credit curves relatively flat, investors are comfortable going longer,” says Daley. “If conditions stay stable, we expect more seven to

10 year issuance in 2026. In risk-off periods tenor likely gravitates back toward five years.”

The European IG corporate bond market has been roaring all year, pricing tight on big order books, but cracks appeared in October after fresh updates on First Brands’ bankruptcy raised questions about banks’ exposures, while a lengthy US federal government shutdown added further uncertainty.

Issuers paid higher premiums and orderbook attrition rose across the asset class. Even though the market regained strength quickly, some participants see it as a wake-up call.

Half of survey respondents identified worsening global macroeconomic conditions as the biggest risk for corporate issuers in 2026, while 25% chose geopolitical uncertainty.

Lower investor confidence, weaker consumer confidence and an AI bubble bursting shared the remaining votes, with each drawing about 8% of responses.

“The main risk for corporate borrowers is slower growth or recession, possibly alongside supply chain or tariff shocks that keep inflation sticky and raise the stagflation risk. A focus on sovereign debt-to-GDP concerns could return,” Daley notes.

“The impact of rate cuts depends on the reason,” he adds. “Cuts driven by weaker growth and higher unemployment would likely widen spreads. Cuts driven by inflation returning to or below target with stable growth could see spreads hold or tighten.”

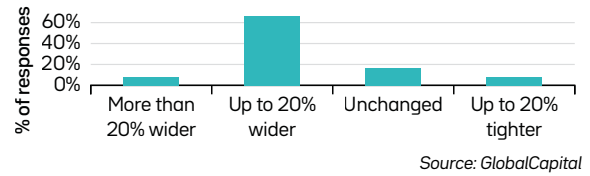
**Troubled sectors**

Slow economic growth and tariff risk are set to linger into 2026. The European Commission and International Monetary Fund predict euro area growth in the low 1% range in 2025-26.

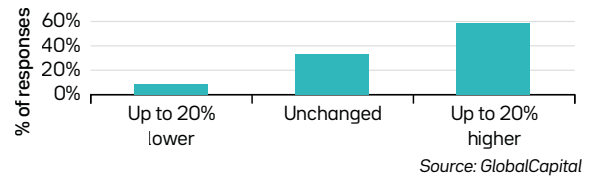
At the same time, fresh US tariff threats, including levies on autos, have darkened the outlook for discretionary goods, and the auto sector is bracing for more bankruptcies in the wake of First Brands.

Against that backdrop, 42% of respondents pick consumer retail as the most problematic sector going into 2026. Autos follow with 25% of votes, then industrials with 17%. Real estate and chemicals each draw 8% in the poll. ©

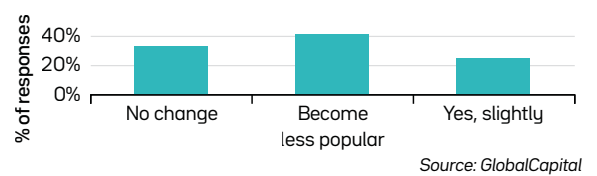
**Where are spreads headed for euro benchmark corporate bonds?**



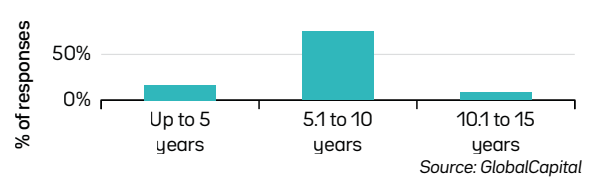
**What will happen to euro corporate bond new issue premiums in 2026?**



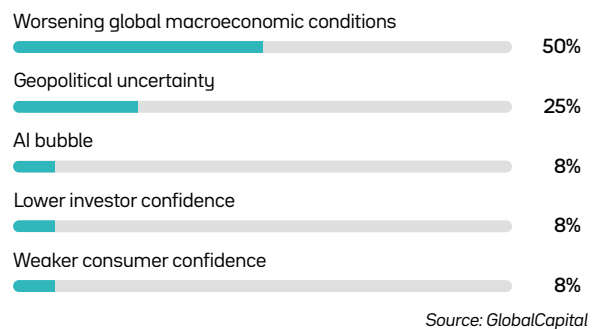
**Will ESG and ESG-linked bonds come back into fashion in 2026?**



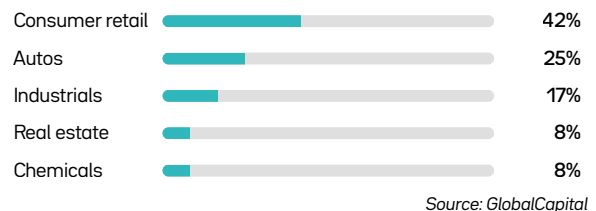
**What will be the most popular tenor for euro corporate bonds in 2026?**



**What is the biggest risk to corporate bond borrowers in 2026?**



**Which sector looks problematic coming into 2026?**



# Euros run hot as corporate issuers lock in tight funding

Record euro issuance cost issuers slimmer new issue premiums than before as a wave of Reverse Yankee issuance, much of it to fund technology and artificial intelligence infrastructure, and a softer sterling market defined Europe's investment grade corporate bond market in 2025, writes [Diana Bui](#)

**H**igher volumes and tighter spreads defined Europe's high grade corporate bond market in 2025, while issuers have enjoyed lower new issue premiums as investors remained flush with cash to put to work.

Companies tore through the high grade euro bond market in 2025. A 10% rise in syndicated benchmark volumes year on year did nothing to widen spreads or the concessions paid by borrowers, according to *GlobalCapital's Primary Market Monitor*.

IG corporate borrowers printed a total of €370.8bn of benchmark sized trades up to November 21, up from the €338.2bn sold in all of 2024.

After the US tariff announcements in April, many issuers brought funding forward, making May the busiest month of the year with almost €60bn of benchmark issuance. That was followed by an unusually busy November, with a total volume of €59.2bn, more than double the amount recorded in the same month in 2024.

Despite the heavier supply, borrowers paid only a fraction of the average new issue premium they had to stump up in the previous 12 months. The average new issue concession in euros has been 1.4bp in the year to November, PMM data shows, down from 5bp in 2024. Issuers paid the most in April after the US announced sweeping global tariffs, with an average concession of 7bp.

The average maturity in euros has shortened this year, to about 8.8 years from 9.2 years in 2024. This likely reflects higher volatility after the US tariff shock, the persistent wars in Ukraine and the Middle East, France's sovereign rating downgrade and a more subdued global growth outlook.

US borrowers have crossed the Atlantic all year to tap euros for cheaper funding than they can

achieve in dollars. They raised €84.1bn in euros across 106 tranches in 2025 up to November 21, up from €58.4bn in 2024.

That accounted for more than a quarter of euro benchmark sized corporate deals this year.

Alphabet contributed a large share of this flow with a total of €13.25bn. The issuer made a scorching debut in April with a €6.75bn five-part deal and returned in November with a jumbo €6.5bn multi-tranche trade.

## Hype and scale

Bankers see this as the start of a broader move by US hyperscalers searching for funding for artificial intelligence infrastructure projects, which they expect could bring a hot flow of issuance into the euro market next year.

It was not all rosy however, with the sterling market having a rocky year. The 30-year Gilt yield climbed 51bp over the past 12 months and

was around 5.44% on November 20, after rising to 5.725% at the beginning of September, its highest level since 1998.

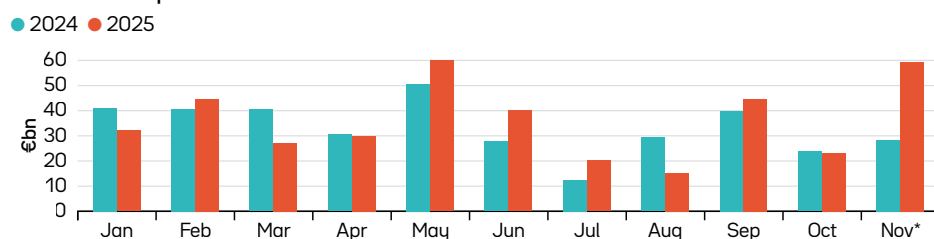
Total sterling volume from corporate borrowers was down almost 10% year to date, from £24.7bn in 2024 to £22.6bn in benchmark size this year.

However, as in the euro market, borrowers paid much less in new issue concession, at 1.5bp this year on average compared with 9.3bp a year ago.

As new issues became scarce, most trades that came to market went on to perform strongly in the secondary market. Demand was buoyant too, with the average subscription ratio rising from 2.8 times deal size in 2024 to 3.6 times in 2025.

The popularity of euros and the lack of deals in sterling reflect, in part, higher interest rates in sterling and that market's smaller domestic investor base. 

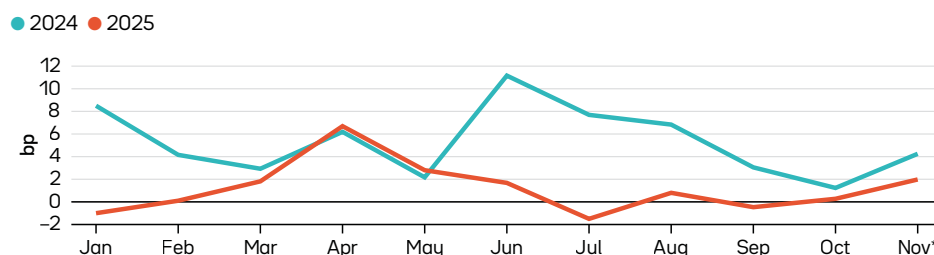
## Euro IG corporate benchmark issuance in 2024 and 2025



\*Until November 20

Source: GlobalCapital's Primary Market Monitor

## Average premium on euro benchmark IG corporate deals by month in 2024 and 2025



\*Until November 20

Source: GlobalCapital's Primary Market Monitor

# SEB and TRATON: Financing the clean transport transition



**Why was now the right moment for TRATON to launch its Green Finance Framework?**

**Lotz:** We have put in place our conventional capital markets infrastructure – external ratings, EMTN and CP programs, a syndicated RCF. The logical next step was to make use of our investments in battery-electric vehicles (BEVs) under a group-wide Green Framework. The transition from ICE mobility to BEVs is one of the cornerstones of the TRATON GROUP strategy. We already have a strong pipeline of BEV-related use cases and the newly established TRATON Green Finance Framework will help us finance this transition.

**von Platen:** The market for green finance continues to grow. In some industries, introducing a green framework now might seem late in the game. But in this sector, the only example of green bonds being issued is basically Scania – part of the TRATON GROUP. The transition to sustainable transportation in the sector is no longer a distant goal; it is happening now. That plays to the strength of the new strategy, which is not only about regulatory alignment, but about actively driving that transition.

**What are the stand-out features of TRATON's Green Finance Framework?**

**Lotz:** A key feature of the Framework is its lean and clear structure, focused on BEVs. This aligns directly with the ICMA Green Bond Principles category for Clean Transportation. Decarbonisation is also a key part of our broader corporate strategy. Investors recognised this during our recent non-deal green roadshow – the framework is simple in a positive sense, giving clarity about what to expect.

Having one group-wide framework that spans multiple brands, business segments and regions is a significant achievement for us. Departments from treasury, sustainability, ESG, accounting, controlling, communications and investor relations all worked together. Going through that process has further strengthened collaboration across our teams.

As the move toward vehicle electrification gathers pace, the TRATON GROUP with support from SEB has unveiled a cutting-edge Green Finance Framework to back the group's investments in battery-electric vehicles and prepare for a rising BEV-related financial services business. *GlobalCapital* spoke to **Philipp Lotz**, Head of Corporate Funding at TRATON, and **Fredrik von Platen**, Sustainable Finance Director at SEB, about TRATON's green ambitions, the thinking behind the framework and what they are hearing from investors.

**von Platen:** In the bond market you often see issuers adding more and more categories to broaden the use-of-proceeds pool. But when speaking to investors, it is clear they prefer frameworks that focus on core business areas. TRATON's framework provides a high level of transparency – going beyond market practice, especially in the detail provided for the use of proceeds category. Where others may give only a short description, this framework sets out what R&D covers and what BEV investments entail. Investors responded very positively to that level of detail in TRATON's Green Roadshow.

**The framework follows the ICMA Green Bond Principles (GBPs) rather than the new EU Green Bond Standard (EuGB). What guided that choice?**

**Lotz:** When we began this project in Q1 2025, the EU Green Bond Standard had only recently been introduced. Just over a dozen of issuers have used it so far – mostly from the utility sector, not capital goods companies. It therefore made sense to us to build on the established ICMA format. EuGB may however evolve in the future. We will continue to monitor developments and might adapt, but for now its track record is limited in our sector.

**von Platen:** The Green Bond Principles have been in place since 2014 and most issuers align with this structure. The EuGB is promising but not yet fully developed. Some requirements will not be fully implemented until 2026. Reviews are still made on a best-efforts basis and you can argue there are still uncertainties in the standard. Importantly, investors still

want EuGB issuers to align with the ICMA GBPs. For us, the decision was clear.

**Some observers talk about an "ESG backlash," particularly in the US. How do you see investor sentiment in Europe?**

**von Platen:** It is important to look through the headlines, which can give the impression of a global backlash against ESG. In Europe, commitment and demand remain strong. Year-to-date, we have seen close to €10bn flow into euro investment-grade credit funds with a sustainability focus. This has happened despite the recent ESMA update on fund-naming rules, which prompted some managers to adjust labels out of caution rather than due to falling demand. Looking through that short-term noise, underlying investor appetite remains strong, and we see no sign of capital allocation to sustainable strategies declining.

**Lotz:** During our recent non-deal green roadshow the feedback gathered shows that there continues to be great demand in the green market. Outside of the roadshow we continue to receive reverse inquiries from investors. We have received dedicated questions on our sustainability strategy and our reporting schemes. That's clear evidence that demand continues. We're convinced liquidity is higher in green transactions – positively facilitating volume, if not pricing. Our financing framework is also not just a bond framework. It also allows for additional instruments – particularly loans. In that field we have tangible demand on the table. It's smaller and less transparent but it's important evidence that lender appetite is there.

# Rising M&A tide to lift syndicated loan market in face of tech and private credit challenges

Geopolitical uncertainty because of US tariff policy and regional conflicts, and private credit's incursion into investment grade lending did their best to disrupt the syndicated loan market in 2025. But bankers say investment by the technology sector, in particular, means 2026 is poised to be a more 'meaningful year'.

Jenn Law reports

Bankers hope for an uptick in the syndicated loans market in 2026, after describing 2025 as subdued, with M&A struggling to take off after three years of floundering.

As of mid-November, total loan volumes in Europe were 4% higher, at nearly €1.4tr, than at the same point in 2024 according to Dealogic.

Respondents to *GlobalCapital's* survey of the syndicated loan market said they were "cautiously optimistic" about the year ahead. While nearly 50% believe a big increase in M&A financing in the loan markets in EMEA is likely in 2026, some expressed scepticism, "Is the M&A calendar and pipeline really going to develop and play out the way we anticipate it will?" asked one senior banker.

More than 60% of respondents believe syndicated loan volumes will show an annual increase of between 5% and 20% in 2026.

"At this stage, it's a more positive tone than it was six months ago," said Nicholas Rabier, managing director and global head of investment grade syndicated loan markets at BNP Paribas. "But I think we're all very hopeful and certainly seeing more opportunities for 2026 levels to increase."

## Unpredictable

Geopolitical uncertainty, especially around US tariff policy, took the blame for the market feeling subdued in 2025. Such an unpredictable backdrop makes it difficult for companies to commit to the level of M&A that generates financing activity in the loan market.

In Europe, syndicated loans used to finance M&A were down by 32% year on year at €110bn for the first 11 months of 2025, compared to €161bn for the same period in 2024, according to Dealogic.

Despite the turmoil caused by US President Trump's announcement of his so-called "liberation day" tariffs on April 2, M&A activity has picked up since then, especially once the US reached agreements on tariffs with the UK and the EU.

Total loan volumes for April in Europe stood at €115bn, according to Dealogic. In May, that number ticked up a little to €122bn. By the end of September, the number for the year stood at €913bn.

## Merger boost

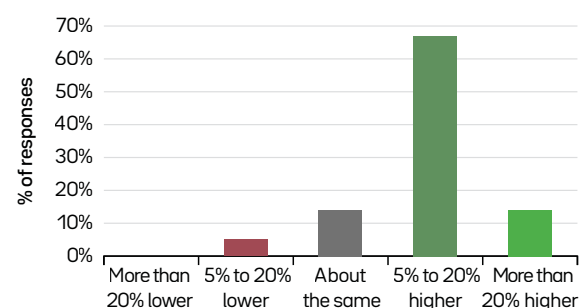
With M&A tipped to be a major driver, bankers expect lending activity to rise in 2026. "I think it should be meaningful," says Stan Hartman, head of high yield and leveraged loan syndicate at BNP Paribas of M&A's contribution to lending activity.

"We believe corporates have the firepower and balance sheet strength to pursue an inorganic growth agenda to keep pace with competition," says Dale Baxter, managing director of investment grade loan syndicate at MUFG.

Private credit's incursion into investment grade lending also grew in 2025 and this is expected to continue in 2026, even if bankers are not yet publicly worrying about it taking a share of their business.

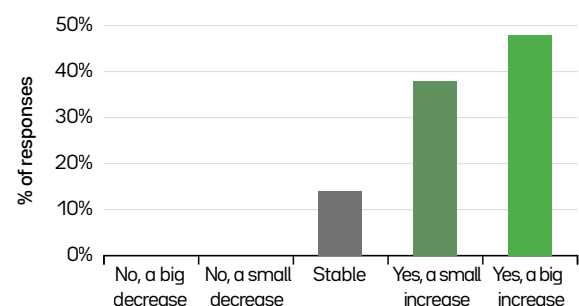
"We'll see how the private debt markets will also influence the numbers," says Carlo Fontana, head of global syndicate of UniCredit. "The big private credit lenders, for example, Blackstone, Apollo and KKR, all have a very clear investment grade lending strategy, and that can also influence the shape of the market in a positive way because you're going to have more liquidity available beyond just the relationship liquidity coming from commercial banks."

## How will EMEA syndicated loan volume in 2026 compare with 2025?



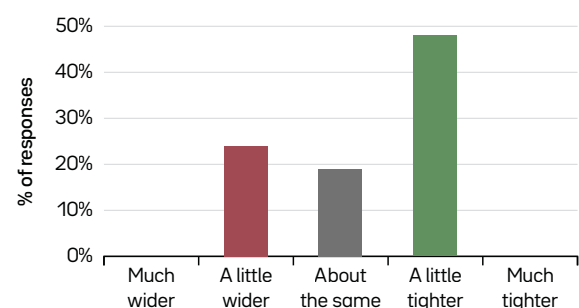
Source: GlobalCapital

## Do you expect an increase in M&A financing in the EMEA loan market in 2026?



Source: GlobalCapital

## How did margins on investment grade loans evolve in 2025?



Source: GlobalCapital

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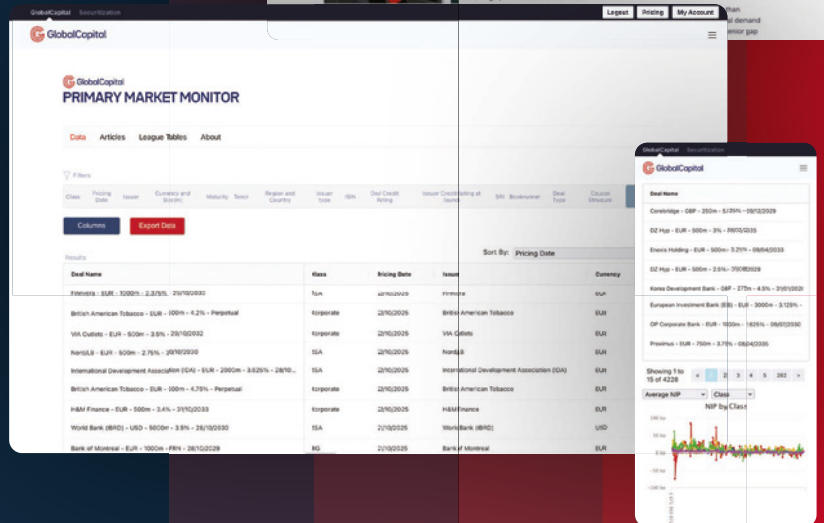
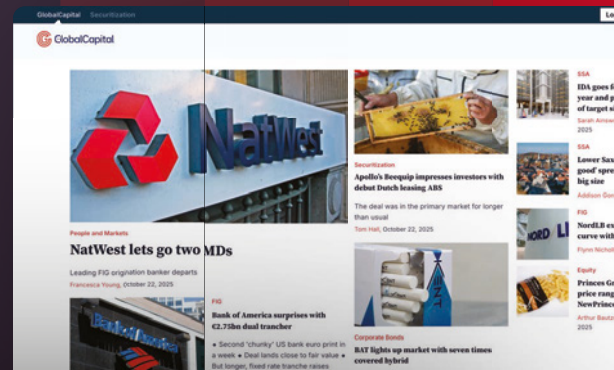
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More than half of survey respondents say competition between banks and private credit increased slightly in 2025. However, private credit lenders are only dominating in some areas of lending.

Hartman sees more private credit activity in sectors where financing is perhaps more suited to private lenders because of their speculative nature and longer timelines, such as infrastructure. He believes the model for corporate borrowing in the investment grade loan market means banks can often come up with more competitive pricing.

Private credit's dominance is "more the infra[structure] market, than it is the IG corporate loan market," he says. "I think private credit could struggle to compete in Europe with bank loans from a corporate basis because of ancillary fee revenue that is generated, and the pricing on the bank market."

### Infrastructure strength

European-based private market funds hold approximately \$2.73bn assets under management, according to Ocorian, a provider of asset servicing for private markets and corporate and fiduciary administration. Around 19% of global assets in private market funds are in European-domiciled funds. These data indicate Europe's particular strength in infrastructure funds, accounting for 38% of underlying infrastructure assets globally.

More than 45% of respondents to *GlobalCapital's* survey say that margins in investment grade lending tightened because banks are still competing to lend. They expect this to continue in 2026.

Loan bankers believe a more stable economic and political backdrop following the initial disruption of US tariffs means more opportunities for lending will materialise in the coming year than in 2025.

### Data centre investment

Bankers see the technology sector, in particular, as a growth area for lending. "Tech is going to be a big theme, and within it in particular, the big debate around data centres, where lot of people want to put lots of money, though the business model remains to be proven," says Fontana.

Meta's announcement in December 2024 that it would build the largest data centre in the western hemisphere, measuring 4m

square feet, in Louisiana is perhaps a sign of things to come.

The race to build data centres in Europe is also intensifying, with some market participants dubbing the key locations as FLAPD for Frankfurt, London, Amsterdam, Paris and Dublin.

Fontana highlights the speculation in the market about where the next data centres might be.

"Some of the topics out there verge on speculative where people are buying land with the expectation it will be bought and procured for AI and data centre development," says Fontana, who also expects other sectors apart from technology to increase their lending activity.

"Opportunity in the subdued sectors will once again arise. Potentially, we're going to see the chemical sector also turning, since it feels like we have bottomed out there. Other sectors that are very large like industrials and automotive will continue to be relevant," he adds.

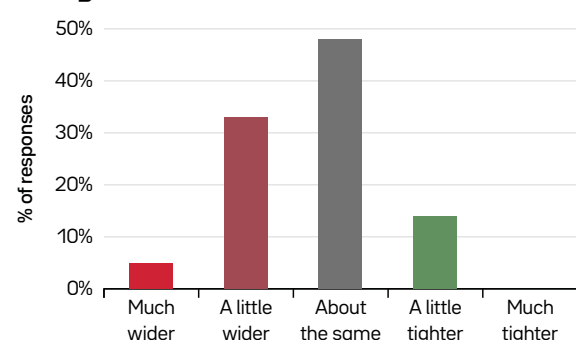
### Refinancing appetite

Baxter believes resets and refinancings will dominate loan desk activity in the coming year. "Refinancings are continually expected to be the bellwether behind loan volumes in 2026," he says.

Refinancing volumes in Europe were strong in 2025. Deal value proceeds for refinancings and reset volumes for 2025 as of November 18, stood at nearly €680bn, up by 17% from €582bn for the same period in 2024, and €377bn in 2023.

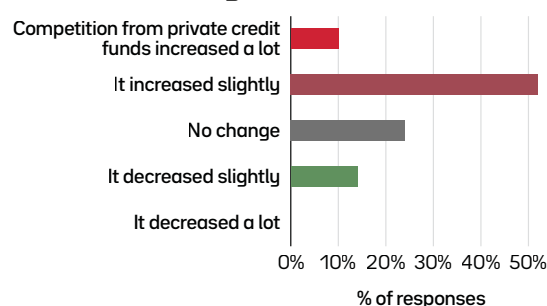
"That pricing has remained competitive for high investment grade borrowers with large ancillary wallets who continue to command tight terms on their relationship defining facilities," says Baxter. "Regulatory requirements, sector and currency remain key considerations for lenders." ©

### How do you expect margins on IG loans to change in 2026?



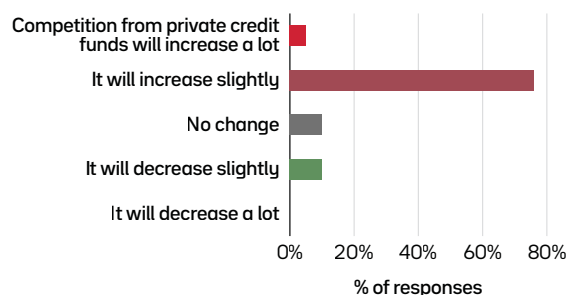
Source: GlobalCapital

### In 2025, how did competition to lend to investment grade companies from private credit funds change?



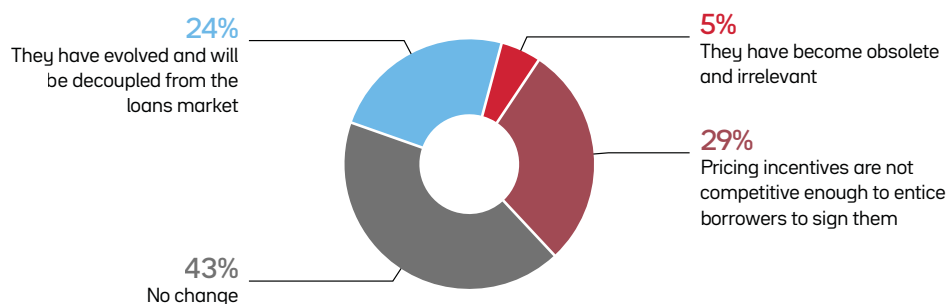
Source: GlobalCapital

### In 2026, how will competition to lend to investment grade companies from private credit funds change?



Source: GlobalCapital

### What do you think of SLLs and their relevance to the loan market?



Source: GlobalCapital

# Syndicated Loan, Leveraged Finance and Private Debt Awards

*GlobalCapital* presents the nominations for the 23rd edition of its annual Awards for the loan, leveraged finance and private debt markets. The Awards are decided based on an online poll, conducted in October and November, and recognise performance between November 16, 2024 and November 12, 2025. The winners will be announced at a gala dinner in London next year. Many thanks to everyone who shared their expertise by voting, and congratulations from *GlobalCapital* to all the nominees

## DEALS OF THE YEAR NOMINEES

### Deal of the Year

#### Ferrero International

€2.65bn-equivalent  
September 2025 for acquisition of WK Kellogg

#### MasOrange

€10.95bn  
May 2025 €6.25bn refinancing at MasOrange and €4.7bn infrastructure financing at PremiumFiber

#### Opella Healthcare Group

€6.2bn-equivalent  
March 2025 for Clayton, Dubilier & Rice's €10bn buyout of 50% of Opella from Sanofi

#### Tennet Germany

€12bn  
September 2025 after new investors took 46% stake

### Leveraged Loan of the Year

#### Apleona

€2.35bn-equivalent  
April 2025 for Bain Capital's buyout of Apleona from PAI Partners

#### Essential Home

€2.5bn-equivalent  
September 2025 for Advent International's buyout of 70% of Reckitt Benckiser's Essential Home business

#### Froneri

\$3.7bn-equivalent  
August 2025 for dividend recap

#### Opella Healthcare Group

€6.2bn-equivalent  
March 2025 for Clayton, Dubilier & Rice's €10bn buyout of 50% of Opella from Sanofi

### M&A Loan of the Year

#### Capgemini

\$4.6bn-equivalent  
July 2025 for \$3.3bn acquisition of WNS and to refinance debt

#### Essential Home

€2.5bn-equivalent  
September 2025 for Advent International's buyout of 70% of Reckitt Benckiser's Essential Home business

#### Ferrero International

€2.65bn-equivalent  
September 2025 for acquisition of WK Kellogg

#### Merck KGaA

\$3.8bn  
May 2025 for acquisition of SpringWorks Therapeutics

#### Opella Healthcare Group

€6.2bn-equivalent  
March 2025 for Clayton, Dubilier & Rice's €10bn buyout of 50% of Opella from Sanofi

### Emerging Market Loan of the Year

#### Côte d'Ivoire

\$1.3bn one year term loan  
April 2025

#### Gold Fields

\$2.3bn bridge facility  
October 2025 for A\$3.7bn acquisition of Gold Road, JV partner in Gruyere gold mine, Australia

#### Slovenske Elektrarne

€3.58bn  
December 2024 refinancing

### Infrastructure Finance Loan of the Year

#### Cascade Infrastructure

£2.5bn  
August 2025 for the Haweswater Aqueduct Resilience Programme

#### Data4 Services

€2.22bn  
December 2024 to finance data centres

#### Sizewell C

£5bn green term loan backed by Bpifrance  
November 2025 for construction of nuclear power plant in UK

### Renewables Loan of the Year

#### East Anglia Three

£3.6bn  
July 2025 for construction of 1.4GW windfarm off Suffolk coast

#### MFW Baltyk II and III

€3.17bn-equivalent  
May 2025 for the Baltyk II offshore wind farm

#### Nextwind Windpark

€1.8bn  
November 2025 to buy and repower ageing wind farms

## REGIONAL DEALS OF THE YEAR NOMINEES

## Central and Eastern European Deal of the Year

**Czechoslovak Group**

€1.545bn

November 2024 for acquisition of Kinetic Group and refinancing

**Slovenske Elektrarne**

€3.58bn

December 2024 refinancing

## Middle Eastern Deal of the Year

**Abu Dhabi Future Energy Co (Masdar)**

\$1.1bn

August 2025 project financing for Al Sadawi Independent Power Producer 2GW solar plant with GD Power and Korea Electric Power

**Jafurah Midstream Gas Co**

\$8.333bn

August 2025 for \$11bn lease and leaseback acquisition by BlackRock's Global Infrastructure Partners of a 49% stake in

Jafurah Midstream Gas Co from Saudi Aramco via Green Palm Bidco

**Public Investment Fund (through Saudi United Investment Co)**

\$7bn murabaha facilities

March 2025 add-on to existing facility

**Qatar National Bank**

\$1.5bn

September 2025 refinancing

## German, Swiss and Austrian Deal of the Year

**Siemens Energy Global**

€9bn

June 2025 to refinance €11bn facility from March 2024

**Tennet Germany**

€12bn

September 2025 for new Tennet TSO GmbH after institutional investors took 46% stake

**Varo Energy**

\$3.7bn

June 2025 borrowing base facility refinancing

**Volkswagen**

€12.5bn

March 2025 refinancing

## African Deal of the Year

**Afreximbank**

\$571m Samurai loan

August 2025 refinancing

**Côte d'Ivoire**

\$1.3bn one year term loan

April 2025

**Gold Fields**

\$2.3bn

October 2025 for A\$3.7bn acquisition of Gold Road, JV partner in Gruyere gold mine, Australia

**Harmony Gold Mining**

\$1.25bn

June 2025 for acquisition of Mac Copper

## Turkish Deal of the Year

**Antalya Alanya Otoyolu Insaat Yatirim ve Isletme**

€1.7bn

October 2025 for construction of 121km Antalya-Alanya Highway project sponsored by Limak

**Koc Holding**

\$600m

October 2025 term loan

**Tupras**

\$500m

May 2025 sustainability-linked term loan

**Ulker Biskuvi Sanayi**

\$250m-equivalent

October 2025 term loans

## French Deal of the Year

**Capgemini**

\$4.63bn-equivalent

July 2025 for \$3.3bn acquisition of WNS and to refinance debt

**Electricité de France**

€6bn

November 2024 refinancing

**Opella Healthcare Group**

€6.2bn-equivalent

March 2025 for Clayton, Dubilier &amp; Rice's €10bn buyout of 50% of Opella from Sanofi

**Schneider Electric**

€5.48bn

July 2025 for acquisition of Schneider Electric India

## UK and Irish Deal of the Year

**BP**

\$8bn

January 2025

**Froneri**

\$3.7bn-equivalent

August 2025 for dividend recap

**Greencore**

£825m

June 2025 for £1.05bn acquisition of Bakkavor

**Rosebank Industries**

\$900m

July 2025 for acquisition of Electrical Components International

## Italian Deal of the Year

**Ferrero International**

€2.65bn-equivalent

September 2025 for acquisition of WK Kellogg

**MediaForEurope**

€3.4bn

March 2025 for €2.6bn acquisition of ProSiebenSat1 Media and to refinance debt

**Prada**

€1.5bn

April 2025 for acquisition of Gianni Versace

## Iberian Deal of the Year

**Indra Sistemas**

€700m

May 2025 for acquisition of Clue Technologies SL

**MasOrange**

€6.25bn refinancing

at MasOrange and €4.7bn infrastructure financing at PremiumFiber May 2025

**Urbaser**

€1.9bn

June 2025 for dividend recap and to refinance €1.25bn facility from 2021

## Benelux Deal of the Year

**Essential Home**

€2.5bn-equivalent

September 2025 for Advent International's buyout of 70% of Reckitt Benckiser's Essential Home business

**Interparking**

€1.63bn

July 2025 for acquisition of Saba

**SBM Offshore**

\$1.1bn

April 2025

## Nordic Deal of the Year

**Aker BP**

\$3.225bn

October 2025 refinancing

**Carlsberg Breweries**

€2bn

December 2024 refinancing

**Stockholm Exergi**

Skr12.6bn (€1.15bn)

April 2025 for construction of a carbon capture and storage plant

**Var Energi**

\$2.75bn

May 2025 refinancing

## BANK AWARDS NOMINEES

### Loan House of the Year

BNP Paribas  
Crédit Agricole  
Deutsche Bank  
HSBC

### Best Arranger of Leveraged Loans

BNP Paribas  
Goldman Sachs  
JP Morgan

### Best Arranger of M&A Loans

BNP Paribas  
Citigroup  
JP Morgan

### Best Arranger of Mid-Cap Loans

BNP Paribas  
Crédit Agricole  
Lloyds Bank  
Natixis

### Best Arranger of Project Finance Loans

BNP Paribas  
Crédit Agricole  
MUFG  
SMBC  
Société Générale

### Best Arranger of Trade Finance Loans

Citigroup  
Santander  
Société Générale

### Best Arranger of Infrastructure and Renewables Loans

BNP Paribas  
Crédit Agricole  
Santander  
Société Générale

### Best Bank in Real Estate Finance

ING  
Lloyds Bank  
Natixis

### Best Secondary Loans House

Citigroup  
Deutsche Bank  
HSBC  
JP Morgan

### Best Loan Agency House

Crédit Agricole  
Deutsche Bank  
HSBC

## BANK REGIONAL AWARDS NOMINEES

### Best Arranger of Western European Loans

BNP Paribas  
Crédit Agricole  
HSBC  
UniCredit

### Best Arranger of Central and Eastern European Loans

ING  
Raiffeisen Bank International  
UniCredit

### Best Arranger of Middle Eastern Loans

Abu Dhabi Commercial Bank  
First Abu Dhabi Bank  
Mizuho

### Best Arranger of African Loans

First Abu Dhabi Bank  
Nedbank  
Rand Merchant Bank  
Standard Chartered Bank

### Best Arranger of Turkish Loans

Bank of America  
Emirates NBD  
ING

### Best Arranger of German, Swiss and Austrian Loans

Commerzbank  
Deutsche Bank  
UniCredit

### Best Arranger of UK and Irish Loans

Barclays  
HSBC  
Lloyds  
NatWest

### Best Arranger of French Loans

BNP Paribas  
Crédit Agricole  
Société Générale

### Best Arranger of Italian Loans

Intesa Sanpaolo  
Mediobanca  
UniCredit

### Best Arranger of Iberian Loans

BBVA  
CaixaBank  
Santander

### Best Arranger of Benelux Loans

ABN Amro  
ING  
Rabobank

### Best Arranger of Nordic Loans

DNB Carnegie  
Nordea  
SEB

## SUSTAINABLE LENDING AWARD NOMINEES

## Investment Grade Sustainability-Linked Loan of the Year

**Nokia**

€1.5bn

June 2025 sustainability-linked revolving credit facility for refinancing

**RWE**

€10bn

May 2025 three sustainability-linked revolving credit facilities to refinance facilities from 2022 and 2024

**Solvay**

€1.4bn

September 2025 loans amended to include sustainability linkage to greenhouse gas emissions

## Best Arranger of Green and ESG-Linked Loans

BNP Paribas

Crédit Agricole

ING

Société Générale

## PRIVATE DEBT DEAL AND ARRANGER AWARD NOMINEES

## Direct Lending Deal of the Year

**Adevinta**

€6.5bn

May 2025 increase of existing €4.8bn loan from 2023 with cut in interest rate

**Karo Healthcare**

€1.485bn

April 2025 to support KKR's buyout of Karo from EQT

## Schuldschein of the Year

**Aperam**

€400m

October 2025 three, five and seven year loans

**Asklepios Kliniken**

€600m

October 2025 social Schuldschein to refinance Schuldscheine maturing until 2027

**Porsche Automobil Holding**

€1.5bn

June 2025 to repay loans for Porsche AG acquisition and repay Schuldschein early

## International Schuldschein of the Year

**Acciona**

€410m

July 2025 three, five, seven and 10 year green loans

**Aperam**

€400m

October 2025 three, five and seven year loans

**ArcelorMittal**

€700m

June 2025 three tranches of three to five year floating rate loans

## US Private Placement of the Year

**Koninklijke Vopak**

\$625m-equivalent

June 2025 five to 11 year notes to refinance debt

**Terminal Investment**

\$2.5bn

June 2025 for expansion

**Vantage Towers**

€2bn

April 2025

## Best Arranger of Schuldscheine

BayernLB

Helaba

LBBW

UniCredit

## Best Arranger of International Schuldscheine

BayernLB

Commerzbank

Helaba

UniCredit

## Best Schuldschein Law Firm

CMS

Noerr

White &amp; Case

## US Private Placement Agent of the Year

BNP Paribas

Citigroup

NatWest Markets

## INSTITUTIONAL INVESTOR AND PRIVATE LENDER NOMINEES

## Best Institutional Lender in Syndicated Loans

Apollo Global Management

HPS Investment Partners

ICG

KKR

## Best Direct Lending Firm

Ares Management

Blackstone

HPS Investment Partners

## Best Subordinated Debt Investor

Clearlake Credit

HPS Investment Partners

## Best Distressed Loan Investor

HIG Capital

Strategic Value Partners

Triton

## BEST ADVISERS, LAW FIRMS AND TECH PROVIDERS NOMINEES

## Best Corporate Finance Adviser

EY

Rothschild &amp; Co

## Best Law Firm for Syndicated Loans

A&amp;O Shearman

Dentons

Linklaters

White &amp; Case

## Technology Provider of the Year for Loan Syndications

Debtdomain

VC Trade

## Technology Provider of the Year for Loan Agency and Back Office

Debtdomain

VC Trade

# CEEMEA bond market readies to go still further after record year

Falling interest rates, returning inflows and a wave of pandemic-era redemptions mean CEEMEA bond market participants have high expectations for 2026. This optimism comes after a record-breaking year for issuance — and by quite some margin — meaning that 2025 will be a tough act to follow, writes **George Collard**

It has been a record-breaking year for the CEEMEA primary market in 2025. There were \$286.2bn-equivalent of public, benchmark sized bonds in dollars or euros this year as of November 11, according to *GlobalCapital's Primary Market Monitor*, comfortably ahead of the \$260.5bn in all of 2024.

Fuelling this has been the expectation of US Federal Reserve interest rate cuts — they started late in 2024 and resumed in September — coupled with inflows returning to emerging market bond funds, which have enjoyed stellar returns. Spreads have been at near-record tights for much of 2025, enticing issuers to market. It has been a goldilocks scenario for investors and issuers alike.

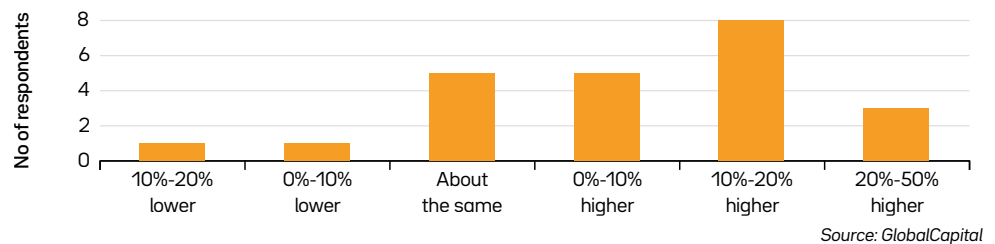
Yet CEEMEA bond bankers think things are about to get even better. Adding to those influential factors in 2026 will be a hefty number of redemptions, as five-year bonds issued during the Covid-19 pandemic come up for refinancing.

Of the respondents to *GlobalCapital's* survey of CEEMEA bond bankers, 70% expect volumes to rise next year, with just two thinking they will fall.

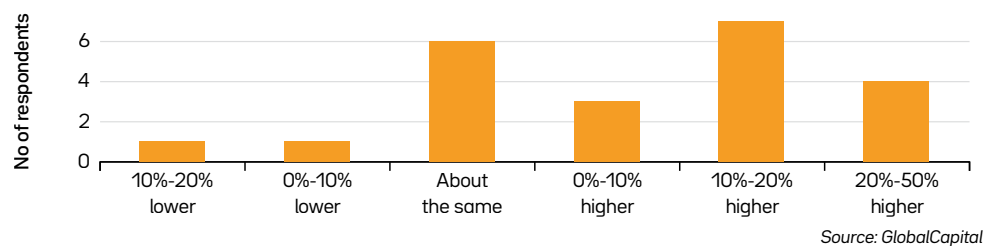
Khaled Darwish, head of CEEMEA debt capital markets at HSBC in Dubai says: “2026 looks set to witness a healthy continuation of what has happened in 2025. I expect an environment of a reduction in rates and healthy market liquidity, and hopefully a reduction in geopolitical tensions — especially if we’re talking the Middle East, where we have seen a lot of geopolitical volatility, but it has not really affected the market *per se*. Are we going to have another 30%-40% leap in volumes? Unlikely, but I see double digit growth.”

Driving some of the optimism about issuance in 2026 are those Covid-19 redemptions. “What is interesting for me is that the majority of bonds issued in 2021, the previous high-water mark for issuance, were in the five-year tenor,

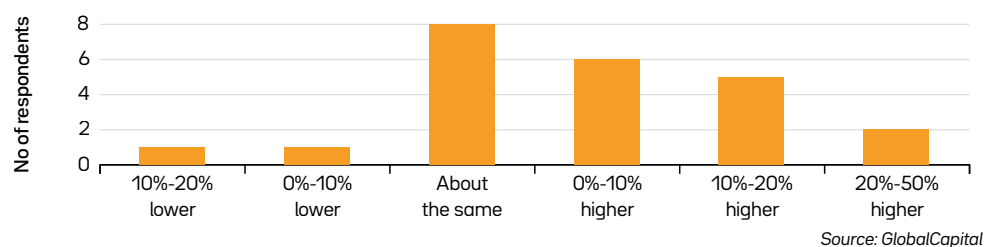
## How will volumes of CEEMEA new issues in 2026 compare to 2025?



## How will volumes of Middle East new issues in 2026 compare to 2025?



## How will volumes of CEE new issues in 2026 compare to 2025?



which points to a promising 2026 just based on that alone,” says Blazej Dankowski, co-head of CEEMEA debt capital markets at Citi in London.

### CEEMEA surge

The majority of respondents expect volumes to rise in the three constituent CEEMEA regions next year. In the Middle East, only 36% do not see a rise in issuance coming, while in central and eastern Europe 57% predict growth.

“We’ve seen a lot of new issuers this year, particularly in the Gulf Cooperation Council (GCC) and Commonwealth of Independent States, and we expect more

debutants,” says Ritesh Agarwal, head of debt capital markets at Emirates NBD in Dubai. “The market will be busy, and rates are on a downward trajectory. This will give impetus to issuers to tap capital markets.”

The pace of issuance is “not sustainable”, adds another head of debt capital markets in the Middle East, but the slowdown may not be near yet.

“The question is for how long will it last?” says Hassan Orooj, head of debt capital markets and syndicate at Mashreqbank in Dubai. “It still has legs, we think. Redemptions next year warrant a very high rate of issuance. A lot of issuers have come

this year, but we expect activity to remain strong into 2026.”

In Africa, the optimism for growth in issuance is even higher: 71% of respondents predict higher issuance in 2026.

“Africa can be split into buckets, one being repeat issuers with good access that come nearly every year,” says Victor Mourad, co-head of CEEMEA debt capital markets at Citi in Dubai. “With a better rates environment, they can do more. There are some elections to consider, but I’d expect all of them to have access next year.”

The next bucket is those that face higher pricing to access the market, Mourad adds, and their issuance “will be opportunistic and depending on funding needs especially in local currency.”

Market access has been wide open in 2025, at least for some part of the year if not all, as demonstrated by the 25% year-on-year increase in African issuance volume. An almost equal split of CEEMEA bankers, roughly 40% each, think market access will remain the same or will open up for more borrowers.

“There will be windows when some lose access,” says Agarwal. “We’ve seen it with African sovereigns. Some have come late this year, like Angola and Nigeria, that did not have access earlier in the year.”

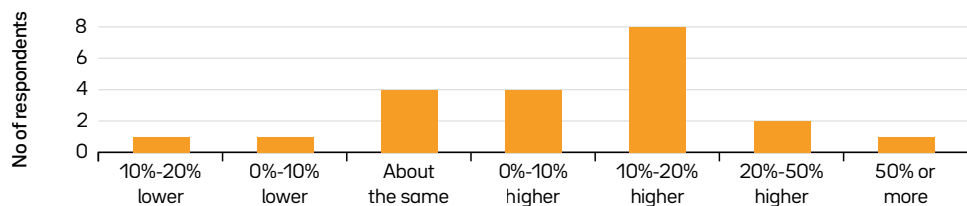
### Interest rate question

Markets in 2025 have been open to “almost the widest possible group”, adds Orooj, who says market access will, as usual, open and close through the year, which can be a challenge for DCM houses but perhaps not for issuers.

“The issuers that have market access problems have learned to diversify into other sources,” says Orooj. “And in DCM, we’re competing with development finance institutions and other options for borrowers. They know DCM opens and shuts, so they’ve become less reliant on it.”

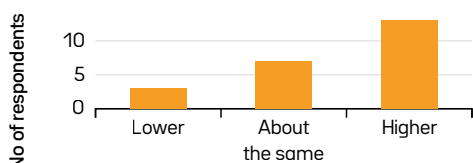
With interest rate cuts in the US – those already delivered and those

### How will volumes of Africa new issues in 2026 compare to 2025?



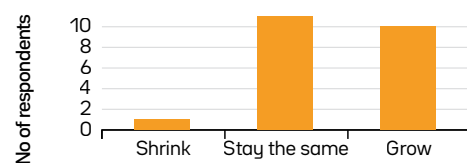
Source: GlobalCapital

### Will the main EM benchmark indices finish 2026 higher or lower than the end of 2025?



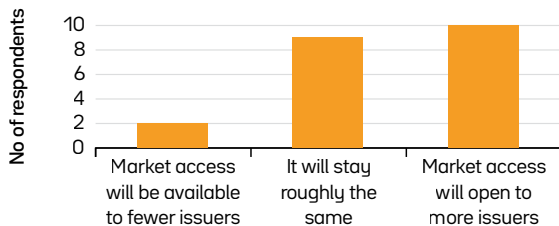
Source: GlobalCapital

### How will the number of CEEMEA DCM staff at banks (syndicate and origination) change over 2026?



Source: GlobalCapital

### What will happen to market access in CEEMEA in 2026 compared with 2025?



Source: GlobalCapital

US Treasuries and rates “move at a benign pace”.

“But if those moves accelerate or we see heightened geopolitical volatility or a moderate move in oil prices, I can see EM indices going slightly higher in a measured fashion,” he says. “I don’t expect a significant change either way, but a dramatic increase in political risk or a big shift in oil prices would push down credit ratings.”

### Longer borrowing on table

Lower rates may also alter the average maturity of new issuance in 2026. Of this year’s CEEMEA benchmarks, excluding perpetuals, which tend to be callable, 30% had a tenor of 10 years or longer, according to the PMM data as of December 2. Only three CEEMEA issuers, Hungary and Saudi Aramco in dollars and Slovenia in euros, have issued 30-year bonds, and nothing has come beyond that.

One reason is the steep yield curve in the US, says Dankowski, with 100bp between the yields on the five and 30-year US Treasuries. This is “a bit off-putting” for issuers, according to a senior market source.

Most survey respondents, 64%, expect the average maturity of issuance to lengthen in 2026.

“We should see more 30-year issuance from EM investment grade names as rates come down,” says Darwish. “And there are issuers in CEEMEA, such as the CEE sovereigns, that have big volumes to do, and they’ll look to stretch duration longer.”

Mourad agrees and expects “plenty more” GCC 30-year bonds in 2026. Orooj and Kumar at Mashreq

expected – driving issuance this year and expectations for more in 2026, there is the question of whether some borrowers might wait until after those rate cuts before issuing, capitalising on lower base rates.

But bankers were unanimous in forecasts for frontloading in 2026: no survey respondents thought issuers would hang around.

“Nobody is waiting for rates to drop before they issue,” says Darwish. “If you need funding, you go and get it and de-risk, and I expect a lot of frontloading in the first quarter 2026.”

Part of the desire to get funding done as soon as possible is related to spreads, which have been near historic tight for much of 2025. The majority of bankers, 57%, expect EM spreads to widen in 2026, with just three predicting they will tighten.

Orooj does not rule out tighter spreads, saying “they have been tighter before, not by much, but often markets overshoot”. For Darwish, spreads in 2026 can stay level to 2025 or even a bit tighter if

▼ Khaled Darwish, head of CEEMEA debt capital markets at HSBC



also see maturities getting longer as rates go lower.

“Issuers can’t keep borrowing at the five and 10-year tenors, they’ll have to diversify and accept the new rate environment and issue a 30 year in a different postcode to 2020,” says Orooj, referring to the near zero interest rate world of the pandemic.

Dankowski sounds a more cautious note and adds that the market is not pricing in much change to the steep US yield curve, which has discouraged CEEMEA issuers from printing long duration deals this year. Agarwal also thinks “the bulk” of GCC issuance will still fall in the five to 10-year range.

One notable area of growth in 2025 has been sukuk, which made up 23% of CEEMEA issuance in 2025 versus 16% in 2024.

**Sukuk shift**

This is despite the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) mulling new guidelines for sukuk that could radically alter the nature of the instruments – even making them more akin to securitizations than regular securities.

“Sukuk volumes are significantly higher this year with several new clients accessing this product given strong liquidity and demand dynamics,” says Agarwal. “I don’t think volumes will dip next year and if there are any changes from a regulatory perspective, the market will find solutions.”

In CEEMEA, sukuk are a product largely confined to the Middle East, but bankers expect issuers from outside of the region to begin using the market. An example came from Turkey this year, where Turk Telekom printed the first corporate sukuk from the country on the international markets.

“We’re seeing a higher share of sukuk and in the last few years it has gone higher despite more stringent regulations, such as the AAOIFI standards, particularly in the UAE,” says Charan Kumar, a director on Mashreq’s debt capital markets desk in Dubai. “Despite this, we see great appetite for sukuk. Central Asia is a growing market for sukuk, and governments are considering legislation, which could be approved in 2026. It will start with sovereigns and trickle down to banks.”

That does not mean it is easy to convince issuers to print sukuk. Agarwal cautions that with markets so strong it is easier for conventional bond issuers to keep

doing those rather than branch out into sukuk, which take time to structure and prepare.

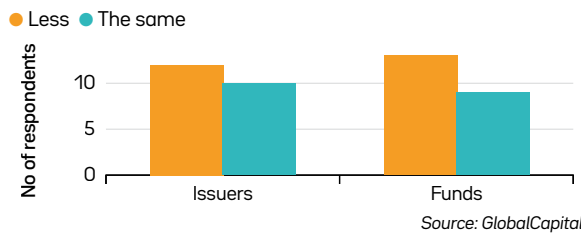
“But we keep pushing,” he says. “Look at Turk Telekom. They did a sukuk and bond and saved money with the sukuk and also now have access to a new pool of investors.”

While sukuk’s proportion is growing that of environmental, social and governance (ESG)-labelled issuance is falling, by 13% year on year as of November 11. It made up 12% of CEEMEA issuance this year versus 15% in 2024.

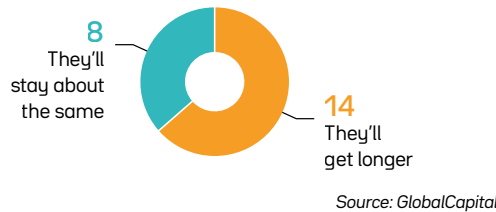
**Manning the pumps**

No respondents to the survey think ESG is going to become more of a priority for EM investment funds or CEEMEA issuers in 2026, and a majority think it will become less of one. That does not mean it is going to disappear, agree bankers, with Orooj saying “ESG has its place and it’s not going anywhere”.

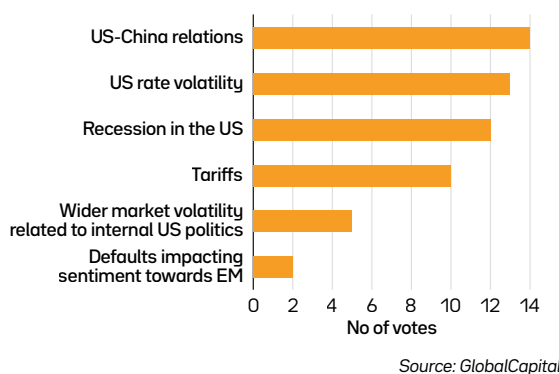
**Will ESG become more or less of a priority for EM issuers and investment funds in 2026?**



**What will happen to the average maturity of new issues in 2026?**



**What is the biggest threat to CEEMEA primary in 2026?**



“For some issuers, ESG may not be as strategically important compared to two to three years ago,” adds Darwish. “But it has become a mainstream segment of the CEEMEA market. There are some very interesting ESG projects coming and we don’t see ESG issuance supply into the market diminishing.”

This year’s rip-roaring primary market raises the question of whether investment banks will add DCM headcount, particularly as it is just a couple of years since the primary market dried up in 2022 and 2023, which led to thinner staffing.

Orooj says there is some caution going into 2026 due to hiring already done and “uncertainty in the world”, while Agarwal says banks are hiring “at all levels” having started it in a busy 2024.

“We didn’t know whether those volumes were sustainable,” he says. “Now we have had two big years and expect this trend to continue, banks are hiring at all levels. For GCC regional banks, we’ll see more juniors entering and there’s a general dearth of junior people in the Middle East.”

This year’s record issuance might suggest all is rosy in the capital markets and the world. But anyone working in EM debt knows how quickly things can sour and there are plenty of potential threats to issuance next year.

The one raised most often in the survey is US-China relations, followed by US interest rate volatility and the risk of a US recession.

Darwish says that four months ago he would have said geopolitics was the biggest risk, but the temperature “has lowered”. Now, he says higher US interest rate volatility is the greatest risk and that an eye needs to be kept on oil prices, to which GCC liquidity and the sukuk market are particularly sensitive.

Orooj says we are yet to see the effect of tariffs on inflation and that if there is “a real impact on inflation, it’s going to impact benchmark rates”.

But for Dankowski, the main threats will be idiosyncratic, although he notes there is always the possibility of unforeseen events impacting primary.

“I do not see many obvious risks,” he says. “The credit cycle in EM is healthy, rates are coming down and supply and demand dynamics are healthy. But in our world, there is always something that can crop up, and one thing I’d keep an eye on is oil prices, which can have a significant impact on EM economies whether importing or exporting.”

# New issue premiums get crushed in CEEMEA bond, sukuk issuance stampede

Record issuance volumes met insatiable investor appetite to lock in yields before rate cuts bite, resulting in tight pricing across bonds and sukuk, writes **George Collard**. An already healthy market shifted up a gear from September as order books swelled and issuance accelerated, especially of sukuk

Investors were so keen for new bonds and sukuk from CEEMEA issuers in 2025 that they demanded little new issue premium, even though a deluge of issuance meant it has been a record year for volumes by quite some margin.

The average new issue premium paid on syndicated benchmarks by CEEMEA borrowers in 2025 was just 3.6bp as of mid-November and there was a clear split between trades coming before and after the summer.

For those printing before August, the average new issue premium was 3.8bp, but for those coming from late August onwards concessions averaged 1.7bp.

Issuers of all kinds, whether investment grade or those lower down the rating spectrum, have priced deals with zero new issue premium.

For 53% of the 225 new benchmark bonds and sukuk for which there *GlobalCapital* recorded a concession figure, that number was zero, and only 13% of new issue premiums were in double digits.

An investor base flush with cash and keen to lock in historically high yields and coupons drove the tight pricing, as the US Federal Reserve restarted interest rate cuts in September; a process which is expected to continue into 2026.

Adding in the fact that for much of the year spreads have been at historically tight levels, the CEEMEA bond market has found itself in a Goldilocks situation. This has driven the primary market to a comfortable annual record in terms of volume.

As of November 11, there had been \$286.2bn-equivalent of dollar or euro public, benchmark sized bonds in the region, well ahead of the \$246.4bn-equivalent at the same point in 2024.

This demand led to healthy book coverage ratios throughout the year.

The weekly average was consistent throughout 2025 and never dipped below two times the deal size – and there were some weeks where it was above four times.

Demand was particularly heavy after August – shown by issuers being able to get their deals done without paying much, if any, new issue premium. The average book coverage ratio from late August onwards was 3.6 times, higher than the 3.3 times in July and earlier.

The average amount that CEEMEA issuers were able to tighten from initial price talk was consistent throughout the year. On a weekly average basis it rarely fell below 30bp and for most of 2025 it was in the high-30s or even above 40bp.

Tightening was a little more pronounced after the summer, with issuers from August onwards bringing down spreads or yields by an average of 38.6bp, versus 37.3bp in the first seven months of the year.

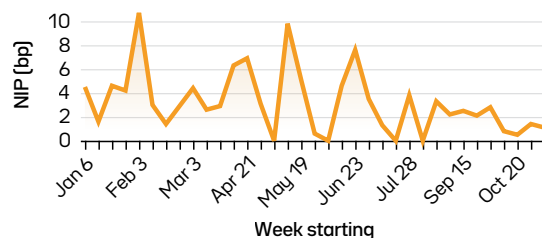
One notable change in this year's primary market was sukuk, which has made up a much greater share of issuance in 2025 versus 2024. Sukuk accounted for 23% of CEEMEA issuance in 2025 to mid-November, versus 16% in the same period last year.

This helped drive down new issue premiums. Sukuk investors are cash heavy and face a dearth of supply, meaning issuers are able to squeeze pricing tighter than on conventional bonds.

Another theme of 2025's primary market, more prevalent than the year before, was the proportion of subordinated debt. Of the \$58.9bn-equivalent of bank bonds this year, 38% has been either tier two or additional tier one paper, versus just 21% the year before.

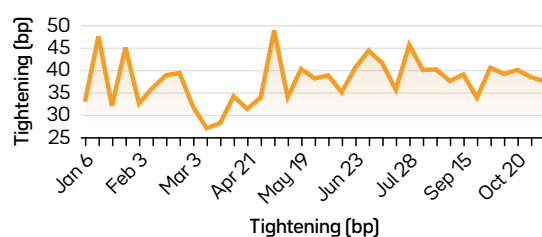
Much of it (32%) has come from Saudi Arabia, where banks

Weekly average new issue premia in CEEMEA in 2025



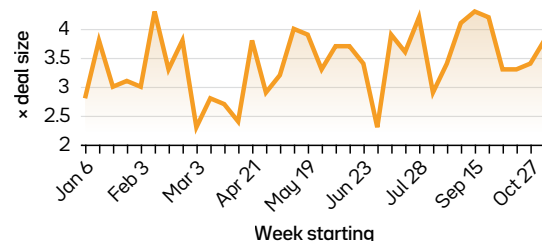
Source: *GlobalCapital's Primary Market Monitor*

Weekly average spread tightening from initial price talk in CEEMEA in 2025



Source: *GlobalCapital's Primary Market Monitor*

Average weekly book coverage ratios in CEEMEA primary in 2025



Source: *GlobalCapital's Primary Market Monitor*

are stocking up on capital for lending to drive the country's Vision 2030 plans.

Another significant chunk, 13%, has come from Turkey, while in 2025 there were also the first additional tier one notes from Uzbekistan and Kazakhstan. ©

# Unlocking Middle Eastern liquidity: New pathways for global issuers



**S**overeign deleveraging has left bank treasuries flush with cash. International hedge funds and asset managers have set up offices in Abu Dhabi and Dubai. An inflow of wealthy expats has helped bolster the private banking network. Existing family offices and HNWIs, meanwhile, account for between \$2–\$3trn in assets under management, says Hitesh Asarpota, CEO of Emirates NBD Capital. “That’s nearly as much as the sovereign wealth funds and in many ways that pool of capital is relatively untapped.”

This depth of capital has made Dubai and the UAE a mandatory stop for fixed income roadshows. “We’re getting a lot of reverse enquiries from issuers outside the GCC,” says Ritesh Agarwal, the bank’s Head of Debt Capital Markets. “They increasingly come for non-deal meetings and spend time with regional investors across bank treasuries, fund managers and private banks.”

A similar shift is emerging across loans and ECM. “We’ve had several borrowers from Asia, Africa and Turkey who chose to syndicate their loans through the Middle East market,” says Asarpota. “We’ve been able to unlock a lot of regional liquidity for them.” He expects the same pattern to accelerate in equity. “In ECM the trend is relatively new – we’ve already had quite a few inquiries from entities wanting to tap into equity investors from the region.” Asarpota notes that regional equity investors – from private wealth to family offices – remain relatively underpenetrated by global issuers, creating a pool of demand that is only just beginning to be accessed.

As capital flows broaden, Emirates NBD has played an important role in bringing new credits to regional investors. “We have access to fund managers and bank treasuries, but also to a huge private-banking and family-office network,” says Agarwal. “Our relationships run from CIOs to analysts.”

Turkey is one of the clearest examples of how transformational Middle East demand can be when directed into new jurisdictions. “Turkish conventional deals used to get less than 5% allocation from the Middle East,”

Once viewed as an important but additive source of investor demand, Middle East liquidity has grown into a force shaping deal economics across the international debt and equity markets

Agarwal says. “Today, when Emirates NBD is a joint lead manager, allocations are 20% or higher.”

Sukuk remains one of the most liquid segments of the market, supported by bank treasuries, Islamic funds and private wealth channels. Demand continues to outpace supply, creating attractive conditions for issuers both within and beyond the GCC. Emirates NBD has priced deals 10bp–20bp inside the borrower’s conventional curve. “It’s the only product I know of globally where you don’t have to pay a premium to diversify,” says Asarpota. “In fact, on many occasions we’ve seen you can diversify your investor base at a discount.”

Agarwal adds that even on deals where Emirates NBD is not involved investors call to ask its opinion on credit quality and pricing. “Our distribution network is unparalleled,” he says.

## Robust against volatility

The Middle East market has proved resilient against rate uncertainty and geopolitical turmoil, both of which characterised 2025. In a year defined by periods of market closure followed by bursts of activity, GCC issuance remained exceptionally strong at almost \$150bn. This bodes well for the year ahead. “Volatility will continue, but strong windows will still present themselves,” says Agarwal. This puts a premium on issuer preparedness. “It’s important for borrowers to be ready because markets can change very quickly – engaging investors early helps shorten marketing and avoid missing the window.”

Asarpota notes that the same dynamics now shape equity issuance. With global volatility affecting IPO windows, regional liquidity can provide a stabilising anchor for ECM



Hitesh Asarpota (left), Ritesh Agarwal (right), Emirates NBD Capital

transactions, especially when family offices and private wealth investors participate early in the process.

In this environment, issuers are placing greater emphasis on distribution strength and on partners who can reach multiple pockets of liquidity. Emirates NBD’s platform spans institutional investors, bank treasuries, private banking and family offices, giving it access to a broad cross-section of regional demand. This breadth supports issuers across debt, sukuk, loans and increasingly ECM, reflecting the way liquidity in the region now moves across asset classes rather than within product silos.

This is reinforced by the bank’s structuring capabilities and balance-sheet capacity, which enable it to support transactions from preparation through execution. “We offer the full range of end-to-end solutions as well as internal balance-sheet capacity,” Agarwal says. “Few banks can match that.”

Going forward, as regional wealth accelerates, energy revenues are recycled into diversified asset classes, sovereign funds continue to scale at a rapid pace and family offices institutionalize – we see GCC investors playing an increasingly influential role in global capital markets.

# Viva la fiesta: LatAm market awaits primary afterparty after record year for bonds

With Latin America bond issuance smashing through its previous record, market participants think the peak has passed. A market tipped to turn tougher is the reason, which will make 2026 a year when issuers and bankers will have to earn every basis point, writes **George Collard**, with volumes expected to stay high

Latin America bond bankers have enjoyed their busiest year so far in 2025 and by quite some margin. This is perhaps why most respondents to *GlobalCapital's* survey of LatAm bond bankers for 2026 foresee a quieter primary market – albeit still very busy compared with past years.

International bond issuance in Latin America and the Caribbean stood at \$172bn-equivalent as of November 10, according to Dealogic. This was streets ahead of last year's \$112bn and the previous busiest year by that date, 2017 with \$138bn, also fails to come close.

There will be a contraction of 10%-20% in LatAm and Caribbean international bond volumes in 2026 versus this year, say 43% of respondents. One predicts a 0%-10% drop while there was some optimism from two bankers, one of whom foresees a 0%-10% rise and the other a 20%-50% increase in volumes.

Even the more pessimistic bankers still expect a very busy year by historical standards. A 20% drop from this year's year-to-date volumes would mean about \$137bn of issuance by November 2026, much higher than 2024 and a fraction below the record year before 2025.

The lack of optimism among most bankers that growth in LatAm and Caribbean issuance

can continue is linked to an expectation that issuance conditions are likely not going to improve next year. The majority see conditions remaining the same or becoming more difficult.

There is some agreement on market access in 2026: four bankers think it will stay about the same, but three predict it will widen to allow more issuers in.

"Issuance conditions will likely be favourable," says Jeff Grills, head of US cross markets and emerging markets debt at Aegon Asset Management in Connecticut. "The expectation is that the Fed will keep lowering rates, which should bring down all-in yields. It's hard for conditions to be too much better given how tight spreads are, but even if spreads widen for issuers, there should still be an attractive primary market with yields remaining low. There's a lot of money looking for a home."

There is little consensus among bankers about the prospects for LatAm and Caribbean sovereign issuance in 2026. The most popular choice is that it will fall by 10%-20%, but three bankers think it will rise, and one by 20%-50%.

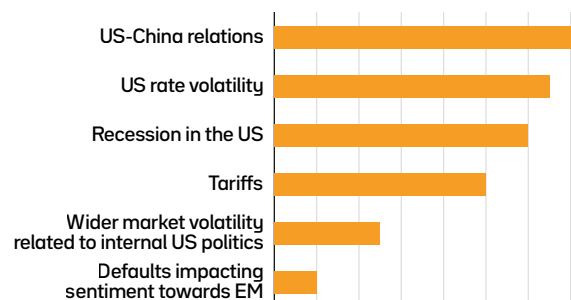
"Colombia and Mexico are really interesting for 2026," says Jared Lou, EM debt portfolio manager at William Blair in New York. "What are the latter going to do? Are they going to do more big P-caps for their oil franchises? And with Colombia, they will have to issue in an election year."

Mexico's July pre-capitalisation (P-cap) trade on behalf of debt-ridden state oil firm Pemex was the first of its type by an EM sovereign. It eased some of Pemex's near-term debt woes, but a lot more work is needed to get the company's debt on a stable footing.

The wildcard is Argentina, thinks Grills, who predicts higher sovereign issuance in 2026, perhaps between 10%-20%. Ecuador may also return to markets, he adds.

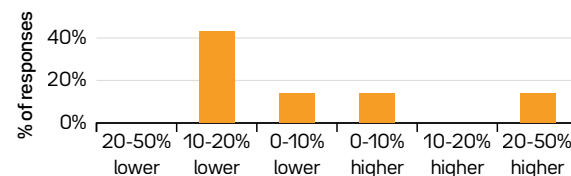
"Argentina does need to get some things right for more issuance to materialise," he says, not long after president Javier Milei notched

## What is the biggest threat to LatAm & C cross-border primary in 2026?



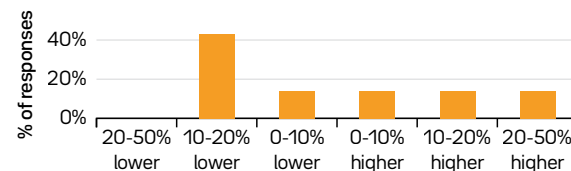
Source: GlobalCapital

## How will 2026 volumes of LatAm and Caribbean cross-border new issuance compare to 2025?



Source: GlobalCapital

## How will 2026 volumes of LatAm & C sovereign cross-border new issuance compare to 2025?

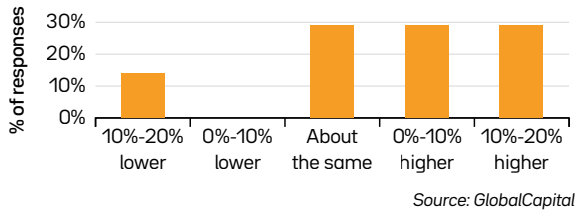


Source: GlobalCapital



Jared Lou, EM debt portfolio manager at William Blair

### How will 2026 volumes of LatAm & C corporate cross-border new issuance compare to 2025?



a stunning victory in October’s mid-term elections.

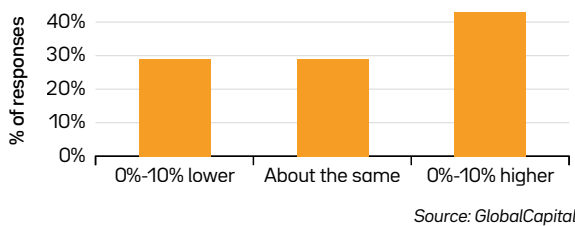
This win prompted a huge bond rally and investors are hopeful he can press on with a reform programme to correct Argentina’s many, and very long-standing, economic challenges.

Also cheering investors is the government securing a lifeline in October in the form of a \$20bn currency swap line with the US.

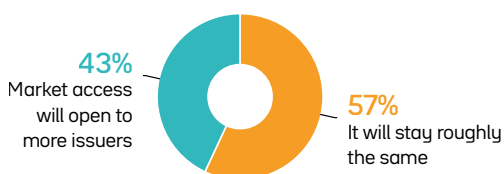
It is clear that the Argentinian government would like to access the primary market to refinance bonds maturing in a few years’ time, says Lou. The government faces a hefty amount of debt to repay in 2026, nearly \$20bn, and fears that the serial defaulter will do so again have not gone away, even with the optimism over Milei’s reforms.

“From the perspective of multilateral lenders, the preference is for Argentina to access market debt, if possible,” says Lou. “They’re

### How will 2026 volumes of LatAm & C financial institution cross-border new issuance compare to 2025?



### What will happen to 2026 market access in LatAm & C compared with 2025?



basically there with the front end a little under 10%, so if they can get closer to par and make the January payment, showing willingness is there to repay, they should be able to refinance in 2026.”

On the corporate bond front, there is positivity about prospects for issuance in 2026. Just one respondent thinks issuance volumes will drop, with most predicting an increase, although none think it will increase by more than 20%.

For financial institution volumes an equal number of respondents think that supply will either drop by up to 10% or stay the same, with three respondents predicting a rise of up to 10% in FIG issuance.

“Barring unforeseen events, we expect 2026 volumes in LatAm corporate issuance to grow in 2026,” says Alan Siow, co-head of EM corporate debt at Ninety One in London. “Year to date in 2025 we have made new highs in EM corporate issuance, excluding China, and we expect this trend to continue.”

One interesting aspect of 2026 primary issuance for LatAm and Caribbean corporates is de-dollarisation, he continues, suspecting that there will be a continued rise in issuance outside dollars: in local currencies or the euro.

An area to watch for the corporate market in 2026 is Brazil. Major bond sell-offs in the autumn stung EM corporate investors. Two companies, waste management firm Ambipar and petrochemicals firm Braskem, brought in advisers to review their debt and the contagion spread to oil and gas company Raizen, although that firm’s bonds recovered some of their losses.

“The special case to watch is Brazil,” says Siow. “Bondholders will evaluate whether the behaviour of key Brazilian institutions such as Petrobras and the banks in the high profile Braskem situation leads to a test of Brazil’s reputation in the eyes of foreign investors.”

Brazil gave EM corporate bond investors a reminder of the risk of the “so-called cockroaches” out there, says Grills, referencing JP Morgan chief executive Jamie Dimon’s October comment that when one company goes under, there are usually more to follow.

Siow expects issuance conditions to remain supportive for LatAm and Caribbean corporates, particularly if the Fed keeps cutting rates. Beyond Brazil, Argentina is the other area to watch.



Alan Siow, Ninety One

“Further explicit support from the US administration may further ameliorate funding access for both the sovereign and corporates in Argentina,” he adds.

One of the key reasons for this year’s turbocharged primary market in LatAm and the Caribbean is how tight spreads have been for issuers. They have hit tightness not seen for many years, drawing issuers to the market in droves.

What happens to bond spreads next year is important for issuance volumes. If they widen, the impact on all-in funding costs may be negligible if US base rates are lower. And if spreads can stay around where they are while rates fall, that creates an even better market for issuers.

The tight spreads of 2025 are reflected in LatAm bond banker expectations for 2026: no respondents forecast tighter spreads. Some think they may stay the same, but the majority foresee them widening by up to 20%.

There was little agreement among investors on sovereign spreads in 2026: Grills sees them a bit wider, while Lou a bit tighter. Grills is worried about equity volatility and when US tariffs might bite.

“But spreads are always difficult to predict,” he says. “We’re at near two-decade tightness for LatAm sovereign spreads, and while I am not worried about any wider crises, there are high fiscal deficits and high issuance needs, so I could see spreads widening. The balance of risks means it’s hard to see spreads going much tighter.”

“There’s a lot of pressure in the US for lower front-end rates, and the next Fed chair in 2026 is likely to be someone with views more in line with the president’s on rates,” adds Lou. “We expect lower front-end rates and accommodative conditions, with sovereign spreads a bit tighter in LatAm.”

Things are “a little more interesting” on the corporate side,

adds Grills, who says if sovereign spreads go wider then so will corporates, adding that investors have had a warning on corporate spreads in Brazil. Siow predicts corporate spreads to range between 300bp-350bp, similar to 2025.

The prospect of lower base rates raises the question of whether issuers, particularly sovereigns, will look to tap the longer ends of the curve in 2026. Bankers expect them to do so: only one think maturities will stay about then same, with the rest seeing them go longer.

There have been 30 year dollar bonds this year from Brazil, the Dominican Republic, Guatemala, Peru and Mexico. But the majority of issuance has been in the shorter end and belly of the curve.

Siow and Grills agree with bankers that maturities may extend. The former predicts that corporates will issue longer debt in the event of a "significant" tightening of US Treasury yields, while Grills is "inclined to say it's going to maybe get a little longer".

Not every investor thinks LatAm and Caribbean issuers are going to be issuing longer dated paper, however.

"Sovereigns will likely have to issue shorter debt," says Lou. "To go longer at the 30 year point, for example, they would likely have to offer a significant premium due to the low cash prices and the credit risk. A lot of issuers won't be willing to do that."

There is one part of the LatAm and Caribbean primary market that has not enjoyed a strong year: environmental, social and governance (ESG) issuance, the supply of which has dropped to just \$13.8bn from \$29bn this date last year, according to Dealogic.

ESG issuance — defined as bonds with a green, sustainable or social label — made up 8% of LatAm and Caribbean issuance as of November 10. This is a big drop from the 26% by this date in 2024. The decline coincides with the first year of Donald Trump's second term as US president. He is an outspoken sceptic of man-made climate change and his administration has attacked ESG investment.

LatAm bankers do not see ESG issuance becoming more of a priority for issuers, and several think it will become less so. The same is true for whether ESG will be a priority for funds, although

one thinks it will become more important for investors.

Siow is bullish on ESG issuance and says it will remain a priority for issuers in 2026 with "no evidence" that there is a decline in interest.

"While we cannot speak for other funds, ESG remains an important and integrated part of our underwriting process and we do not expect this to change," he says. "But we have witnessed a slight decline in the ardour in which ESG is pursued by certain market participants, particularly in certain jurisdictions where such considerations have become increasingly politicised."

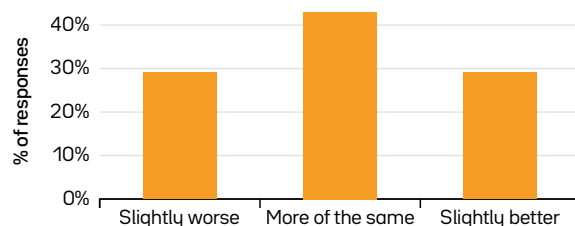
The year's rip-roaring primary market in LatAm and the Caribbean region has come despite volatility throughout the year. Trump's tariff announcement in April caused a market shock and geopolitical concerns, notably in the Middle East and Russia-Ukraine, have not gone away.

There are plenty of threats to issuance in 2026 and while the spectre of 2022, a torrid year for EM debt, may be disappearing into the past, there are reasons to be worried about whether this year's pace of issuance can be sustained.

Bankers picked a range of greatest threats to LatAm and Caribbean issuance in 2026, but the most popular is volatility in US rates. Also worrying bankers is economic performance in China, presidential elections in LatAm, wider market volatility related to US politics and the unwinding of the AI trade, prompting an equity market sell-off.

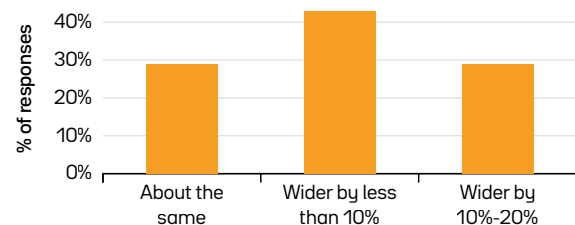
For Lou, the main threat is inflation and rates in the US, while Grills identifies two main concerns: a "significant" reversal in equity markets that sours the wider mood or a recession, with the first more likely.

### How do you expect 2026 cross-border bond issuance conditions in LatAm & C to compare versus 2025?



Source: GlobalCapital

### What will average LatAm & C dollar spreads over US Treasuries look like at the end of 2026 versus today?



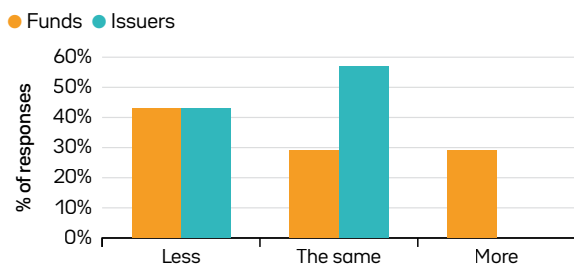
Source: GlobalCapital

For Siow, the greatest dangers to primary are idiosyncratic risks, that if left unchecked could lead to a broader disruption in the market, and the US administration's foreign policy in Latin America and the Caribbean.

"If I am wrong that we are to get someone more accommodative at the head of the Fed, then things may get challenging," says Lou. "The market will likely close to some issuers and if US inflation and rates start going higher again, then issuance for the rest is likely going to be more challenging."

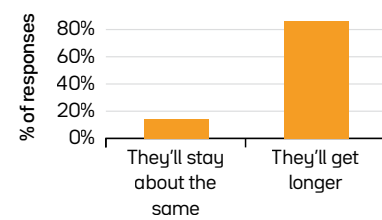
"When external markets are bad, whether worries about AI spending or negative equities, it's usually bad for LatAm bonds," adds Grills. 🌐

### Will ESG become more or less of a priority for EM funds and LatAm & C issuers in 2026?



Source: GlobalCapital

### What will happen to the average maturity of LatAm & C cross-border new issuance in 2026?



Source: GlobalCapital

# 'Real improvement in ECM quality and scale' after US tariffs as buyers engage

Investors are said to be lining up for 2026 pipeline after equity capital markets moves past Trump tariff threat to mark a year of growth in deal volumes despite early volatility, writes **Arthur Bautzer**. Private equity sellers to use Galderma playbook to drive new listings

Market participants have been longing for the return of sustained equity capital markets activity ever since the last boom year of 2021. The recovery has been tipped many times since but finally looks to be coming good.

GlobalCapital's poll of heads of equity capital markets at leading banks shows bankers are confident the end of the year's positive dynamic will continue in 2026, with 80% of respondents predicting IPO volumes will rise 10%-20% next year.

"We are seeing some real improvement in the quality and scale of what's coming to market and in the pipeline," says Luca Erpici, EMEA head of equity capital markets at Jefferies. "Investor engagement is really strong on all deals we are pre-marketing for next year."

Hiring is back on the agenda too, with half of survey respondents saying they will be hiring one or two bankers to cope with the increased deal flow.

EMEA equity capital markets have had a solid 2025 with deal volumes up 2% on 2024's number. That is especially impressive given the volatility in stock prices at times during the year, particularly once US president Donald Trump had announced tariffs in April, which virtually closed ECM.

According to Dealogic data, year-to-date ECM issuance in EMEA for 2025 stood at \$128.2bn from 921 deals to mid-October, compared to \$126.2bn from 959 deals for the same period in 2024.

"The expectation was it would be a pretty good year for ECM given the pipeline and two years of pretty slow issuance," says Gareth McCartney, who was promoted in October from co-head of global equity capital markets to global head of capital markets origination

at UBS. "We were pretty well set-up until the tariff volatility."

Falling stock markets and a spike in volatility in the wake of Trump's Rose Garden speech made for poor dealmaking conditions across the market.

The Vstoxx index, which measures implied volatility in European share prices, reached a three year high of 46 on April 7. A number of deals in the market at the time were postponed.

Yet the instability turned out to be short lived. The spring IPO window was weak, but follow-ons came back strong, with high volumes in the summer.

IPOs then came roaring back in the autumn, capped by Verisure's €3.2bn raise. It was the largest ever European private equity-backed IPO and the largest listing in Sweden in 25 years.

"Clearly everything has recovered since then from the market side of things, and we've now had what we expected at the beginning of the year," says McCartney.

"New listings are performing well and it's encouraging others that it's worth doing an IPO, and investors have appetite for more. It feels better, though we're not quite in that 2021 phase where everybody thinks it's an unbelievable market and so they have to come to market."

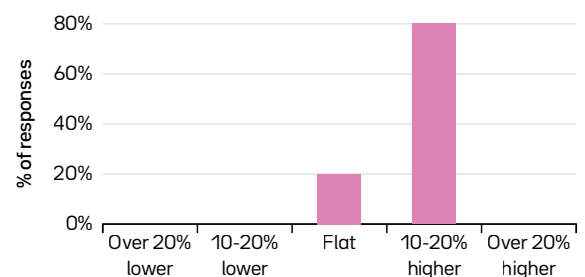
## PEs focused on IPOs

The willingness of private equity companies to part with assets will also be a main driver of IPO market activity in Europe next year.

Differences on valuation between sponsors and investors were once again a problem this year, but the gap appears to be closing.

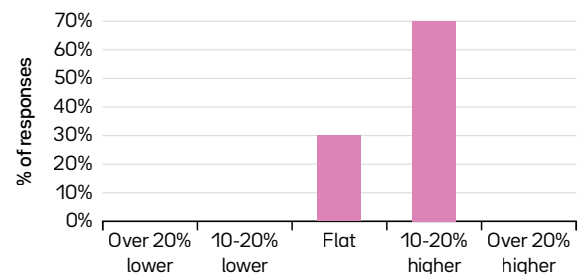
"What we have seen lately is IPOs pulled because the price

## What is your expectation for IPO volumes in EMEA in 2026, versus 2025?



Source: GlobalCapital

## What is your expectation for other cash ECM volume, including blocks?



Source: GlobalCapital

was too low," says Eric Leupold, managing director and head of cash market at Deutsche Börse.

This was the case of Apollo's listing of German car part seller Autodoc in Frankfurt, which was pulled at the last minute in June.

On other deals, private equity sponsors opted for strategic exits. Two private equity-owned European banks were sold to French lenders with Apollo selling its stake in Germany's Oldenburgische Landesbank to Crédit Mutuel for €1.7bn, while BPCE bought Portugal's Novo Banco from Lone Star for €6.4bn.

In early September, Bain Capital and Cinven agreed to sell a majority

stake in Stada to CapVest Partners, the London-based private equity firm, for €10bn.

The Stada deal turned out to be an outlier as the underwhelming spring IPO window was followed by a summer of preparation for what may turn out to have been a breakthrough autumn window.

Deals in private equity-owned lenders Noba and Shawbrook succeeded in Stockholm and London respectively.

Particularly welcome was Swiss security company Verisure's listing, the largest IPO in any market this year.

All three deals saw strong first day pops.

Market participants say the success of Verisure is driving more interest in IPOs from private equity funds, which are under pressure from investors to monetise their stakes after years of underwhelming exits amid higher interest rates.

"Today there's more urgency in terms of distribution," says Leupold. "LPs are expecting much [better returns]. Portfolios are pretty full; we'll see more and more IPOs."

"We're seeing much broader engagement from private equity on IPOs," says Erpici. "Aside from large cap deals like Verisure, some mid-cap deals have also been successful this year."

### The Galderma model

These IPOs could in turn drive the secondary market, which enjoyed another strong year thanks in part to several jumbo accelerated bookbuild offerings from recently listed companies.

Strong block performance can in turn drive IPO market activity, as it validates the model of selling a smaller stake at a higher discount to begin with but then maximising returns through block sales thereafter.

"IPOs can succeed at a lower price if [sellers] do sell-downs over time, which happen at a much higher price," said Leupold.

Galderma and Lottomatica were flagship examples for this approach.

Shareholders took advantage of strong performance in both stocks to raise large sums this year: \$9.64bn across four block trades in Galderma and \$2.7bn—also across four deals—in Lottomatica.

"From a secondary market perspective, the strong performance of Galderma and Lottomatica, for example, have also been helpful," says Erpici.

That approach is striking a chord with private equity owners. "The dynamic of selling less at the time of the IPO and monetising at higher prices through follow-on offerings is resonating if you own the right assets," he adds, "with some sellers approaching the exit from a volume-weighted average selling price across the IPO and follow-ons."

### Aggressive equity-linked pricing

The equity-linked market also performed well in 2025 as it benefited from bouts of stock market volatility.

Notable deals include a €1.3bn dual tranche convertible bond by debut issuer Vonovia in May and a €750m eight-year convertible by Schneider in September.

Equity-neutral deals also drew strong demand, with the relative paucity in issuance continuing to make aggressive pricing possible.

Vinci raised €400m in the first equity-neutral convertible bond for six years in February, while Pinault's Artémis raised €400m with an equity-neutral exchangeable into Kering in June.

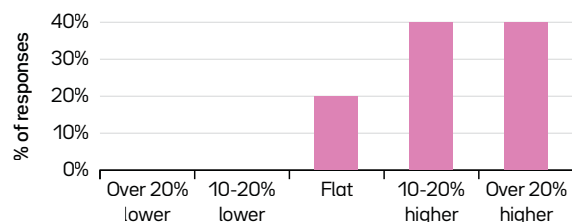
Activity could be higher still next year: 40% of survey respondents expect equity-linked issuance to be more than 20% higher in 2026, 40% expect it to be 10%-20% higher, and 20% the same volume as 2025.

### Healthy blocks

Accelerated deals continued to provide a steady flow of business as shareholders took advantage of record high stock markets to monetise stakes.

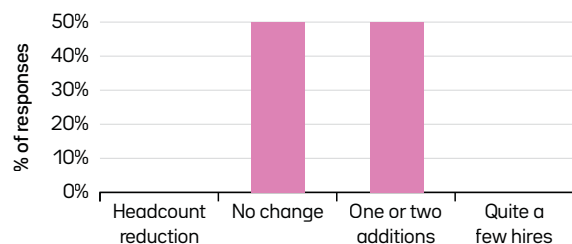
As well as the Galderma and Lottomatica blocks, flagship deals include the completion of Pfizer's exit

### What is your expectation for equity-linked volumes in EMEA in 2026?



Source: GlobalCapital

### Do you expect to be growing or shrinking your ECM team in EMEA in 2026?



Source: GlobalCapital

from Haleon in the first quarter, in two deals which raised a total of \$6bn.

The Middle East's secondary market continues to mature, headlined by a \$2.84bn deal in Adnoc Gas. In most cases, blocks were well received, with tight discounts followed by healthy trading.

One rare miss was a €3bn block in Ferrari in February. Having started the year well, the shares fell heavily following the trade and have not recovered: the stock was down 14% this year by mid-October.

On the primary accelerated bookbuild front, Iberdrola raised an impressive €5bn in late July to fund electricity network investments.

Other companies opted to raise equity through rights issues, led by troubled Danish wind developer Ørsted's successful €8bn deal, the largest equity capital markets deal in EMEA this year.

Bankers expect an even better year next year for other cash equity capital markets volumes, including blocks: 70% of survey respondents expect them to be 10%-20% higher in 2026, with 30% of respondents predicting no change in volumes.

As for regions expected to be busy, Erpici says activity would be "fairly spread out" in 2026.

"We still expect a very strong pipeline from the Nordics and Germany, but potential issuance is building in most other European regions, including eastern Europe." ©

**"The dynamic of selling less at the time of the IPO and monetising at higher prices through follow-on offerings is resonating"**

Luca Erpici, Jefferies

# Asia rises on MTN agenda while public market pressure predicted to grow in 2026

Tight funding levels and an abundance of investor cash made for brisk MTN issuance in 2025. The story may change in 2026, with public market issuance named as one factor that could crowd out private placements. But a broadening Asian bid for MTNs offers hope for the market, writes [Diana Bui](#)

A flurry of callable dollar bonds from SSA issuers, some sizeable deals in euros from European sovereigns and growing momentum in the Hong Kong dollar market were among the highlights of the medium term note market in 2025. Bankers predict tougher going in 2026 as heavy public market issuance threatens to crowd the field, although growing Asian demand, underpinned by a rotation out of dollar assets could pull more flow into regional currencies.

In *GlobalCapital's* medium term note market outlook survey, 53% of respondents expect overall private placement volumes in 2026 to be about the same as this year. Around 27% see volumes rising and 20% predict a decline. The pattern is consistent across the SSA, FIG and corporate sectors.

Tight spreads offer near-term support for buyers. "If you zoom out of credit markets, we're close to all-time tights in spreads across Asia, the US and Europe, in most currencies," says Oliver Greer, global head of MTNs at Standard Chartered. "That means a very strong risk environment. If issuers can print at tight spreads, public and private volumes should rise. We'd expect issuance to keep increasing so long as this backdrop holds."

Issuers, for their part, are happy to roll with the demand in the private market, where investors are the driving force.

"As our MTN funding is reverse enquiry-driven, we do take up and react to external demand," says Mustafa Sari, senior funding manager at KfW. "Despite changes in the market and shifts in demand for currencies and products, our overall funding in MTNs usually remains in a similar ballpark volume wise."

Meanwhile, some SSA borrowers predict modest growth in their private funding as they diversify into new formats and tenors. "We are expecting a slight increase in the funding plan, which will be addressed mostly through the MTN programme, from \$2.6bn in 2025 to \$2.8bn in 2026," says Tomas Ozuna, capital market head at the Central American Bank for Economic Integration.

One of the key drivers of volume in private markets next year, according to MTN bankers, could be the appearance of new issuers. "The redemption wall for 2026 points to 10% growth versus 2025," argues Adrien Falconet, head of MTNs and private placements, Asia Pacific at Crédit Agricole. "Debut issuers and sub-market developments in local currencies, cross-border flows and structured notes fuelled by new pockets of liquidity in Asia shall drive net supply."

"Middle East banks, especially in Saudi Arabia, are setting up MTN programmes and ramping up funding plans, which will expand the Asia and Middle East corridor already in place."

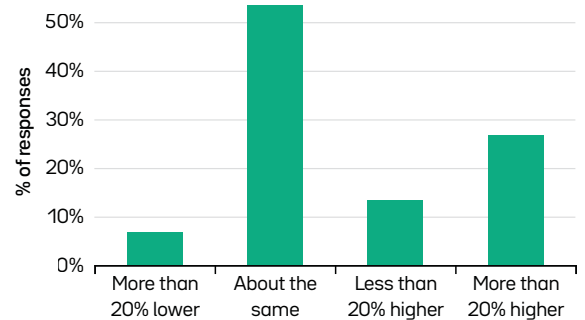
## Dollar callables

Callable dollar notes from SSAs have been a popular yield enhancement trade this year in both private and public markets, supported by high base rates and short dated demand.

Of those surveyed, 55% of respondents expect interest rate-linked callables to be the most popular form of structured note in 2026, followed by repacks via special purpose vehicles (28%) and structured floaters (18%).

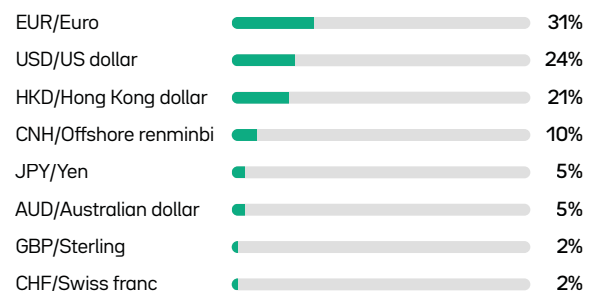
*GlobalCapital's* MTN Monitor recorded almost \$14bn of dollar callables between January and November 2025, up from \$9.9bn in the whole of 2024. SSAs

How will third-party MTN (private placement) volumes compare with previous years?



Source: GlobalCapital

What currencies are likely to be most relevant for the market in private placements next year?



Source: GlobalCapital

accounted for 78% of 2025 issuance and 80% in 2024.

"Rate-linked callables – European and Bermudan in US dollars – are likely to lead the pack for structured issuance," says David Morland, head of MTNs and EMEA financial institution origination at MUFG. "The yield enhancement for the safety of SSAs has been appealing to investors in 2025."

"One big trend we see in Asia is multi-call callables, including

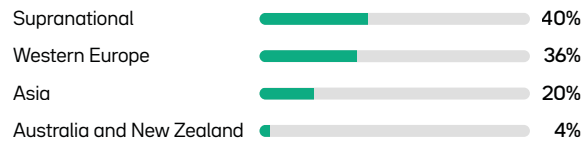
supranational prints in dollars – fixed rate and zero coupon multi-callables,” says Greer. “As rate volatility rises, the embedded option is more valuable, so the yield pick-up increases.”

Also driving issuance will be the refinancing of previous deals as they are called or mature. “The redemption wall next year will be big as half of those trades had a first non-call period at one or two years after issuance, which will create reinvestment needs,” says Falconet. “More investors have embraced the trend and deal counts have almost doubled from 2024.”

Apart from SSAs, dollar callable volumes will also hinge on bank supply and cross-currency appetite, especially at the short end where European money managers are active. “In dollars, if banks keep issuing callables, the market will be bigger, but it also depends on how euro investors behave, since we see decent euro volume at the short end from asset managers and some insurers,” says a head of MTNs at one of the market’s busiest desks in London.

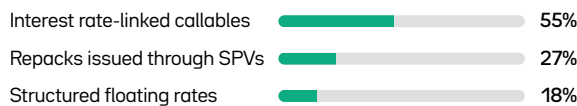
Asian currencies have gained prominence this year as issuers react to global tariff changes and as regional bank treasuries deploy

### Issuers from what region will be most active next year?



Source: GlobalCapital

### What type of structures are expected to drive structured volumes next year?



Source: GlobalCapital

more balance sheet to local units. De-dollarisation has also pushed a broader currency mix.

The euro was the most popular MTN currency between January and early November 2025, according to *MTN Monitor*, with €48.8bn issued. Then followed the US dollar with \$34.2bn issued with and Hong Kong dollars third at HK\$122.1bn (\$15.7bn).

For 2026, respondents believe the same three currencies will dominate and say supranationals, Western European and Asian issuers will be the most active cohorts.

“A key theme is funding diversification,” says Greer. “Headlines around trade disputes have pushed issuers to broaden their currency mix so the US dollar is less dominant.”

“Hong Kong dollar [issuance] is up 20% this year, maybe closer to 30% depending on the measure; Aussie dollar [issuance] is growing quickly; offshore renminbi too. We expect private placements to follow broader market volumes.”

### Public pull versus private bid

About two thirds of respondents say the private market’s main challenge next year is a bigger focus on the public market as cheap government curves could draw demand away from MTNs.

“Government bonds remain cheap historically, and investors who can buy secondary bonds and repackage them with a structured pay-off have been very active,” says Aya Kawamoto, managing director at Nomura International.

“I expect third-party PP issuance next year to be broadly challenging.

It varies by region and currency. In Asia, Chinese banks flush with liquidity have been buying strongly, in both US dollars and local Asian currencies. Looking out to 2026, volumes in US dollars may rise again, but in Europe I expect a decline,” she adds.

Many MTN bankers speaking to *GlobalCapital* say that when public issuance is heavy, pricing cheapens as a result, allocations are easier to achieve, and investors have less reason to look at private placements.

But that pull will lessen should the increase in demand saturate the public market. “What has helped our market lately is that many issuers have limited needs, public books are often overwhelming, valuations are tight, and investors are under-allocated,” says a head of MTNs. “That pushes interest into privates.”

### Risks on the radar

Beyond the public versus private tussle, respondents flag macroeconomic and monetary policy as factors that will affect 2026 volumes, with 20% pointing to global economic conditions as the most important factor, while central bank interest rate decisions and low volatility each accounted for 7% of responses.

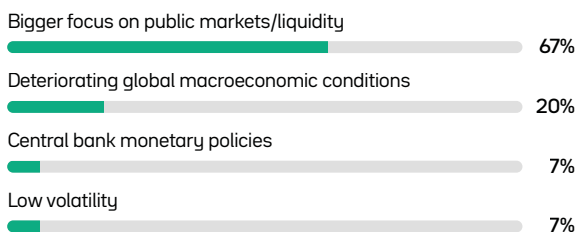
“Geopolitical instability could impact cross-border issuance with SSAs potentially facing funding pressure due to political risk or sanctions,” notes Morland.

Rules and rates matter for product mix as well as for outright volumes. “On the structured side, given the success of callables at the moment, regulatory shifts could change capital treatment,” says another senior MTN banker in London. “That may affect issuance.”

These forces can also work in favour of PPs. When public markets destabilise, bankers say flow often migrates to private formats, where execution can be quicker and more discreet.

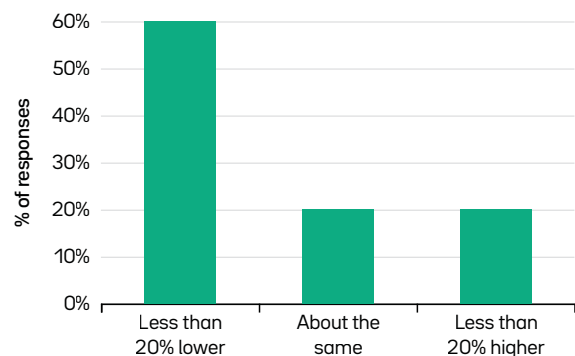
“Ongoing rates volatility supports structured flow, as seen in the dollar callable pick-up for SSAs,” says Falconet. “Consensus points to some spread widening and more volatility given US-China trade policy, central bank cut cycles and large government deficits that may give a hard time to the long end of government curves. Any weak spot in risk should weigh on primary and support PPs.”

### What is the biggest risk facing the MTN market in 2026?



Source: GlobalCapital

### How will ESG/labelled MTN volumes in 2026 compare with this year?



Source: GlobalCapital

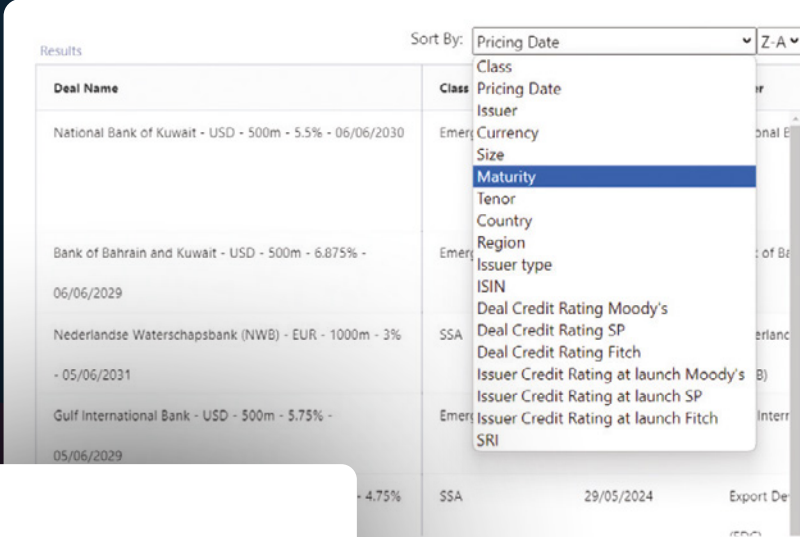
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National Bank of Kuwait - USD - 500m - 5.5% - 06/06/2030	Emerg	Pricing Date
Bank of Bahrain and Kuwait - USD - 500m - 6.875% - 06/06/2029	Emerg	Class
Nederlandse Waterschapsbank (NWB) - EUR - 1000m - 3% - 05/06/2031	SSA	Pricing Date
Gulf International Bank - USD - 500m - 5.75% - 05/06/2029	Emerg	Issuer
		Currency
		Size
		Maturity
		Tenor
		Country
		Region
		Issuer type
		ISIN
		Deal Credit Rating Moody's
		Deal Credit Rating SP
		Deal Credit Rating Fitch
		Issuer Credit Rating at launch Moody's
		Issuer Credit Rating at launch SP
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