Corporate Hybrid Bonds: Why 2026 is already a Historic Year?

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After years of consolidation, the primary market for euro-denominated corporate hybrid bonds is experiencing a real resurgence. Issuance volumes are soaring, defying forecasts.

By the end of May, issuance volume on the European primary market had already reached 33.6 billion euros[1]. To gauge the scale of the phenomenon, this amount alone exceeds the total volume issued throughout all of 2024 and is already closing in on the total for 2025, which stands at 42 billion euros.

This acceleration is even more evident when viewed through the lens of net supply – new issuances net of redemptions. It stood at 23.6 billion euros over the first five months of the year, compared to just 8 billion for all of last year[1]. If this breakneck pace continues, 2026 is on track to shatter the all-time record of 30 billion euros in net supply set in 2020.

1. Source: Bloomberg & Edmond de Rothschild Asset Management, data as of 31 May 2026.

Faced with this momentum, JPMorgan has had to drastically revise its annual forecasts upward, now projecting 60 billion euros in gross issuance. How can we explain such a phenomenon, which challenges bond investors' expectations?

A Capex Shock

The explosion in primary market activity primarily reflects a fundamental need for investment. We have entered a supercycle of structural Capex, driven simultaneously by the energy transition and the artificial intelligence revolution.

On the one hand, decarbonizing the economy requires rapid electrification. Grid infrastructure and renewable energy production demand colossal investments. It is no coincidence that the utilities sector dominates the market, accounting for 10.3 billion euros of gross issuance volume, as well as the lion's share of net supply (+8.3 billion euros).

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On the other hand, the global deployment of artificial intelligence is generating unprecedented demand for digital infrastructure. Given these significant capital requirements, corporate hybrid debt stands out as the perfect vehicle: it finances infrastructure growth without compromising leverage ratios that could jeopardize issuers' precious Investment Grade status, a crucial factor for institutional investors seeking established credit quality.

An Irresistible Cost of Financing for Issuers

The financial terms are also attractive for companies. The yield spread between a traditional senior bond and a hybrid subordinated bond currently hovers around 100 basis points, a historically low level.

For finance departments, hybrid debt is once again becoming the ultimate tool for protecting credit ratings. Since rating agencies generally assign these securities a 50% equity-like treatment, hybrid debt allows companies to strengthen their balance sheets without diluting shareholders. Better yet: after tax adjustments (coupon payments are tax-deductible), the cost of a hybrid's "equity equivalent" is now comparable to that of common stock, without the dilution.

This windfall has attracted new issuers: a notable example is Stellantis[2], which issued nearly 5 billion euros in bonds in March.

The Surge of US Issuers

The other standout feature of 2026 is the geographic diversification of issuers, illustrated by the massive influx of U.S. companies issuing in euros. These newcomers, often major names on the U.S. stock market, have alone accounted for nearly 30% of gross issuance since the start of the year.

The figures speak for themselves: while U.S. companies had issued a total of just 4 billion euros in hybrid bonds on the European market prior to Moody's methodological change in 2024, their contribution rose to 6 billion euros in 2025. And this trend is accelerating further, as these U.S. issuers have already issued 7.4 billion euros in the first few months of 2026. Giants like Verizon and General Mills2 are now an integral part of this new European bond landscape.

An Insatiable Quest for Yield

A primary market can only operate at full capacity if it is driven by strong demand. In an environment of extremely tight senior spreads, institutional investors are showing a fierce appetite for the additional yield offered by subordinated debt. According to our internal data, the 2026 issuances were oversubscribed by an average of 4.6 times.

This rush for yield is also driven by the easing of a technical concern: the risk of non-call (extension risk). The market has regained strong confidence that companies will indeed call their bonds on the first optional call date. For investors, this maximum visibility transforms the hybrid market into a true sweet spot in European credit.

Buoyed by this growth in volume and greater diversification, the asset class is becoming increasingly indispensable in a bond allocation.

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June 2026. This is a marketing communication.

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Société anonyme governed by an executive board
and a supervisory board with capital of 11.033.769 euros
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