



EUROPEAN CENTRAL BANK

EUROSYSTEM

Bryan Gurhy
DG-M/BMI

Euro area Debt Management Office issuance dynamics

ECB's Bond Market Contact Group

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The views expressed are those of the presenter and do not necessarily reflect those of the ECB.

Overview

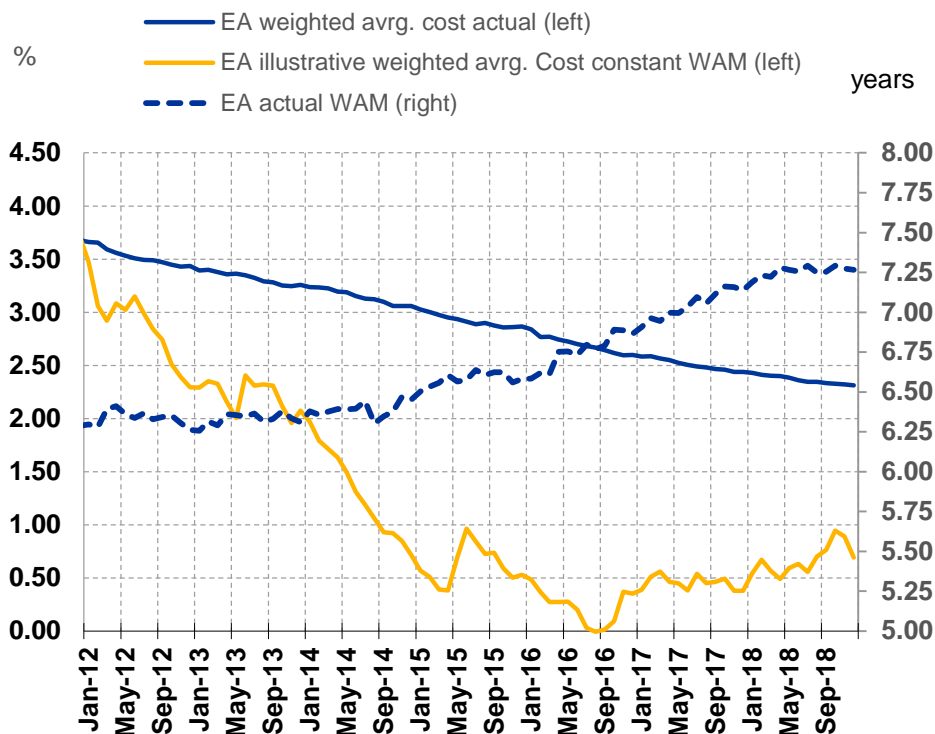
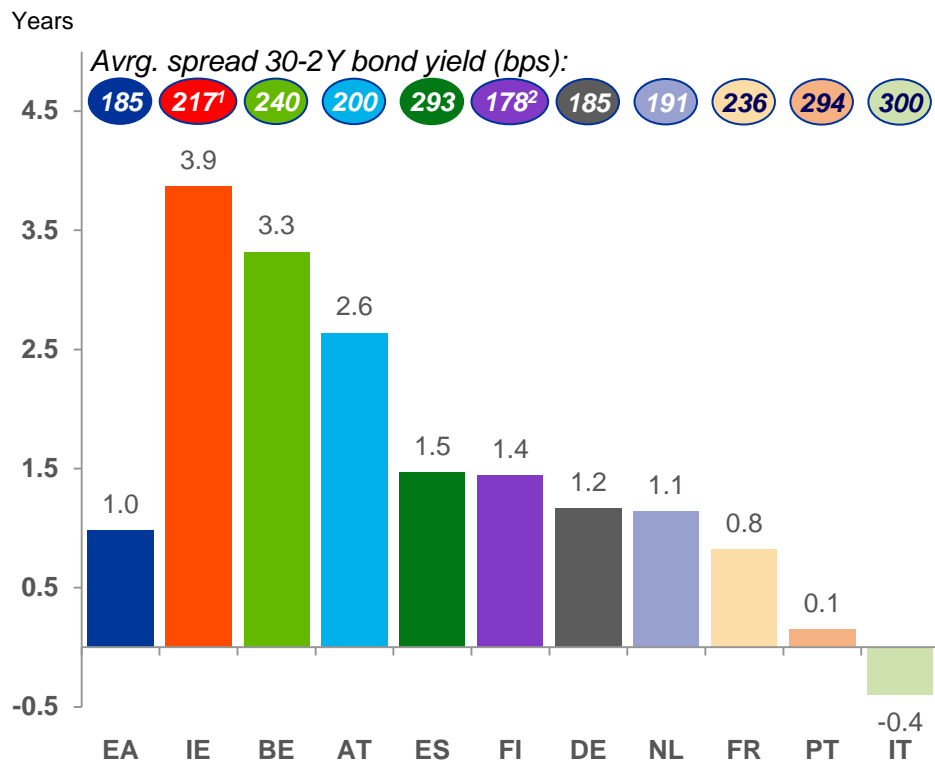
1. DMO maturity extension
2. Government debt issuance profiles (DE, ES, FR, IT)
3. Government bond auction and syndication dynamics
4. Issuance outlook 2019

Debt Management Offices extended issuance maturities

DMOs leaned steadily towards long-term financing: lower term premiums changed cost-risk trade-off

Change in average residual maturity of government debt, since 2012

Weighted average maturity (WAMs) increased and interest rates declined



Source: ECB SDW, change in average residual maturity between 1 January 2012 and 1 December 2018

Source: ECB SDW, last value date 1 December 2018

Notes:

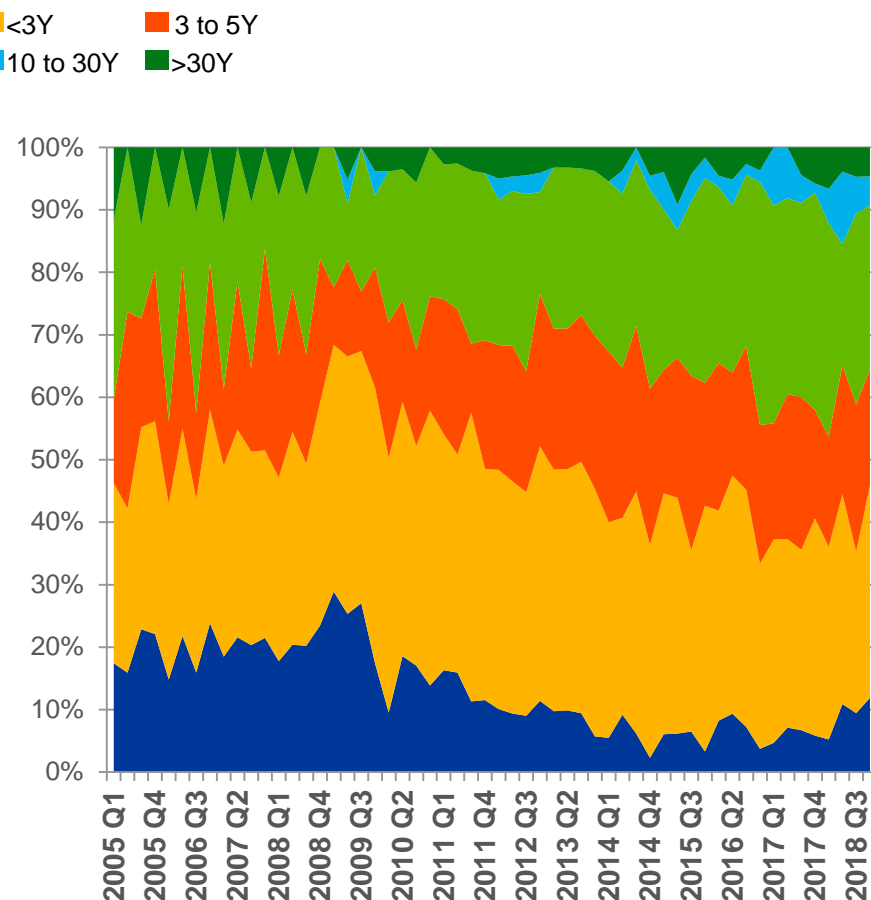
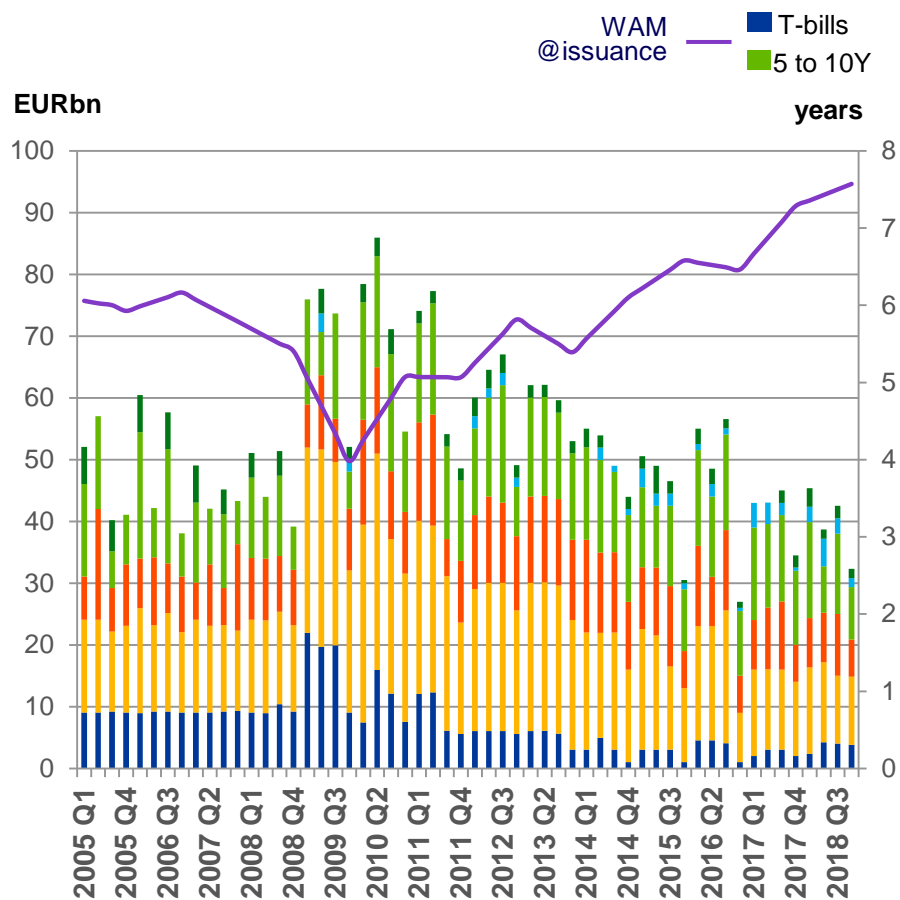
1 Average spread 30-2Y between 28 February 2015 to 31 December 2018

2 Average spread 30-2Y between 31 October 2013 to 31 December 2018

Finanzagentur concentrated on benchmark issuance, prioritising liquidity and predictability

Nominal issuance volume, government securities

Issuance decomposition by segment



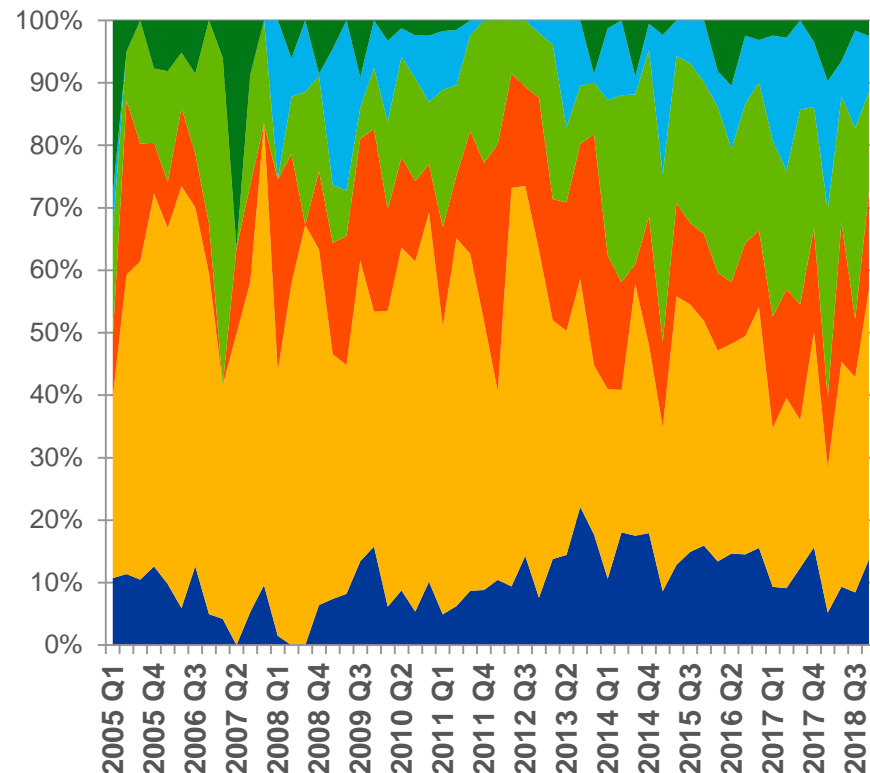
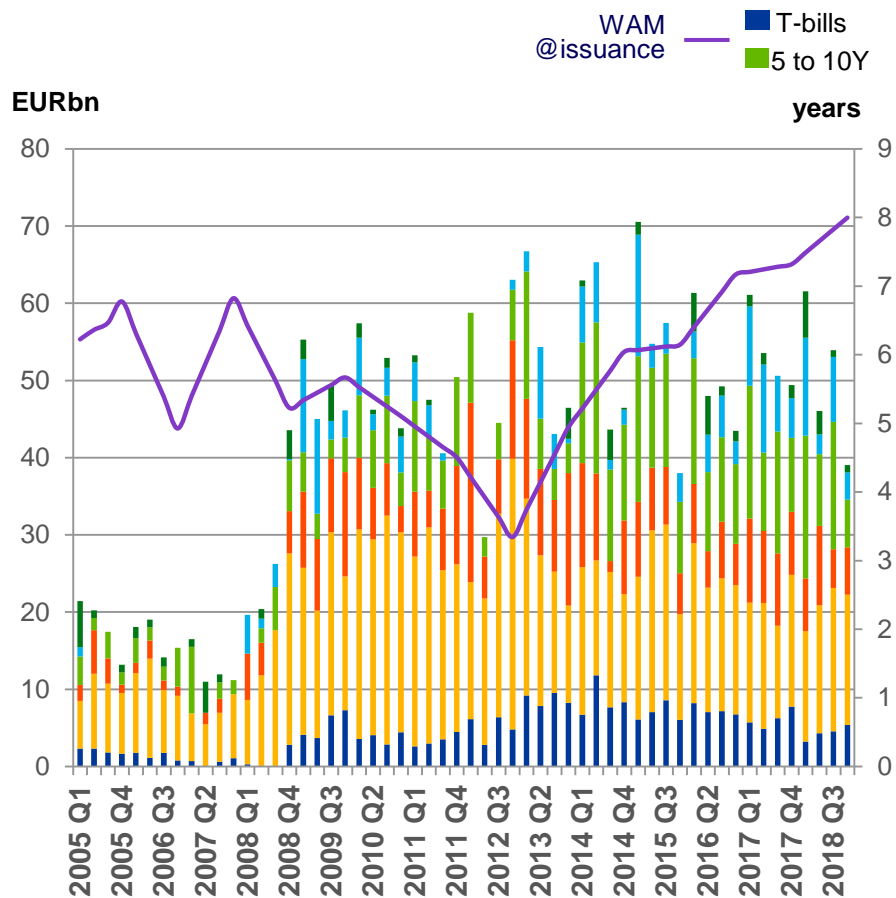
Source: German Finance Agency, Bloomberg, ECB calculations.

Notes: Issuance volume expressed in nominal terms. BUBILL volume has been adjusted to account for high roll-over frequency of T-bills to guarantee consistency between issuing countries.

Spanish Tesoro became a large issuer in 2008 – widening and deepening its investor base and lengthening its issuance

Nominal issuance volume, government securities

Issuance decomposition by segment

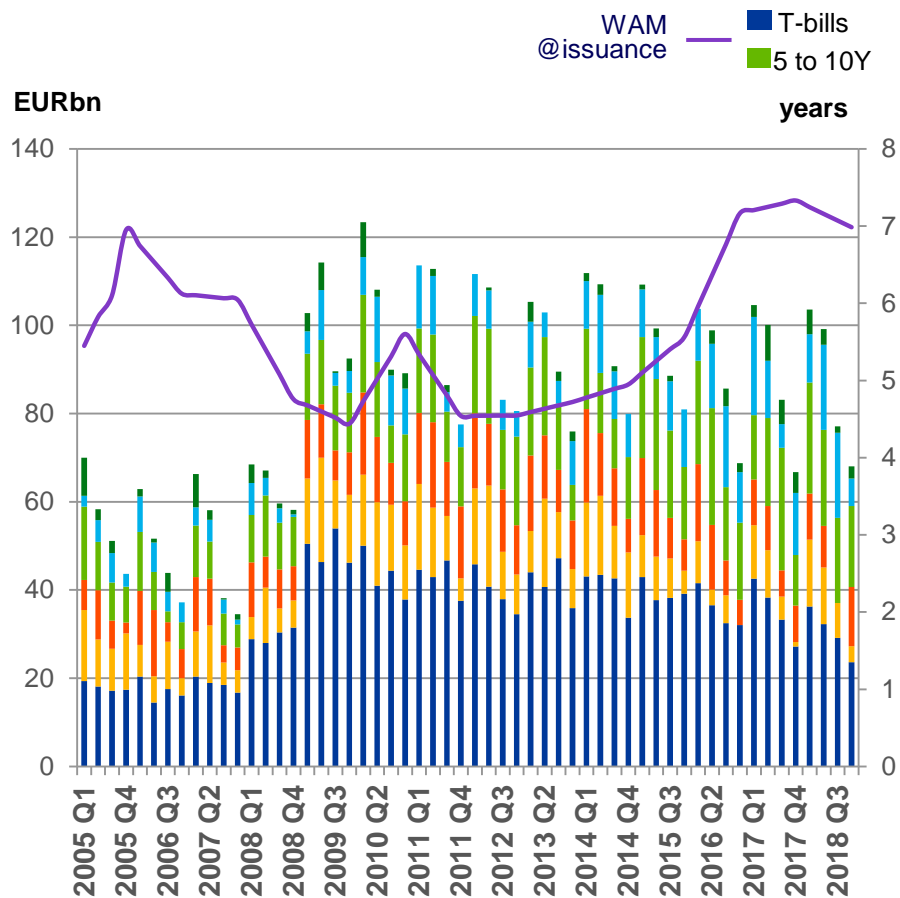


Source: Public Treasury of Spain, Bloomberg, ECB calculations.

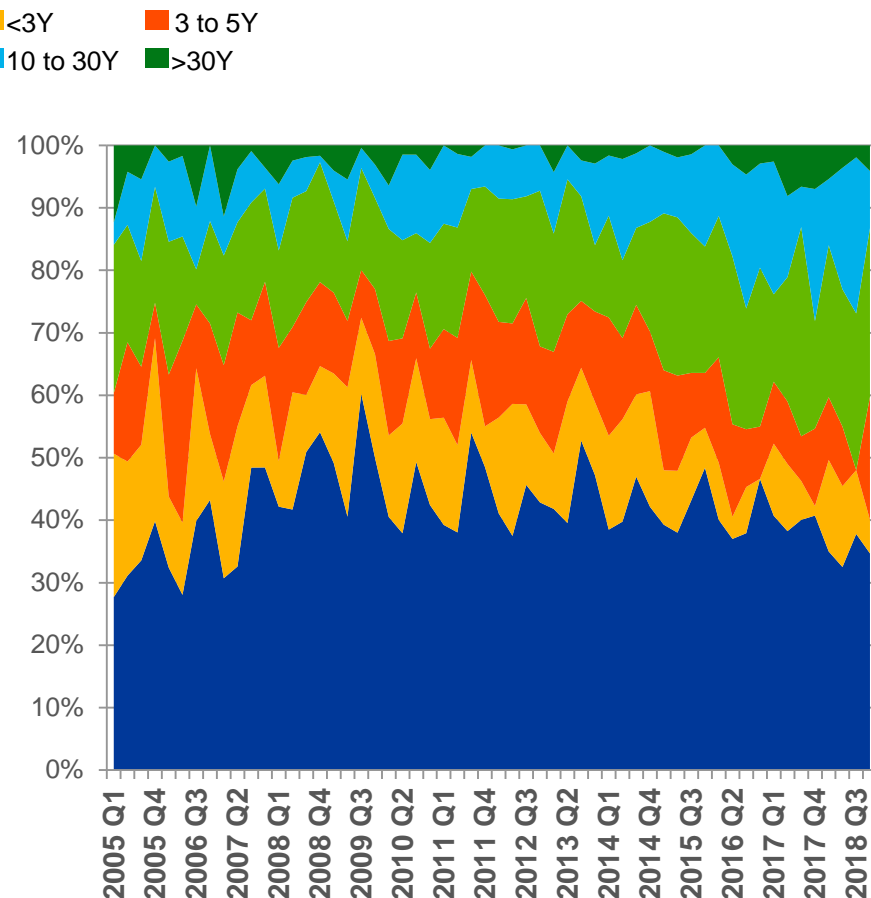
Notes: Spanish Letras volume has been annualised to account for high roll-over frequency of T-bills to guarantee consistency between issuing countries.

French AFT maintains a flexible issuance strategy to adapt to market conditions effectively

Nominal issuance volume, government securities



Issuance decomposition by segment



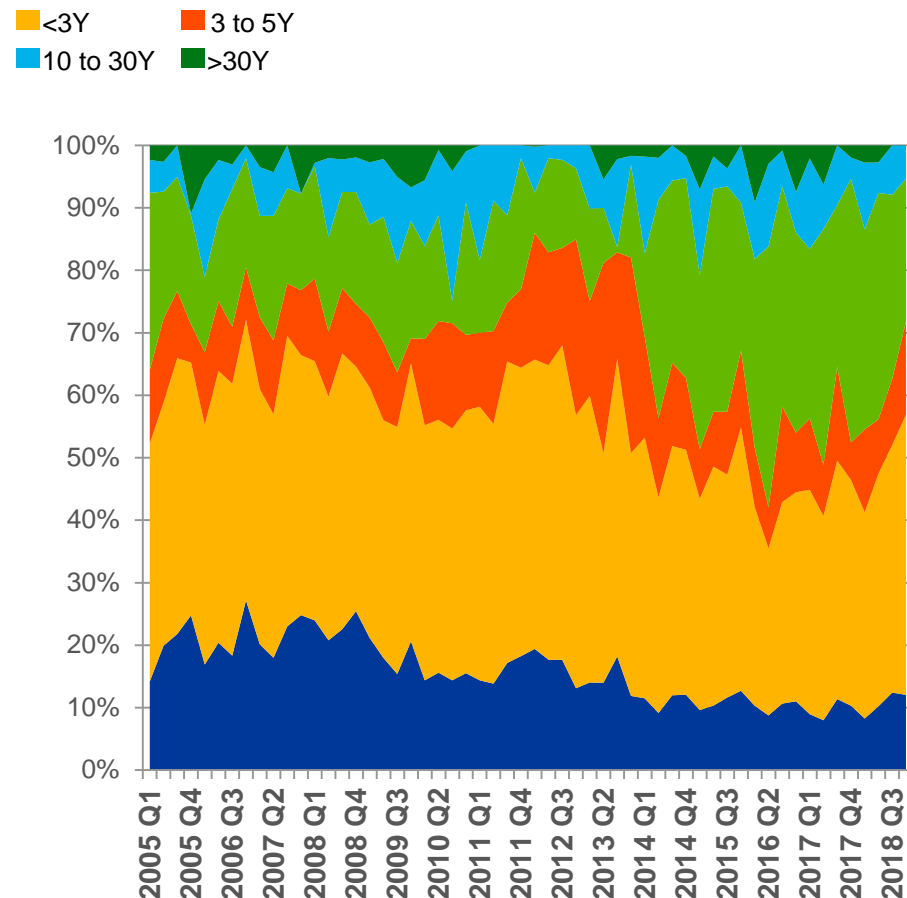
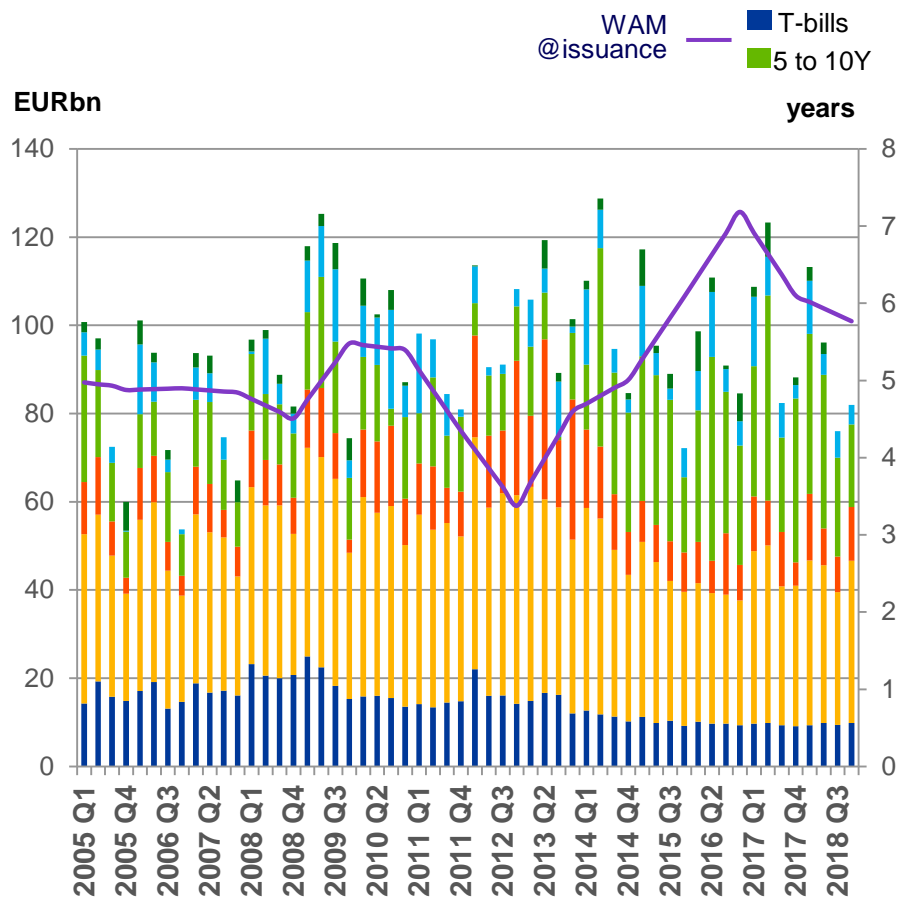
Source: French Treasury Agency, Bloomberg, ECB calculations.

Notes: BTF volume has been annualised to account for high roll-over frequency of T-bills to guarantee consistency between issuing countries.

Italian Tesoro ensures predictability and regularity of issuances in all main segments

Nominal issuance volume, government securities

Issuance decomposition by segment



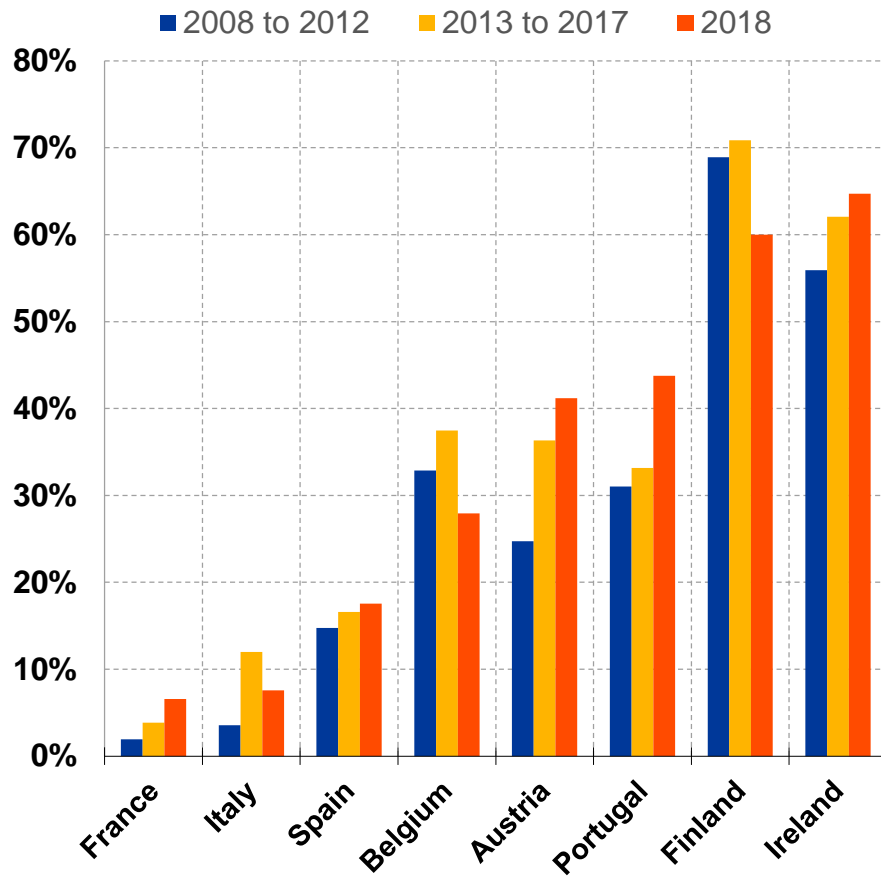
Source: Banca d'Italia, ECB calculations.

Notes: BOTs volume has been annualised to account for high roll-over frequency of T-bills to guarantee comparability between issuing countries.

Last observation: Q3 2018.

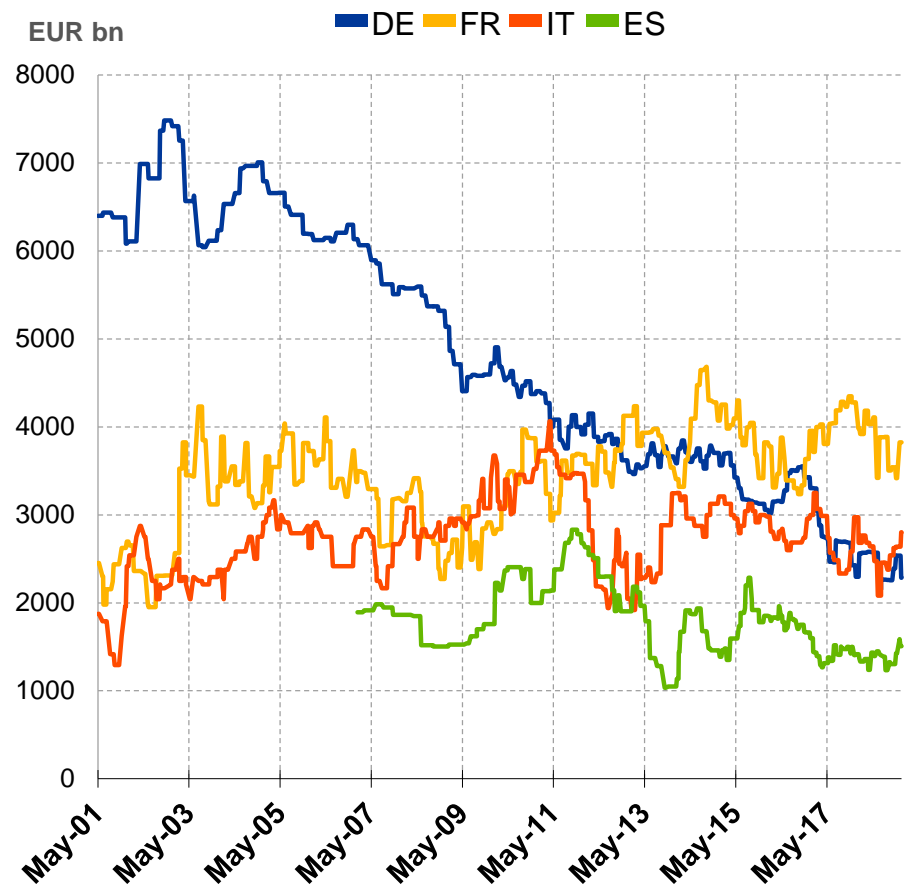
Syndications favoured by some DMOs Strong decline in German auction sizes

% of nominal debt issued via Syndication



Note: Includes nominal syndications >EUR3bn
Source: DMOs, Bloomberg

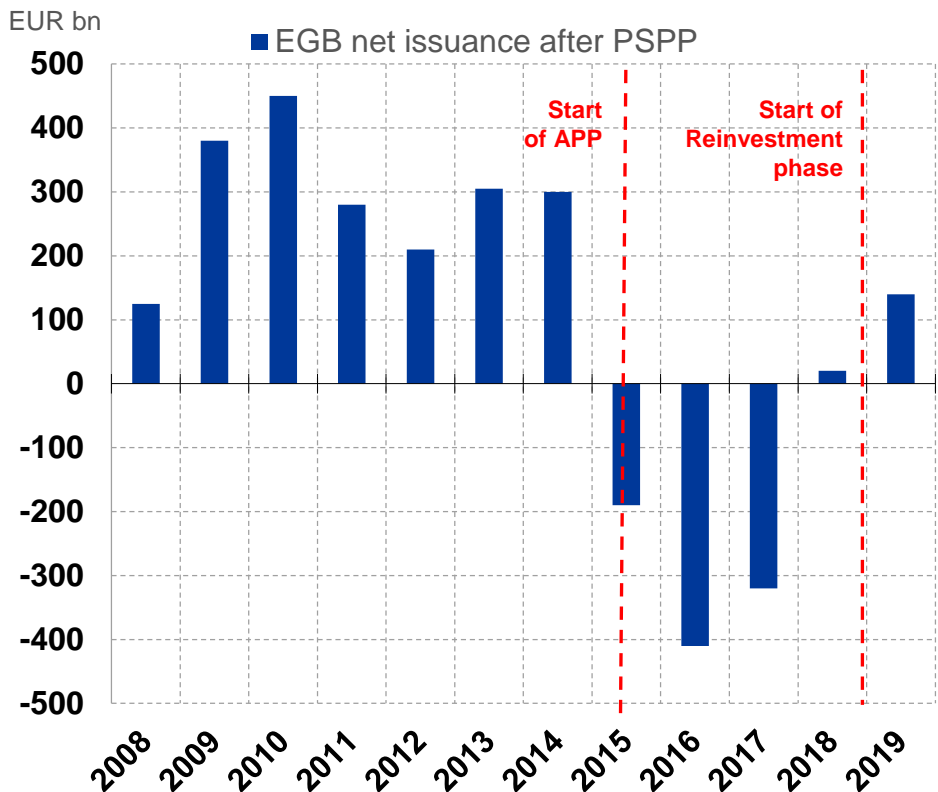
Average auction volumes 10-year maturity



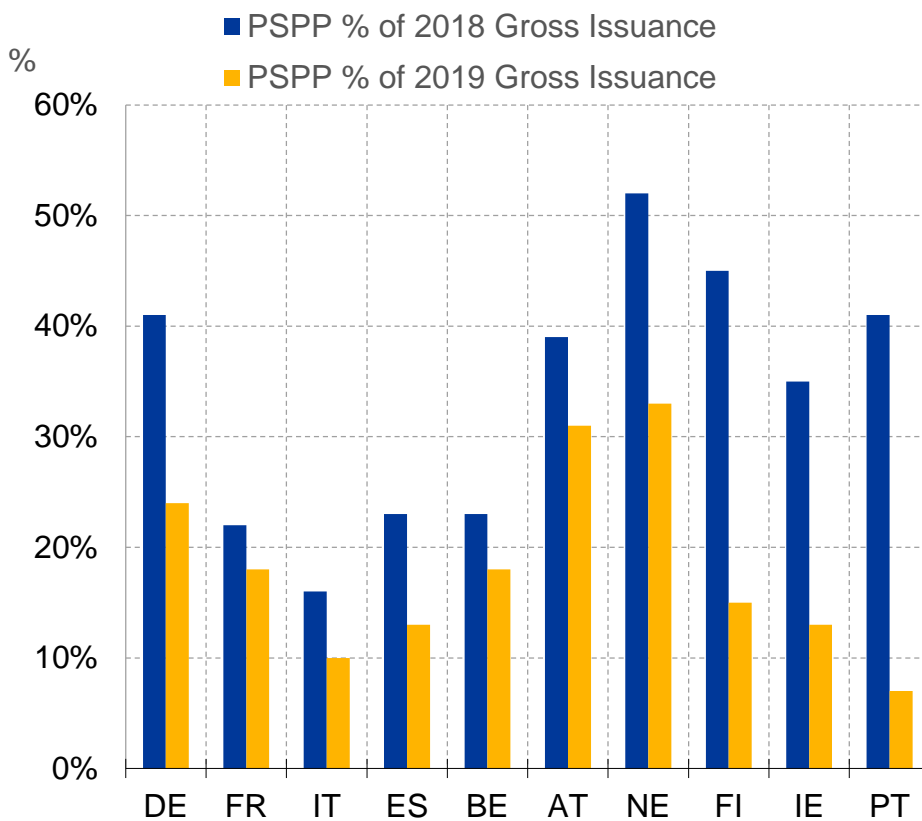
Source: Bloomberg, ECB staff calculations.

Eurosystem secondary market impact still evident during reinvestment phase

Euro area government bond net issuance after PSPP



PSPP % of Gross sovereign issuance, EUR bn



Source: Based on selected counterparty issuance estimates
 Notes: EGB net issuance after PSPP is based on total gross issuance of euro area central governments excluding T-bill issuance, net of PSPP purchases in the same securities

Source: Based on selected counterparty issuance estimates

Summary

- Euro area **DMOs lean towards long-term financing since 2012**: lower term premiums changed cost-risk trade-off
- **Finanzagentur concentrated on benchmark issuance**, prioritising liquidity and predictability
- **Spanish Tesoro became a large issuer in 2008** – widening and deepening its investor base and lengthening its issuance since 2013
- **French AFT maintains a flexible issuance strategy** to adapt to market conditions effectively
- **Italian Tesoro ensures predictability** and regularity of issuances in all the main segments
- Strong decline in German auction size since 2012, syndications favoured by some DMOs

- **Factors driving issuance dynamics over medium/long-term:**
 - *What has changed as a result of the crisis? – Optimal issuance strategies (fixed vs. variable rate, long-term vs. short-term, domestic vs. foreign currency, syndications vs. auctions etc.)*
- **Drivers of sovereign debt dynamics:**
 - *Implications from secular trends such as ageing, eventual “normalization” of nominal/real interest rate levels, fiscal policies*
- **Demand for sovereign debt:**
 - *What will drive demand for sovereign debt in the medium and long term? Cross-country idiosyncrasies? “Internationalisation” of the bond market?*
- **Sovereign-bond backed securities**
 - *Would such securities alleviate euro area need for HQLA?*

Thank you for your attention