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CORP WEEKLY: NICs creep up in potential sign of indigestion

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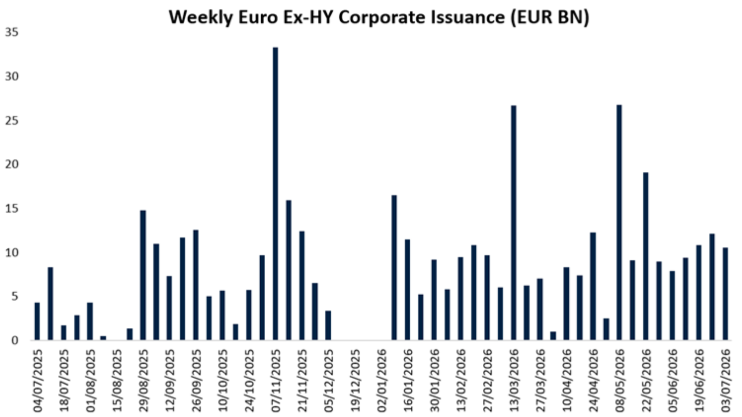
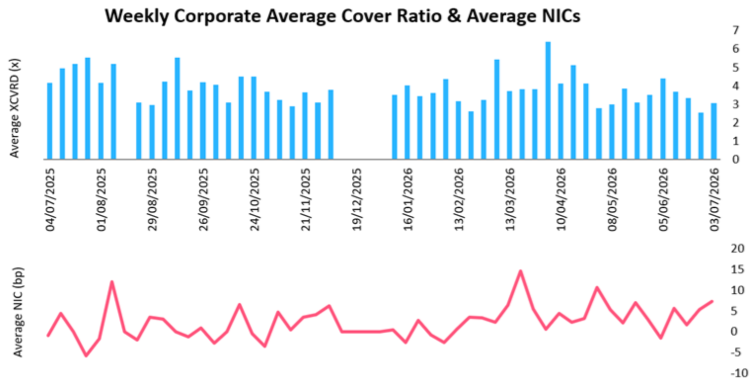
CORP WEEKLY: NICs creep up in potential sign of indigestion

- **Strong weekly issuance beat expectations**: EUR10.55bn was issued in the IG corporate bond market this week (Monday-Wednesday only), exceeding the average EUR8.5bn forecast and marking the fourth consecutive week above estimates
- **Issuers paid higher premiums for smooth execution**: Average new issue concession (NIC) rose to 7.29bps from 5.36bps last week, reflecting a more cautious approach after heavy year-to-date supply, though this helped maintain investor appetite with deals covered 3.07x on average
- **ESG bonds remained dominant**: Ethical trades accounted for EUR4.9bn (46.5%) of this week's IG corporate issuance, continuing a strong trend that saw ESG paper represent 28% of June's EUR49.2bn monthly total
- **Notable debut and multi-tranche deals**: Honda Motor Co made its euro debut with a well-received EUR2.5bn three-tranche offering (attracting EUR10.4bn peak demand), while Vonovia led Monday's activity with a EUR2bn three-part social/green/vanilla transaction
- **Year-to-date issuance significantly ahead of 2025**: Euro corporate issuance (ex-HY) now stands at EUR270.39bn, over 11% higher than the EUR242.7bn recorded at this point last year, with bankers forecasting EUR10.5bn for next week before the traditional summer slowdown begins around Bastille Day





Summary of this week's EUR IG/split-rated corporate trades:

Date	Issuer	Issue Ratings (M/S/F)	Size (EUR m)	Maturity	IPTs	Re-offer	IPTs to Re-offer Compression (bp)	NIC (bp)	Books (EUR m)	Final Cover Ratio (X)	Peak Books (EUR m)
29-Jun	Vonovia SE **(Social)**	Baa1/BBB+/BBB+	900	06-Jul-31	m/s+120a	m/s+88	-32	3	1700	1.89	2700
29-Jun	Vonovia SE **(Green)**	Baa1/BBB+/BBB+	600	06-Jan-35	m/s+155a	m/s+123	-32	3	1100	1.83	2000
29-Jun	Vonovia SE	Baa1/BBB+/BBB+	500	06-Jul-38	m/s+175-180	m/s+148	-29.5	8	1500	3.00	1600
29-Jun	RWE Finance Europe B.V **(Green)**	Baa2/-/BBB+	750	06-Jul-32	m/s+105a	m/s+73	-32	8	2400	3.20	2600
29-Jun	RWE Finance Europe B.V **(Green)**	Baa2/-/BBB+	750	06-Jul-37	m/s+140a	m/s+110	-30	10	2100	2.80	2300
29-Jun	Realty Income Corporation	A3/A-/-	600	20-Jul-32	m/s+120-125	m/s+95	-32.5	7.5	1200	2.00	1450
30-Jun	ORLEN S.A **(Green)**	A3/-/BBB+	750	07-Jul-33	m/s+140a	m/s+110	-30	5	1500	2.00	1800
30-Jun	Cadent Finance plc **(Green)**	Baa1/BBB/A-	650	07-Jul-36	m/s+150a	m/s+120	-30	10	1950	3.00	2100
30-Jun	International Distribution Services Limited	-/BBB/-	550	07-Jul-30	m/s+150a	m/s+120	-30	10	1700	3.09	1800
30-Jun	International Distribution Services Limited	-/BBB/-	500	07-Jul-33	m/s+200a	m/s+175	-25	15	1400	2.80	1600
30-Jun	Honda Motor Co Ltd	A3/BBB+/A-	1,250	07-Jul-29	m/s+110a	m/s+80	-30	N/A	4200	3.36	4200
30-Jun	Honda Motor Co Ltd	A3/BBB+/A-	750	07-Jul-32	m/s+155a	m/s+125	-30	N/A	3500	4.67	3600
30-Jun	Honda Motor Co Ltd	A3/BBB+/A-	500	07-Jul-36	m/s+185a	m/s+153	-32	N/A	2600	5.20	2600
01-Jul	Hines European Core Fund **(Green)**	-/-/BBB+	500	08-Jul-31	m/s+145a	m/s+117	-28	N/A	1900	3.80	1900
01-Jul	Fresenius SE & Co. KGaA	Baa3/BBB/BBB-	500	08-Jul-31	m/s+105a	m/s+73	-32	3	1750	3.50	2200
01-Jul	Fresenius SE & Co. KGaA	Baa3/BBB/BBB-	500	08-Jul-34	m/s+130a	m/s+100	-30	5	1500	3.00	1750

Another beat on the estimate

The IG corporate bond market saw another busy week this week with issuers continuing to make funding plays as the delicate US-Iran peace deal held, continuing to support lower oil prices and easing inflation fears.

On the latter, there was also some relief this week, with the headline eurozone Jun CPI figure at 2.8% YoY coming in 20bp below consensus and 40bp lower than May's Iran-War and multi-year peak. The core was 2.4%, -10bp versus the forecast and 20bp lower than last time.

Tech stocks endured a rocky week amid renewed concerns over elevated AI-related valuations, but overall, the backdrop was stable and that ensured the primary bond market was open for business.

Key US payrolls data on Thursday, a day earlier than usual on account of Friday's Independence Day holiday (in lieu), provided a distraction which issuers chose to avoid, in turn meaning all this week's supply came between Monday and Wednesday.

Despite the narrowed window, another EUR10.55bn was issued, meaning we beat the average EUR8.5bn estimate put forward in our issuance poll and got closer to the higher EUR12bn forecast. That was the fourth week in a row which we saw more than the average forecast for supply.

IG corporates were a key driver in this week's primary bond activity as a whole, where the sector accounted for 16 of the overall 34 single currency IG tranches to price, and 48% of the total EUR21.95bn volume.

Ethical trades were once again prominent in the IG corporate market this week, with them speaking for EUR4.9bn of the asset class's total, or 46.5%.

Signs of indigestion?

All this week's issuers got their deals away without a hitch, but it was noticeable that issuers left more in the way of a premium on the table to ensure smooth execution after such a glut of supply so far this year.

The average NIC paid crept up for a second straight week to 7.29bps (5.36bps last week, 1.64bps the week before), with the more pragmatic approach paying off.

That ensured that investors largely stayed on board through the execution process, with the transactions covered an average 3.07x at the reoffer spreads, bouncing back from last week's 2.54x which marked the lowest average weekly cover ratio of 2026 so far.

Combined demand finished up at EUR32bn from an earlier peak of EUR36.2bn, with the deals seeing an average attrition rate of 12.58%, down from the previous week's 26.4% drop from peak to final books.

Vonovia headlines Monday

Three IG corporate names jumped straight in on Monday, including real estate companies **Realty Income Corporation** (EUR600m 6yr) and **Vonovia SE** (EUR2bn 5yr social, 8.5yr green and 12yr vanilla three-part), which were joined by Vonovia's German peer **RWE AG** (EUR1.5bn 6/11yr two-part green).

Vonovia's trade was the main volume booster with the company offering variety across three different formats (social/green/vanilla).

The shortest EUR900m Jul 2031 social saw the biggest demand at EUR2.7bn (EUR2.8bn peak) with it landing 32bps inside IPTs at m/s +88 to offer a 3bp NIC. The EUR600m Jan 2035 green saw the same spread compression and premium on offer at the m/s +123 landing spread but demand dropped to EUR1.1bn from a EUR2bn peak, whilst the EUR500m Jul 2039 vanilla left more on the table at 8bps following a 29.5bps compression from m/s +175-180 IPTs. Books on that one finished at EUR1.5bn (EUR1.6bn peak).

This multi-tranche offering was launched alongside a tender offer for the borrower's EUR500m 1.75% notes due Jan 2027 (ISIN: DE000A19B8E2), EUR1bn 0.375% notes due Jun 2027 (ISIN: DE000A3E5MG8), EUR500m 0.625% notes due Oct 2027 (ISIN: DE000A2R8ND3), EUR500m 1.5% notes due Jan 2028 (ISIN: DE000A19UR79), EUR800m social notes due Jun 2028 (ISIN: DE000A3MQS64) and EUR1.25bn 0.25% notes due Sept 2028 (ISIN: DE000A3MP4U9)

More German ESG paper came Monday from RWE which took EUR1.5bn out of the market via equally weighted Jul 2032 and Jul 2037 greens which saw demand peak at EUR4.9bn before settling at EUR4.5bn (2.4bn/2.1bn split). The slight drop came with 8-10bp NICs being left on the table at the m/s +73 and +100 reoffers which were 30-32bps inside initial talk.

The new issue proceeds will be used to finance and refinance new and existing Green Projects that satisfy the Eligible Asset criteria defined in the Green Financing Framework

US borrower Realty Income Corp came out with an exp EUR500m Jul 2032 line at IPTs of m/s +120-125 before going straight to final terms of EUR600m at m/s +95 (5-10bps NIC). The deal was 2x covered at the allocation stage, with books falling to EUR1.2bn from a measured peak of EUR1.45bn.

Proceeds from the bond will be used for general corporate purposes, which may include, among other things, the repayment or repurchase of Realty Income's indebtedness (including borrowings under the Company's revolving credit facilities and commercial paper programs), foreign currency swaps or other hedging instruments, the development, redevelopment and acquisition of additional properties, acquisition or business combination transactions, and the expansion and improvement of certain properties in the Company's portfolio.

Investors flock to Honda's euro debut

IG corporate names dominated for a second consecutive session on Tuesday as another four issuers printed seven euro tranches worth EUR4.95bn.

Leading the way was Japanese automaker **Honda Motor Co** which made its debut in the single currency, bringing EUR1.25bn 3yr, EUR750m 5yr and EUR500m 10yr tranches.

Investors were keen to gain exposure to the name for the first time in euros, placing peak combined orders of EUR10.4bn for the EUR2.5bn on offer. That allowed the borrower to cut 30-32bps from IPTs to print at m/s +80, +225 and +153 reoffers.

Despite the revisions, investors stayed on board with final combined demand only easing by EUR100m to EUR10.3bn, with the lion's share of that coming for the shortest 3yr at EUR4.2bn. Books for the 6yr came in at EUR3.5bn (from EUR3.6bn peak) and at EUR2.6bn on the 10yr.

ORLEN SA (EUR750m 7yr green) and **International Distribution Services Ltd** (EUR550m 4yr / EUR500m 7yr dual tranche) emerged from the pipeline Tuesday, like Honda, whilst taking an opportunistic approach in the single currency was **Cadent Gas Ltd** (EUR650m 10yr green). Demand for those names was much more measured, though, despite them paying up decent premiums.

IDS tightened pricing 30bps on the 4yr (m/s +120) and 25bps on the 7yr (m/s+175) on combined demand of EUR3.1bn (EUR3.4bn peak), which resulted in NICs of 10bps and 15bps respectively. IDS intends to use the proceeds of the offering for repayment of existing indebtedness and general corporate purposes. Note, the borrower has a EUR550m 1.25% ex-7yr bond maturing in Oct this year.

Cadent squeezed in 30bps (m/s +120) on a book of EUR1.95bn (EUR2.1bn peak) to offer a 10bp NIC, whilst ORLEN saw a book of EUR1.5bn (EUR1.8bn high) having moved pricing 30bps (m/s +100) to offer a 5bp premium versus its existing curve.

An amount equivalent to the net proceeds from the ORLEN notes will be used to finance or refinance, in whole or in part, Eligible Projects and Activities (including other related and supporting expenditures) in accordance with ORLEN's Green Finance Framework. The Cadent bonds were designated as Green Finance Instruments as defined in the Prospectus. An amount equal to the net proceeds from the issue of the Green Finance Instruments will be allocated to financing and/or refinancing, in whole and in part, new and/or existing projects contributing substantially to climate change mitigation within an Eligible Category (as detailed in the Prospectus and the issuer's Green Finance Framework).

Away from the single currency, UK borrower **Scottish Hydro Electric Transmission plc** (GBP250m Oct 2041 green) offered a sterling option with the deal only landing at the mid-point of gilts +85 area +/-2 guidance (from +100 area IPTs). That after peak demand of GBP900m fell to a last communicated GBP515m, despite a 10bp premium looking to have been left on the table. Proceeds from the bond will be used to finance or refinance, in whole or in part, Eligible Green Projects as set out in SSE Plc's Sustainability Financing Framework published Dec 2025.

Hines debut goes without a hitch

Another EUR1.5bn of paper was issued Wednesday via three tranches from two issuers, including one from real estate company **Hines** which offered its first ever euro trade that came in the form of a EUR500m no grow 5yr green after calls earlier in the week.

Marketing started at m/s +145 area before the deal landed at m/s +117 on demand of EUR1.75bn at final terms. At allocations, the book grew further to EUR1.9bn, to give the deal a cover ratio of 3.8x.

An amount equal to the net proceeds of the issue of the bonds will be used to finance and/or refinance, in whole or in part, new or existing Eligible Green Projects and existing green debt, including repayment in full of the ING/Postbank Facility 3, as further described in the issuer's green finance framework

Hines was joined Wednesday by more familiar name **Fresenius** which took an opportunistic approach and also capped its two 5yr and 8yr tranches at EUR500m apiece from the outset.

The shorter 5yr line saw the biggest book of EUR1.75bn (EUR2.2bn peak) which saw 32bps shaved off m/s +105 area IPTs to land with a 3bp NIC. The longer 8s offered more in the way of a premium at 5bps having been tightened a smaller 30bps to land at m/s +100, on demand which settled at EUR1.5bn (EUR1.95bn peak).

Proceeds from the new two-part will be used for general corporate purposes, including refinancing of existing financial liabilities. In terms of upcoming redemptions, Fresenius has a EUR500m 0.375% ex-6yr maturing in Sep this year.

Summer slowdown not expected yet

Looking ahead, next week looks like the last of the pre-summer issuance window with us traditionally starting to slow around the French Bastille Day holiday (14-Jul) as vacation and earnings seasons start.

The highest Jul supply total on record is EUR21.06bn (again in 2020), whilst the last five years have averaged just EUR10.84bn in issuance.

Given the elevated NICs seen this week, a break may be coming at the right time, with it potentially giving the market time to digest what has been a frenetic run of corporate sales.

With this week's deals, the year-to-date euro corporate (ex-HY) issuance total currently sits at EUR270.39bn which is over 11% higher than at this stage last year where EUR242.7bn had crossed the tape.

Feedback from bankers which took part in our issuance poll suggests that the break may not be coming just yet though with them forecasting that EUR10.5bn (on average) will cross the tape in the euro corporate bond market next week, with a range of EUR7-15bn.

Bankers with the top end estimates were saying that at least one large transaction is set to come, from a European name. A big reverse yankee deal also can't be ruled out.

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