

## Spread stability in an unstable market

By Ethan Currie

The ongoing and very fluid conflict in the Middle East remains the driver of risk appetite. Crude price shocks are spilling into other assets, as sovereign yields are decisively higher on the month and volatility has risen. Coinciding with this, CDX has been pushed wider and swap spreads are hovering near YTD tight. Though credit performance was softer in March (5Y IG has backed up ~8 bps), SSA valuations have held up relatively well. Supply decelerated last month amid broader market turbulence, following a notably strong start to the year (Chart 1). Issuers had successfully front-loaded deals during a seasonally favourable window in January and February, providing flexibility to step back as conditions became less supportive. That's not to say SSA product wasn't well received. Despite the surge in geopolitical uncertainty, KfW's 3Y USD deal (10-Mar) was nearly 5x oversubscribed, while NRW's dual-tranche EUR issuance (4-Mar) also built a strong order book.

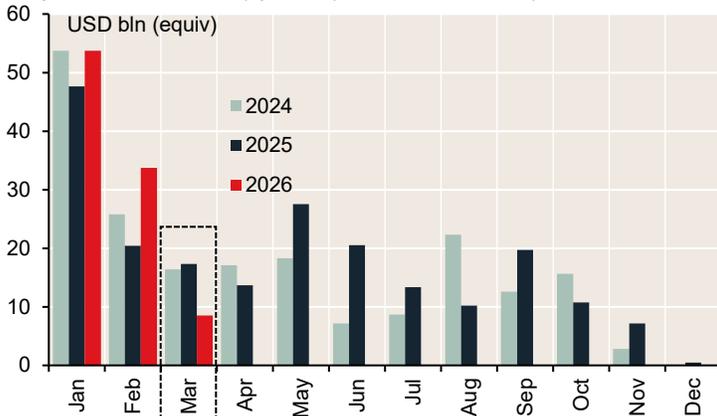
As cash has sold off and policy tightening has been priced into sovereign curves, swap spreads have grinded tighter again. That's allowed for

SOFR valuations to back up after compressing through January's supply surge (Chart 2). Levels have not fully unwound, however, and slightly loftier spreads vs swaps may tee up even stronger demand going forward. When market conditions offer up more clarity for issuers, we'd expect a rekindling in primary to be particularly well absorbed.

Meantime, G-spreads remain tight for benchmark SSAs. Attractive outright yields offered up by high grade, liquid issues should allow for these differentials to remain narrow. Indeed, SSA spreads have fared better than IG YTD, as a traditionally linear relationship between these series has become disjointed (Chart 3-4). SSAs have also delivered a smoother ride. Representative 'Tier 1' 5Y spreads recorded just 0.25 bps of one-month volatility in March, vs 2.3 bps for CDX—underscoring the defensive properties of this sector. Strong balance sheets among larger MDBs should also support a bid relative to more cyclically exposed credits. We remain constructive on SSA names as outperformers in the current context and see scope for G-spread compression near-term.

### Chart 1: Supply stalls in March following quick start to '26

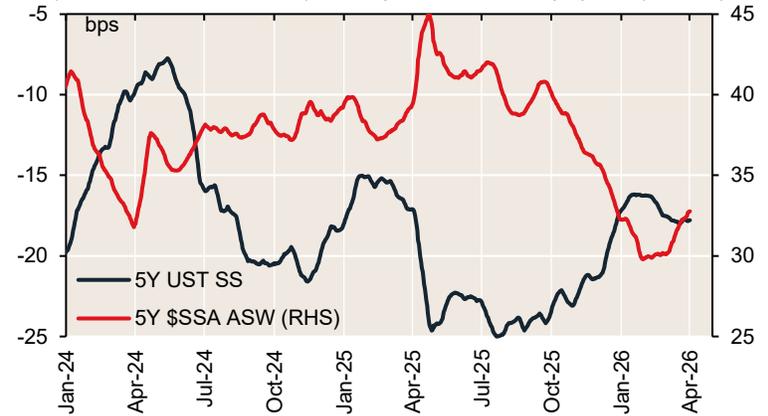
SSA gross issuance monthly pattern (deals to 31-Mar-2026)



Source: NBC, Bloomberg | Deals translated to USD at announce date FX; \$100MM USD equivalent minimum size; 39 ticker aggregate—contact NBC for inclusion details

### Chart 2: Swaps at YTD tight as SOFR valuations back up

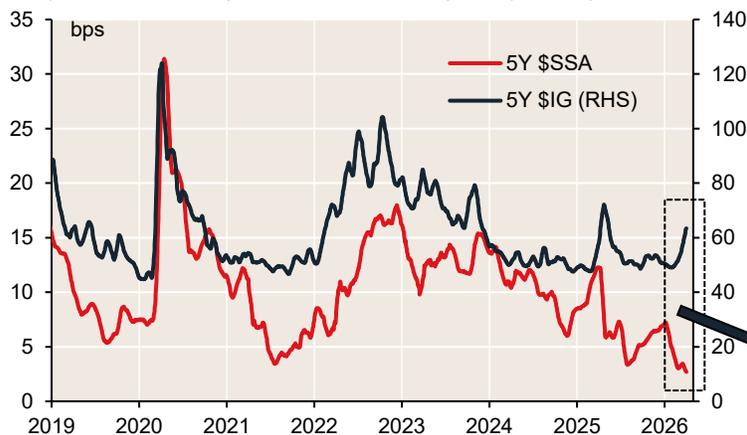
Proxy 5Y IBRD constant maturity ASW spread vs UST swap spread (20D MA)



Source: NBC, Bloomberg

### Chart 3: SSA credits are outperforming broader IG space...

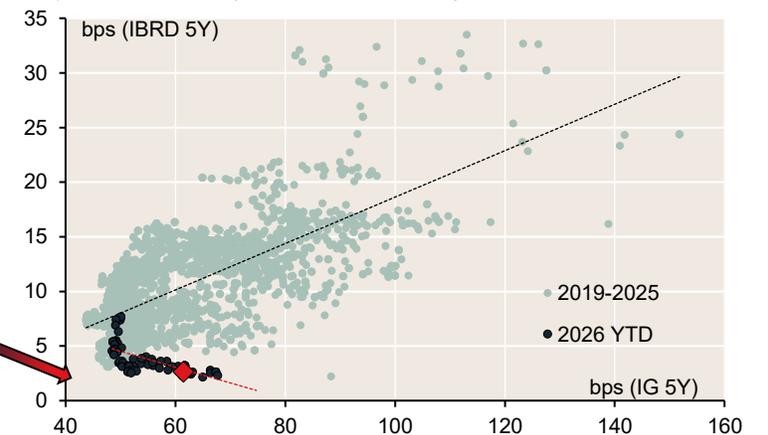
Proxy 5Y IBRD CM G-spread vs NA IG credit spread (20D MA)



Source: NBC, Bloomberg | Note: Proxy constant maturity / generic 'Tier 1' SSA spread to UST constructed by rolling select bonds every 3 months and backdating valuations; Bonds used are benchmark / fixed USD issues with minimum size requirements

### Chart 4: ... and relative richness has scope to persist

Proxy 5Y IBRD CM G-spread vs NA IG credit spread, since 2019



Source: NBC, Bloomberg | Note: Each data point represents one trading day since 2019; Red marker denotes levels as at 1-Apr-2026; Dotted lines are linear regression on sample



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