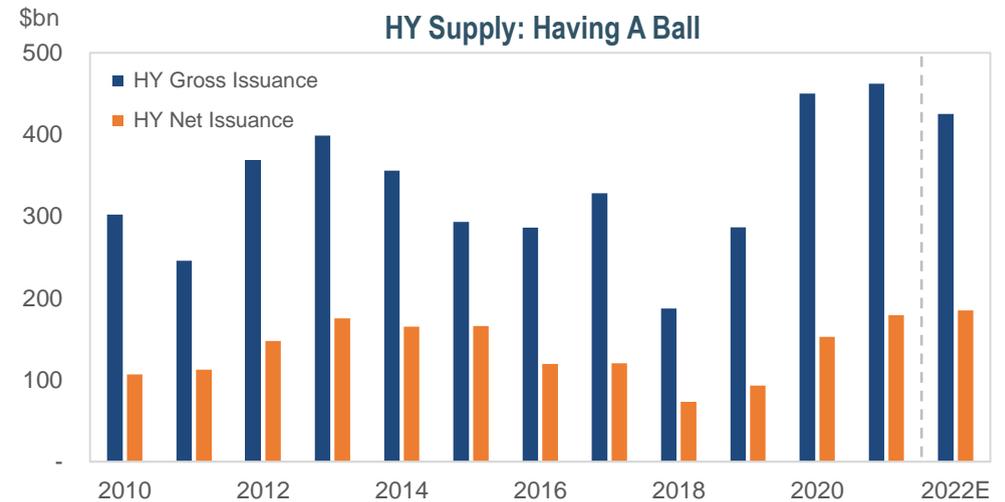
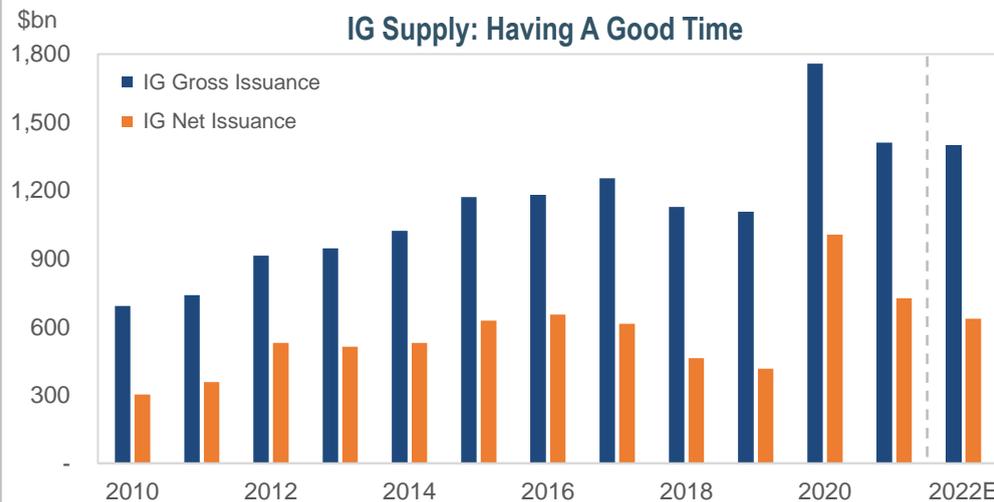


## Corporate Supply: Don't Stop Me Now

- 2020 was a banner year for investment grade (IG) and high yield (HY) corporate supply, driven by companies leveraging-up on pandemic concerns. 2021 has also surpassed expectations – IG issuance, although down year-over-year, exceeded \$1.4 trillion – while HY set a record with over \$450 billion. Issuers took advantage of continued low all-in yields, and unrelenting investor demand resulted in healthy oversubscription levels and low new issue concessions (NIC). This supply and demand dynamic had a minimal impact on corporate spreads.
- Gross IG supply in 2022 is estimated to be in-line with 2021, with a slight decrease in net issuance.** IG issuance will likely be driven by higher M&A-related debt and continued refinancing activity, possibly magnified by a wave of [rising stars](#). Initial projections call for approximately \$1.4 trillion gross and \$600 billion net. Issuance could be tempered by heavy cash balances, but it may be even higher if expected rate hikes cause issuers to issue debt sooner to lock-in lower financing costs. HY supply, although forecasted to fall, is also expected to have a solid year, with over \$400 billion in gross and \$170 billion in net supply. Refinancing-related HY issuance could remain elevated as a significant portion of the index is callable, and M&A activity should be healthy.



- Despite the heavy issuance, demand will likely remain robust.** Corporate fundamentals should continue to improve on strong projected earnings growth in 2022. With \$14 trillion of negative-yielding debt globally, foreign buying should be resilient. Additionally, an increase in rates and yields could further lure buyers into the market. However, demand could be diminished by higher rate volatility or if increased shareholder-friendly activity weakens fundamentals.
- At IR+M, the new issue market is a source for many of our best ideas, but we participate only when compensation is attractive. For example, 2021 new issue pricing levels have generally been less appealing compared to 2020, especially during 2Q20 at the onset of the pandemic, and as a result we have participated in fewer deals this year. We will continue monitoring the primary market and only purchase bonds that we believe are issued at attractive prices.

Source: Bloomberg as of 12/13/21. Charts sourced from JPMorgan as of 11/15/2021, bars to the right of the vertical gray dotted line are estimates. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.