

# DAILY CLOSE: Sovereign duo spearhead biggest EUR volume day on record



Matthew Barrett

\*\* It was a day like no other for the European primary bond market on Tuesday where we saw the biggest daily euro volume on record, and by some distance. The final haul finished up at **EUR43.3bn** which eclipsed the previous high of EUR38.05bn set on 10-Jan-2023, with chunky SSA trades including those from sovereigns Italy (EUR15bn two-part) and Belgium (EUR7bn 10yr) providing the backbone. Tuesday's barrage means that after just two-days the weekly single currency haul is already more than last week (EUR65.1bn) at EUR67.5bn and the largest since the w/e 13-Jan-2023's all-time high of EUR93.45bn – something that we look likely to challenge bearing in mind there are three sessions to go and many more issuers waiting in the wings including Spain (see pipeline below). The total could have been even more too, had CM Arkea not postponed a EUR500m 12yr Tier 2 line Tuesday after setting final terms, in turn becoming the first euro deal of any sort to be stood down since late November (see list of 2023 withdrawn/postponed EUR deals [here](#)). For the details of all the euro deals which did get over the line Tuesday, see [IGM's DAILY EUR NICS & BOOKS](#)

Tuesday 9th Jan 2024 is the largest SSA issuance day ever (EUR33bn) helping overall EUR issuance to EUR43.3bn and an all-time daily record

| Issuer       | Tenor/maturity | Expected Size   | Actual Size (EUR bn) |
|--------------|----------------|-----------------|----------------------|
| Italy        | 7yr            | 7               | 10                   |
| Italy        | 2053 tap       | 5               | 5                    |
| Belgium      | 10yr           | 6               | 7                    |
| CADES        | 5yr Social     | 5               | 4                    |
| EIB          | 10yr CAB EARN  | 5               | 6                    |
| Land NRW     | 2073 tap       | 2               | 1                    |
| <b>TOTAL</b> |                | <b>EUR 30bn</b> | <b>EUR 33bn</b>      |

  

| Largest SSA daily volumes (EUR bn) |           | Largest all-sector daily volumes (EUR bn) |             |
|------------------------------------|-----------|---|-------------|
| <b>09/01/2024</b>                  | <b>33</b> | <b>09/01/2024</b>                         | <b>43.3</b> |
| 05/01/2021                         | 25.5      | 10/01/2023                                | 38.05       |
| 07/04/2021                         | 25        | 05/01/2021                                | 36.1        |
| 09/06/2020                         | 24.85     | 11/01/2022                                | 32.1        |
| 17/04/2014                         | 20        | 09/06/2020                                | 30.59       |
| 15/06/2021                         | 20        | 08/01/2020                                | 29.45       |
| 10/01/2018                         | 19.25     | 03/01/2024                                | 29.45       |
| 11/01/2022                         | 19.25     | 04/01/2023                                | 28.7        |
| 21/04/2020                         | 18.5      | 12/01/2010                                | 27.875      |



\*\* Tuesday lived up to expectations and then some for **SSA** issuers. The situation is perhaps best summed up by the fact that at EUR42.5bn the order book for a new 10yr CAB EARN from the **European Investment Bank** was only the fourth largest on the day. Coming ahead of that and thereby stealing the headlines were the **Republic of Italy** and the **Kingdom of Belgium**. Italy opted for an unusual combination of a new 7yr twinned with a tap of the existing Oct 2053 line. The new benchmark was the first new 7yr from the issuer since 2013 and was met with orders that came to rest at EUR73bn, enabling the deal size to be set at EUR10bn (EUR3bn higher than our best guess). The pre-determined size of EUR5bn for the longer tap did little to deter investor interest from flooding in and EUR82bn remained in the book at the final count with spreads settling at BTPS +21 (a 2bp compression from IPT and a 3bp NIC, mirroring the price dynamics of the new tranche). **Belgium** also priced a larger than expected transaction, taking advantage of a EUR72bn book build to size its new 10yr at EUR7bn and at a spread of m/s +24. Almost lost in the noise, a new 5yr social line from French issuer **CADES** quietly went about assembling a EUR20bn book of its own although it surprised us on the downside with its transaction size (EUR4bn v EUR5bn expected). The week's SSA issuance level is already up at EUR41bn and has surpassed the average guess from IGM's Euro Issuance Estimates report (EUR35.5bn). The higher end of those estimates (EUR50bn) doesn't look like it will hold up either, with a string of further mandates coming across the session - **AFD** (10yr bmk), **Dexia** (5yr bmk), **MuniFin** (EUR1bn 10yr), **Estonia** (10yr bmk), **Export Development Canada** (5yr bmk), **IDA** (20yr SDB) - in addition to a mandate for a new 10yr benchmark from the **Kingdom of Spain** (it issued two separate EUR13bn 10yr lines in 2023 with one coming in January). See [IGM's SSA SNAPSHOT](#)

\*\* In **non-covered FIG**, six issuers priced euro deals worth **EUR6.75bn**, bringing the week to EUR12.75bn, already topping the full week average guess of EUR12.5bn from our Friday poll. A variety of senior and sub deals were on offer, spanning the core and periphery, with aggregate demand once again strong at EUR24.1bn at the last count. Standing out, **AXA SA's** debut euro RT1 (EUR1.5bn PNC10) saw the biggest ever book for the debt type, taking that crown from a sale by Allianz held in Nov 2020. Also in sub, **BPER Banca SpA** (EUR500m PNC5.5 AT1) pulled in the biggest AT1 book this year at EUR3.2bn, **UniCredit SpA** (EUR1bn 10.25NC5.25 Tier 2) saw demand of EUR2.2bn and priced flat to where official sources pegged fair value while **Piraeus Financial Holdings** (EUR500m 10.25NC5.25 Tier 2) amassed a EUR1.8bn book for its single B rated offering. For lower beta palates, **ABN Amro** (EUR1.25bn 3yr SP FRN/EUR1bn 8yr FIX SNP) and **Santander Consumer Finance** (EUR1bn 5yr SP) achieved economical funding via deals that landed with premiums ranging from zero to 10bps. The one that got away saw **CM Arkea** stand down what would have been its first euro Tier 2 in five years after setting terms at m/s +215 (from +225a IPTs) for a EUR500m size (from bmk) and touting a book of EUR610m+. In secondary, Monday's batch of deals were mostly well bid with the exception being Generali's EUR1.25bn 2-part 5yr/10yr green which struggled to a EUR1.375bn book. See [IGM's FIG SNAPSHOT](#)

\*\* The biggest EUR day ever saw a relatively minor showing from **covered** issuers with just **EUR1.3bn** sold. Coming out of the pipeline was **Bausparkasse Schwabisch Hall** with its EUR500m no grow 5yr green which hit all the right notes with a EUR2.2bn book, and **Raiffeisenlandesbank Vorarlberg** which printed EUR300m no grow 4yr on EUR730m worth of orders. Opportunistic issuance was on offer in both euros and sterling courtesy **Deutsche Pfandbriefbank's** EUR500m no grow 5yr (EUR1.2bn book) and **Santander UK's** GBP1.25bn Jul 2027s (GBP2bn book) which opened the year's sterling CB activity. Looking ahead and issuance is expected from **Credit Agricole Italia** (EUR500m no grow Jul 2033 Green OBG) and **Landesbank Saar** (EUR500m no grow 10yr OP)

\*\* Three green utilities provided the euro **IG corporate** focus Tuesday where **Iberdrola** (EUR700m PNC7.25 green) offered the first euro hybrid paper of 2024, whilst senior paper was on the menu courtesy of sector peers **Elia** (EUR800m 12yr green) and **EDP** (EUR750m 6.5yr green) with all upsized from benchmark size on strong demand. The former's first hybrid of the year pulled in final orders of EUR2.25bn (EUR3.4bn peak) which allowed the Spanish name to print at 4.875% from a 5.375-5.5% starting point. The senior lines from Elia and EDP proved economic ones as both landed broadly flat to fair value on demand last seen at EUR3.65bn (EUR3.9bn peak) and EUR4.4bn respectively. In sterling, **TRATON's** debut GBP450m 5yr line landed 20bps inside IPTs on a 2.67x covered book. For more background on Tuesday's deals, as well as information of mandates for **Coentreprise de Transport d'Electricite** (EUR500m no grow 12yr) and **Vonovia** (GBP 12yr debut), see the [IGM CORP SNAPSHOT](#)

\*\* The latest [CSPP](#) update showed that the ECB's CSPP holdings **decreased by EUR146m** to EUR323.775bn in the week to 05-Jan. The central bank also announced that holdings under its pandemic emergency purchase programme (PEPP) **decreased by EUR14m** to put total holdings at EUR1,666.01bn

\*\* The [IGM European Weekly Cheat Sheet](#) provides proprietary intelligence on Euro primary market trends using various key data points in an easily digestible Excel spreadsheet. This includes Euro new issue volumes, average new issue concessions and book cover ratios across asset classes, as well as other key credit proxies

### Wednesday's supply prospects

#### SSA:

\*\* The **Kingdom of Spain** (Baa1/A/A-/A) hired Barclays, BBVA, Credit Agricole CIB, Deutsche Bank, J.P. Morgan and Santander for a new Obligacion del Estado syndicated EUR 10yr benchmark maturing Apr 2034

\*\* **Municipality Finance PLC** (Aa1/AA+) mandated Danske Bank, LBBW, Natixis and SEB to joint lead manage its upcoming EUR1bn no grow 10yr transaction

\*\* **Agence Francaise de Developpement** (AA/AA-) has mandated BofA Securities, BNP Paribas, Goldman Sachs Bank Europe SE, J.P. Morgan Chase and Societe Generale as Joint Lead Managers for its new EUR 10yr benchmark

\*\* **Dexia** (Aa3/AA/AA-) mandated Barclays, Citi, J.P. Morgan, NatWest Markets and Societe Generale as Joint Lead Managers for a new EUR 5yr benchmark

\*\* **The International Development Association** (Aaa/AAA) mandated BofA Securities, Credit Agricole CIB, DZ BANK and J.P. Morgan as joint lead managers for a new EUR 20yr fixed rate benchmark Sustainable Development Bond

\*\* The **Republic of Estonia** (A1/AA-/A+) mandated Barclays, Citi and Nordea for a potential EUR 10yr benchmark

\*\* **Export Development Canada** (Aaa /AAA) mandated Barclays, BofA Securities, Credit Agricole CIB, HSBC and NatWest Markets to lead manage a EUR 5yr benchmark

\*\* **Asian Infrastructure Investment Bank** (Aaa/AAA/AAA) is working a USD 5yr Global Sustainable Development Bond benchmark at SOFR m/s +56 area IPTs via Barclays, BMO, HSBC and Morgan Stanley

\*\* **Oesterreichische Kontrollbank AG** (Aa1/AA+) is taking bids for a USD 5yr Global benchmark at SOFR m/s +48 area IPTs via Citi, Deutsche Bank, JP Morgan and RBC CM

\*\* **Province of Ontario** (Aa3/A+/AA-/AA) is working a USD 5yr global benchmark at SOFR m/s +58 area IPTs via BofA, CIBC, NBCF and TD

#### FIG:

\*\* **Federation des caisses Desjardins du Québec** mandated BNP Paribas, Commerzbank, NatWest Markets and Societe Generale to lead manage a EUR benchmark 2yr Senior Unsecured FRN transaction. The notes are expected to be rated A1 (Moody's) / A- (S&P) / AA- (Fitch) / AA (low) (DBRS)

#### Covered:

\*\* **LANDESBANK SAAR** mandated DekaBank, Erste Group, Helaba and LBBW to lead manage its upcoming inaugural EUR500m no grow 10yr Public Sector Pfandbrief deal. The transaction will be rated AAA by Fitch

\*\* **Raiffeisen-Landesbank Tirol AG** mandated ABN AMRO, BayernLB, DZ BANK, Erste Group, and Raiffeisen Bank International as Joint Bookrunners for a EUR500m no grow 5yr Mortgage Covered Bond (hypothekarisch gedeckter Pfandbrief). Expected to be rated Aaa (Moody's)

\*\* **Credit Agricole Italia SpA** mandated Credit Agricole CIB as Global Coordinator and ESG Structuring Advisor and Credit Agricole CIB, IMI-Intesa Sanpaolo, Natixis, Raiffeisen Bank International, Santander and UniCredit as Joint Bookrunners to lead manage its forthcoming Green EUR500mn no grow July 2033 soft-bullet Obbligazioni Bancarie Garantite - European Covered Bond (Premium). The covered bonds are backed by 100% Italian residential mortgages and are expected to be rated Aa3 by Moody's

#### Corp:

\*\* **Coentreprise de Transport d'Electricite** (BBB+), the holding company for the French electricity transmission operator RTE, has mandated Barclays and Natixis as Global Coordinators and Joint Bookrunners to arrange a marketing exercise ahead of a potential EUR500m no grow 12yr trade. New issue proceeds will be used for general corporate purposes, including the refinancing of the EUR500m 0.875% bonds due 29-Sep-2024. Joint Bookrunners on the potential transaction will be Barclays, Natixis, BNP Paribas, Credit Agricole CIB and ING

\*\* The [IGM Roadshow Calendar](#) is your one stop window on who, when and where. The calendar view provides an instant snapshot of which days are already earmarked for meetings in a convenient PDF format, with clickable links that take you directly to the known schedule

#### Tuesday's broader market developments

\*\* **European stocks opened higher but gains quickly fizzled.** Opening bid followed a strong (tech-led) close on Wall Street but rising European yields kept risk bulls in check as markets absorbed large syndicated supply

**\*\* Stoxx600 -0.52% at worst.** Financials the main laggard

**\*\* Govvies:** Bear steepening took the 10yr GER yield up to 6.4bps higher and the 30yr GER yield to a fresh multi-week high

**\*\* Data:**

- **GE** Nov Industrial Production **missed at -0.7% MoM** (f/c 0.3%, prev rev to -0.3% from -0.4%)
- **IT** Nov Unemployment Rate **lower than exp at 7.5%** (f/c 7.8%, prev rev to 7.7% from 7.8%)
- **EC** Nov Unemployment Rate **lower than exp at 6.4%** (f/c & prev 6.5%)
- **US** Nov Trade Balance - **deficit narrower than f/c at -63.2bn** (exp -64.9bn, prev -64.5bn)

| Market Snapshot  | Current | 1D Chg* | 2 day | Last 5 sessions |
|------------------|---------|---------|-------|-----------------|
| SXXP             | 477.18  | -0.21%  |       |                 |
| GE 2yr           | 2.601%  | 0.053   |       |                 |
| GE 10yr          | 2.179%  | 0.043   |       |                 |
| IT 2yr           | 3.177%  | 0.046   |       |                 |
| IT 10yr          | 3.83%   | 0.011   |       |                 |
| iTraxx Main      | 62.2    | -0.43   |       |                 |
| iTraxx Crossover | 332.3   | -1.64   |       |                 |

\*change from the previous close

### What to watch Wednesday

**\*\* Key Data:** FR Nov Industrial/Manufacturing Production and **US** Nov F Wholesale Inventories (15:00)

**\*\* Key Events:** Central bank speak comes from **ECB's Guindos** (08:20), **Schnabel** (14:00) & **de Cos** (19:30), **BoE's Bailey** (14:15) and **Fed's Williams** (20:15)

**\*\* Auctions:** **UK** to sell GBP4bn 2027 Gilts (10:00), **GE** to sell EUR5bn of 2034 Bunds (10:30) and **US** to sell USD37bn 10yr Notes (18:00)