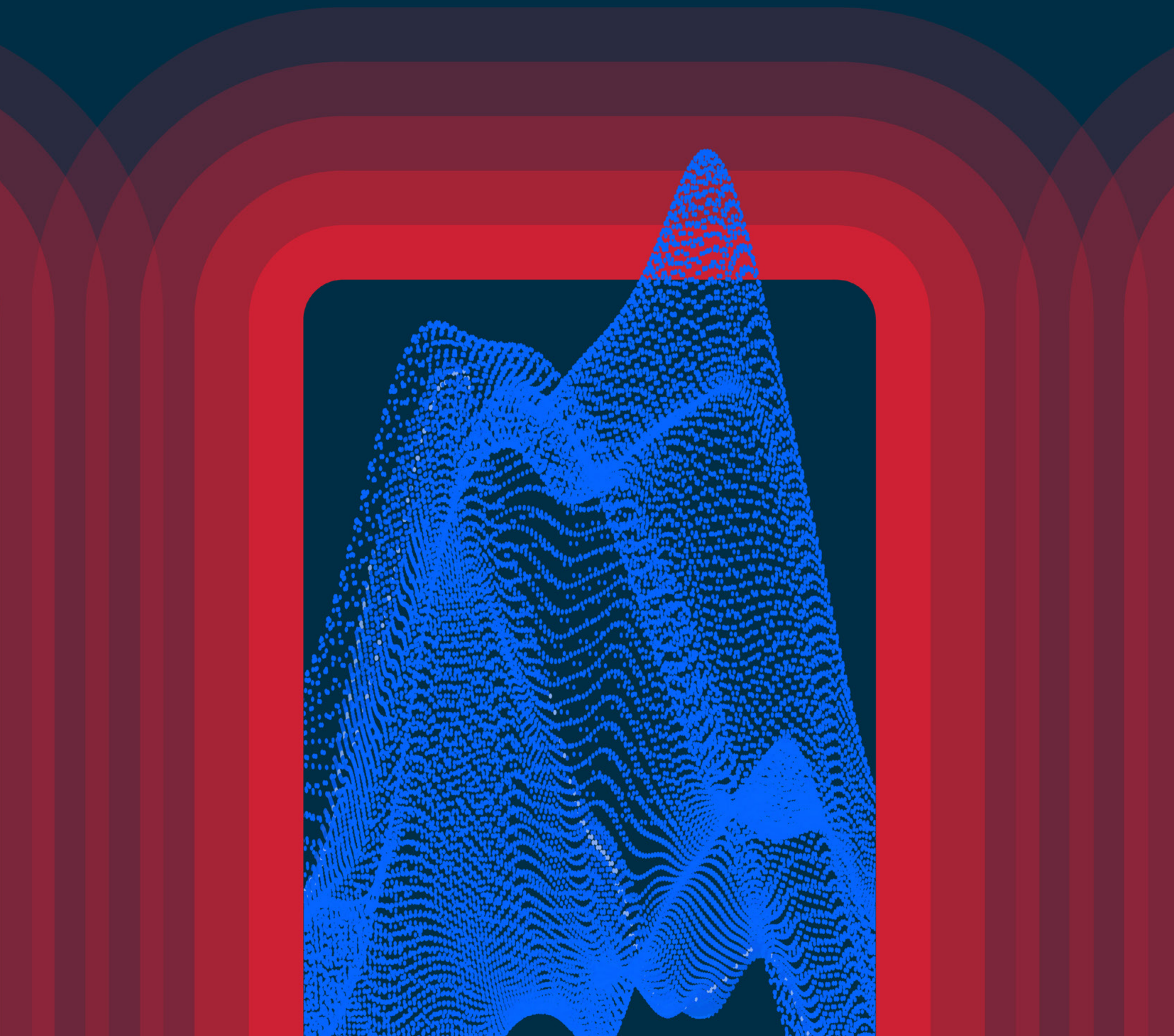
# Covered Bond Market Sentiment Survey

**Special Report** September 2026



# Covered bond issuance expected to outperform

Welcome to the first *GlobalCapital Covered Bond Sentiment Survey*.

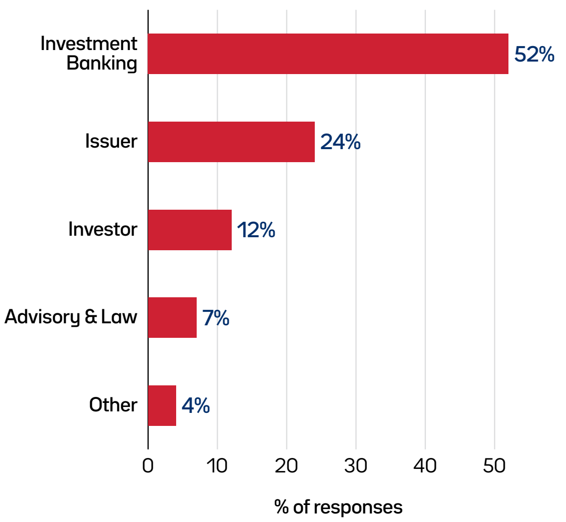
*GlobalCapital* has drawn on its unparalleled network in the international fixed income markets to produce an exclusive report based on what industry leaders think about the future direction of the covered bond market.

From issuance to spreads and new issue concessions, this research offers granular insights into the future direction of the covered bond business.

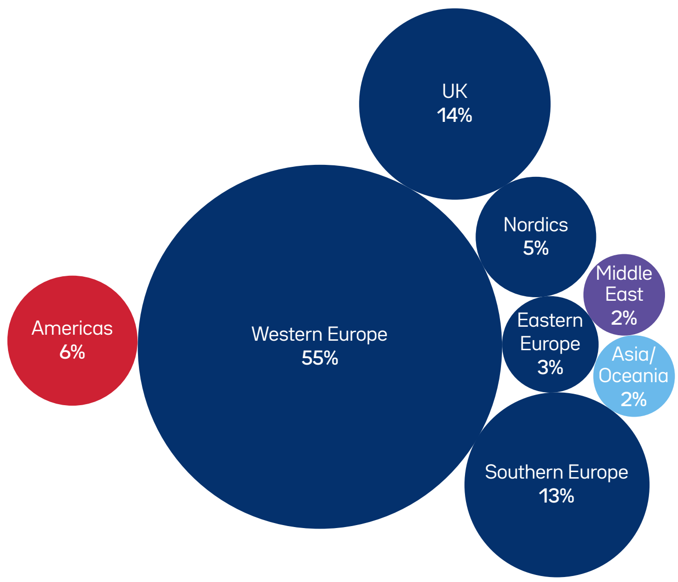
The research suggests covered bond issuance is expected to thrive in the coming period.

*Responses collected from June-July 2026.*

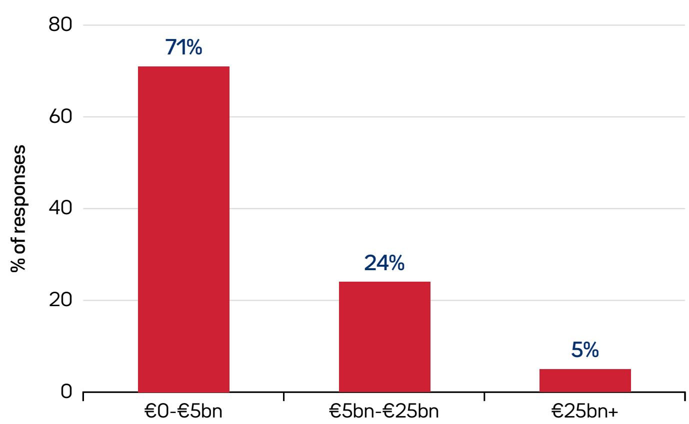
## Voter type



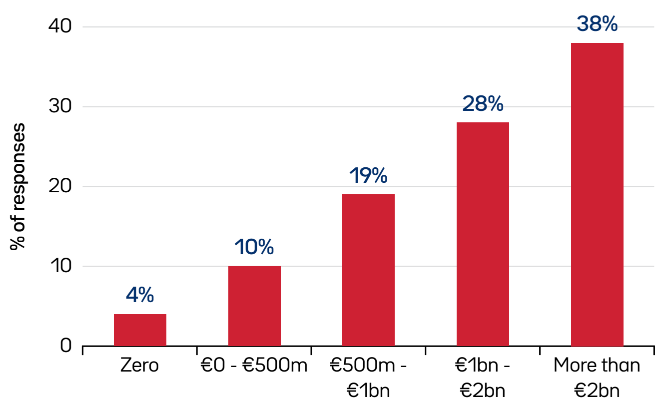

## Region of voters



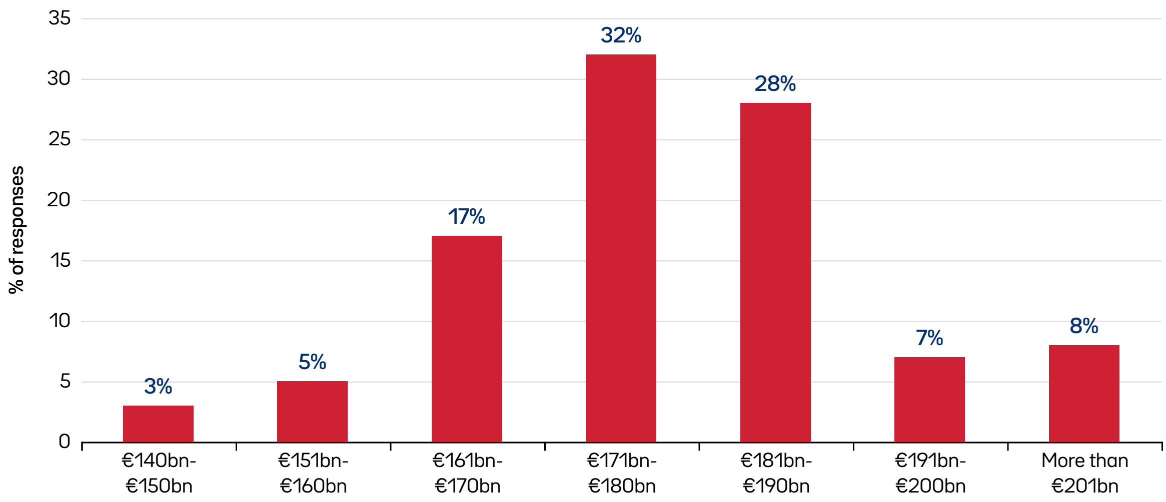

## Euro-equivalent of covered bonds under management at your firm?




## Euro-equivalent volume of covered bonds that your bank has publicly placed in the past 18 months?



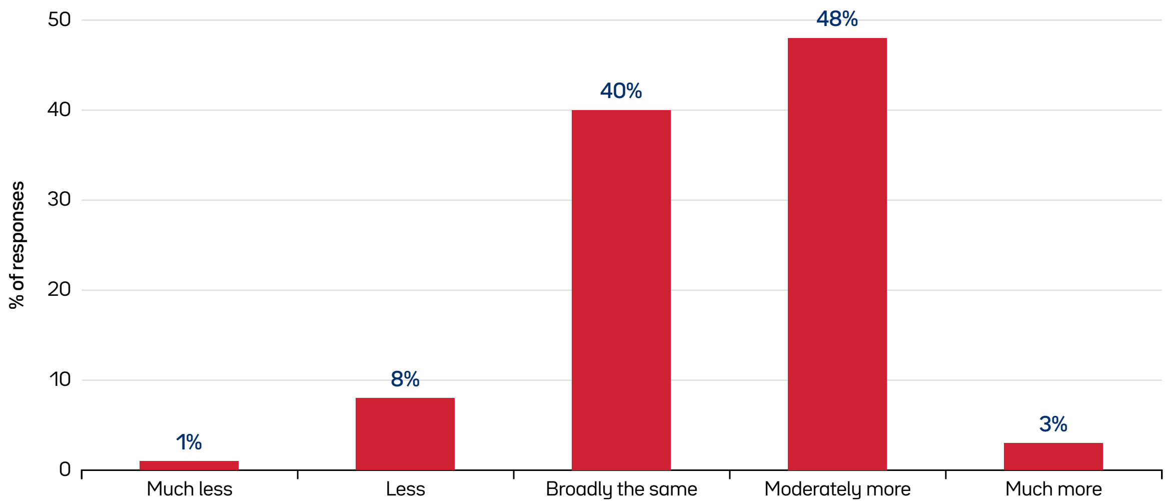
## Where will overall covered bond volumes finish the calendar year?




Analyst expectations at the start of 2026 pointed to a year broadly in line with 2025, with new issuance projected at around €175bn;  a figure that matched what many market participants were also anticipating. However, actual issuance this year has significantly outpaced those expectations, prompting several analysts to revise their estimates.

Year-to-date volumes are more a fifth ahead of where they stood at this point in 2025, and this has picked up further since mid-August, with close to $40bn issued in just over three weeks.

## What are the expectations for pre-funding over the rest of this year versus 2025/26?

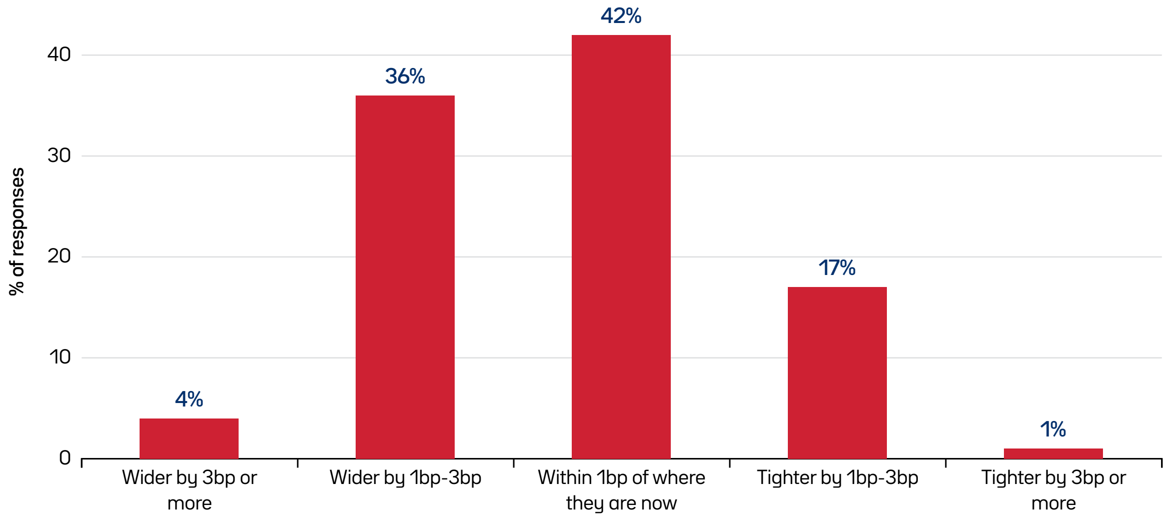



Pre-funding is normally prevalent in the covered bond market in the second half of the year as issuers look to take advantage of a supportive market in order to lock in funding ahead of the following year.

However, this year is expected to be particularly busy. The proposal of the annual French budget in October has extra significance because it will be the last before the French presidential election next year. The US mid-terms in early November could also be disruptive if President Trump loses his grip over the Senate and Congress.

Issuers expecting a bumpy first half of 2027 will be looking closely at pre-funding in the coming months.

## Over the remainder of the year, where are covered new issue premiums going?




New issue premiums have been squeezed since the market reopened in August after the annual summer lull. But, by early September, there were signs that investors were expecting more from issuers, with a few deals highlighting growing investor sensitivity.

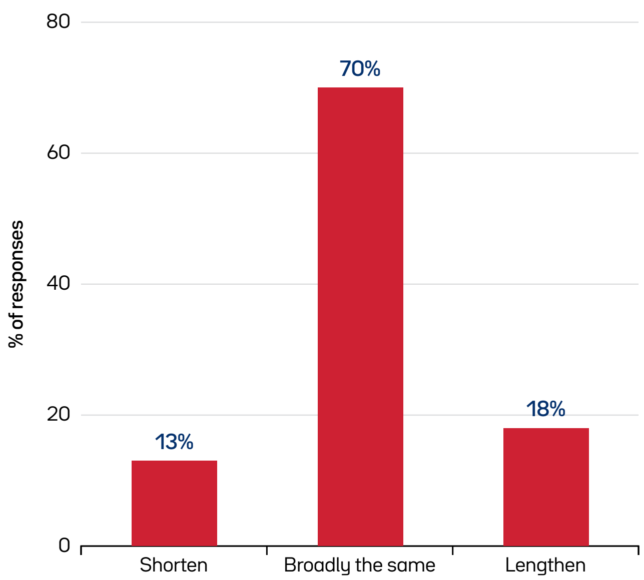
If the market returns to a more normalised footing, new issue premiums should stabilise around their normal levels of a few basis points per deal, which is matched by the expectations of most participants of the survey.

Any market disruption or signs of economic instability could change that dynamic however.

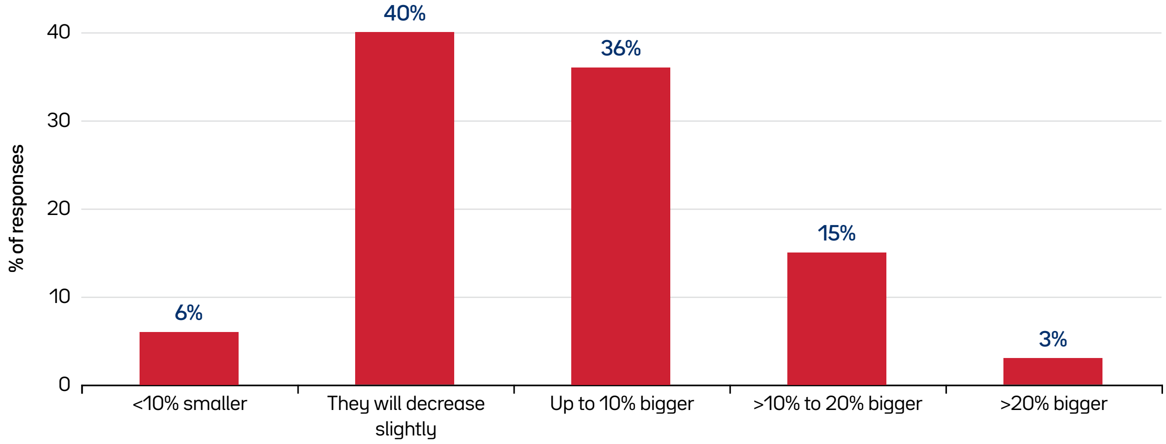
## Over the remainder of the year, how will the average tenor of covered bond issuance change compared to the year so far?

In recent days we have seen the first signs of demand at the longer end of the curve, beyond 10 years, which has been the upper limit for issuance since the end of February and the start of hostilities in the Middle East.

With the first 12 year covered bond going well in early September, the longer end of the curve is once again in play, suggesting average tenors may extend between now and the end of the year. That said, five years will continue to be the go-to tenor, as it has been for the past six months, with almost three quarters of participants expecting average tenors to stay broadly the same.



## Over the remainder of the year, how will the size of covered bond orderbooks change compared to the year so far?

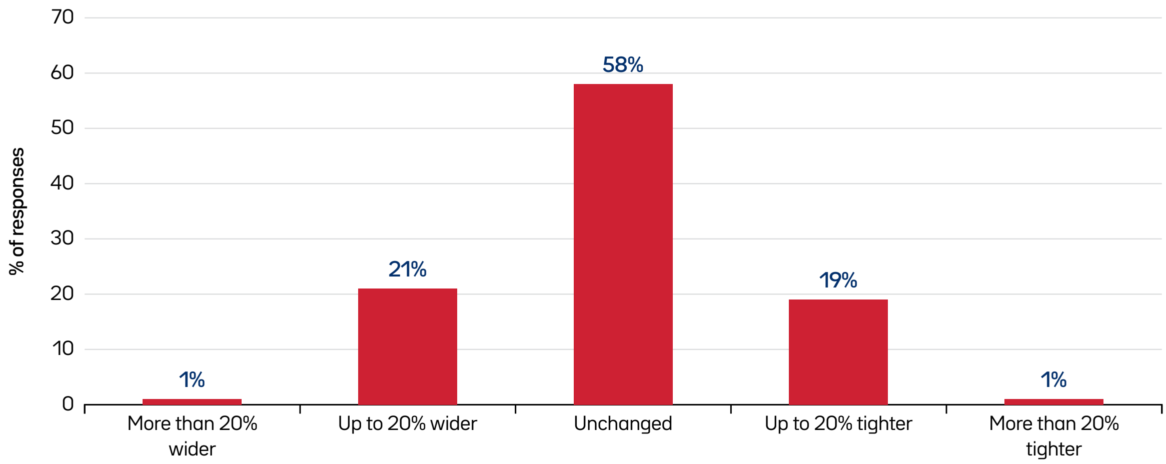



Order books this year are not going to reach their levels in January, when a €1bn covered bond from French issuer Caffil was 10 times subscribed, which was unheard of for a covered bond.

But order books were healthy in the middle and latter part of August when the market reopened before dropping back slightly in early September as the heavy supply of bonds had an effect.

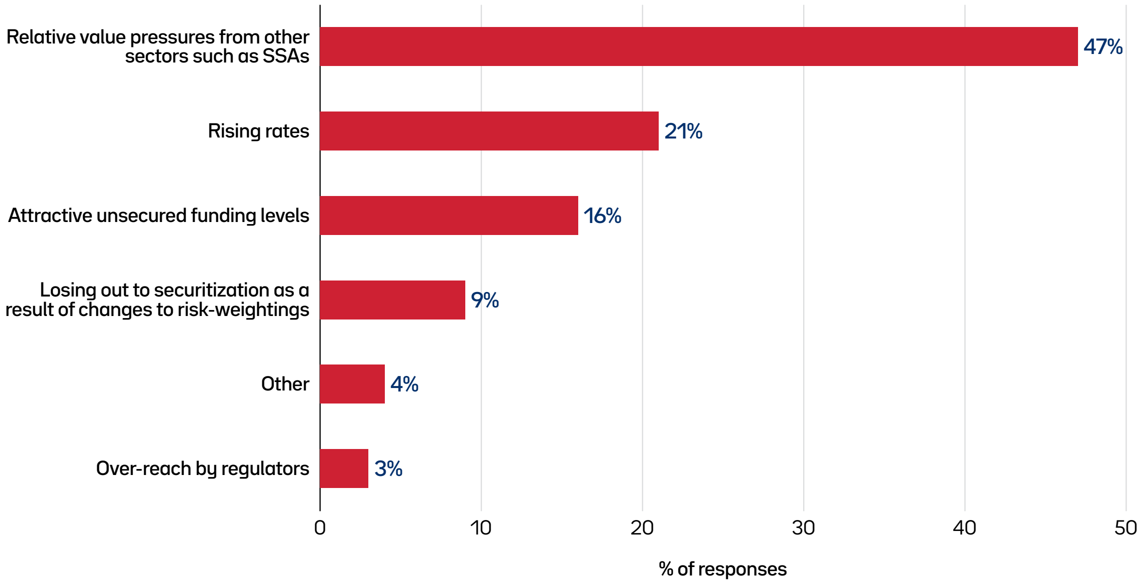
Order books, like new issue premiums and tenors, should normalise in the coming months but further market disruption could affect investor demand and, in turn, order books for the remainder of the year. This sentiment was shared by a majority of survey respondents.

## What will happen to the relative value of euro covered bond spreads to SSAs in 2026/27?



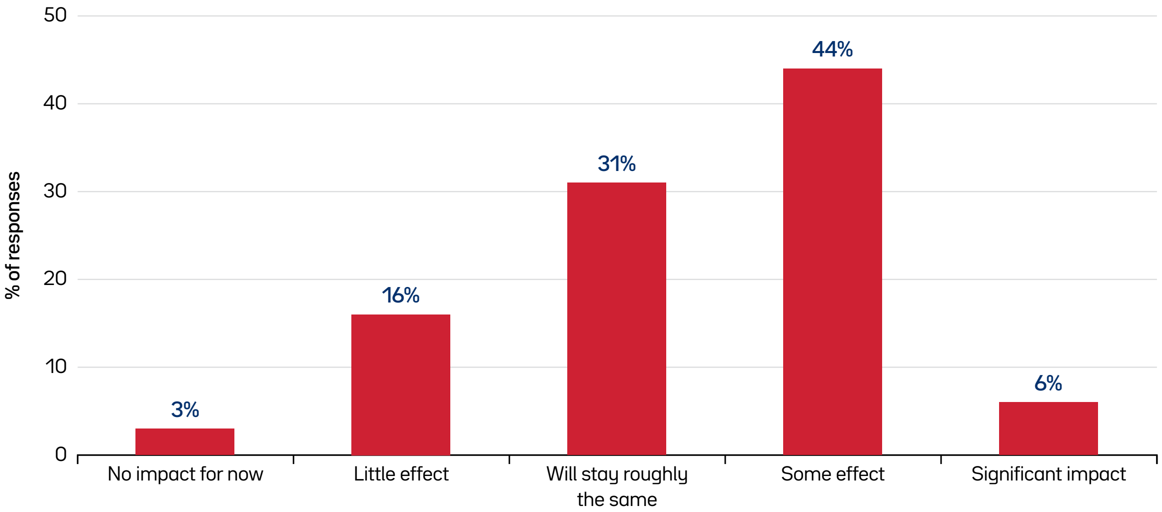

Relative value of covered bonds versus SSAs is the main factor that drives demand from one market to the other. Currently, relative value favours covered bonds over SSAs, particularly in the shorter tenors around five years but this relationship is constantly changing. Over-supply in covereds (which is a real prospect) would make SSAs relatively more attractive but that market has also been busy so this is a feeling shared by many participating in the survey, with only a handful predicting significant changes.

## What is the biggest threat specific to the covered bond market beyond geopolitics over the remainder of the year?




There are various threats to the equilibrium of the covered bond market beyond geopolitics, with the biggest threats identified being from SSAs, rising interest rates and unsecured bank funding. But covered bonds are, of course, widely regarded as a safe haven asset by investors and issuers, meaning demand should remain resilient regardless of market conditions.

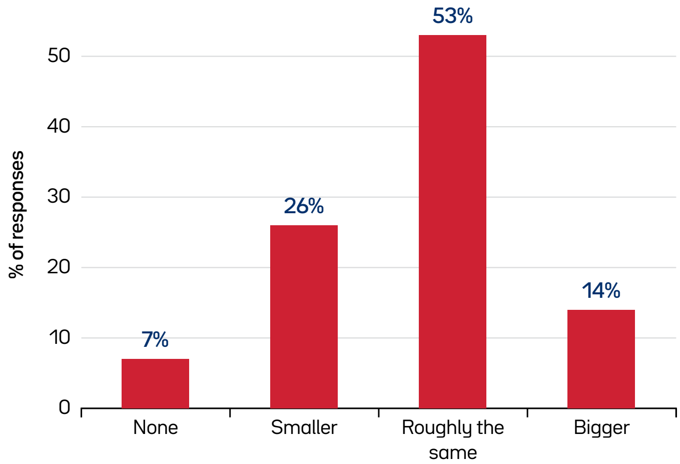
## How much impact do you expect regulation, such as third party equivalence or changes to securitization regimes, to have on covered bond investor demand?



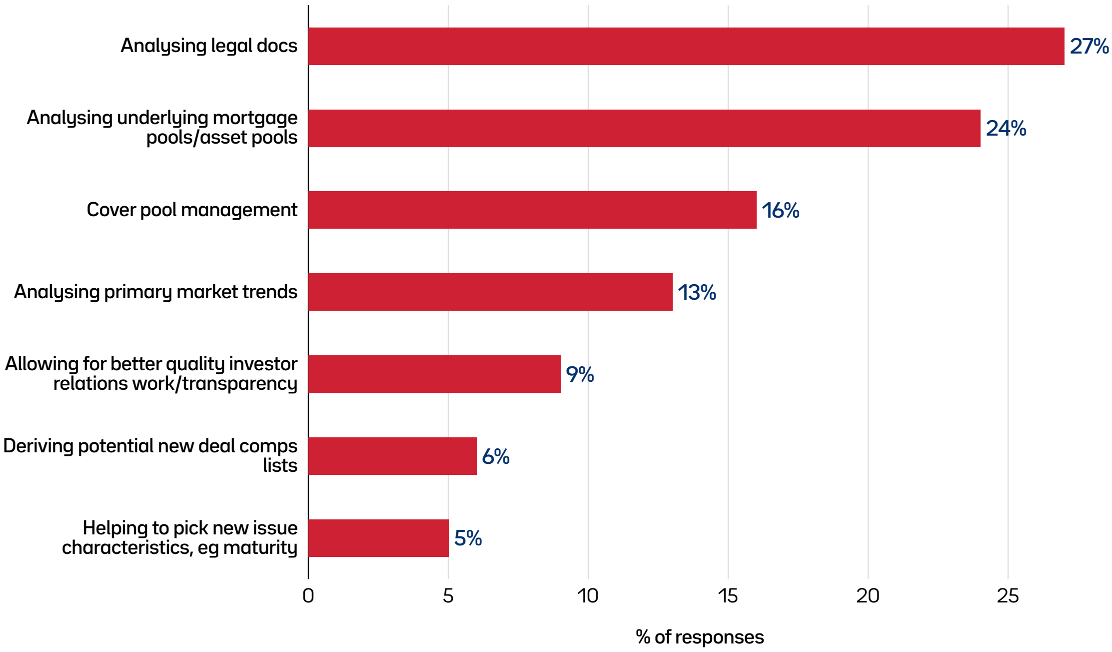

There have been some regulatory breakthroughs for covered bonds this year, principally the immediate prospect of equivalence between Canada and the EU for their covered bonds. While equivalence itself is likely still some years away, progress towards it could begin to be reflected in Canadian covered bond spreads before the regulation actually comes into effect. Almost half of those who responded expect such regulatory changes to have some impact on investor demand.

## What role do you expect hedge funds to play in covered bonds between now and the end of the year?

Hedge funds and other real money investors are an increasingly important investor base for covered bond issuers. They tend to come and go *en masse* depending on the relative value of covereds versus other related asset classes but they are cropping up more and more in order books this year. Like it or not, hedge funds are going to continue to play a significant role in the covered bond market in the near future, a sentiment which is shared by a majority of survey respondents.




## Where will AI bring most benefit to covered bonds?




AI has the potential to revolutionise all financial markets and covered bonds are no different. As the results of the poll suggest, the most likely immediate role for AI is to streamline the management of legal documents and help with the analysis of cover pools. Combined, these factors account for half of the total votes. However, the potential of the technology is vast, and its use is likely to continue evolving in the near future.