



EUROPEAN CENTRAL BANK

EUROSYSTEM

**Bryan Gurhy**  
DG-M/BMI

# **Euro area Debt Management Office issuance dynamics**

ECB's Bond Market Contact Group

12 February 2019, Frankfurt

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

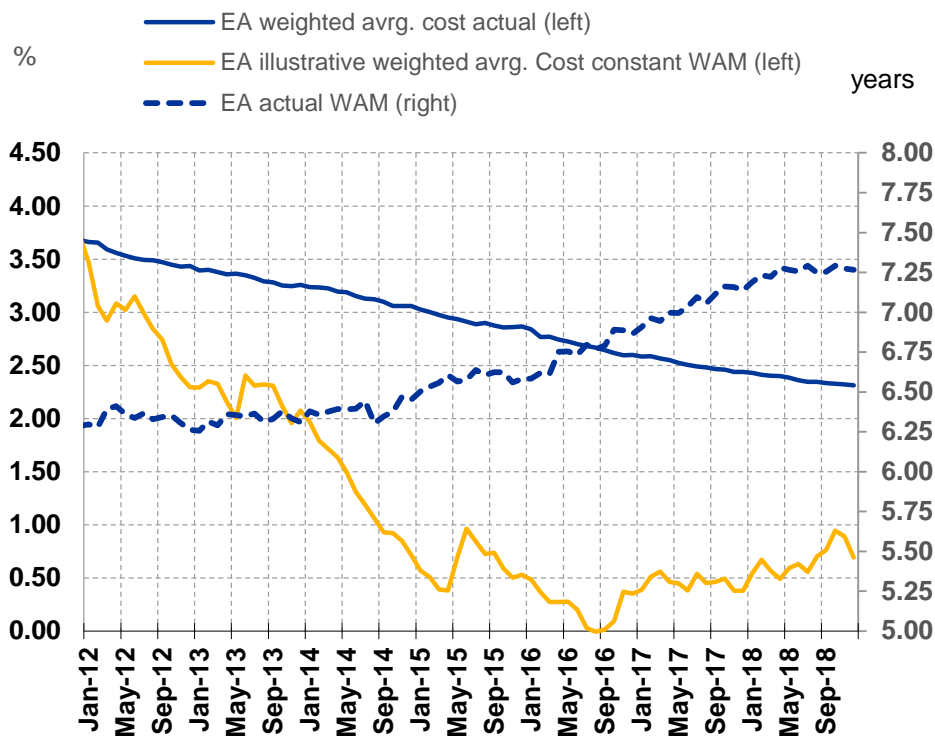
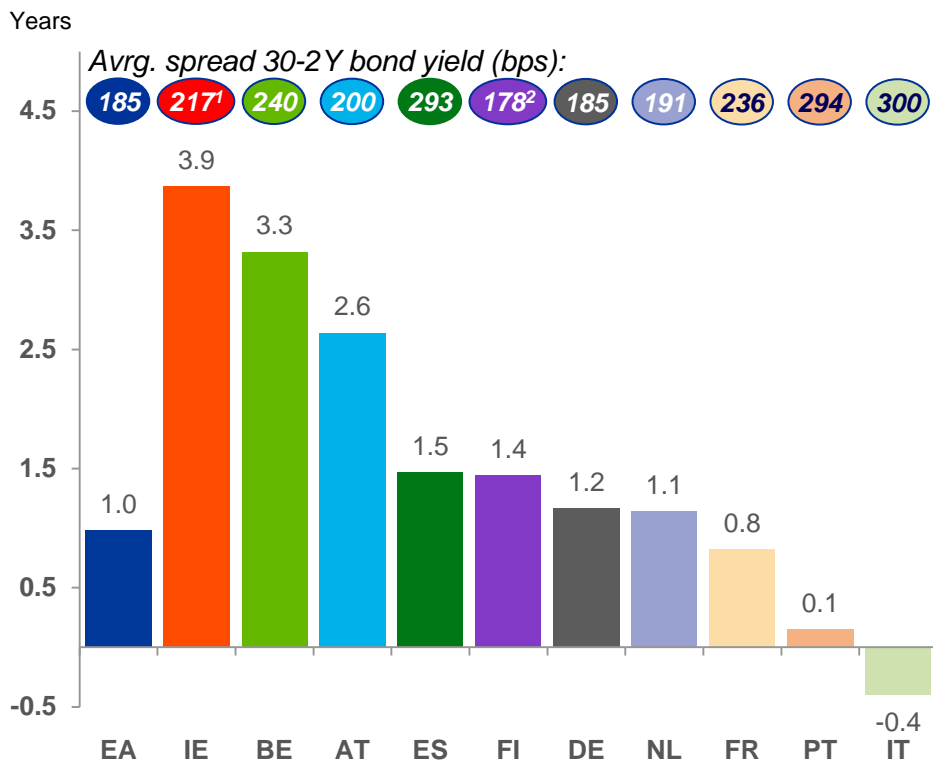
# Overview

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

## 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:

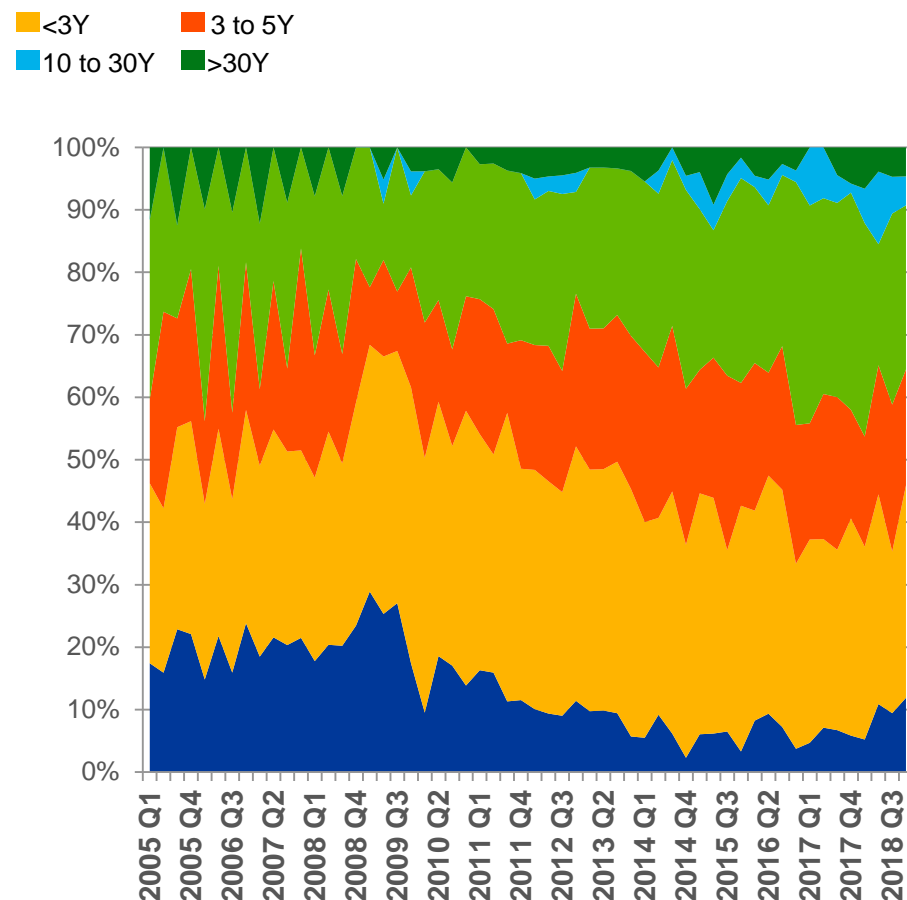
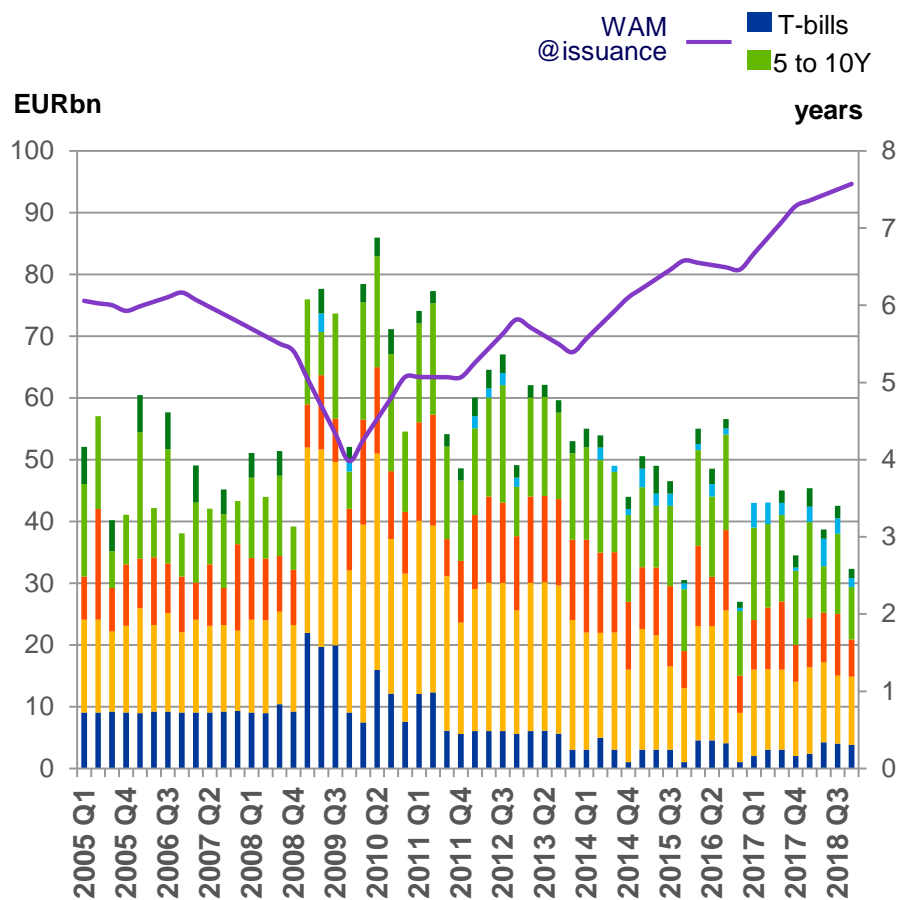
1 Average spread 30-2Y between 28 February 2015 to 31 December 2018

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



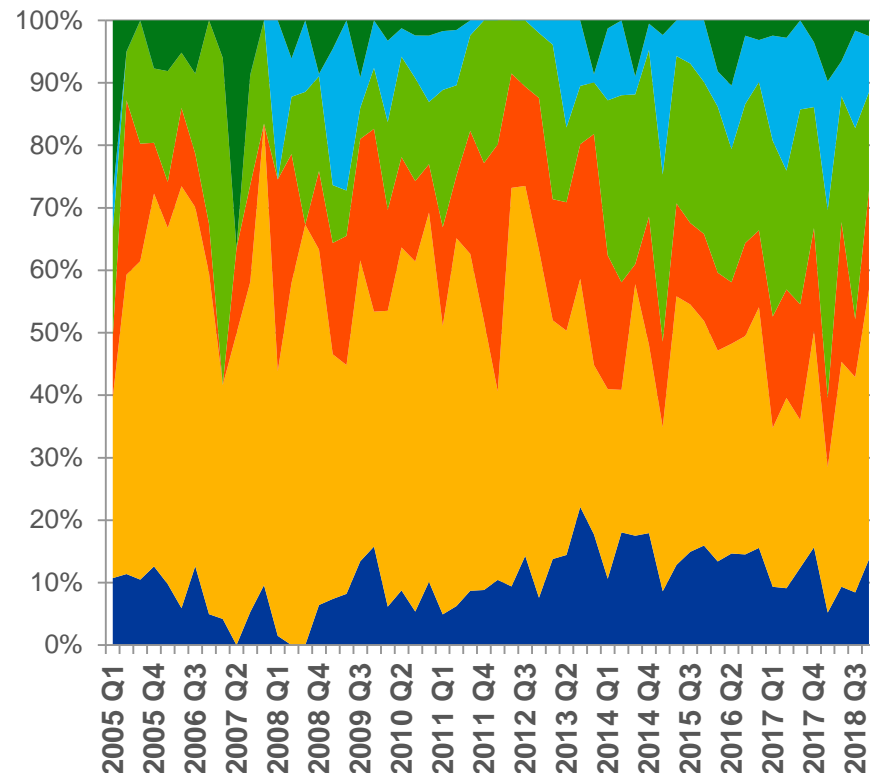
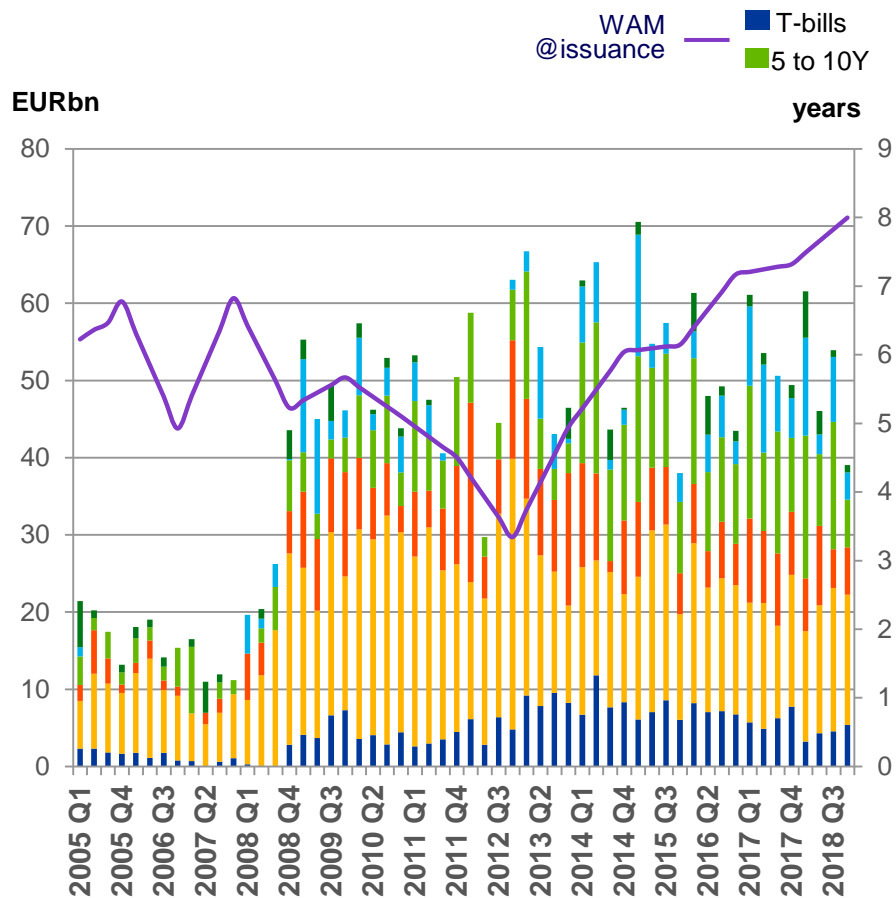
Source: German Finance Agency, Bloomberg, ECB calculations.

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

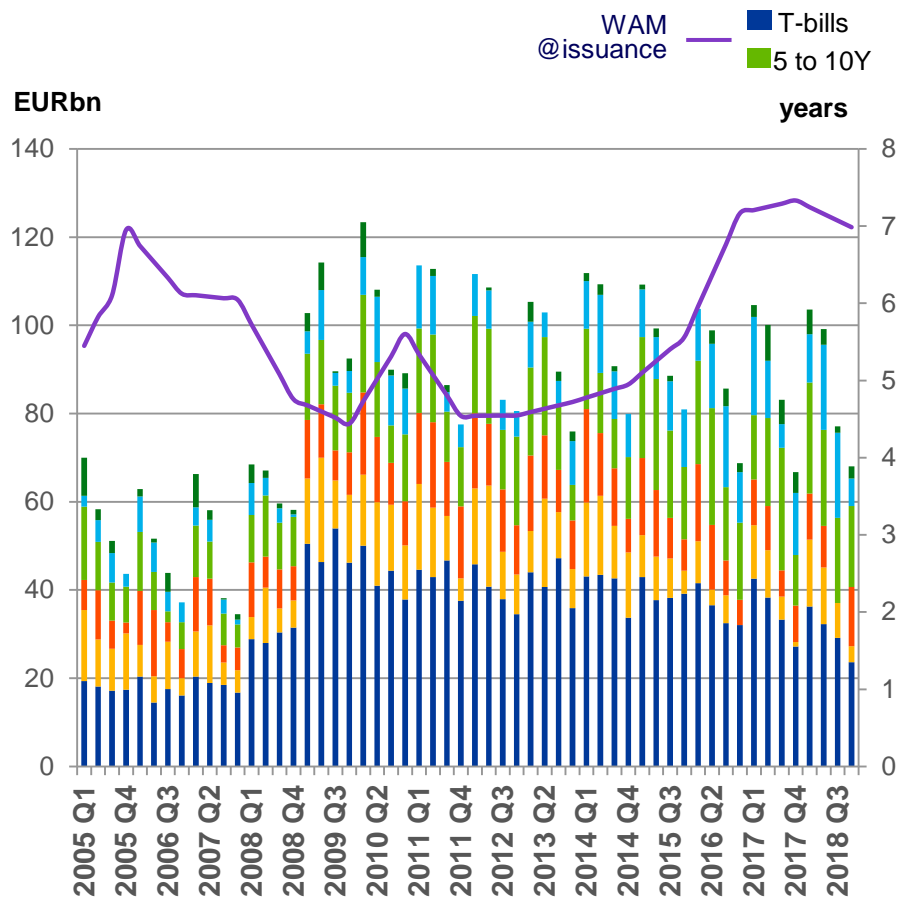


Source: Public Treasury of Spain, Bloomberg, ECB calculations.

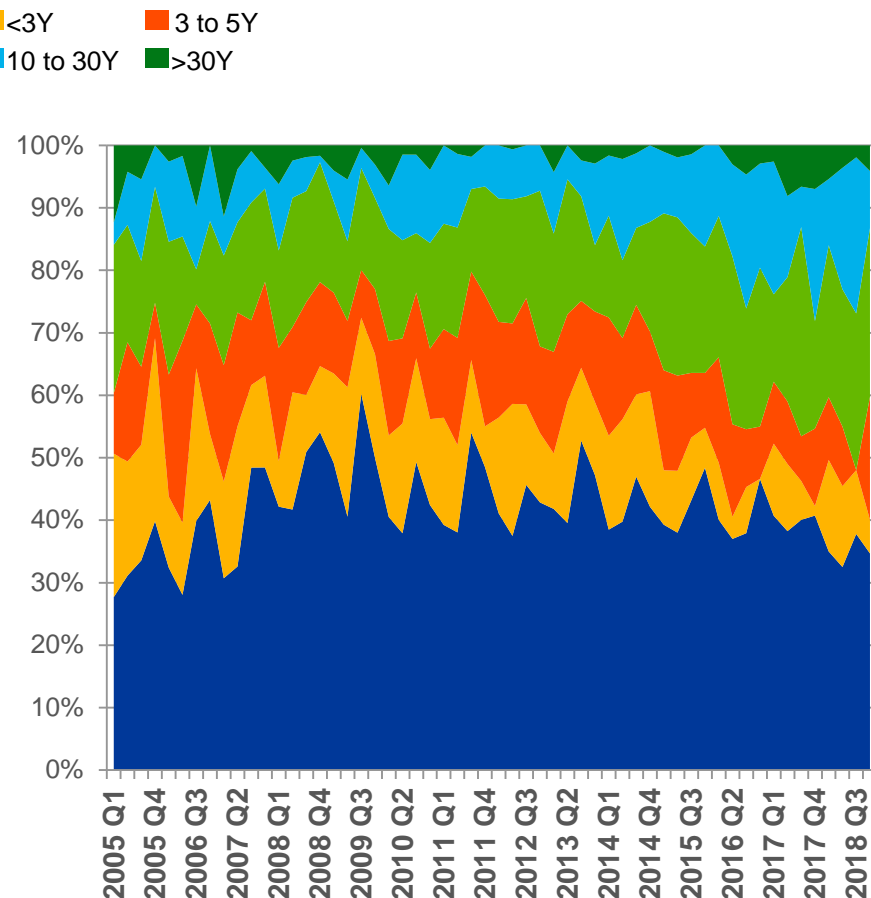
Notes: Spanish Letras volume has been annualised to account for high roll-over frequency of T-bills to guarantee consistency between issuing countries.

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

Nominal issuance volume, government securities



Issuance decomposition by segment

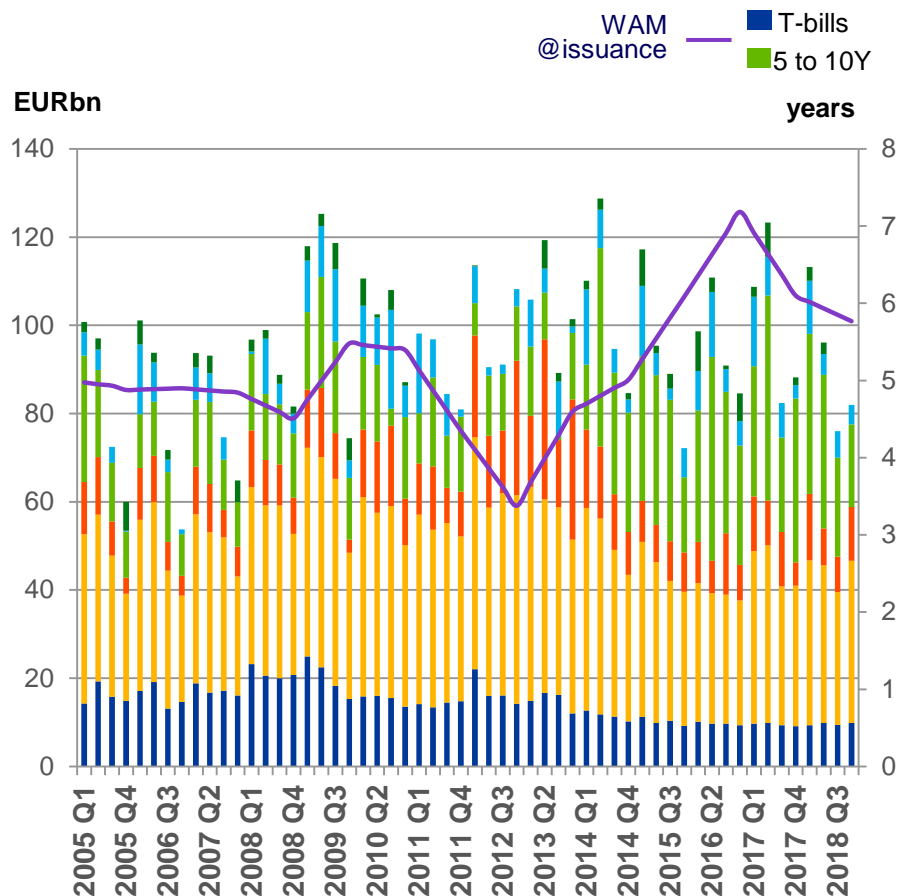


Source: French Treasury Agency, Bloomberg, ECB calculations.

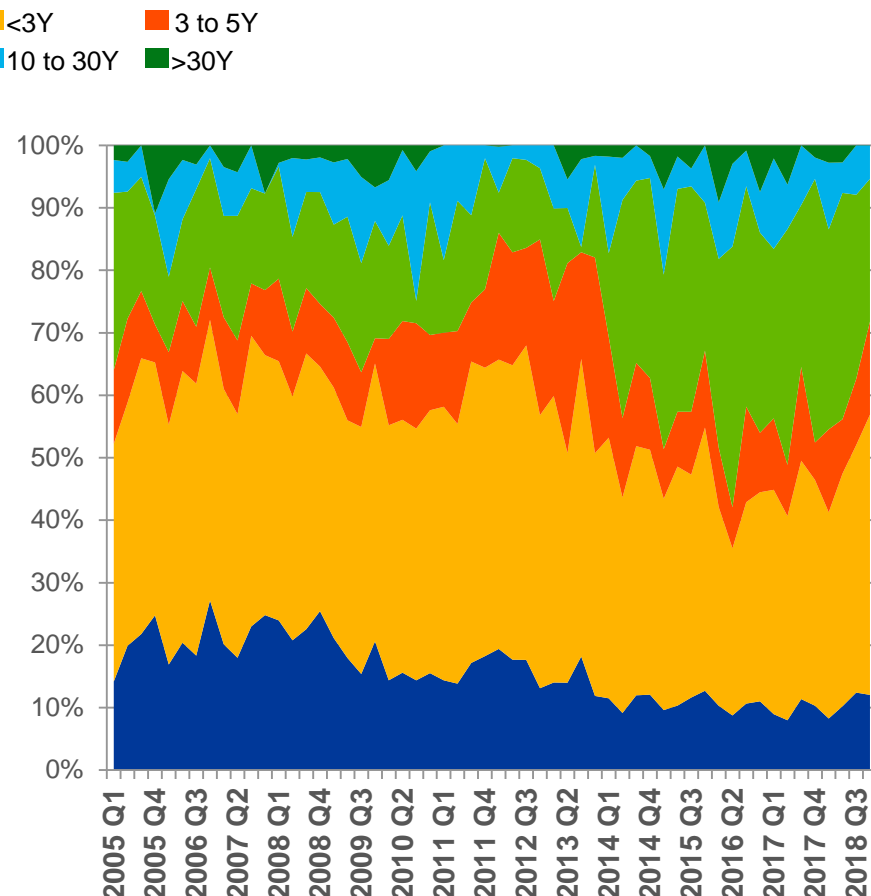
Notes: BTF volume has been annualised to account for high roll-over frequency of T-bills to guarantee consistency between issuing countries.

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

Nominal issuance volume, government securities



Issuance decomposition by segment



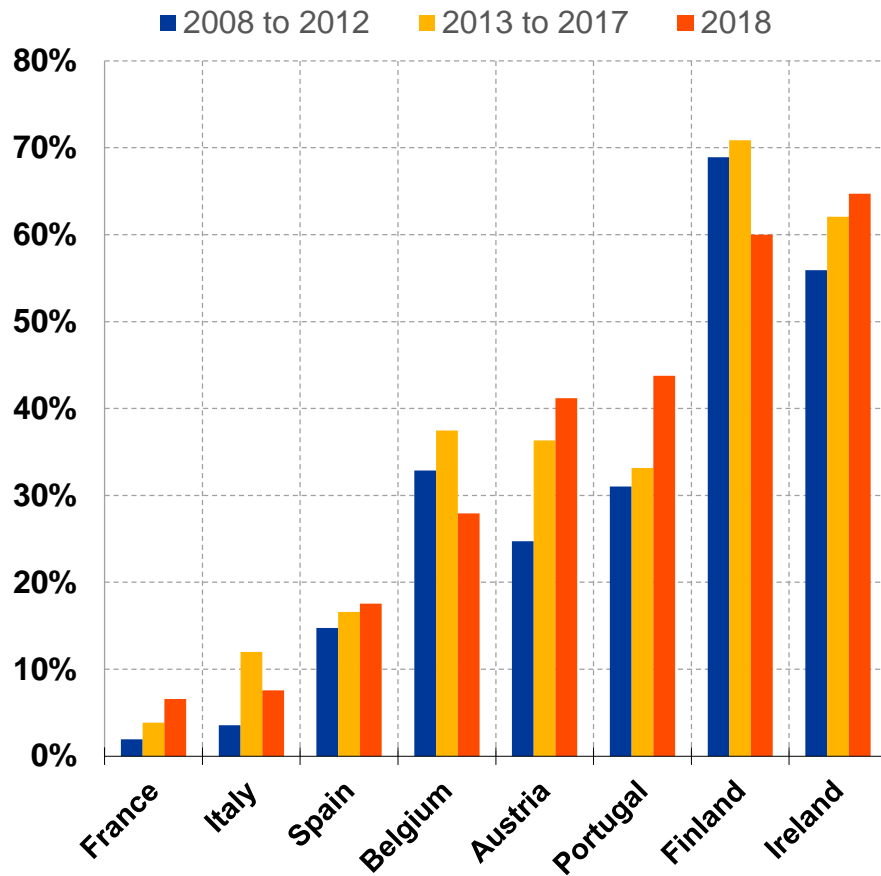
Source: Banca d'Italia, ECB calculations.

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.

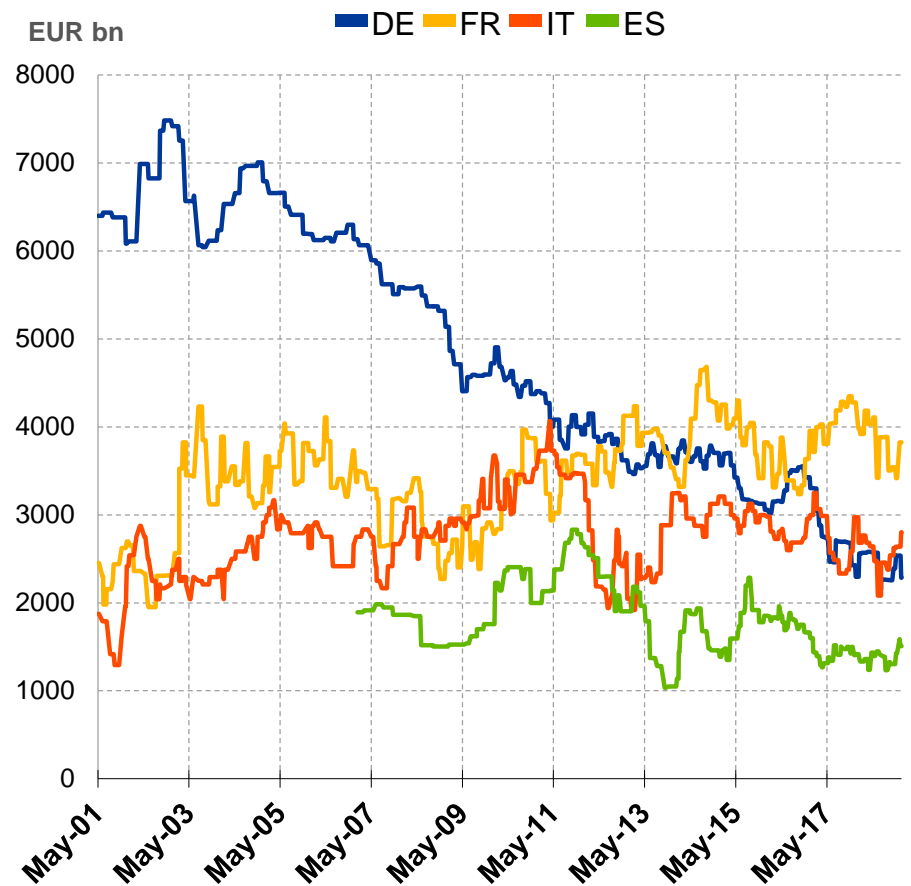
## Syndications favoured by some DMOs Strong decline in German auction sizes

% of nominal debt issued via Syndication



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

Average auction volumes 10-year maturity



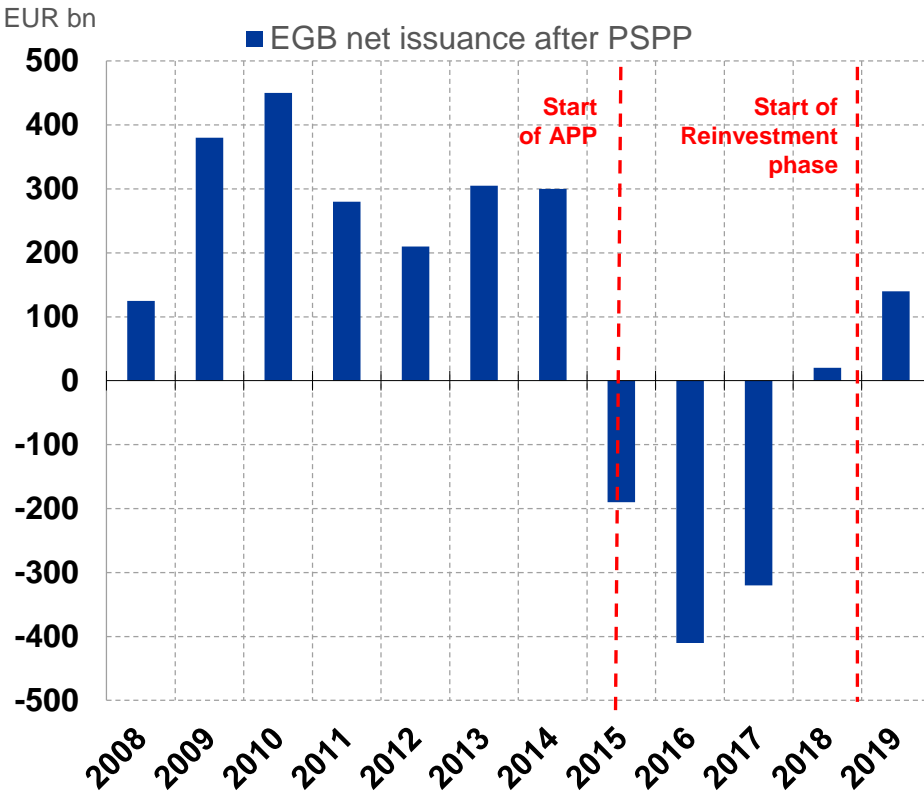
Source: Bloomberg, ECB staff calculations.



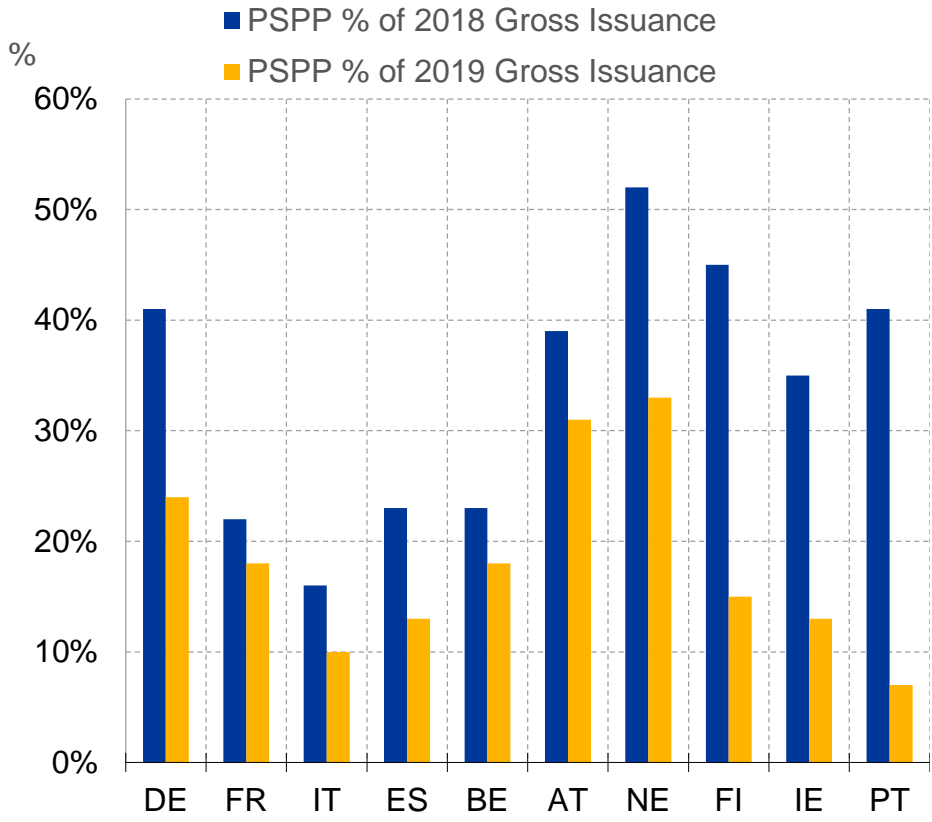
# Issuance dynamics past and present

## 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