Helaba

Focus on: Credits

05 April 2022

Primary Market Update EUR Corporate Bonds: War in Ukraine leaves its mark

- In the first three months of 2022, the primary market for euro-denominated corporate bonds saw a volume of almost EUR 87 billion in new issuance across 156 transactions. This represents a decline of around a quarter compared to the same period of the past two years. Coinciding with the outbreak of hostilities in Ukraine, in particular, issuance activity declined significantly in the second half of February. However, no sooner was February behind us that March brought a noticeable rebound. For 2022 as a whole, we adhere to our forecast that placement volumes will exceed those of 2021 - in spite of the rising costs of refinancing for companies.

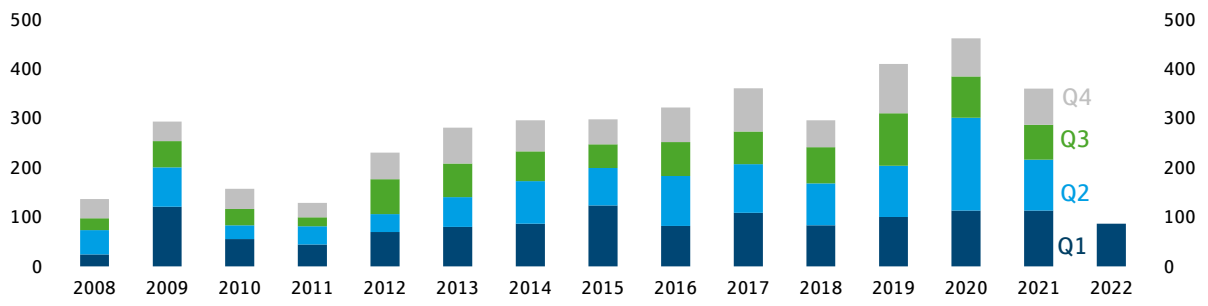
- At EUR 555 million, the average issuance size was slightly higher than in the previous year. To date, no large bonds with an issuance volume of EUR 1.5 billion or more have been placed. The share of sustainable bonds remained somewhat below the record level of Q4 2021 at around 28 %, although it was higher than the average for the whole of 2021. Our expectation is that the trend towards more ESG-related transactions will continue in the current year.

- In the first quarter, more than 20 % of total issuance was attributable to the utilities sector, which also took pole position in terms of the number of bonds issued (33). Companies from the European periphery increased their volume share slightly to 21 %, which was driven to a large extent by significant activity on the part of Italian issuers. Companies based in Germany placed the highest deal volume of EUR 17.9 billion or 20.8 %. American issuers, on the other hand, played a relatively minor role with a market share of only 6.6 %.

- At 8.3 %, the proportion of subordinated bonds was roughly on a par with the prior year. Investment grade notes returned to a share of total issuance above the 80 % mark (Q1 2021: 68 %). BBB rating classes dominated the market, as usual, with almost every second issue featuring this rating grade. The trend towards long maturities was not quite as pronounced as in 2021: around 50% of market volume consisted of paper with a maturity of more than 7 years, against 60 % in the previous year. With a market share of 8 %, the popularity of floaters (excl. hybrids) was considerably higher than in 2021.

Geopolitical events trigger sharp decline in Q1 volume

Issuance volume of euro-denominated corporate bonds* (in EUR billions)

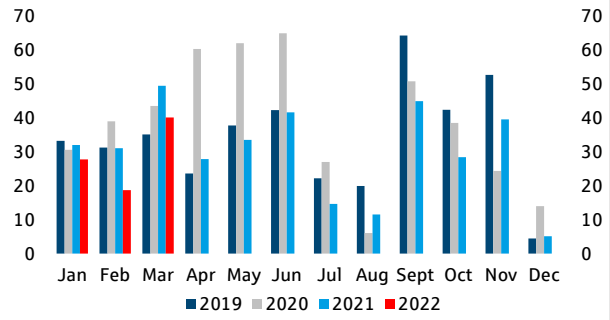


Sources: Bloomberg, bondradar, Helaba Research & Advisory

*issues with a minimum volume of EUR 50 million

February sees decline in issuance activity

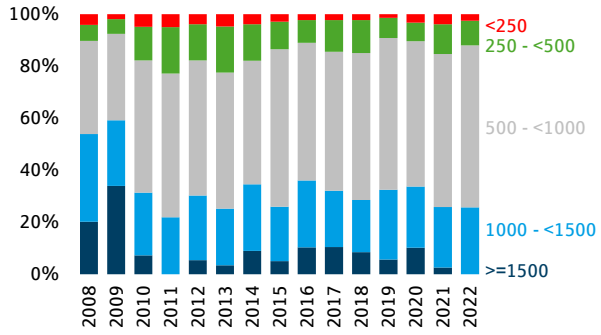
Issuance activity by month (volume in EUR billions)



Sources: Bloomberg, bondradar, Helaba Research & Advisory

No mega issues so far this year

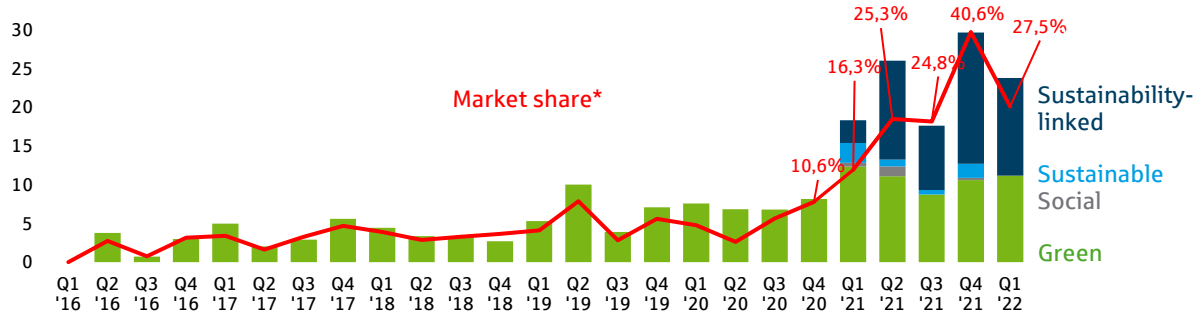
Placements by issue size* (volume in EUR million)



*includes issues up to 31 March 2022.
Sources: Bloomberg, bondradar, Helaba Research & Advisory

Bonds with sustainability component remain in demand

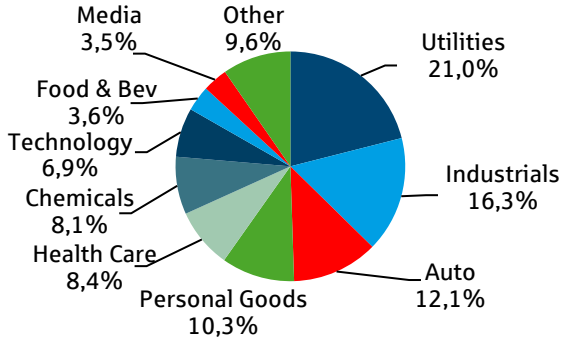
Corporate ESG bond placements* (in EUR billions or market share in %)



*includes sustainable, social and sustainability-linked bonds from Q1 2021.
Sources: Bloomberg, bondradar, Helaba Research & Advisory

Utilities & industrials lead the way on volume ...

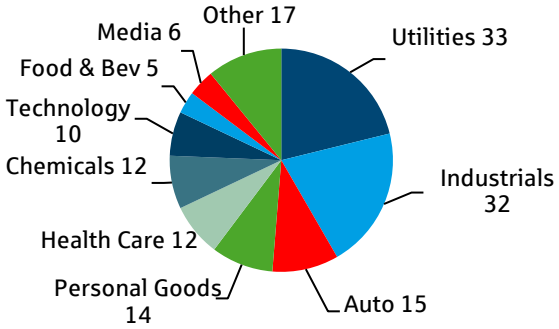
Issuance activity by sector in Q1 2022 (distribution by volume)



Sources: Bloomberg, Helaba Research & Advisory

... and number of issues

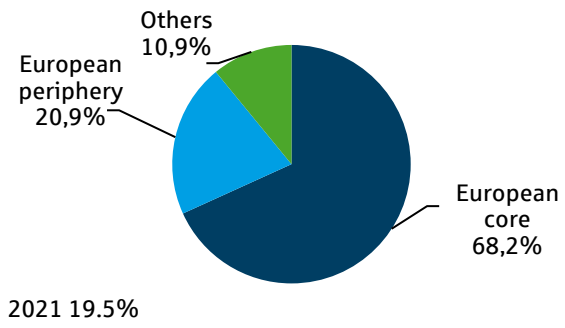
Issuance activity by sector in Q1 2022 (distribution by number of issues)



Sources: Bloomberg, Helaba Research & Advisory

European periphery maintains strong presence

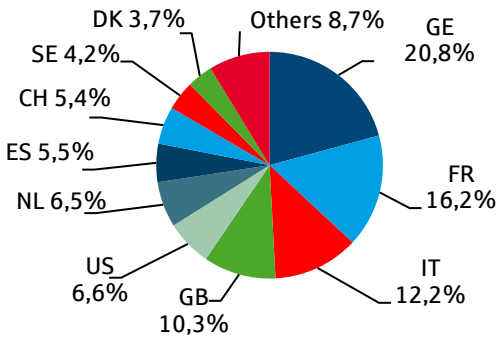
Issuance activity by region in Q1 2022* (distribution by volume)



Sources: Bloomberg, Helaba Research & Advisory

German issuers with largest market share

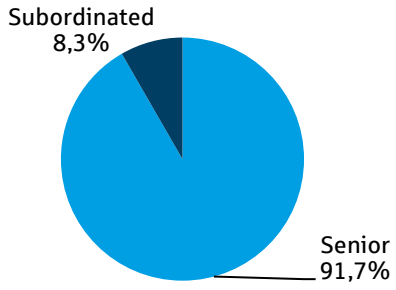
Issuance activity by country of origin in Q1 2022* (distribution by volume)



Sources: Bloomberg, Helaba Research & Advisory

Subordinated notes still popular

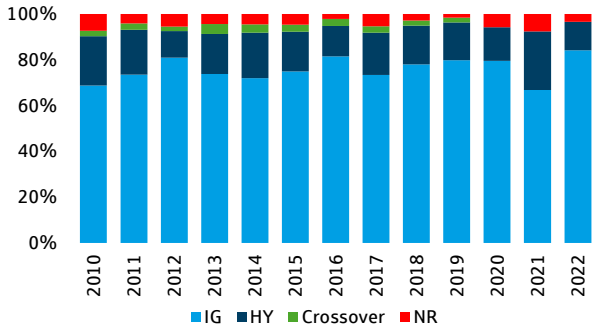
Ranking of new issues in Q1 2022* (distribution by volume)



Sources: Bloomberg, Helaba Research & Advisory

Market share of IG issues returns to above 80 %

Issuance* by credit quality group (distribution by volume)

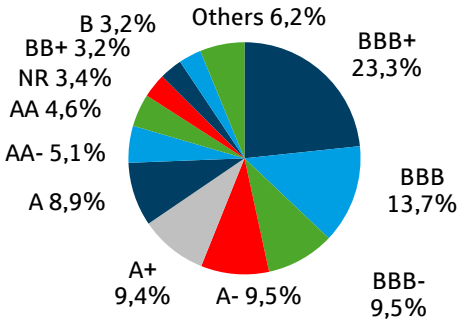


*includes issues up to 31 March 2022.

Sources: Bloomberg, bondradar, Helaba Research & Advisory

Dominance of BBB rating classes unbroken

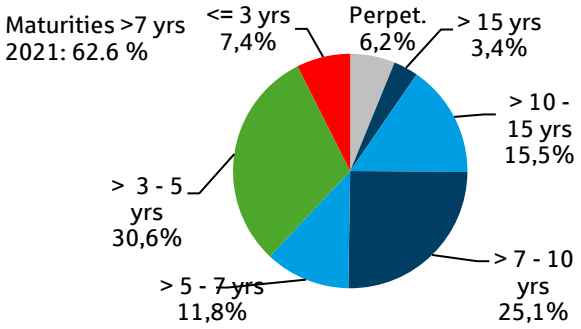
Issuance by rating class in Q1 2022* (distribution by volume)



Sources: Bloomberg, Helaba Research & Advisory

Share of long maturities lower than in 2021

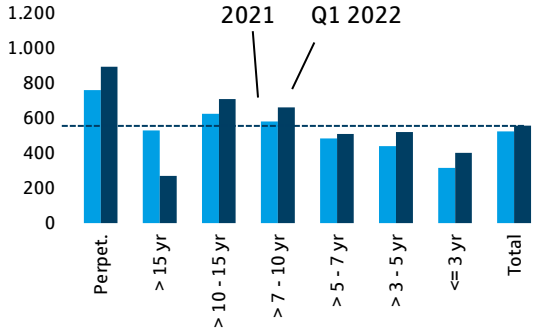
Issuance by maturity in Q1 2022* (distribution by volume)



Sources: Bloomberg, Helaba Research & Advisory

Average bond size larger than in 2021

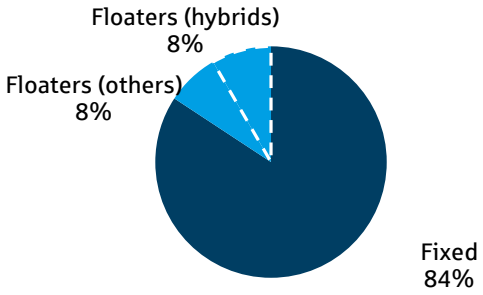
Average issue size by maturity* (in EUR millions)



Sources: Bloomberg, Helaba Research & Advisory

Demand for pure floaters stronger than in 2021

Fixed-coupon and floating-rate issues in Q1 2022* (volumes in %)



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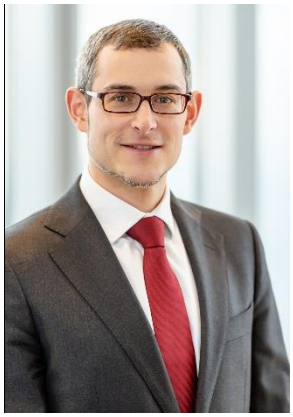

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