



EUR Corporate bonds: Primary market Q3 2022

Scant prospect of year-end rally

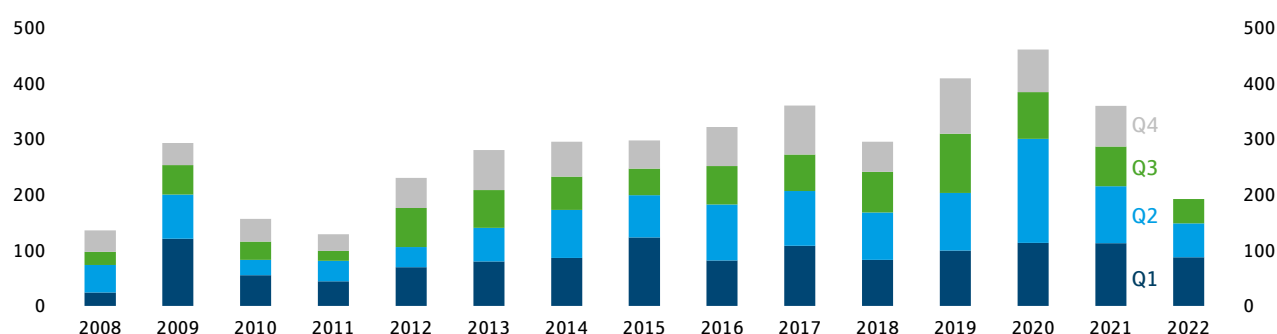


Ulrich Kirschner, CFA
Senior Analyst
Phone +49 69/91 32-28 39

Rather than herald any appreciable recovery for the primary market in euro-denominated corporate bonds, the third quarter of 2022 saw the continuation of a downward trend. A combination of high spread volatility and a sharp rise in swap rates were the main factors holding back issuance volumes, which fell to their lowest level in ten years at a mere EUR 44 billion. September was a stand-out month in this respect, with considerably weaker activity than in recent years. Overall, transactions placed in the first nine months of the year reached a total of EUR 192 billion. In our view, the weeks ahead are unlikely to bring any significant shift in the adverse fundamentals affecting the market and the risk of further increases in refinancing costs remains high. Given these realities, we have downgraded our forecast to a total issuance volume of only around EUR 250 billion for the year as a whole.

No recovery in Q3

Euro corporate bonds*: Issuance volume in EUR (billions)



*issues with a minimum volume of EUR 50 million.

Sources: Bloomberg, bondradar, Helaba Research & Advisory

Market dominated by smaller benchmark issues - share of ESG-related notes high

As in previous quarters, the majority of bonds in Q3 were issued at a benchmark volume of under EUR 1 billion; larger tranches of EUR 1.5 billion or higher remained absent. At EUR 533 million, the average issue volume once again hovered close to its prior-year level. The two largest overall placements were made by Medtronic (EUR 3.5 billion) and Siemens (EUR 3 billion). Sustainability remained an ongoing trend on the corporate bond market, too, with one third of bond volumes featuring an ESG component. This share was only slightly higher in Q4 2021 and Q2 2022. The lion's share of this issuance was attributable to green bonds (market share of 21 %).

Utilities still undisputed top sector - limited activity among non-European issuers

From July to September, utilities remained the most active of all sectors. Since the beginning of January, this industry has accounted for one in four euros placed as well as for the largest number of issues. Non-European issuers continued to play a relatively little role, with their market share stagnating at 12 %. Companies from core European countries made up 72 % of the total placement volume, dominating the action in the first three quarters of the year. Around 20 % was attributable to German corporates.

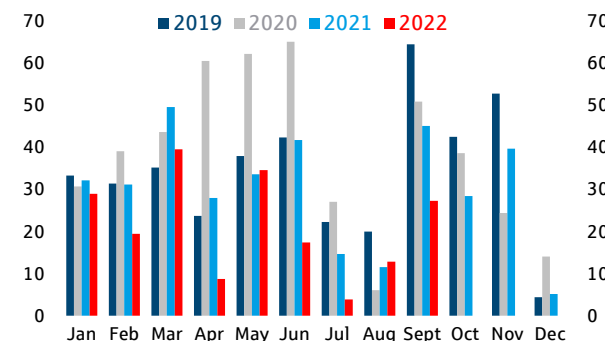
Weak demand for subordinated notes, floaters and hybrids - buoyant issuance activity in mid-range maturities

The third quarter saw scarcely any interest in subordinated issues, which constituted as little as 5 % of the market in the first nine months of the year. In contrast, the share of total volume in bonds from investment grade issuers remained comfortably above the 80-percent mark. In terms of rating classes, too, there was precious little movement. Since the start of 2022, more than half of placement volume has originated from borrowers with an 'A-', 'BBB+' or 'BBB' rating. However, bonds with an average maturity of between 5 and 7 years proved considerably more popular in Q3. In the year to date, just under a quarter of all issues have been placed in this segment. The market share of floaters and hybrids declined to 6% and 5%, respectively.

Chartbook: Euro-denominated corporate bond issues

Disappointing issuance activity in September

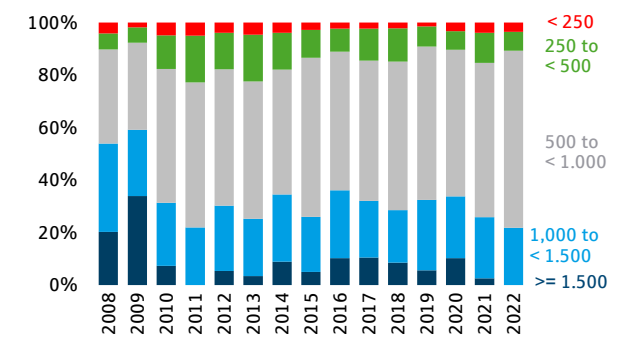
Euro corporate bonds*: Issuance volume in EUR (billions)



Sources: Bloomberg, bondradar, Helaba Research & Advisory

Smaller benchmarks dominate action

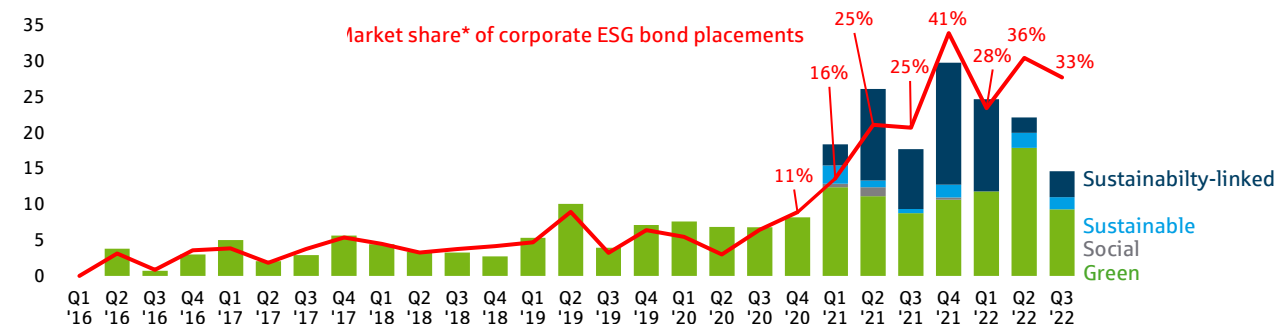
Euro corporate bonds*: Placements by issue size in EUR (millions)



Sources: Bloomberg, bondradar, Helaba Research & Advisory

Proportion of issues with sustainability component remains high

Euro corporate ESG bond placements* in EUR (billions)

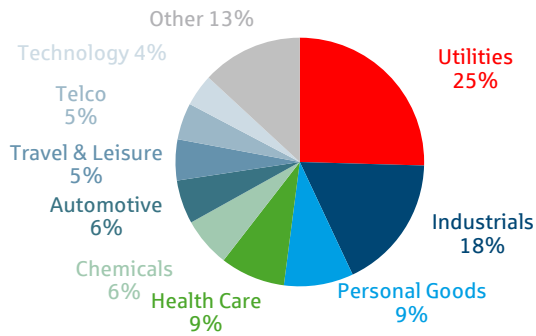


*includes sustainable, social and sustainability-linked bonds from Q1 2021.

Sources: Bloomberg, Helaba Research & Advisory

Utilities hold on to lead in terms of volume ...

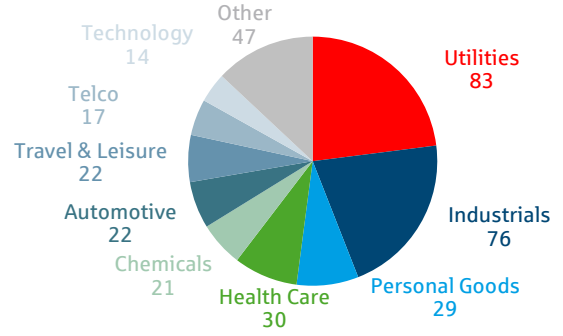
Euro corporate bonds*: Issuance volume by sector, 9M 2022



Sources: Bloomberg, Helaba Research & Advisory

... and number of issues

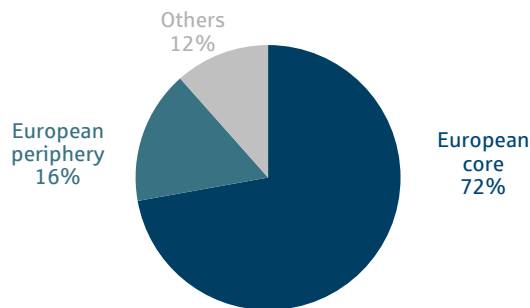
Euro corporate bonds*: Number of issues by sector, 9M 2022



Sources: Bloomberg, Helaba Research & Advisory

Core Europe still eclipses periphery

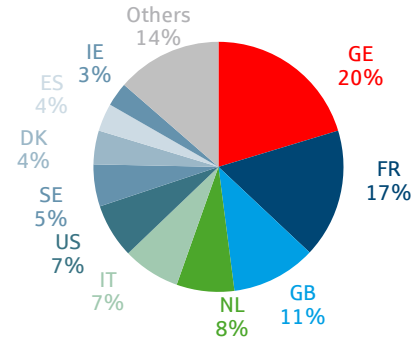
Euro corporate bonds*: Issuance volume by region, 9M 2022



Sources: Bloomberg, Helaba Research & Advisory

German issuers account for largest market share

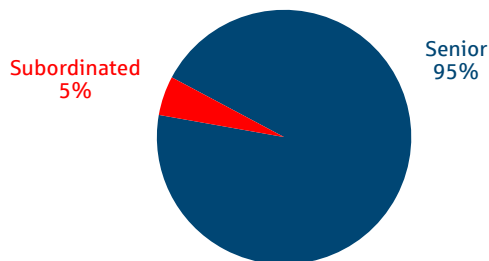
Euro corporate bonds*: Issuance volume by country of origin, 9M 22



Sources: Bloomberg, Helaba Research & Advisory

Little demand for subordinated issues

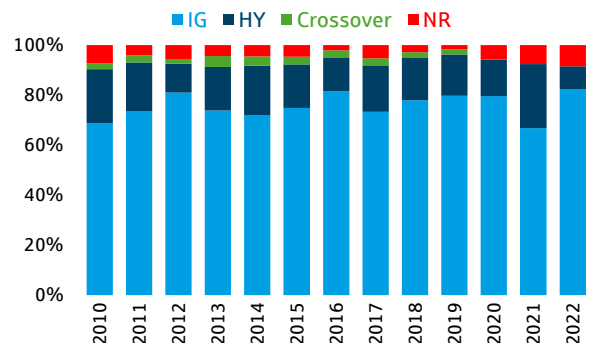
Euro corporate bonds*: Issuance volume by ranking, 9M 2022



Sources: Bloomberg, Helaba Research & Advisory

Share of IG bonds stays above 80 %

Euro corporate bonds*: Issuance volume by credit quality group,

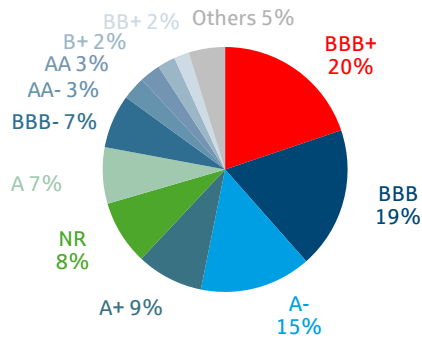


*As of 30.09.2022

Sources: Bloomberg, Helaba Research & Advisory

Majority of issuance rated “BBB-” to “A-”

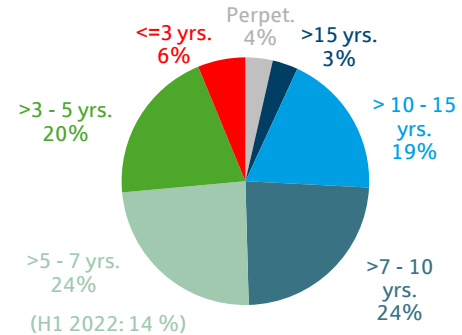
Euro corporate bonds*: Issuance volume by rating class, 9M 22



Sources: Bloomberg, Helaba Research & Advisory

Sizable rise in popularity of mid-range maturities

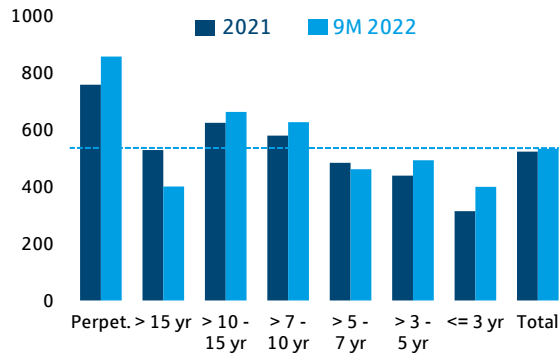
Euro corporate bonds*: Issuance volume by maturity, 9M 2022



Sources: Bloomberg, Helaba Research & Advisory

Ø issue size only marginally bigger than 2021

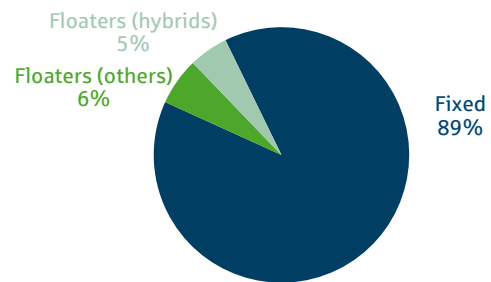
Euro corporate bonds*: Average size by maturity in EUR (millions)



Sources: Bloomberg, Helaba Research & Advisory

Floater see lower market share

Euro corporate bonds: Issuance volume by fixed vs. floating, 9M 2022



Sources: Bloomberg, Helaba Research & Advisory



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Helaba Research & Advisory

Editor:

Stefan Rausch

Publisher:

Dr. Gertrud R. Traud

Chief Economist/

Head of Research & Advisory

Neue Mainzer Str. 52-58

60311 Frankfurt am Main

Phone +49 69 / 91 32 - 2024

Internet: www.helaba.com

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