

European Rates Viewpoint

2024 European SSA supply

€500bn eq. issuance by European Supras & EA Agencies

We project that gross bond issuance from European Supranationals (Supras) and Euro area agencies will amount to €500bn in 2024, spread across currencies. Exhibit 1 provides the individual funding targets of all major European supras and agencies, alongside other statistics on their bond markets. €500bn of supply would correspond to a new record high, and an increase of c.€65bn vs 2023 (Exhibit 2). Over half of the increase comes from our expectation of higher European Commission (EC) funding needs for the year. Supply in the complex should also increase in net terms (Exhibit 3).

Currency breakdown – possible record issuance in EUR

The share of EU supra and Euro area agency bond issuance conducted in EUR should remain elevated in 2024, as European Commission issuance is all EUR denominated. The attractiveness of 5-10y USD issuance levels (when fully swapped into EUR), as well as the desire from issuers to maintain liquidity and presence in other currencies argues for a relatively stable breakdown of issuance by currency. Keeping the currency split inline with that of 2023 would result in record gross EUR-denominated supply by EU supras and EA agencies (Exhibit 8). Quantitative tightening (QT) by the ECB will also imply record net EUR supply to private investors (Exhibit 10). It is a similar situation to that in the European Government bond space (see [European rates watch, 11-Jan](#)). There, we have already noted strong demand ([Liquid insight, 15-Jan](#)), supporting our view that even record EUR fixed income issuance can be well absorbed over 2024.

Maturity breakdown – longer maturities in USD

In 2022-23, we noted a shortening in the maturity of issuance in EUR and GBP space (Exhibit 12 & Exhibit 14), while the maturity of USD issuance rose in 2023 as more supply came in the 7-10y (Exhibit 13). This is a theme that can persist in 2024, with USD issuance still somewhat attractive in that sector for some issuers. In AUD, issuance over the last two years has been shorter dated (see Exhibit 14 - more focus on the 5y sector vs 7y+). Our AU analyst expects some reversal of that in 2024 ([Global Rates Year Ahead](#)).

So far this year: slightly larger front-loading in EUR & USD

EUR and USD issuance by European Supranationals (excl. EU) and Euro Area agencies is being front loaded to a greater extent this year relative to historical patterns, based on our estimate of 2024 issuance volumes by currency (Exhibit 17 and Exhibit 18). In the EUR case, this could be the result of expected competition with EU bond issuance, which is spread more evenly over the year (Exhibit 16). In USD, the attractive issuance levels would justify opportunistic front loading. On the other hand, issuance in GBP appears lower than what we would have expected for the month of January (Exhibit 18).

24 January 2024

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EU: European union

EA: Euro Area

QE: Quantitative Easing

QT: Quantitative Tightening

SURE: Support to mitigate
Unemployment Risks in an
Emergency

APP: Asset Purchase Programme

PEPP: Pandemic Emergency Purchase
Programme

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Timestamp: 24 January 2024 01:30AM EST

European SSA supply in 2024

We expect gross European Supranational issuance to rise by c.€50bn in 2024, vs

2023. This estimated increase is in large part due to our assumption of higher issuance

by the European Commission (EU bonds). We expect it at €150bn vs €116bn in 2023.

However, we note that EIB, EBRD and NIB are also targeting larger supply vs last year,

with only the ESM planning a reduction in its gross supply (Exhibit 1).

Exhibit 1: 2024 bond issuance picture for major European Supranationals and Agencies, based on official targets or BofA expectations (e)

We expect c.€500bn of issuance in EU supras and EA agencies combined in 2024, an increase of €64bn vs last year. EA Agencies completed c. 20% of funding YTD.

Ticker	Country of risk	Outstanding bonds (bbg)	Redemptions in 2024 (bbg)	Base currency	2024 gross bond issuance, all FX	Change vs 2023	Done ytd * bn	Done ytd*, %	Left to issue	2023 issuance, all FX	2023 % in EUR	2023 % in USD	2023 % in GBP
International or supranational institutions located in the EU													
COE	EU	29	4	EUR	7	0.0	3	44%	3.9	7	46%	26%	16%
EBRD	EU	52	10	EUR	13.5	4.0	3	21%	10.6	10	6%	65%	2%
EFSF	EU	190	22	EUR	20	0.0	7	35%	13	20	100%	0%	0%
EIB	EU	423	60	EUR	60-65	12.5	12	19%	50.8	50	49%	34%	5%
ESM	EU	82	11	EUR	6	-2.0	0	0%	6	8	65%	35%	0%
EU	EU	458	3	EUR	150 (e)	34.0	5	3%	145	116	100%	0%	0%
EUROF	EU	11	1	EUR	1 (e)	-0.4	0	0%	1.0	1	61%	39%	0%
NIB	EU	34	6	EUR	8-9.5	1.6	1	14%	7.5	7	13%	40%	16%
		1279	117	EUR	269 (e)	+50	31	11%	238	223	79%	14%	2%
Euro Area Agencies													
KFW	Germany	438	80	EUR	90-95	2.5	22.0	24%	70.5	90	54%	29%	9%
CADES	France	141	23	EUR	20	-2.2	7.7	39%	12.3	22	54%	46%	0%
BNG	Netherlands	97	16	EUR	18	2.7	1.2	7%	16.8	15	66%	25%	1%
RENTEN	Germany	77	9	EUR	11	0.6	1.2	10%	9.9	10	66%	27%	0%
NRWBK	Germany	61	9	EUR	11-13	1.8	0.0	0%	12.0	10	60%	14%	3%
NEDWBK	Netherlands	60	9	EUR	10	3.0	1.4	14%	8.7	7	51%	39%	9%
UNEDIC	France	54	4	EUR	1	0.0	0.0	0%	1.0	1	100%	0%	0%
AGFRNC	France	51	6	EUR	9	1.0	2.4	27%	6.6	8	51%	38%	7%
KUNTA	Finland	47	6	EUR	9-10	0.0	1.0	11%	8.5	10	51%	28%	11%
BPIFRA	France	36	3	EUR	4 (e)	0.1	0.0	0%	4.0	4	82%	0%	17%
SOGRPR	France	26	0	EUR	2 (e)	0.0	0.0	0%	2.0	2	100%	0%	0%
LBANK	Germany	25	6	EUR	7 (e)	1.0	2.1	30%	4.9	6	39%	46%	5%
CDEP	Italy	25	2	EUR	1-2 (e)	-0.7	0.0	0%	1.5	2	59%	40%	0%
OKB	Austria	20	5	EUR	6	1.2	2.0	33%	4.1	5	11%	64%	15%
CDCEPS	France	20	2	EUR	3-5	-0.3	0.4	9%	3.7	4	53%	35%	9%
SNCF	France	18	2	EUR	1.75	-0.4	0.0	0%	1.8	2	84%	0%	3%
FRPTT	France	12	1	EUR	1-2 (e)	-0.4	0.0	0%	1.5	2	100%	0%	0%
FINNVE	Finland	11	1	EUR	1-2 (e)	-0.3	0.0	0%	1.5	2	0%	100%	0%
SFILFR	France	10	2	EUR	3.5-4.5	1.0	1.3	31%	2.8	3	85%	15%	0%
ICO	Spain	10	3	EUR	5-6	-0.5	0.0	0%	5.5	6			
FMSWER	Germany	8	5	EUR	0-2 (e)	1.0	0.0	0%	1.0	0	0%	0%	0%
ASFING	Austria	7	1	EUR	1 (e)	1.0	0.0	0%	1.0	0	0%	0%	0%
ADIFAL	Spain	7	1	EUR	2 (e)	0.9	1.5	75%	0.5	1	100%	0%	0%
NEDFIN	Netherlands	6	1	EUR	1-2	-0.1	0.1	3%	1.5	2	0%	81%	0%
SAGESS	France	5	1	EUR	1 (e)	0.5	0.0	0%	1.0	1	100%	0%	0%
RATFPF	France	5	1	EUR	0-1 (e)	0.0	0.0	0%	0.5	1	100%	0%	0%
ERSTAA	Germany	3	2	EUR	2 (e)	0.5	0.0	0%	2.0	2	36%	64%	0%
		1279	197	EUR	231 (e)	+14	44	19%	187	217	54%	30%	6%
EU (ex Euro Area) agencies													
KBN	Norway	60	8	USD	10	2.2	0.3	3%	9.2	7	3%	60%	12%
KOMINS	Sweden	53	13	USD	12.5-14.5	-0.8	0.2	1%	13.3	14	13%	35%	0%
SEK	Sweden	37	6	USD	10 (e)	-1.0	0.1	1%	9.9	11	18%	65%	3%
KOMMUN	Denmark	33	4	USD	6	1	0.1	2%	5.9	5	26%	48%	11%
		183	32	USD	39 (e)	+1	1	2%	38	38	14%	50%	5%

Source: Bloomberg, Dealogic, Issuers' investor pages, BofA Global Research. (*) YTD = first 3 weeks of January, up to Jan 19th. 2024 issuance target market by (e) when corresponding to BofA expectations.

Change vs 2023, and amount remaining to be issued = both calculated using the mid-point of the target ranges for 2024.

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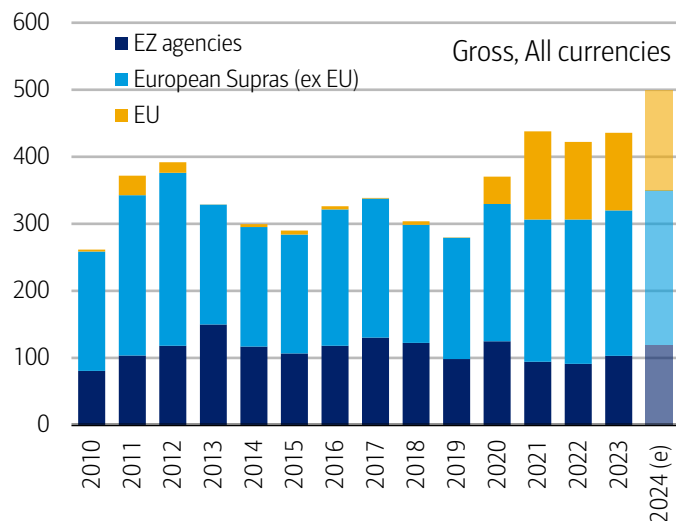


In the **Euro Area agency space**, we expect gross supply to total just over €230bn, representing a slight increase vs 2024. Most of the agencies that have announced a funding target for 2024 appear to be planning stable to higher issuance amounts relative to last year, with only CADES targeting a visible (yet still marginal) reduction of €2bn.

Overall, we project that gross issuance by EU Supranationals and EA agencies will reach a new record high (Exhibit 2). This is also the case in net terms (Exhibit 3).

Exhibit 2: We expect record European Supra & EA agency supply in '24

Historical and BofA projection for '24, all currencies combined (EUR bn)

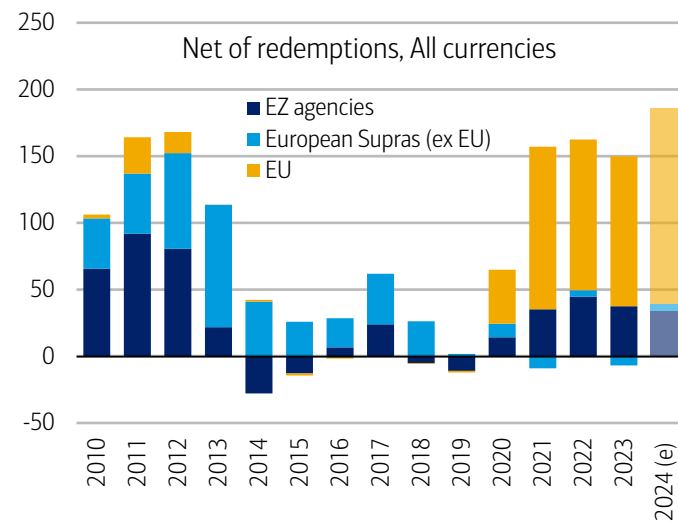


Source: Dealogic, Issuers' investor pages, BofA Global Research

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Exhibit 3: Supply will also make a new high net of all redemptions

Historical and BofA projection for '24, all currencies combined (EUR bn)



Source: Dealogic, Bloomberg, Issuers' investor pages, BofA Global Research

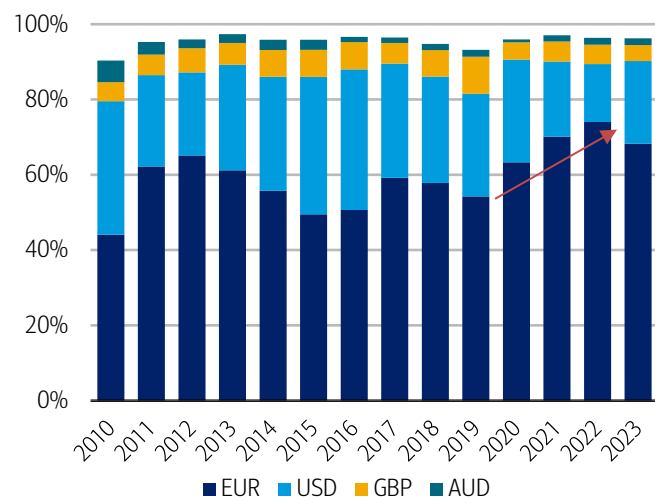
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Currency breakdown – mechanically large EUR share

The share of EUR-denominated issuance, as percentage of total European supras and EA agency supply has increased over the last few years (Exhibit 4). This is mainly the result of the surge in European Commission bond issuance (as EU bonds can only be EUR denominated). When excluding EU bonds, we find that the EUR share has evolved close to the historical average of 55% (Exhibit 5).

Exhibit 4: Increased EUR share of issuance by EU supras & EA agencies...

Currency split of European supras and EA agencies' bond issuance

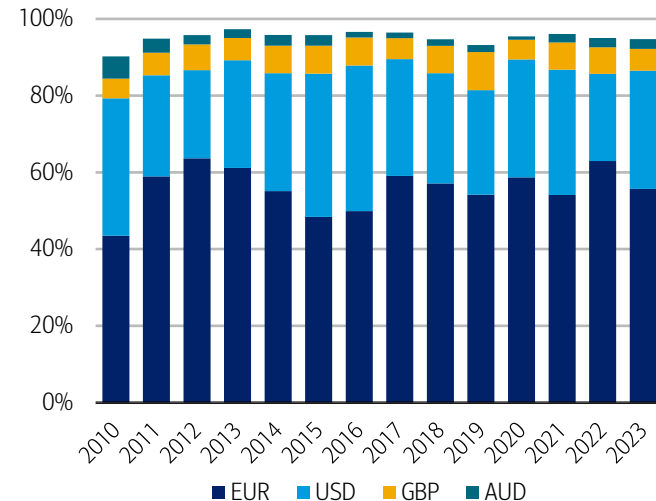


Source: Dealogic, BofA Global Research

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Exhibit 5: ...Mostly due to higher bond supply by European Commission

Currency split of European supras (excluding EU) & EA agencies' issuance



Source: Dealogic, BofA Global Research

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Last year saw a pick-up in the USD share vs 2022 (even when accounting for EU bonds).

This year, we would flag three points:

- (1) The EUR share can remain elevated given the large increase in EU funding needs. Keeping the issuance split at 2023 levels for each issuer, and accounting for an increase in EU supply to €150bn, we find the EUR share would be 68%.
- (2) However, from the perspective of an issuer with access to a broad range of currencies, it could be attractive to resort to other currencies, after accounting for the cost of swapping foreign currency issuance back into EUR. In fact, at the very start of this year, GBP issuance was attractive for some, while USD issuance now appears slightly more attractive in the 5-10y sector (see Exhibit 6, Exhibit 7 for a comparison of implied EUR Asset swap levels across tenors and currencies for the largest two multi-currency SSA issuers: EIB and KfW),
- (3) There is a desire among SSAs to increase the liquidity of their bond curves and appeal to a broader range of investors. This could maintain healthy issuance levels in the likes of GBP and AUD for large issuers, even if issuance levels there are slightly costlier. Smaller issuers however may want to concentrate more on EUR and USD to increase the size of their benchmark and support trading activity in the secondary market.

Exhibit 6: EIB EUR ASW eq. level of bmk* bonds in diff currencies, est.

Cheaper issuance levels in EUR in 2y and in 15y, while USD better in 5-10y

EIB	2y	5y	10y	15y
EUR	-24	1	15	31
USD	-17	-5	7	
GBP	-8	5	12	52

Source: Bloomberg, (*) benchmark bonds, as of Jan 19th

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Exhibit 7: KfW EUR ASW eq. level of bmk* bonds in diff currencies, est.

For KfW, EUR is cheapest of the 3 currencies, except in the 5y

KfW	2y	5y	10y	15y
EUR	-19	0	12	19
USD	-18	-2	14	
GBP	-10	2	18	

Source: Bloomberg, (*) benchmark bonds, as of Jan 19th

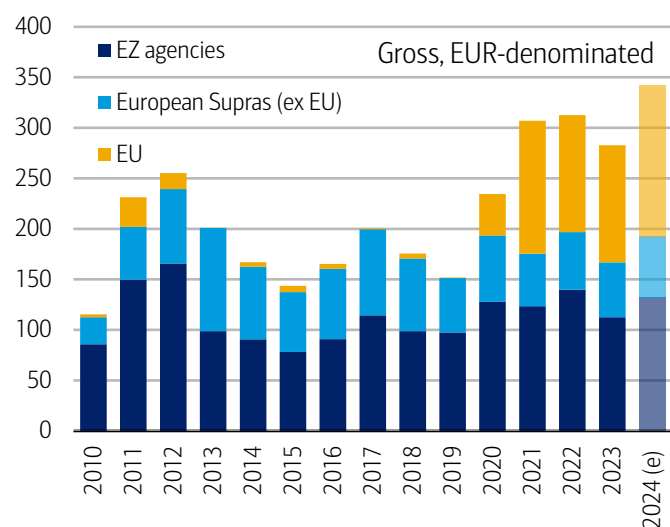
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Record EUR-denominated EU Supras & EA agency supply to private investors

Assuming the share of funding completed in EUR stays the same for each issuer, we estimate that gross EUR-denominated supply from European supras & EA agencies will reach a new record in 2024 (Exhibit 8). Net of all EUR bond redemptions, the amount should be like what was recorded on average in 2021-22 (Exhibit 9).

Exhibit 8: EU Supra & EA agency bond supply in '24: record in EUR too

Historical and BofA projection for '24, EUR-denominated only (EUR bn)

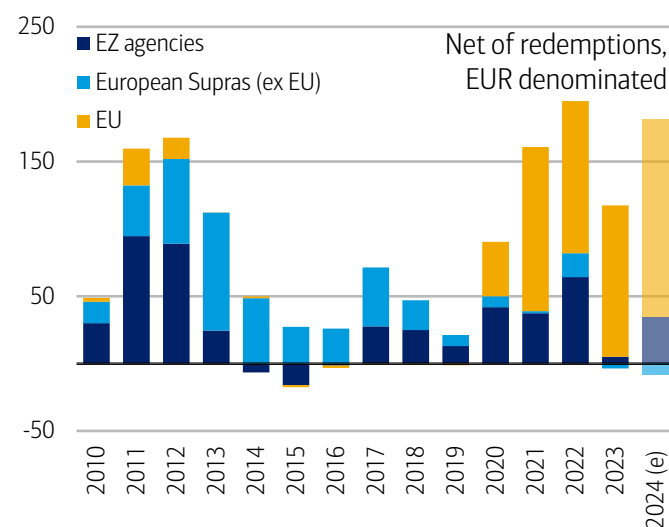


Source: Dealogic, Issuers' investor pages, BofA Global Research

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Exhibit 9: Net (*) EUR-denominated supply, back to 2021-22 levels

Historical and BofA projection for '24, EUR-denominated only (EUR bn)



Source: Dealogic, Issuers' investor pages, BofA Global Research. (*) net of all EUR redemptions

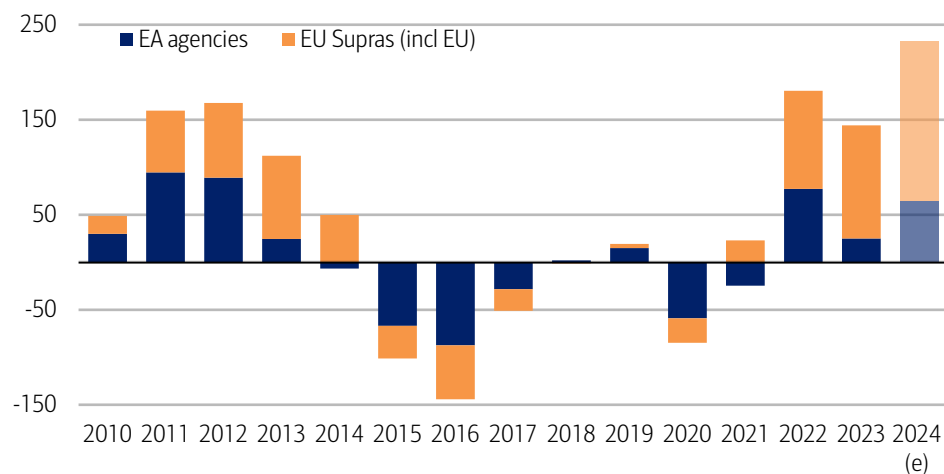
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The difference is more significant when accounting for ECB flows (Exhibit 10). In 2021-22, the ECB was still conducting QE, growing its bond portfolio. Since then, it has stopped net purchases, and even started to shrink its portfolio in 2023, by no longer reinvesting bond redemptions in its APP portfolio. In mid 2024, the QT process will accelerate as the ECB will also start partial reinvestments of PEPP redemptions.

Interestingly however, we note that the flexibility in PEPP reinvestments was used by the ECB in 2023 to generate net buying in EU supras. Indeed, PEPP purchases in EU supras totalled over €8bn in 2023, at a time when the overall PEPP portfolio was unchanged in size. We expect this tilt towards EU supras to extend with PEPP reinvestments in 2024 as the cumulative buying of EU supras under this programme represents 9.3% of public sector purchases, still below the 10% share initially planned (ie around €10bn short). This will only very partially offset the APP QT flows however.

Exhibit 10: EUR-denominated supply, net of redemptions and ECB flows (bn EUR): new high in '24

Historical estimates and BofA projection for '24, EUR-denominated only (EUR bn)



Source: Dealogic, Issuers' investor pages, BofA Global Research

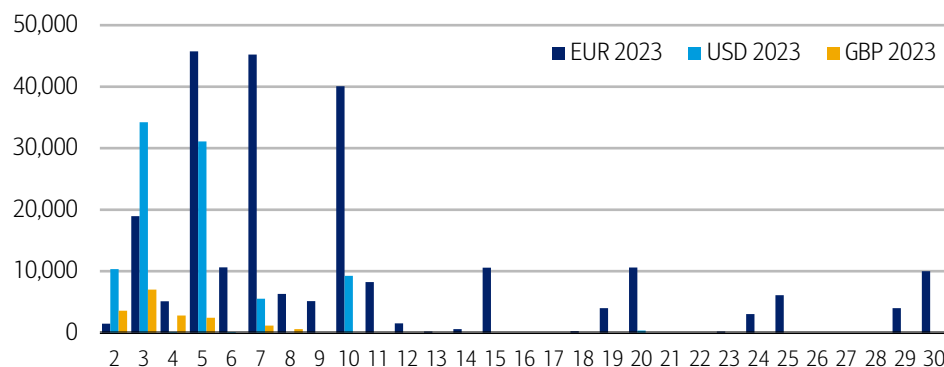
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Maturity breakdown: ongoing changes

In 2022-23, we noted a shortening in the maturity of issuance in EUR and GBP space (Exhibit 12 & Exhibit 14), while the maturity of USD issuance rose in 2023 as more supply came in the 7-10y (Exhibit 13). With USD issuance being still somewhat attractive in that sector for some issuers, this is a theme that can persist in 2024. In AUD, issuance over the last two years has been shorter dated (more focus on the 5y sector vs 7y+, Exhibit 14). our AU analyst expects a reversal of that in 2024 ([Global Rates Year Ahead](#))

Exhibit 11: EU Supras & EA agency issuance by maturity sector in different currencies (mln EUR)

EUR denominated issuance tends to be spread further out the curve, with GBP issuance being much shorter

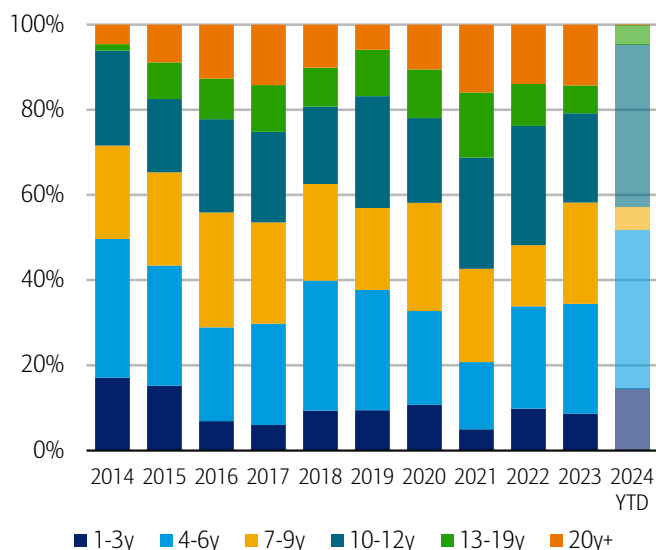


Source: Dealogic, BofA Global Research

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Exhibit 12: Maturity split of EUR-denominated SSA* syndicated supply

Average maturity of EUR denominated issuance declined in 2022 & 2023

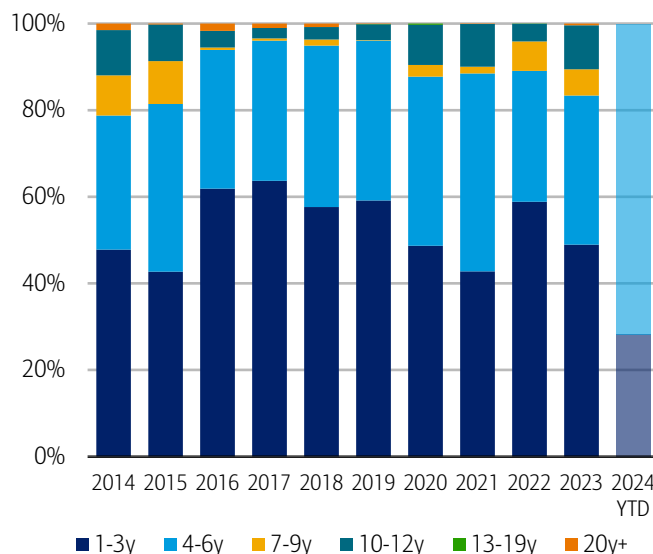


Source: Dealogic, BofA Global Research. (*) European Supras & EA agencies, excluding auctions
YTD= first three weeks of January 2024

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Exhibit 13: Maturity split of USD-denominated SSA* syndicated supply

Average maturity of USD denominated issuance increased in 2023 vs 2022

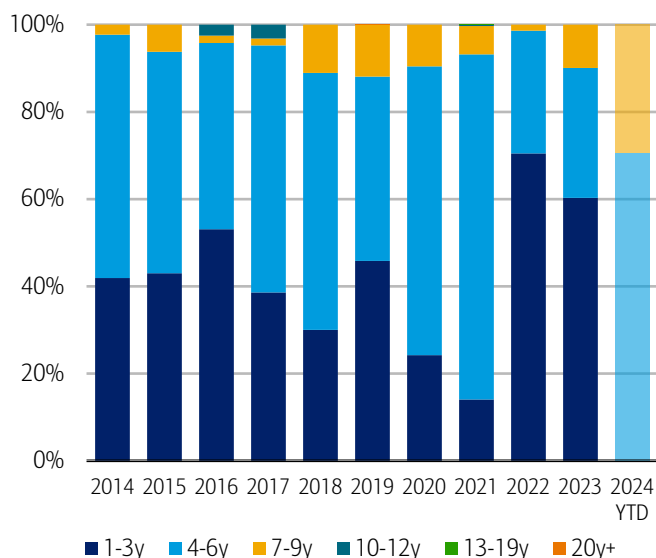


Source: Dealogic, BofA Global Research. (*) European Supras & EA agencies only
YTD= first three weeks of January 2024

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Exhibit 14: Maturity split of GBP-denominated SSA* syndicated supply

GBP Issuance has been particularly more focused in 1-3y sector in 2022-23

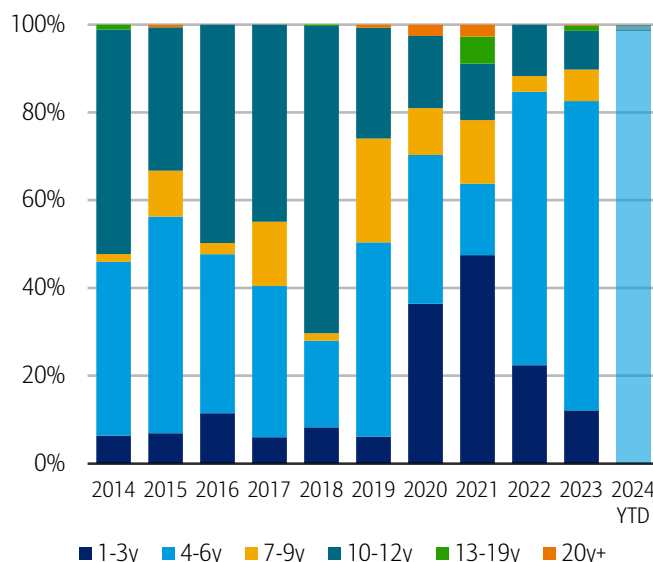


Source: Dealogic, BofA Global Research. (*) European Supras & EA agencies only
YTD= first three weeks of January 2024

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Exhibit 15: Maturity split of AUD-denominated SSA* syndicated supply

Average maturity of AUD issuance declined in 2022-23, with focus on 5y.



Source: Dealogic, BofA Global Research. (*) European Supras & EA agencies only
YTD= first three weeks of January 2024

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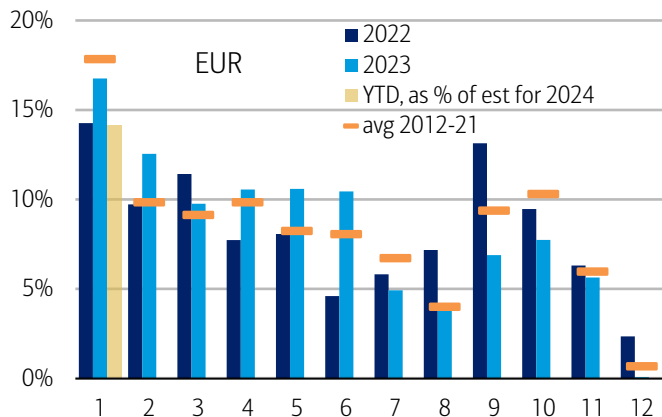
Issuance so far: more front loading in EUR & USD

The monthly distribution of European Supras and agency issuance tended to be quite stable over the years, with some front loading of supply in January in particular. The last few years however saw EUR issuance become more spread out across the year (Exhibit 16). This is mainly the result of EU supply, which has picked up significantly and is being spread more evenly over the year (more akin to government bond issuance).

In fact, when excluding EU bond supply from the analysis, we find that in 2022-24 issuers have been front loading EUR denominated supply to a slightly greater extent than the average over the prior ten years (Exhibit 17). 2024 stands out even more on that front (assuming our estimates for 2024 EUR denominated issuance hold, at just under €200bn for EA agencies and European supranationals ex EU).

Exhibit 16: EUR bond supply was more spread out in last few years ...

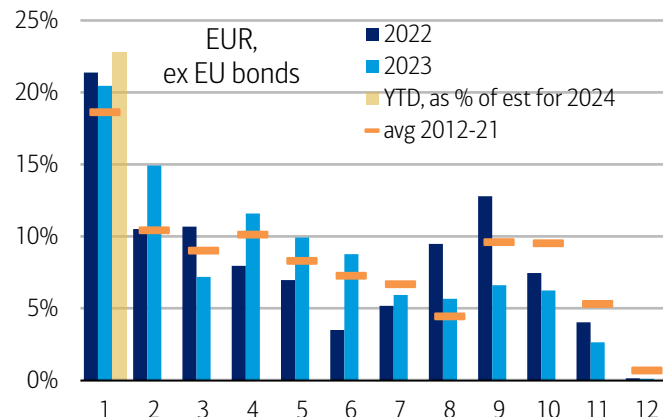
Average monthly breakdown of EUR-denominated SSA* issuance by month



Source: Dealogic, BofA Global Research. (*) SSA here = European Supras and Euro Area agencies
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Exhibit 17: ...but front loading more pronounced in Jan if excluding EU*

Average monthly breakdown of EUR-denominated issuance by SSAs excl. EU



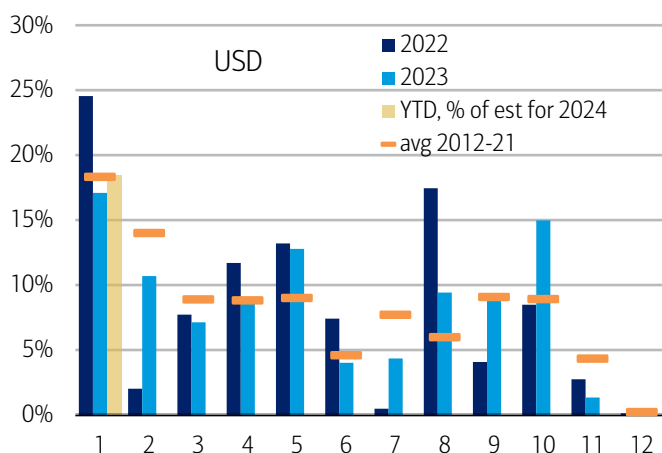
Source: Dealogic, BofA Global Research. (*) EU bonds = issued by the European Commission
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Timing of issuance in other currencies tends to be more variable historically, as it depends on the attractiveness relative to EUR issuance. Still, Jan-Feb tend to be the period where foreign bond issuance concentrates, with 1/3 of the yearly USD-denominated supply taking place in these two months on average (Exhibit 18), while 30% of GBP denominated issuance takes place on average in January alone (Exhibit 19).

Using our assumptions of c.\$115bn in USD denominated supply and c.£17bn in GBP denominated supply for EU supras and EA agencies combined, we find that what was issued in the first three weeks of this year would correspond to 18% of the yearly figure in USD and 20% in GBP. This would suggest greater than usual front-loading in USD, versus much lower front loading in GBP. The more attractive issuance levels in USD could help explain this differential.

Exhibit 18: Jan-Feb tend to be busiest for USD issuance; based on our estimate for '24 USD supply, this Jan appears slightly busier than usual.

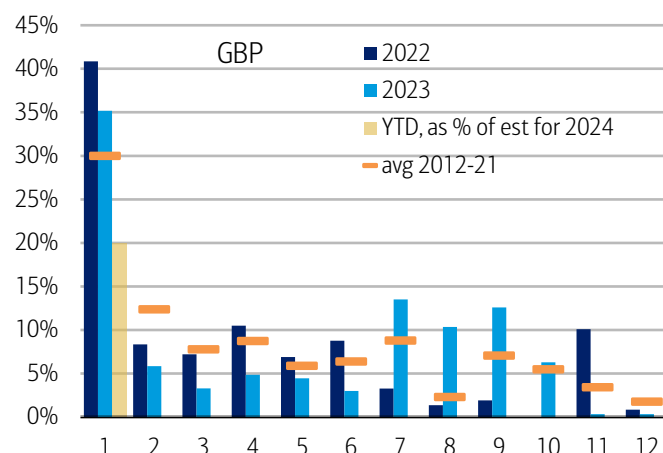
Average monthly breakdown of USD-denominated SSA* issuance by month



Source: Dealogic, BofA Global Research. (*) SSA here = European Supras and Euro Area agencies
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Exhibit 19: EU Supras & EA Agencies tend to significantly frontload GBP-denominated supply in Jan; YTD supply seems low historically.

Average monthly breakdown of GBP-denominated SSA* issuance by month



Source: Dealogic, BofA Global Research. (*) SSA here = European Supras and Euro Area agencies
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