BOND MARKET CONTACT GROUP

Review and outlook of the euro area bond market developments

14th February 2023
WHAT HAPPENED SINCE NOVEMBER?

EUR Swap Levels across tenors

EUR Swap Curves 2s10s-5s30s

Source: Bloomberg, ESM
Swap spreads moved tighter...

... a move mostly expressed in the bills space, but

... swap spread curves are still far from normal.
ISSUANCE CONDITIONS

January EUR Syndicated Issuance and Oversubscription

Weighted Average Maturity (WAM) Of EUR January Issuance

Source: ESM
WHO IS BUYING?

EGBs January EUR by Investor Type

SSAs January EUR by Investor Type

Source: ESM
DISCUSSION POINTS

- From terminal rates to terminal balance sheet size
  - What would be the level of excess liquidity to trigger concerns regarding secondary market functioning?
  - Would a more prolonged overlap of rate hikes and balance sheet reduction, than currently discounted, augment such concerns?

- Supply takedown
  - Can issue sizes stay where they are in second half of 2023 in the event of change in macro and rates outlook from the current one?
  - Who will emerge as marginal buyer in the future?
  - Do we expect differences between jurisdictions and across asset classes?
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