Simon Poidevin: Why Kangaroo bonds are bouncing back

By Perpetual
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After a solid two years, the Kangaroo bond market is set to expand further, driven by European and US utilities, according to Perpetual's Simon Poidevin.

- European and US utilities drive AUD issuance
- No currency risk while investors benefit from green transition
- Find out about Perpetual Diversified Income Fund (ASX:DIFF)

In 2025, the Australian dollar (AUD) bond market ranked third globally for issuance, behind only the US dollar and Euro markets. A growing portion of this market consists of Kangaroo bonds - bonds issued in Australian dollars by offshore entities - says Poidevin, a senior credit analyst at Perpetual.

While the sector was previously dominated by governments and banks, corporate issuance has stepped up significantly over the past two years.

“US and European utilities are coming in size and there is a snowball effect, given the success of prior issuance in terms of deal coverage and pricing,” Poidevin says.

Recent issuers include Germany’s EnBW and E.ON, France’s EDF, Spain’s Iberdrola and US NextEra Energy.

Benefits to issuers

Kangaroo bonds offer offshore entities valuable funding diversification. With massive capital expenditure required over the next decade to drive the energy transition in Europe and elsewhere, these bonds are becoming an attractive funding alternative for corporates.

“The AUD bond market is well established, there are solid market fundamentals, and the rule of law is well applied,” Poidevin says.

Australia boasts deep capital markets that provide liquidity for Kangaroo bonds, supported by active investors like Perpetual, superannuation funds, and a growing private wealth sector.

“Historically the Australian bond market has been focused on five-to-seven-year maturities, but over the past couple of years there has been longer tenor of 10 years plus. Longer tenors meet the long-term nature of the underlying asset base of European utilities,” he notes.

Significantly, the local market also offers entities the option of issuing in green formats.

Benefits to investors

Kangaroo bonds provide investors with exposure to European and US assets without cross-currency risk.

“They also enable exposure to the energy transition and green products, which remain relatively limited in the corporate space in Australia,” Poidevin says.
The next 12 months

The Kanga market is poised for growth in 2026. Over the past two years, investor demand has been at least double the volume of issuance, Poidevin says. "The primary reason issuers are coming to our market is diversification of funding."

European utilities, in particular, need to deploy huge amounts of capital to build renewables and grid infrastructure. "They issue in their own currency and in USD, but they will still need other sources of funding," he explains.

"Treasury teams across Europe and the US are likely talking to each other recommending the AUD market on performance and execution, and it will have a snowballing effect."

About Simon Poidevin and Perpetual's credit and fixed income team

Simon Poidevin is senior manager research within Perpetual's credit and fixed income team. He manages the team's analysts and research process across the corporates, infrastructure and utilities sectors.

Find out more about ASX-listed Perpetual Diversified Income Fund (ASX:DIFF) here or the managed fund here.

Want to know more? Contact a Perpetual account manager

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