

Focus on: Credits 7 October 2022



EUR Corporate bonds: Primary market Q3 2022

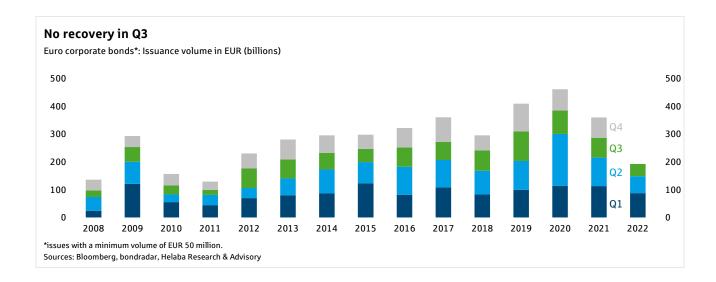
Scant prospect of year-end rally



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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.



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 %).

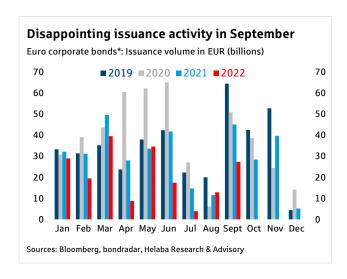
Utilities still undisputed top sector - limited activity among non-European issuers

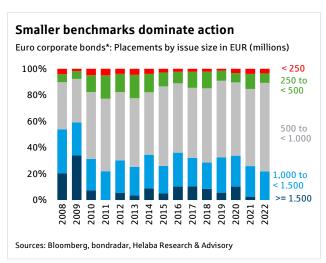
From July to September, utilities remained the most active of all sectors. Since the beginning of January, this industry has accounted for one in four euros placed as well as for the largest number of issues. Non-European issuers continued to play a relatively little role, with their market share stagnating 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.

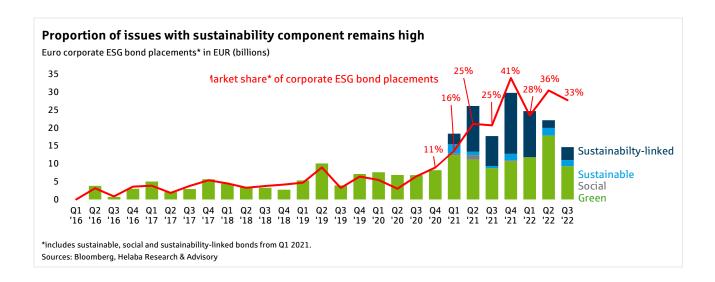
Weak demand for subordinated notes, floaters and hybrids - buoyant issuance activity in mid-range maturities

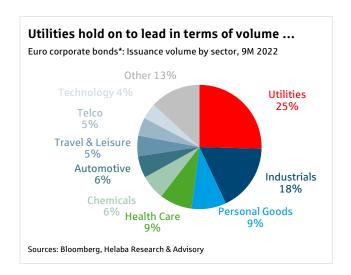
The third quarter saw scarcely any interest in subordinated issues, which constituted as little as 5 % of the market in the first nine months of the year. In contrast, the share of total volume in bonds from investment grade issuers remained comfortably above the 80-percent mark. In terms of rating classes, 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.

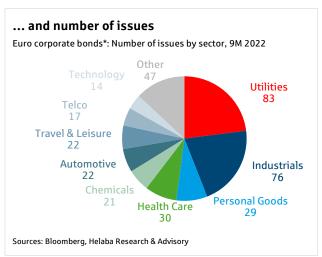
Chartbook: Euro-denominated corporate bond issues

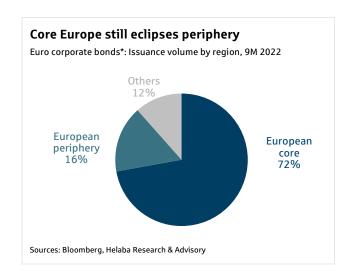




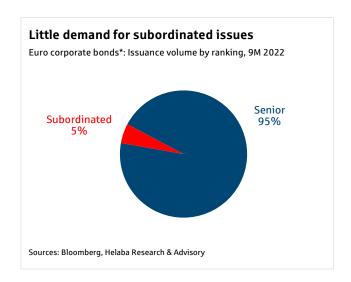


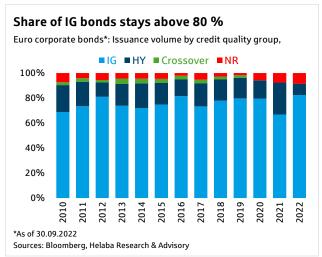


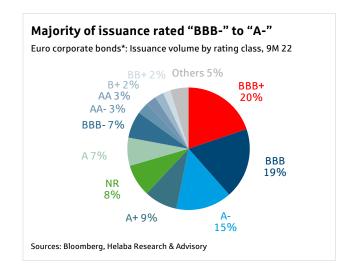


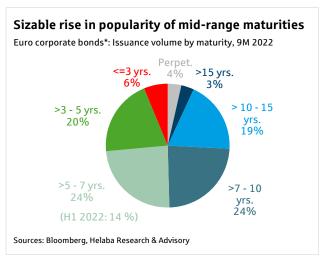


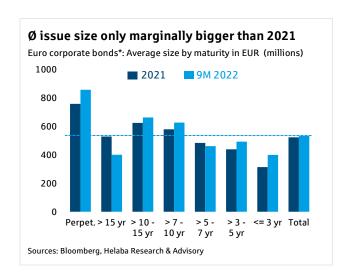


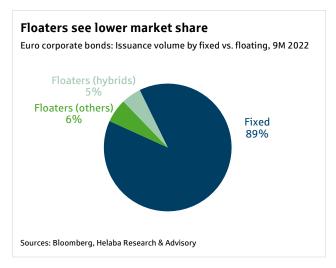














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