Recent developments in the euro bond markets

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ECB monetary policy actions and other announcements

29 June 2012
• Decisions towards strengthening the framework of the EMU

5 July 2012
• 25 bps cut of ECB interest rates bringing the rate of the deposit facility to zero

26 July 2012
• Speech by President Draghi at the Global Investment Conference in London

2 August & 6 September 2012
• Announcement and technical features of Outright Monetary Transactions (OMTs)
• Collateral availability measures
Some 2-year euro area government bond yields since June 2011

Evolution for periphery bonds

Evolution for core & semi-core bonds

Source: ECB, Bloomberg
Some 10-year euro area government bond yields since mid 2011

Evolution for periphery bonds

Evolution for core & semi-core bonds

vLTRO allotments  Draghi’s speech

Source: ECB, Bloomberg
Selected intra euro area bond spreads against Germany (10-year maturity)

Source: Bloomberg
Selected euro area government Credit Default Swaps (5-year)

Source: Bloomberg
Issuance pattern Spanish and Italian government bond auctions

Italian auction pattern - mid january

Spain auction pattern - mid january

Source: Bloomberg, Tesoro websites, ECB
Asset swap spreads per asset class since January 2009 (bps)

Source: Markit

Note: The data shown are Market iBOXX EUR benchmark indices. The iBoxx EUR indices include only euro and legacy currency denominated bonds. The issuer's domicile is not relevant. Sovereign is defined as bonds issued by central governments in their domestic currencies. Sub-sovereign is defined as bonds issued by local governments and bonds guaranteed or issued by entities guaranteed by the governments such as government agencies, public banks or supranational entities. Covered is defined as bonds that fulfil the criteria specified in UCITS 22.4 or similar. In addition, other bonds with a structure affording an equivalent risk and credit profile, and considered by the market as covered bonds, will be included in the iBoxx covered bond indices.
Source: Markit
Note: The data shown are Market iBoxx EUR benchmark indices. The iBoxx EUR indices include only euro and legacy currency denominated bonds. The shown indices are composed of investment-grade covered bonds denominated in euro, categorised according to the selected jurisdictions.
Euro area corporate issuance since 2012

Corporate issuance since 2012 (public, size > EUR 500 mn)

Source: Dealogic, ECB calculations
Potential issues for discussion

1. Assessment of current euro area government bond valuations and key drivers going forward

2. Assessment of the impact of the OMT announcement on the transmission of monetary policy into the various bond market segments:
   • Sectors which remain the most impaired
   • Potential alternatives for restoring market activity in these sectors

3. Assessment of the degree of market access of programme countries and expectations for the future