Market View
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Scoping out summertime supply and swaps, for SSAs

By Ethan Currie

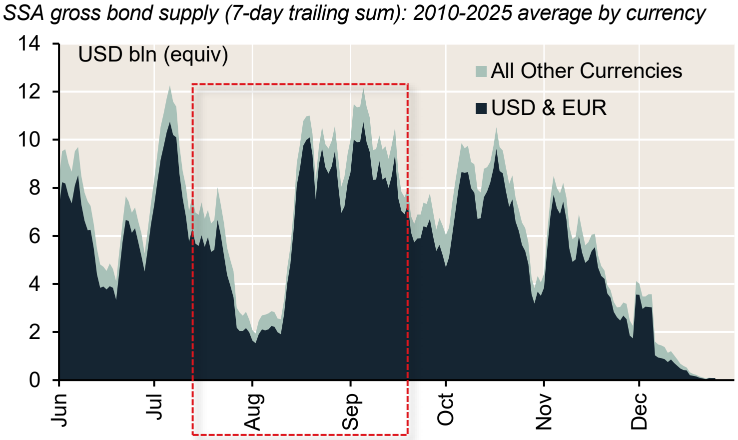
We're in the midst of a seasonal breather in the SSA market. New issue activity has, as anticipated, cooled for the summer after the first half of 2026 was characterized by especially pronounced waves of primary activity. If history is any guide, however, July's supply drought will be followed by a fresh surge of benchmark deals as issuers look to close in on already well-advanced issuance programs (Chart 1). This year's post-summer calendar may prove especially front-loaded. With U.S. midterms and uncertainty on both the monetary and fiscal policy fronts, issuers have an incentive to fund opportunistically and accelerate borrowing plans when market conditions allow. But as we've highlighted previously (**link**), concentrated SSA supply does not necessarily coincide with weaker spread performance. In fact, when the market reopened following last summer's lull, deals priced decisively tighter against IPTs and continued to perform in secondary (Chart 2, 3).

Ahead of a renewed wave of issuance, the rates backdrop remains an important consideration, too. Against USTs, swap spreads have retraced from their tightest levels of the year, though scope remains for a renewed tightening bias. Lingering energy price pressures, concerns about Fed credibility, a renewed White House focus on tariffs, and increasingly challenging fiscal dynamics all point to upside risks for term premia. Notwithstanding still-ample funding conditions, swap spreads could compress further in the months ahead as the Fed's next move is gauged by markets, keeping cash under pressure. We see 5Y and 10Y spreads grinding lower towards their post-war tights. At -29 bps and -42 bps (respectively), levels are nearing prior supports / sticking points. And with portfolio exposure to U.S. Treasury assets (not USD product) increasingly challenged, swap spreads (and SSAs) have room to run in our view.

Even if swap spreads are driven by UST underperformance (keeping G-spreads notionally tighter or driving them negative), SSA pickups against SOFR remain compelling (Chart 4). Off their richest levels YTD, entry points on new deal concessions look increasingly attractive to both credit investors and the all-in yield seeker. This should bolster demand for spread product and allow for well-absorbed benchmark issues. A case for near-term SSA support is further reinforced by longer-term divergence in credit and balance sheet fundamentals. MDB operations (and associated debt stocks) are growing prudently at a time when investors are increasingly reassessing sovereign credit risk, particularly in the U.S. Indeed, the same geopolitical, fiscal, and monetary policy uncertainties that could encourage issuers to re-accelerate funding plans could simultaneously promote buy side demand for high-quality supranational exposure as a sovereign alternative. Against this backdrop, we remain constructive on SSA valuations heading into the next supply window.

Chart 1: New issue surge to follow summertime drought

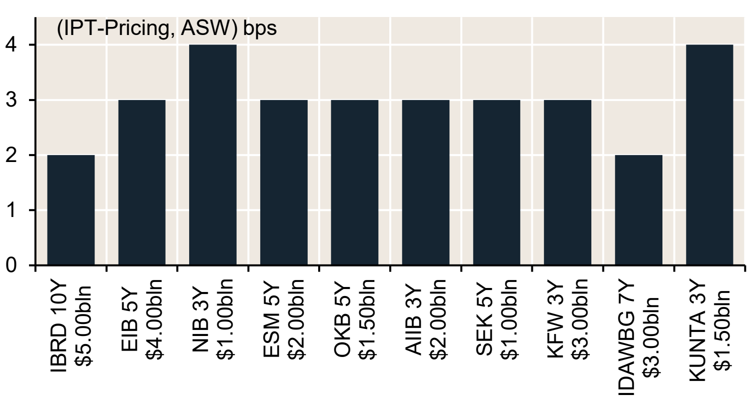
SSA gross bond supply (7-day trailing sum): 2010-2025 average by currency



Source: NBC, Bloomberg | Note: 39 global SSA ticker universe used; translated to USD equiv.

Chart 2: Notable demand from last summer's NI pipeline

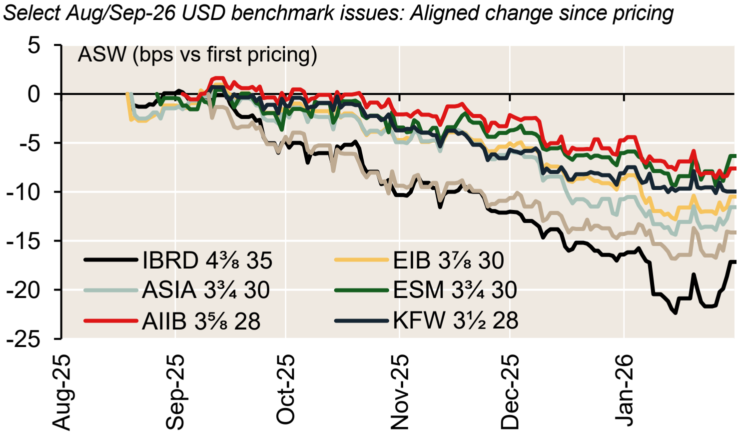
IPT compression to NI pricing on USD deals in Aug/Sep-26 (chronological order)



Source: NBC, Bloomberg | Note: USD fixed rate benchmark deals >=1bln, where data available

Chart 3: Last year, NIs held (then tightened) in secondary

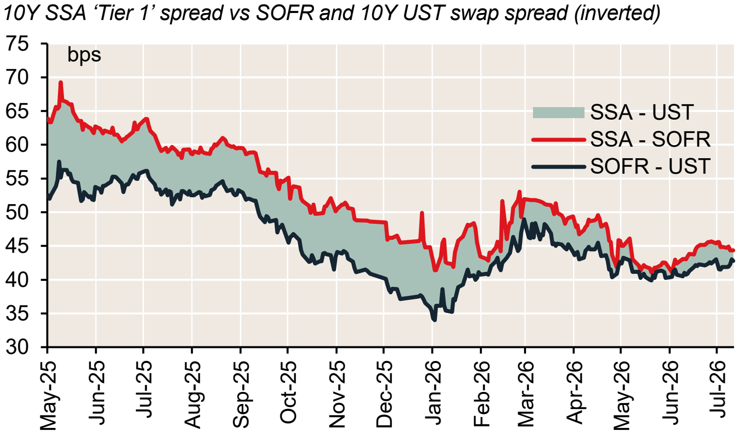
Select Aug/Sep-26 USD benchmark issues: Aligned change since pricing



Source: NBC, Bloomberg | Note: USD fixed rate benchmark deals >=2bln

Chart 4: G-spreads flatter, but picks to SOFR remain

10Y SSA 'Tier 1' spread vs SOFR and 10Y UST swap spread (inverted)



Source: NBC Bloomberg | Note: Composite spreads using simple average of 6 global SSAs

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