



# **Euro area funding challenges for 2014**

**ECB Bond Market Contact Group**

21 January 2014

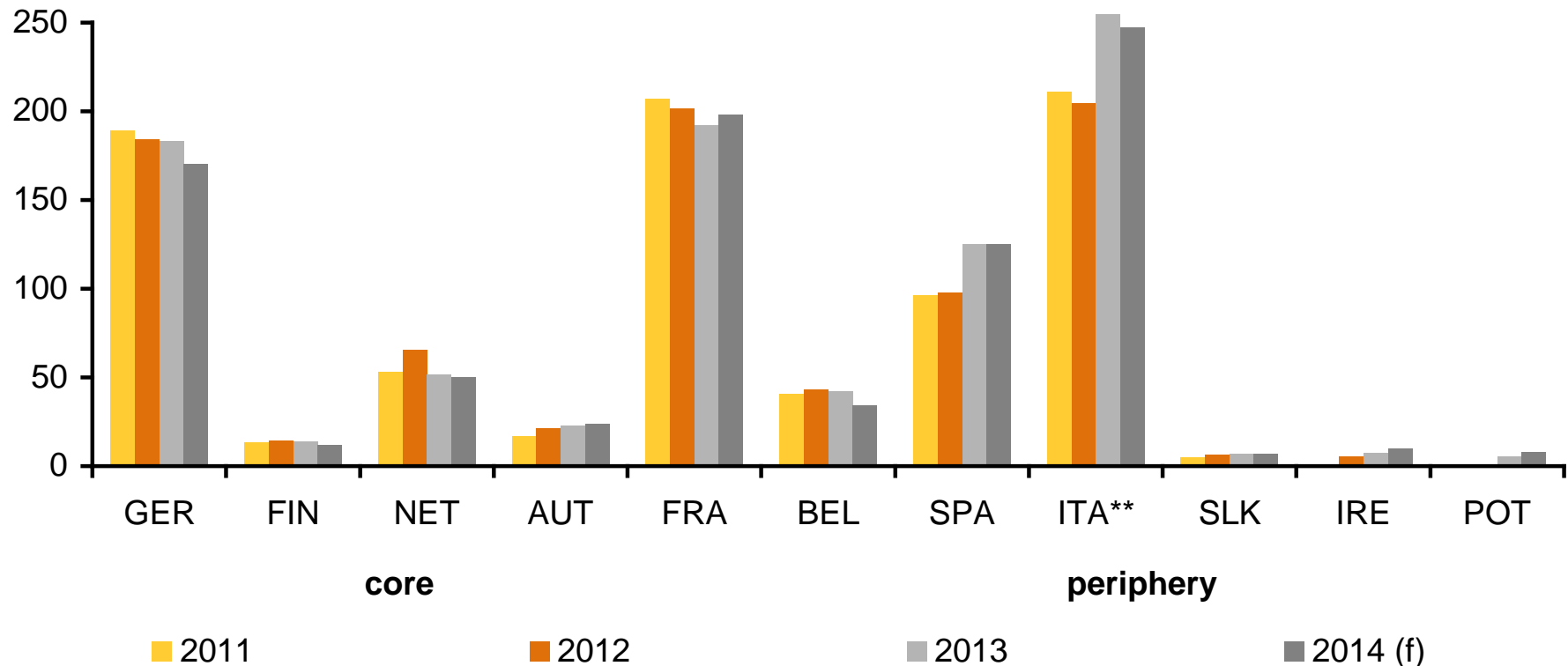
## Key issuance themes for 2014

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- (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 govies: Gross supply to fall by some €25bn to €85bn

Gross bond issuance in € bn and 2014 Commerzbank forecast\*



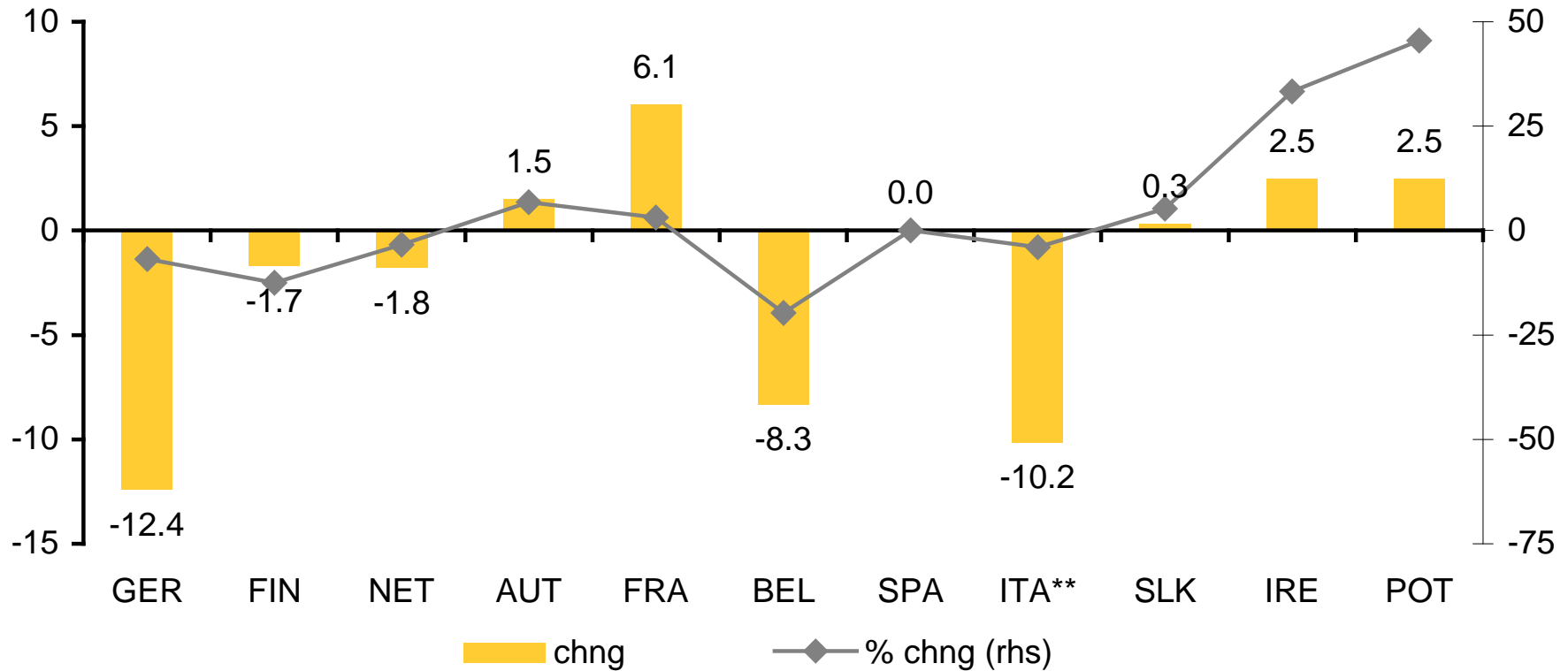
\* All figures including €-denominated issuance via linkers, FRNs, excluding private placements (PP) and retail bonds (exception: Italy)

\*\* 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\*



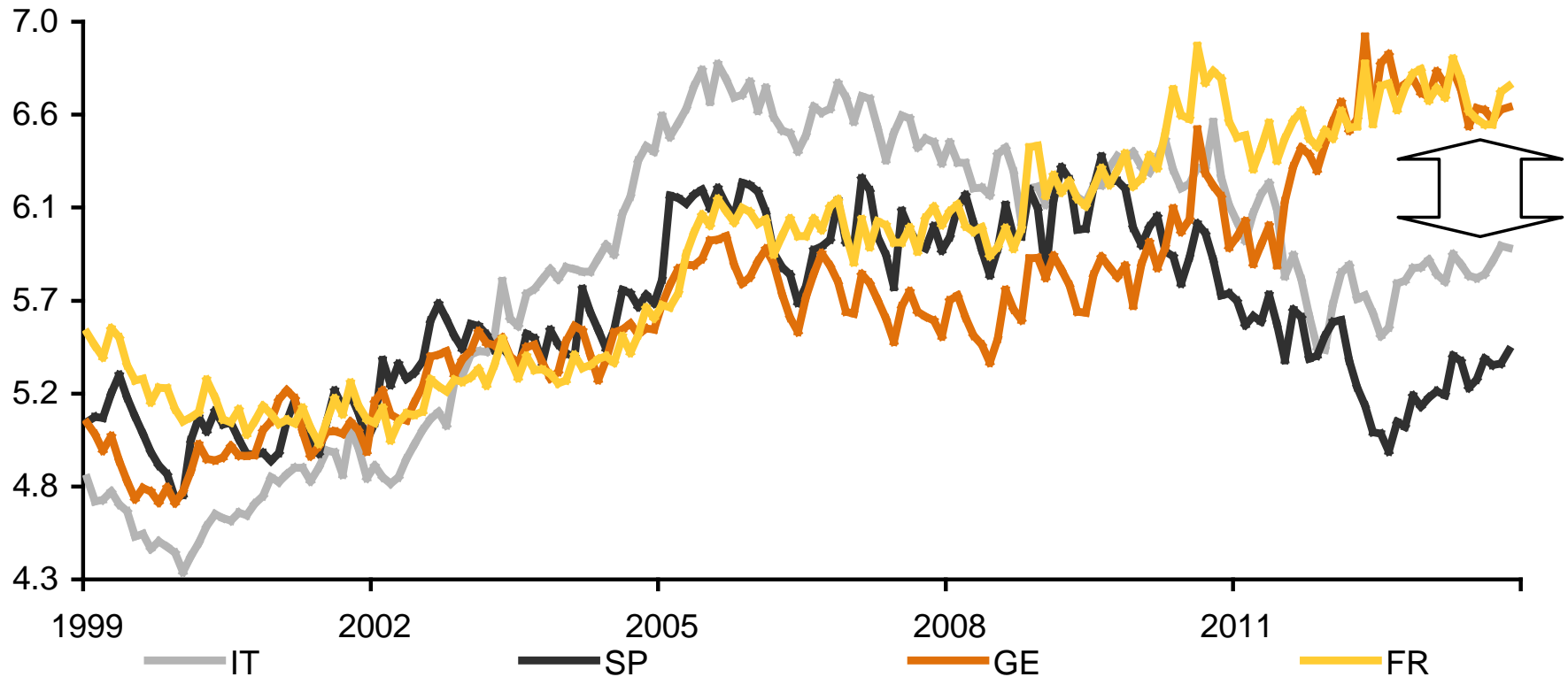
\* All figures including issuance via linkers, FRNs and non-euro denominated debt, excluding private placements (PP) and retail bonds (exception: Italy)

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

Source: Commerzbank Research

# Italy and Spain closing the duration gap

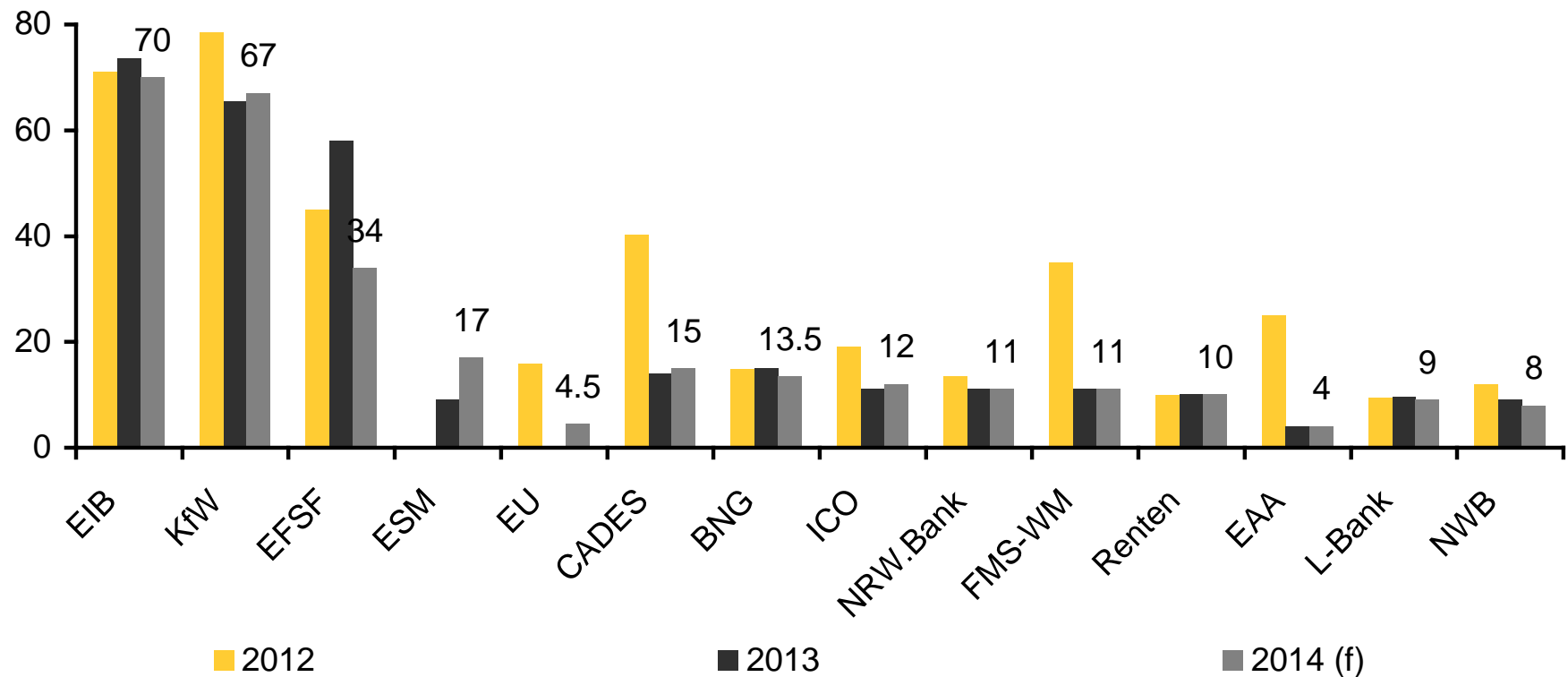
Avg. adj. duration of outstanding debt (>1y)



Source: Commerzbank Research

## SSAs: Steady gross supply, subdued net supply

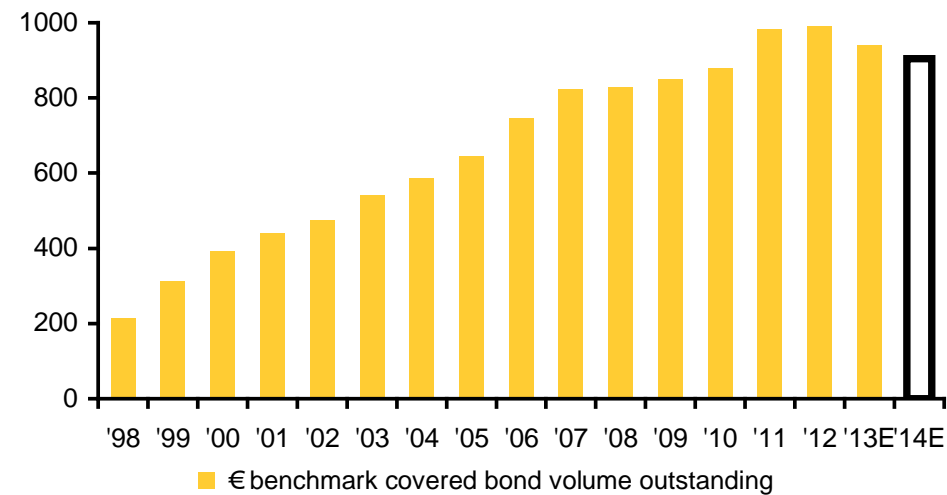
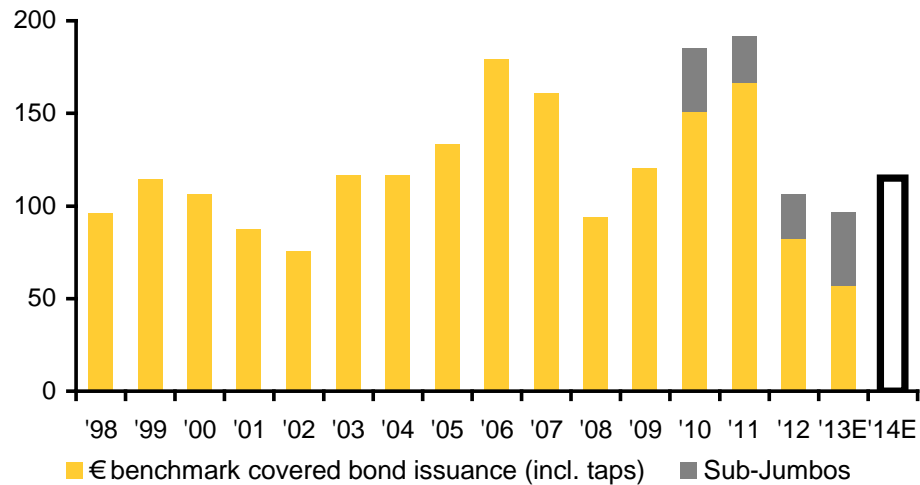
Gross bond issuance in € bn and 2014 Commerzbank forecast



Source: Commerzbank Research

# Covered bonds: Market continues to shrink

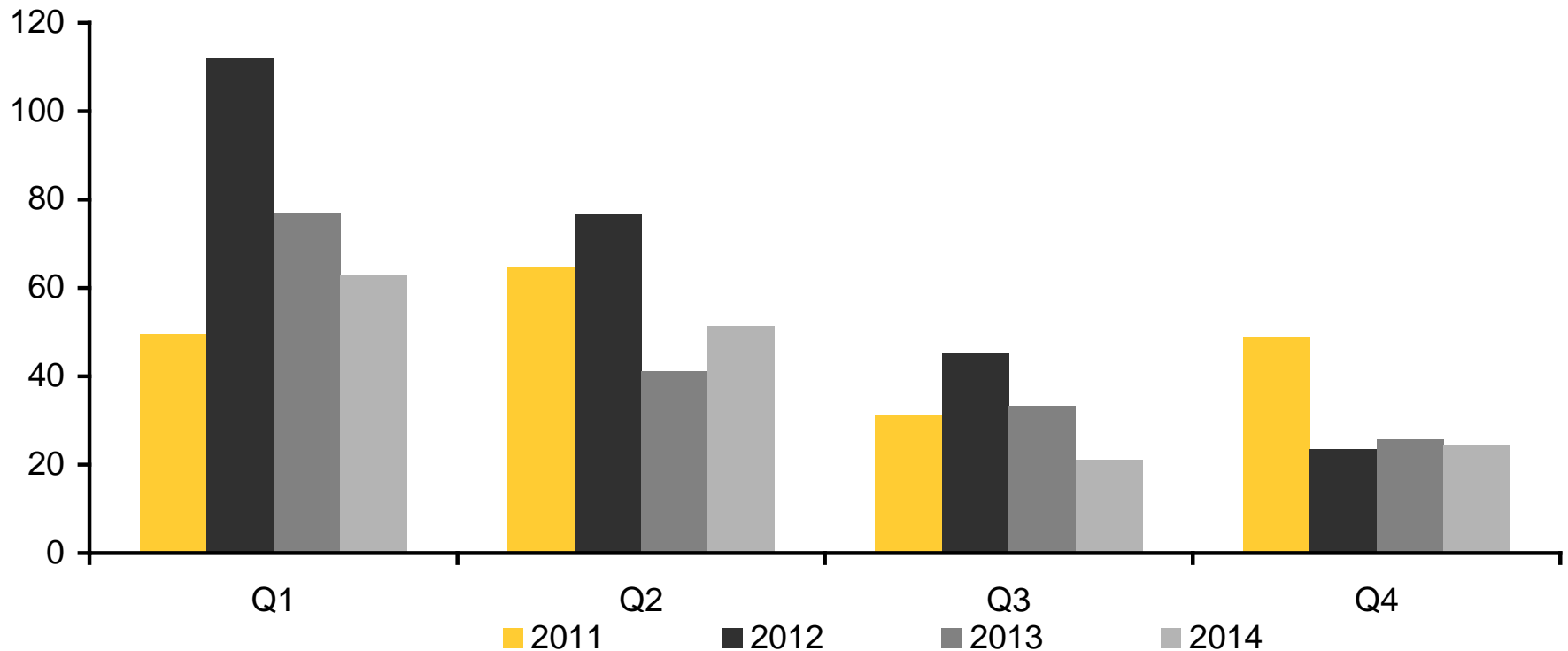
Issuance and outstanding volumes in € bn



Source: Commerzbank Research

## Financials: Refinancing volumes appear manageable

Maturities of senior unsecured European bank bonds in € bn

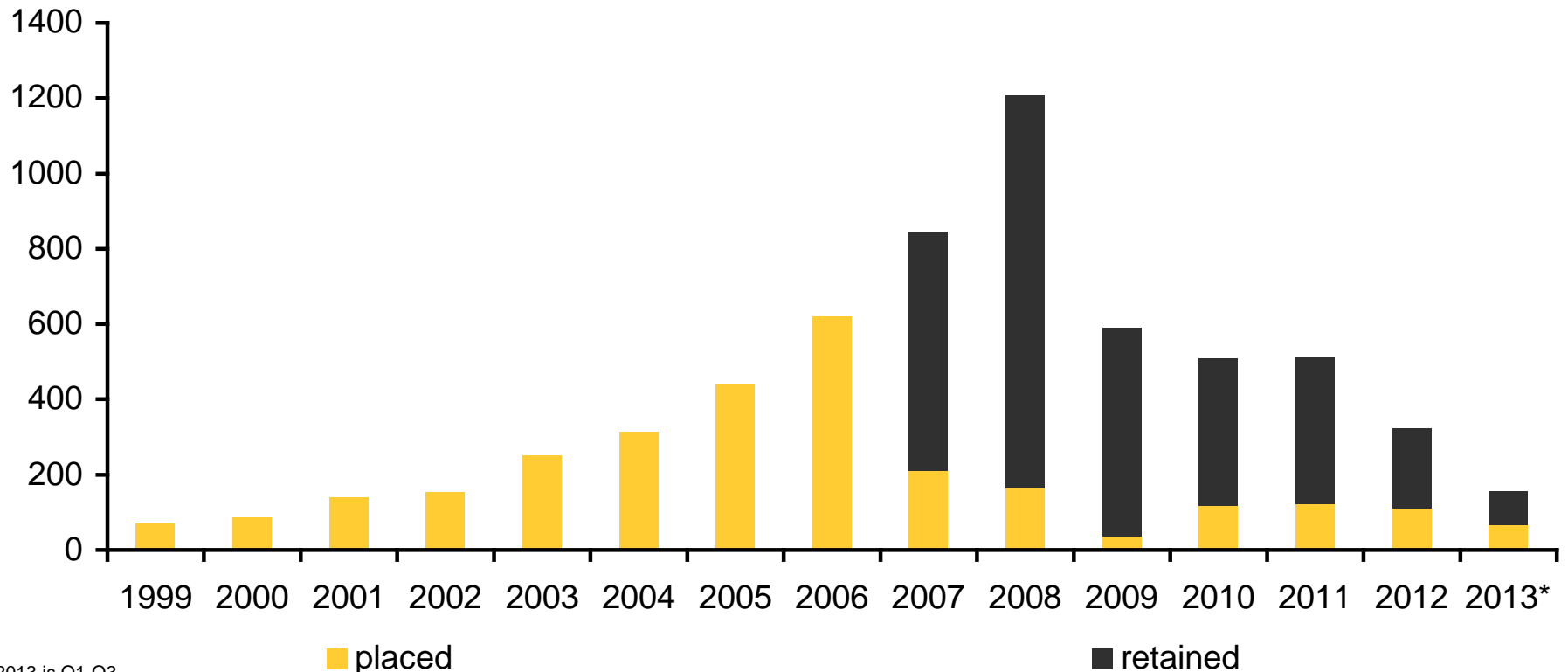


Source: Dealogic, Commerzbank Research



# ABS: Languishing amid lack of new loans and regulatory constraints

Securitisation issuance in Europe in US\$ mn



Source: Sifma, Commerzbank Research

## Discussion points

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- 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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