Euro area funding challenges for 2014

ECB Bond Market Contact Group
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Key issuance themes for 2014

(1) Sovereigns: Lower net and gross bond issuance – but not for all issuers alike. New challenges for the periphery!

(2) SSAs: Stabilisation at lower levels

(3) Financials: Covered bond market contracting further. Senior net issuance turning positive again. ABS still languishing
Euro area goovies: Gross supply to fall by some €25bn to €885bn

Gross bond issuance in € bn and 2014 Commerzbank forecast*

* All figures including €-denominated issuance via linkers, FRNs, excluding private placements (PP) and retail bonds (exception: Italy)

** Including issuance via BTPs, BTPeis, CCTs and CTZs and BTP Italia

Source: Commerzbank Research
Largest reduction comes from Germany!

Change in 2014 gross bond issuance in € bn and % vs 2013*

* All figures including issuance via linkers, FRNs and non-euro denominated debt, excluding private placements (PP) and retail bonds (exception: Italy)

** Including issuance via BTPs, BTPeis, CCTs and CTZs and BTP Italia

Source: Commerzbank Research
Italy and Spain closing the duration gap

Avg. adj. duration of outstanding debt (>1y)

Source: Commerzbank Research
SSAs: Steady gross supply, subdued net supply

Gross bond issuance in € bn and 2014 Commerzbank forecast

Source: Commerzbank Research
Covered bonds: Market continues to shrink

Issuance and outstanding volumes in € bn

Source: Commerzbank Research
Financials: Refinancing volumes appear manageable

Maturities of senior unsecured European bank bonds in € bn

Source: Dealogic, Commerzbank Research
ABS: Languishing amid lack of new loans and regulatory constraints

Securitisation issuance in Europe in US$ mn

*2013 is Q1-Q3

Source: Sifma, Commerzbank Research
Discussion points

• How much of a funding challenge are sovereigns facing from less preferential regulatory treatment?
• How can peripheral bond markets cope with banks further unwinding their ECB LTRO carry trades?
• Will the accelerated bail-in rules pose a problem for senior unsecured issuance?
• Is the covered bond market at risk from Level-2 classification?
• How can the ABS market be revived?
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