Newsletter - Euro High-Yield Bond Market Monitor 1H26

July 2026

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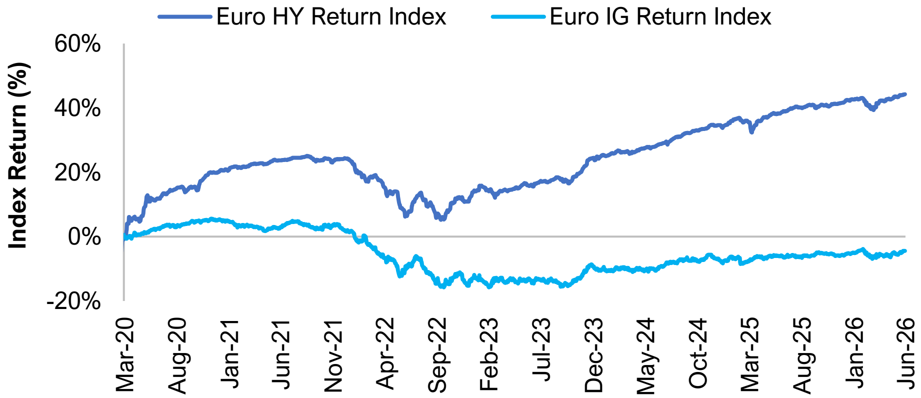
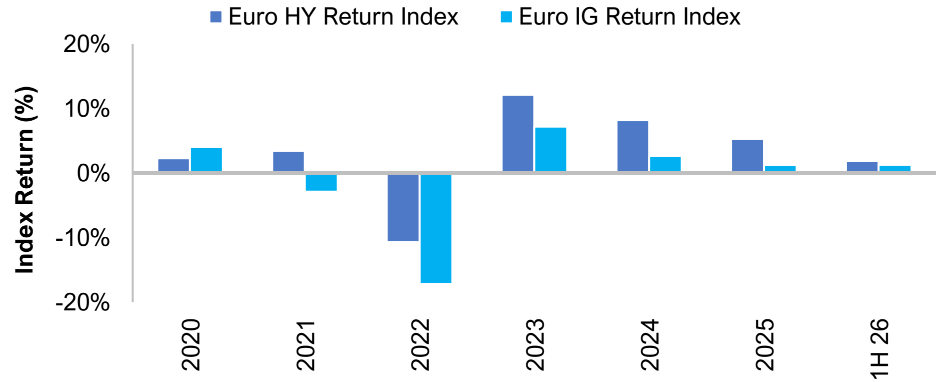
Euro High-Yield Bond Market Performance – HY vs IG Returns

Euro HY vs IG Market Returns Trend[1]



Euro HY vs IG Market Returns – Annual Performance



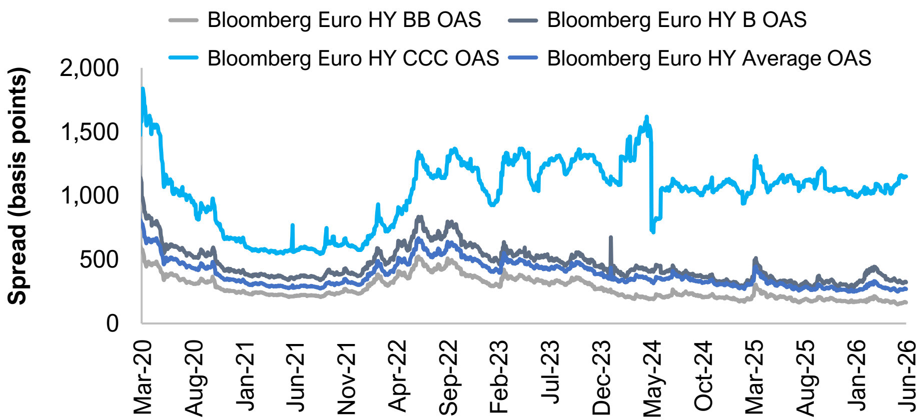
- Euro HY returned 1.8% in 1H26, with a 2.8% second-quarter rebound more than reversing Q1's 1.5% decline. The recovery reflected tighter spreads and normalizing risk premia as investor appetite returned following the first-quarter geopolitical sell-off
- Although both Euro HY and Euro IG generated positive returns in 1H26, Euro HY outperformed IG (1.8% vs. 1.3%), reflecting a higher contribution from credit spread returns and lower exposure to duration-driven price movements.
- Looking ahead, **tighter valuations limit upside, while ECB policy and geopolitical developments remain the key market drivers**.

Euro HY extended its outperformance over Euro IG in 1H 2026, reflecting **stronger recovery dynamics and greater resilience** to event-driven market shocks

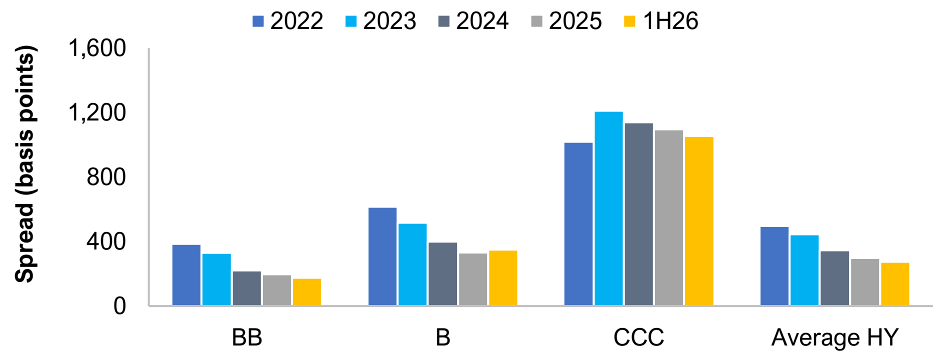
Source: *Aranca Research, Bloomberg*
Note: *(1) HY and IG returns since 2020 are measured using 31 March 2020 as the base; (2) The scope of this newsletter is restricted to EUR-denominated high-yield bonds issued by European risk entities*

Euro High-Yield Bond Spread Analysis Across Rating Buckets

Euro HY OAS Bond Spread Cycle Trends



Average OAS Bond Spread Trends by Credit Rating



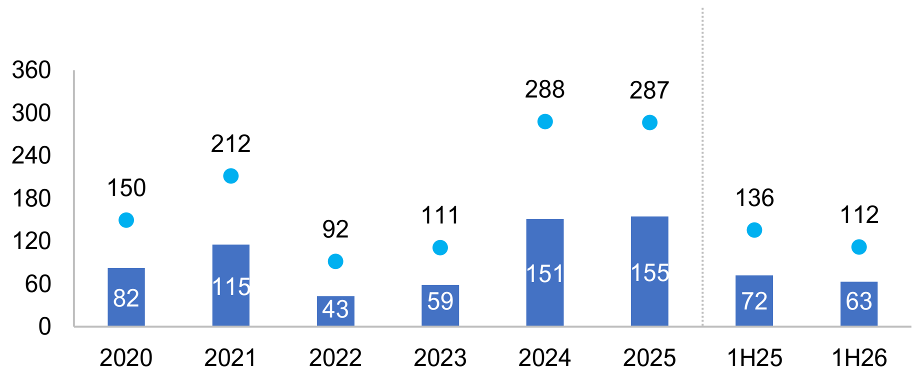
- Risk premia remained well below the 2022 stress levels, with average Euro HY spreads continuing to normalize in 1H26. Spread tightening was supported by **resilient corporate fundamentals, continued refinancing activity and sustained demand for carry**.
- Credit differentiation remained evident across rating categories in 1H26. BB spreads tightened further to 175 bps (vs. 198 bps in 2025), while CCC spreads narrowed to 1,054 bps (vs. 1,097 bps). In contrast, B spreads widened modestly to 350 bps (vs. 332 bps), reflecting **selective spread compression** as investors increasingly favored issuers with stronger credit fundamentals.

As Euro HY spreads approach cycle lows, **selective credit allocation and carry** are expected to become the primary drivers of performance

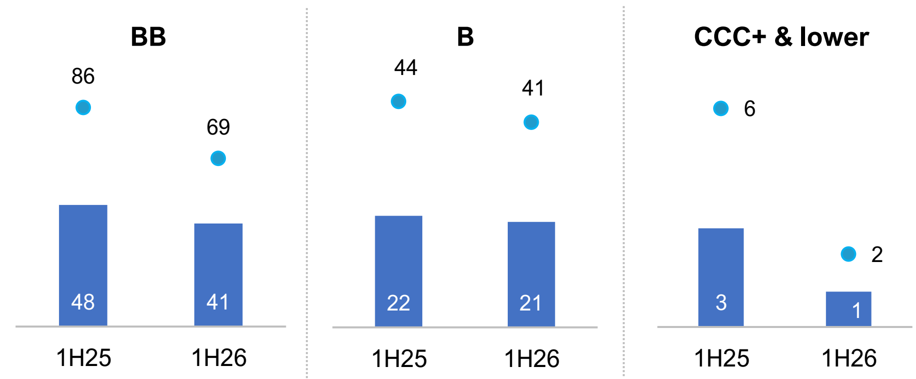
Source: *Aranca Research, Bloomberg*

Euro High-Yield Bond Issuance Trend

Euro HY Bond Issuances Trend Over Time



Euro HY Bond Issuance by Rating Category



■ Amount Issued (EUR bn) ● # Issuances

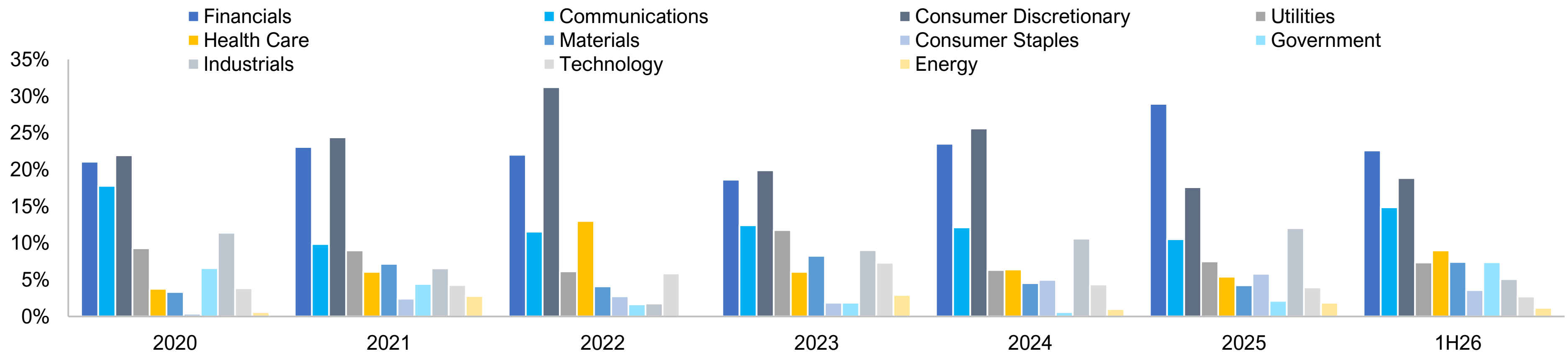
- Euro HY issuance remained weak during 2022–2023 amid geopolitical uncertainty and higher interest rates. The recovery in 2024–2025 was primarily refinancing-driven, with 2025 issuance broadly stable at €155bn (+0.5% YoY).
- Euro HY issuance reached €63bn in 1H26, below €72bn a year earlier, as geopolitical uncertainty suppressed first-quarter supply to €25bn. Issuance rebounded to €38bn in 2Q26 as volatility eased and spreads tightened, reopening the market for refinancing and maturity extension.
- BB rated issuers remained the largest source of Euro HY issuance in 1H26, supported by investor demand for higher-quality credits.

Euro HY issuance in 1H26 reflected a refinancing-led market, with investor demand remaining **concentrated in higher-quality issuers**

Source: *Aranca Research, Bloomberg; includes only EUR-denominated bonds with amount issued above EUR 100mm, excludes zero-coupon bonds; (2) BB includes BB+, BB, and BB-; B includes B+, B, and B-; CCC+ & lower includes CCC+, CCC, CCC-, CC+, CC, CC-, C, DDD+, DDD, DD+, D, and NR*

Sector-Wise Euro High-Yield Issuance Trend

Sector-wise Trends in European High-Yield Bond Issuance[1]



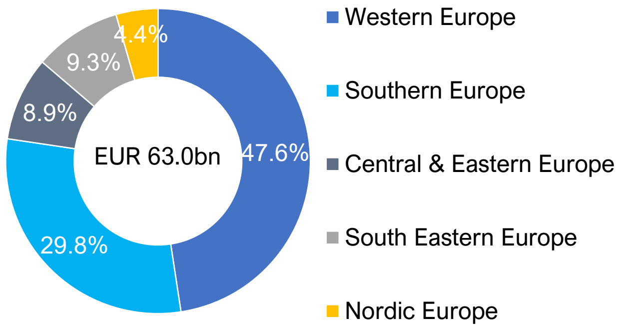
- Euro HY issuance in 1H26 reflected a more balanced sector mix, with Financials remaining the largest contributor at 22.6% but declining from the elevated 29.0% share in 2025, as **issuance broadened across non-financial corporates**.
- Sector rotation was supported by higher contributions from Consumer Discretionary, Communications and Healthcare, reflecting improving financing conditions and broader primary market access as market conditions stabilized.

The sector mix demonstrates that Euro HY supply is influenced by broader corporate funding cycles, with different sectors contributing at varying points of the market cycle

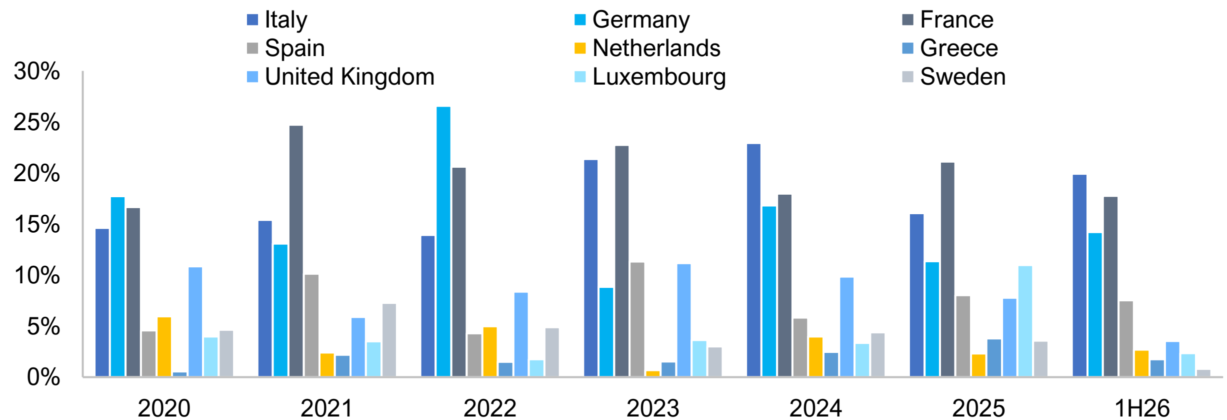
Source: *Aranca Research, Bloomberg; includes only EUR-denominated bonds with amount issued above EUR 100mm; excludes zero-coupon bonds*
Note: *(1) Sector based on Bloomberg's BICS Level 1 Classification*

Region- and Country-Wise Euro High-Yield Issuance Trend

Euro HY 1H26 Issuance by Region



Euro HY Issuance Trends Across Major Countries for the Past 6 Years



- Western Europe remained the largest contributor to Euro HY issuance value in 1H26 (47.6%), **reflecting the region's more mature high-yield ecosystem and greater issuance capacity across diversified sectors** relative to the rest of Europe.
- Euro HY issuance composition shifted in 1H26 versus 2025, with Italy and Germany gaining share as a greater proportion of transactions originated from these markets, while France share declined from the elevated contribution recorded in 2025.

1H26 regional mix highlights the uneven distribution of Euro HY market access, with core European markets continuing to account for majority of issuance

***Source:** Aranca Research, Bloomberg; includes only EUR-denominated bonds with amount issued above EUR 100mm; excludes zero-coupon bonds*

Spotlight on Largest Issuers Among Top Sectors – 1H26

Financials						
Issuer	**Industry**	**Country**	**Amt. Iss. (bn)**	**Maturity**	**BBG Rating**	**YTW**
Deutsche Bank AG (DB)	Diversified Banks	Germany	€ 1.25	Perpetual	BB	6.6%
OTP Bank Nyrt (OTBHB)	Banks	Hungary	€ 1.00	Dec-36	BB+	4.7%
UniCredit SpA (UCGIM)	Banks	Italy	€ 1.00	Perpetual	BB	5.9%
Societe Generale (SOCGEN)	Diversified Banks	France	€ 0.75	Perpetual	BB	5.9%
Intesa Sanpaolo SpA (ISPIM)	Banks	Italy	€ 0.75	Perpetual	BB	5.5%

Consumer Discretionary						
Issuer	**Industry**	**Country**	**Amt. Iss. (bn)**	**Maturity**	**BBG Rating**	**YTW**
ZF Europe Finance BV (ZFFNGR)	Auto Parts Manufacturing	Germany	€ 1.00	Feb-32	BB-	5.7%
Betclic Everest Group SAS (BTCLIC)	Casinos & Gaming	France	€ 1.00	Dec-31	BB-	4.6%
Birkenstock Group BV & Co (DE)	Apparel & Textile Products	Germany	€ 0.90	Jun-33	BB+	4.5%
Lottomatica Group (LTMCIM)	Casinos & Gaming	Italy	€ 0.77	Apr-32	BB	4.4%
Renault SA (RENAUL)	Automobiles Manufacturing	France	€ 0.75	Jun-31	BB+	4.3%

Communications						
Issuer	**Industry**	**Country**	**Amt. Iss. (bn)**	**Maturity**	**BBG Rating**	**YTW**
Fibercop SpA (FIBCOP)	Wireline Telecom. Services	Italy	€ 1.50	Apr-31	BB+	4.4%
United Group (ADRBID)	Cables & Satellite	Slovenia	€ 1.13	Jan-33	B	4.8%
Telefonica Emisiones SA (TELEFO)	Wireline Telecom. Services	Spain	€ 0.90	Perpetual	BB	4.7%
Eutelsat Communications (ETLFP)	Wireless Telecom.Services	France	€ 0.85	Mar-31	BB-	5.0%
Telefonica Emisiones SA (TELEFO)	Wireline Telecom. Services	Spain	€ 0.85	Perpetual	BB	5.1%

Utilities						
Issuer	**Industry**	**Country**	**Amt. Iss. (bn)**	**Maturity**	**BBG Rating**	**YTW**
Enel SpA (ENELIM)	Power Generation	Italy	€ 1.25	Perpetual	BB+	4.5%
Elia Group (Ellaso)	Utilities	Belgium	€ 0.90	Perpetual	BB+	4.6%
Enel SpA (ENELIM)	Power Generation	Italy	€ 0.75	Perpetual	BB+	4.8%
Neoen Finco Plc (NEOEFI)	Power Generation	UK	€ 0.70	Jun-31	BB+	5.0%
Contour Global Power Holdings SA (CONGLO)	Power Generation	UK	€ 0.68	Jul-31	BB	4.9%

Source: *Aranca Research, Bloomberg; includes only EUR-denominated fixed or variable coupon bonds with amount issued above EUR 100mm*
Note: *Industry based on Bloomberg's BICS Level 2 Classification; YTW as of 20 Jul 2026*

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