



Primary Market developments

H1 2022

- EUR Public Sector -

Bond Market Contact Group

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Siegfried Ruhl, HCA, DG BUDG

H1 2022 – the semester of increase

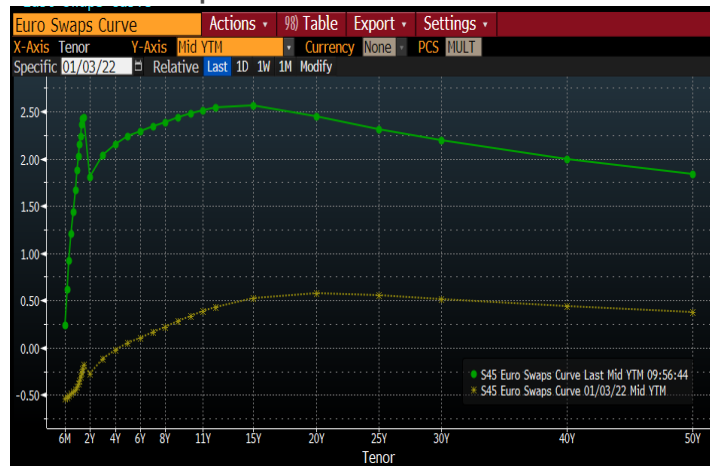
Increased:

- geopolitical risks caused by the war in Ukraine
- supply chain issues due to war and lockdowns in China
- energy prices
- Inflation



- CBs are stopping QE and start hiking rates
- Bear flattening with inverted curve at the long end
- 10y swap 215bp up,
- Flight to quality AND liquidity -> decoupling of EGB and SSA market

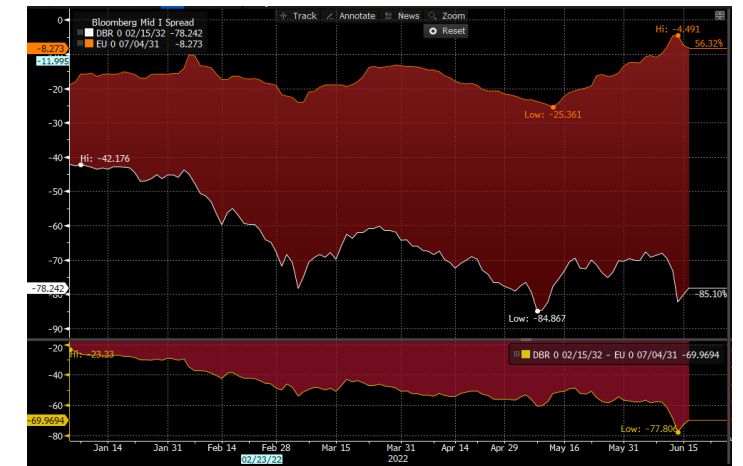
EUR Swapcurve since Jan 22



5/10 + 10/30 Swap



I-Spread EU + Bund



Source: Bloomberg

What do investors say?

- Secondary market liquidity dropped
- Flight to quality AND liquidity
- Sweetspot at the long end moved to 15y
- Positive yields make short end more attractive for non-EA CBs
- Long end above 2% attractive for some real money investors

Primary Market

Funding Progress

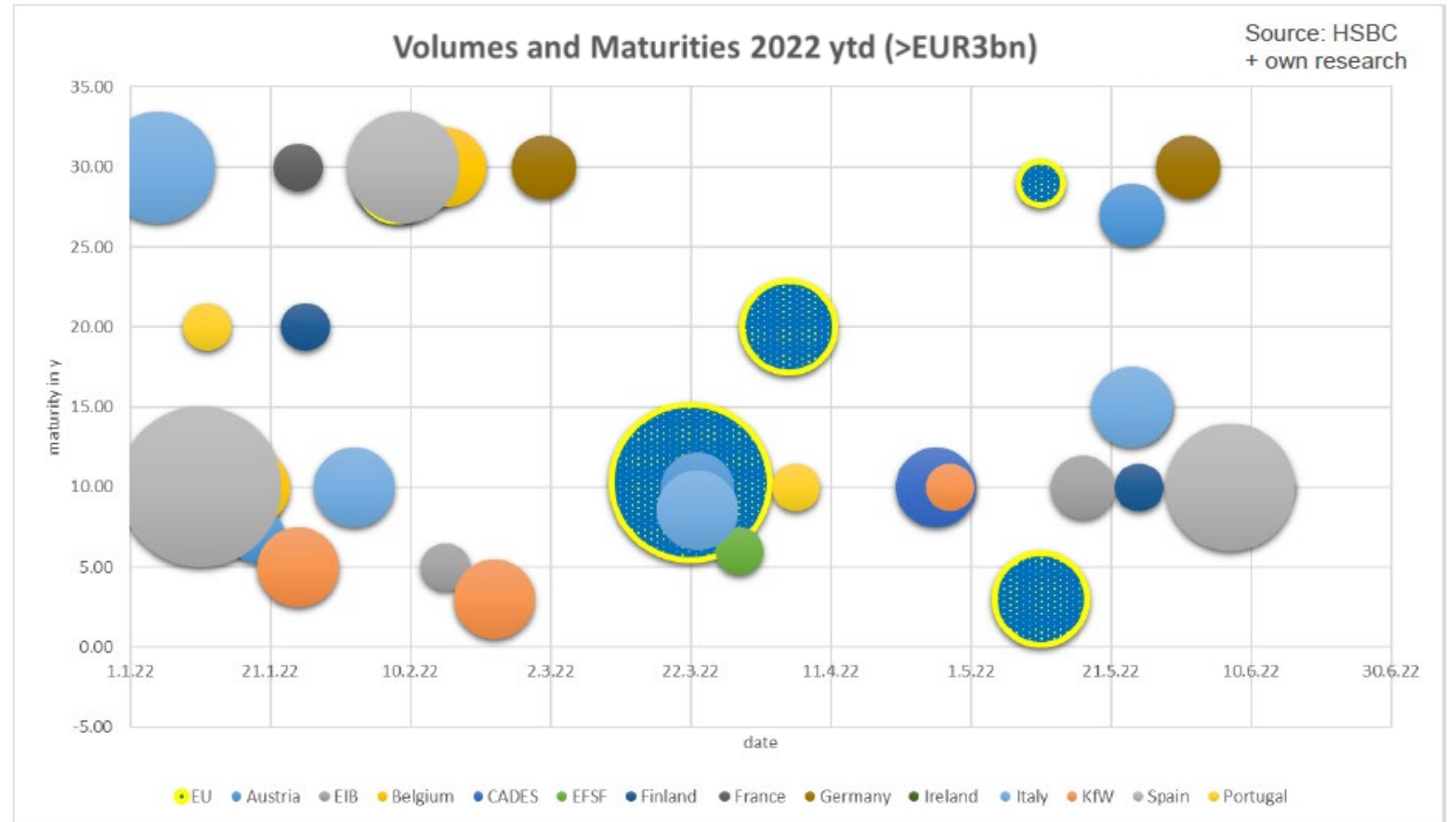
- By end of May 2022, around 45% of sovereign funding raised
- Progress slightly behind last year (because of markets?)

	Projected 2022 gross bond funding €bn	YTD gross bond funding 2022, €bn	% of 2022 gross bond funding complete	pp difference in gross bond funding completion vs last year	Projected 2022 net bond funding €bn	Estimated net bond funding remaining €bn	Projected 2022 net t-bill funding €bn	Estimated net t-bill funding remaining €bn
	A	B	C = (B/A)					
Germany	225	94	42%	-1%	58	20	-25	-12
France	290	138	48%	-1%	145	96	0	0
Italy	315	123	39%	-13%	85	27	-3	0
Spain	148	75	51%	-1%	85	54	-5	-3
Belgium	44	23	51%	4%	15	6	2	1
Netherlands	45	25	55%	4%	14	5	0	0
Portugal	18	9	50%	-26%	5	-3	3	0
Finland	17	10	58%	-1%	7	2	0	-2
Austria	40	24	61%	8%	13	-3	0	0
Greece	12	5	42%	-23%	8	3	-1	0
Ireland	14	6	41%	-23%	2	3	0	0
Slovakia	6	2	39%	-22%	3	3	0	0
Slovenia	5	3	50%	-17%	3	2	0	0
Total	1179	536	45%	-4%	443	216	-29	-16

Source: National Treasuries, Bloomberg, Barclays Research

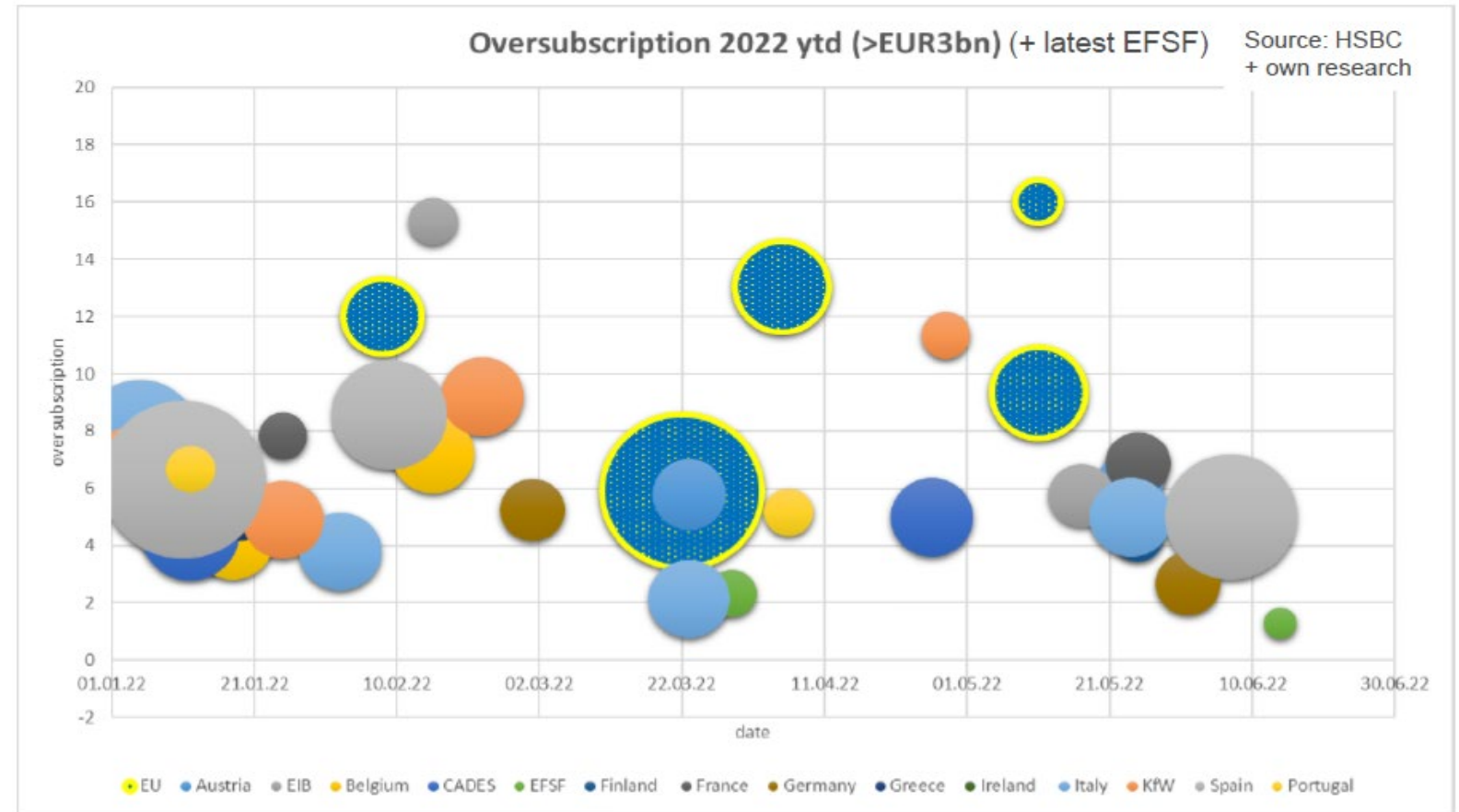
Volumes and Maturities

- Reduced activity in the long end in Q2
- Slight shift to shorter maturities in Q2



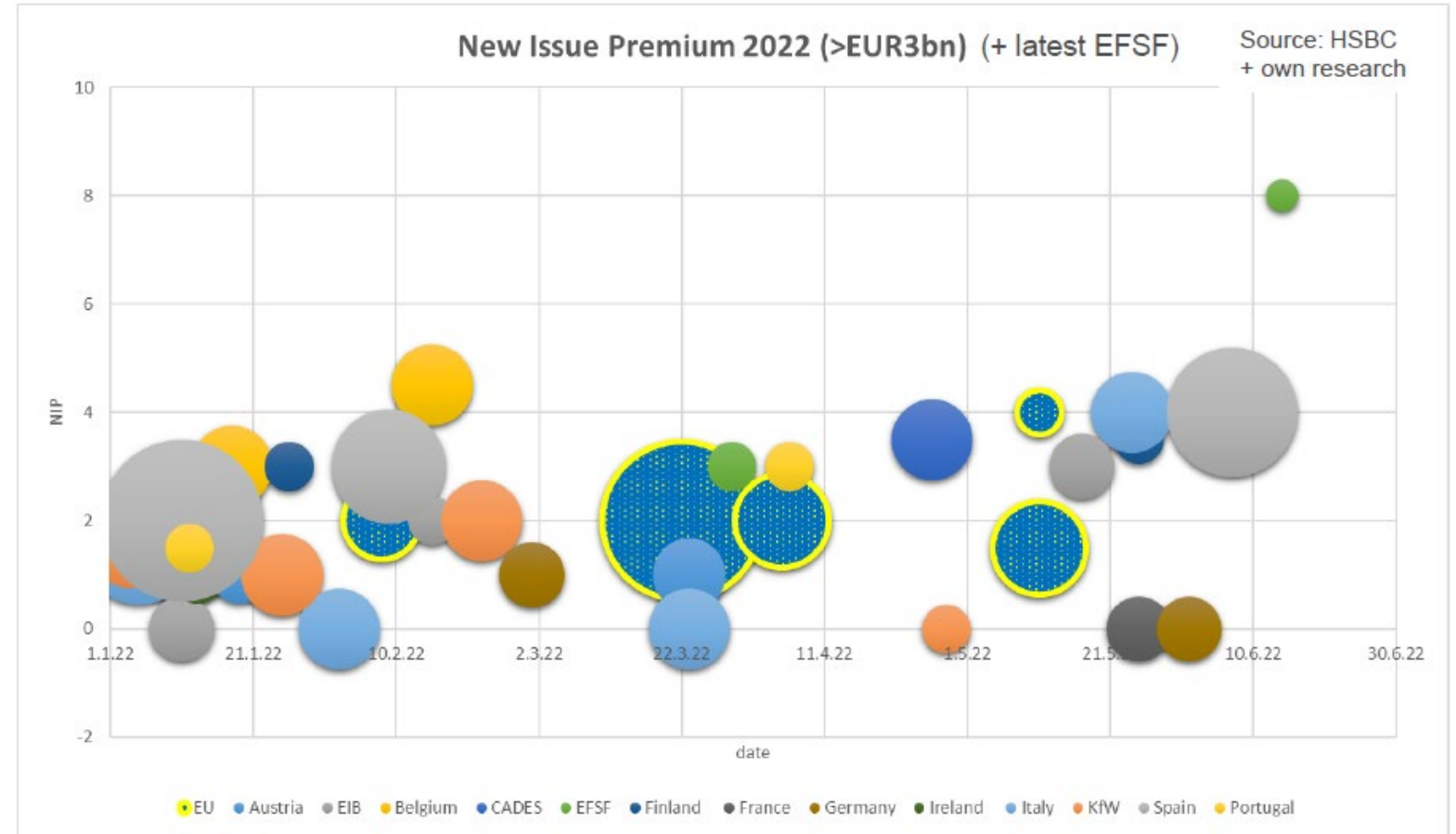
Oversubscription

- Reduced deal sizes and shorter maturities kept oversubscription solid
- HF much less active in primary market



New Issue Premium

- Despite reduced deal sizes and shorter maturities, NIP tends to increase
- lower quality of screen-prices in less liquid markets increase „optical“ NIP



For discussion

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- Is the decoupling EGB / SSA market also impacted by reduced QE (relative share of SSA purchases was higher compared to EGB)?
- Is dealer capacity sufficient for a market with still high volumes of supply yet without QE net-purchases? (market volume has grown, QE so far compensated)
- By end of May 2022 only around 50% of public sector funding was raised, still with some QE support. The remaining 50% need to be raised without QE net-purchases, what are the consequences for spreads, curve, yields?

Thank you



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