

European Rates Watch

EGB Q1 Supply: to FOMO or not to FOMO

Demand keeps up with heavy supply, so far

The start of the Eurozone Government Bond supply season is seeing relatively little surprises both qualitatively and quantitatively. At the margin, relative to 2023, this second week of January is seeing a more meaningful acceleration of EGB supply.

In terms of net risk delivery (EGB gross issuance netted of private/ECB reinvestment and rebalancing flows, expressed in DV01 terms) this week is as big as it gets (see Exhibit 1).

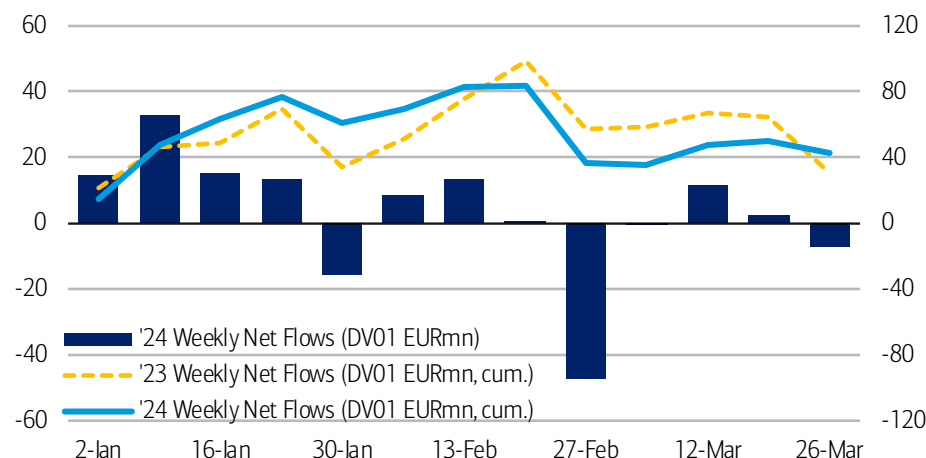
Net supply should decline, but it should remain at elevated levels most weeks up to mid Feb. Interestingly, month-end rebalancing flows towards EGBs will be relatively muted over January-February but will pick up aggressively at the end of February.

The window for a potential rates selloff is now until mid-Feb, from a supply perspective.

That said, extrapolations from syndications since the start of the year indicate healthy demand from private investors – this is not a complete surprise (see Demand section in Global Rates Year Ahead, 19 Nov 2023). It is still too early to tell, and the statistics of investor/geography allocations will add nuance, but this sell-off window may close early.

Exhibit 1: Supply net of "systematic" EGB flows (gross ECB flows + private reinvestments & index extensions) - expressed in DV01 terms over Q1

This week marks the peak of net supply in DV01 terms. Feb-Mar month-end is particularly supportive



Source: BofA Global Research own calculations and ECB. We aggregate the maximum likely gross reinvestment profile of private investors and ECB into/out of EGBs. We include reinvestments of coupon flows, bond repayments, QE/QT dynamics as well as private month-end bond index rebalancings. We look at data at a daily frequency and transform flow in DV01-equivalent terms (depending on assumed duration of assets benefitting from reinvestment flows). Numbers are expressed in EUR millions

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(continued inside...)

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12644180

Timestamp: 11 January 2024 01:30AM EST

11 January 2024

Rates Research
Europe

European Rates Research
MLI (UK)

Erjon Satko
Rates Strategist
BofASE (France)
erjon.satko@bofa.com

Sphia Salim
Rates Strategist
MLI (UK)
sphia.salim@bofa.com

See Team Page for List of Analysts

FOMO- fear of missing out

A lot of supply but not surprising

Since the start of the year Euro Government Bond markets saw the usual frantic start with plenty of national treasuries looking to secure new benchmark launches. Over the first two weeks this year we have had five announcements (see Exhibit 2, bold 2024 entries indicate announced syndications). Five is also the number of syndications we had over this period in 2023 (although this year there is more concentration of operations during the second week). Qualitatively, the weighted average maturity is marginally lower given the preference for 10y lines instead of the 15y/20y in a couple of cases.

For January, we still expect 10y lines from Austria and Greece, perhaps Finland too. France may more likely add a 30y.

In February and March, activity gradually should slow down, as per usual. However, maturities tend to be significantly high in February and, to a lesser extent, March.

Exhibit 2: EGB syndications, January

The 10y sector dominates in January...

Jan	2020	2021	2022	2023	2024p
AS	10y	10y	7y	10y	10y
BE	10y	10y	10y	10y	10y
FI			20y	15y	10y/30y
FR	30y	50y	i30y		30y
GE					
GR	15y	10y	10y	10y	10y
IR	15y	10y	10y	g20y	10y
IT	30y	15y	30y	20y	7y, 30y
NL					
PO	10y		20y	14y	10y
SP	10y	10y	10y	10y	10y

Source: National treasuries and own assumptions. 2024 highlighted has happened. Rest is assumptions

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Exhibit 3: EGB syndications, February

...>15y picks up in February...

Feb	2020	2021	2022	2023	2024
AS					
BE	20y	50y	30y	30y	20y
FI	15y	30y			
FR				31y	
GE				30y	30y
GR					
IR					
IT	15y	10y/i30y	i10y	30y	20y
NL					10y*
PO		30y			
SP	30y	50y	30y	16y	20y

Source: National treasuries and own assumptions. *DDA. 2024 has our assumptions

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Exhibit 4: EGB syndications, March

...continues in March

Mar	2020	2021	2022	2023	2024p
AS	3y, 30y		10y		
BE	7y				5y
FI					
FR		23y			>15y g
GE			30y		
GR		30y		5y	15y
IR					
IT		25y	8y	i5y	50y
NL					
PO					
SP					

Source: National treasuries and own assumptions. 2024 has our assumptions

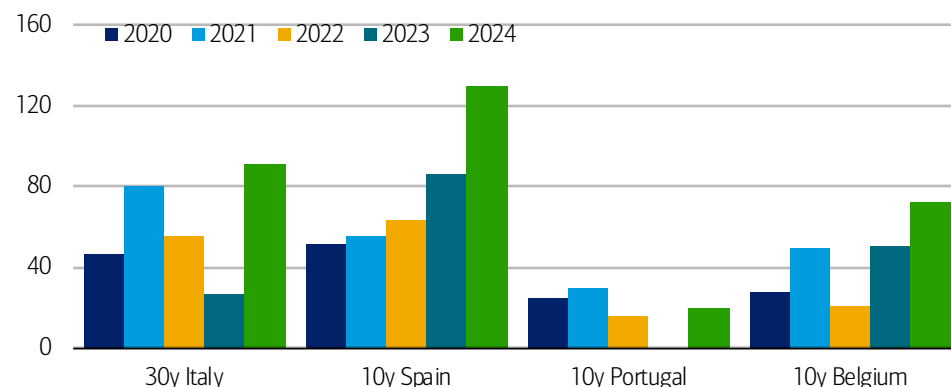
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Despite the concentration of syndications this week, order books have been large. Seeing significant bids at syndications is not unusual but a comparison of the book sizes in 2024 EGB syndications to those of prior years suggests particularly healthy demand (Exhibit 5). Another indication of that is the tightening in spreads and flattening in long-end curves during the week, despite "peak" issuance.

This supports our call that 2024 supply, even if higher than 2023, can be well absorbed (see Demand section [Global Rates Year Ahead, 19 November 2023](#)). Real money investors (esp. those different from domestic funds) need to keep rebalancing towards EUR debt in order to have portfolio allocations more resemblant to pre-QE equivalents.

Exhibit 5: Bidding volume at syndications for selected countries at the start of the year

2024 is so far seeing sizeable bidding activity from private investors



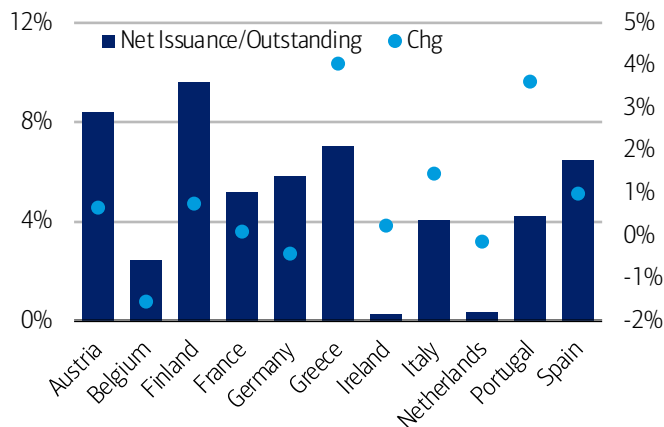
Source: Bloomberg. Numbers in EUR billions

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All in all, the current data flow on the issuance front, keeps us comfortable with our gross issuance assumptions split by month. Auctions should account for c. €100bn in January, February and March while total syndication volumes should settle at c. €50bn, €30bn and €27bn over those three months respectively. As can be seen in Exhibit 7, changes relative to 2023 are relatively small when it comes to gross supply volumes.

Exhibit 6: 2024 net-net issuance and change rebased by outstanding

Because of QT, most countries see (marginal) net issuance increases



Source: National treasuries, Haver, ECB and own calcs

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In net terms (after incl. coupons, redemptions, buybacks, ECB QT), EGB issuance goes up by c. €44bn relative to 2023. The absolute value of these flows (c. €550bn) is very high but the year-on-year rate of change relatively small. Seasonality-wise, the increase in net-net issuance this year is skewed towards H2 (due to ECB QT & maturity schedule).

Exhibit 8: Projected supply net of coupons, redemptions, buybacks and QE

Monthly supply through the year

2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Chg.
Austria	8	2	1	9	2	2	-6	2	2	3	2	1	28	2
Belgium	6	5	1	4	4	-10	3	4	2	-6	0	0	14	-8
Finland	5	0	2	1	2	0	3	3	-1	2	1	0	15	1
France	27	4	-2	15	-16	28	10	22	28	22	-3	5	140	3
Germany	17	9	6	16	2	13	24	7	11	12	18	-2	133	-10
Greece	3	0	2	-2	0	0	3	0	0	0	0	0	7	4
Ireland	4	0	-5	0	-1	1	0	0	1	0	0	0	0	0
Italy	6	17	11	16	3	34	11	2	-2	23	2	-24	98	35
Netherlands	-8	7	4	6	2	3	-9	0	4	6	0	0	15	-5
Portugal	4	1	1	-1	0	0	1	0	1	0	0	0	7	6
Spain	11	19	16	-3	0	26	-3	7	15	-3	3	3	92	14
Total	83	64	36	62	-2	100	33	47	62	59	23	-17	551	44
Chg vs '23	1	-37	-8	-4	11	18	8	21	9	64	-21	-18		

Source: BofA Global Research. Note: Numbers are expressed in EUR bn.

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Below we provide a more granular detail of EGB auctions and maturities (they include portion held by Eurosystem). The auction schedule is an extrapolation from latest plans.

Exhibit 9: Euro-area government bond auctions (incl. fixed coupons, IL, CTZ, CCT), coupons and redemptions (only EUR) for Q1 2024

Flows through the quarter (auctions only)

Auctions	Date	Ctry	Amt	Sector(s)	Date	Country	Amount	Type	
Wk 1	3-Jan	GE	4.5	BKO 3.1% 12/25	Wk 1	1-Jan	IT	0.3	C
	4-Jan	FR	9.5-11.5(e)	>8y OAT		4-Jan	GE	4.8	C
	4-Jan	SP	5.5-6.5(e)	SPGB/SPGB€		4-Jan	GE	12.8	R
Wk 2	9-Jan	AS	1.0-2.0(e)	RAGB					

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Flows through the quarter (auctions only)

Auctions	Date	Ctry	Amt	Sector(s)		Date	Country	Amount	Type
	9-Jan	NE	2.0-2.5	DSL 2.5% 01/30					
	10-Jan	GE	5.0	DBR 2/34					
	10-Jan	PO	0.75-1.25(e)	PGB (potential auction)					
	11-Jan	IT	3.0 (e)	3y BTPS					
Wk 3	16-Jan	GE	4.0	OBL 4/29	Wk 3	15-Jan	IT	0.7	C
	17-Jan	GE	1.0	DBR 0% 8/52		15-Jan	NE	3.3	C
	17-Jan	GR	0.1-0.3(e)	GGB		15-Jan	IT	14.4	R
	18-Jan	FR	9.5-11.5(e)	2-8y OAT/OAT€		15-Jan	NE	15.4	R
	18-Jan	SP	5.5-6.5(e)	SPGB					
Wk 4	23-Jan	GE	1.5-2.0(e)	Green Bond	Wk 4	26-Jan	AS	0.2	C
	23-Jan	NE	1.5-2.5(e)	DSL					
	24-Jan	GE	1.5	DBR 1% 5/38					
	24-Jan	PO	0.75-1.25(e)	PGB (potential auction)					
	25-Jan	IT	3.0-5.0(e)	BTPShort, BTP€I					
Wk 5	29-Jan	BE	2.0-3.0(e)	BGB	Wk 5	30-Jan	GR	1.0	C
	30-Jan	GE	5.0	BKO 3/26		30-Jan	IT	14.9	R
	30-Jan	IT	7.0-9.0(e)	5y BTPS, 10y BTPS, CCTeu		31-Jan	SP	3.4	C
	31-Jan	GE	4.5	DBR 2/34		31-Jan	SP	17.6	R
Total Jan			up to €84.1-101.3(e)		Total Jan			€ 88.6	
Wk 5	1-Feb	FR	9.5-11.5(e)	>8y OAT	Wk 5	1-Feb	IT	3.8	C
	1-Feb	SP	5.5-6.5(e)	SPGB/SPGB€I		1-Feb	IT	0.3	R
	2-Feb	BE	0.5(e)	ORI Facility					
Wk 6	6-Feb	AS	1.0-2.0(e)	RAGB	Wk 6				
	7-Feb	GE	3.0	DBR 2.4% 11/30					
	8-Feb	FI	0.4	RFGB ORI					
Wk 7	13-Feb	GE	4.0	OBL 4/29	Wk 7	15-Feb	GE	1.0	C
	13-Feb	IT	7.0-9.0(e)	3y BTPS, 7y BTPS, >10y BTPS		15-Feb	IT	0.2	C
	13-Feb	NE	4.0-6.0	New 10y DSL		15-Feb	PO	0.8	C
	14-Feb	GE	1.0	DBR 1.8% 8/53		15-Feb	GE	22.5	R
	14-Feb	PO	0.75-1.25(e)	PGB (potential auction)		15-Feb	IT	13.8	R
	14-Feb	GR	0.1-0.3(e)	GGB		15-Feb	SP	6.0	R
	15-Feb	FR	9.5-11.5(e)	2-8y OAT/OAT€					
	15-Feb	SP	5.5-6.5(e)	SPGB					
Wk 8	19-Feb	BE	2.0-3.0(e)	BGB	Wk 8	18-Feb	IR	0.2	C
	20-Feb	FI	1.0-1.5	RFGB		20-Feb	AS	0.4	C
	20-Feb	GE	5.0	BKO 3/26					
	21-Feb	GE	4.5	DBR 2/34					
	23-Feb	IT	3.0-5.0(e)	BTPShort, BTP€I					
Wk 9	27-Feb	GE	1.5-2.0(e)	Green Bond	Wk 9	25-Feb	FR	0.4	C
	27-Feb	NE	1.5-2.5(e)	Green DSL 3.25% 01/44		25-Feb	FR	31.0	R
	28-Feb	GE	1.0	DBR 1% 5/38					
	28-Feb	IT	7.0-9.0(e)	5y BTPS, 10y BTPS, CCTeu					
	28-Feb	PO	0.75-1.25(e)	PGB (potential auction)					
Total Feb			up to €81.0-100.2(e)		Total Feb			€ 80.4	
Wk 9	1-Mar	BE	0.5(e)	ORI Facility	Wk 9	1-Mar	IT	7.9	C
						1-Mar	IT	22.1	R
Wk 10	5-Mar	AS	1.0-2.0(e)	RAGB	Wk 10				
	5-Mar	GE	4.0	OBL 4/29					
	7-Mar	FR	9.5-11.5(e)	>8y OAT					
	7-Mar	SP	5.5-6.5(e)	SPGB/SPGB€I					
Wk 11	12-Mar	GE	4.5	BKO 3/26	Wk 11	12-Mar	GR	0.2	C
	12-Mar	NE	1.5-2.5(e)	DSL		13-Mar	IR	0.6	C
	13-Mar	GE	4.5	DBR 2/34		15-Mar	AS	1.1	C
	13-Mar	IT	7.0-9.0(e)	3y BTPS, 7y BTPS, >10y BTPS		15-Mar	IT	1.2	C
	13-Mar	PO	0.75-1.25(e)	PGB (potential auction)		15-Mar	GE	19.5	R
Wk 12	18-Mar	BE	2.0-3.0(e)	BGB	Wk 12	18-Mar	IR	0.4	C
	19-Mar	FI	1.0-1.5	RFGB		18-Mar	IR	8.0	R
	20-Mar	GE	1.0	DBR 0% 8/52		20-Mar	GR	0.3	C
	20-Mar	GR	0.1-0.3(e)	GGB		20-Mar	GR	1.3	R
	21-Mar	FR	9.5-11.5(e)	2-8y OAT/OAT€					

Exhibit 9: Euro-area government bond auctions (incl. fixed coupons, IL, CTZ, CCT), coupons and redemptions (only EUR) for Q1 2024

Flows through the quarter (auctions only)

Auctions	Date	Ctry	Amt	Sector(s)		Date	Country	Amount	Type
	21-Mar	SP	5.5-6.5(e)	SPGB					
	22-Mar	IT	3.0-5.0(e)	BTPShort, BTPeI					
Wk 13	26-Mar	GE	1.5-2.0(e)	Green Bond	Wk 13	25-Mar	FR	34.0	R
	26-Mar	NE	1.5-2.5(e)	DSL		28-Mar	BE	3.8	C
	27-Mar	GE	3.0	DBR 2.4% 11/30					
	27-Mar	IT	7.0-9.0(e)	5y BTPS, 10y BTPS, CCTeu					
	27-Mar	PO	0.75-1.25(e)	PGB (potential auction)					
Total Mar			up to €74.6-92.8(e)			Total Mar			€ 100.5

Source: BofA Global Research estimates and national debt GE management agencies. Note: Numbers are expressed in EUR bn. In the leftmost column, C indicates a coupon payment, R a redemption

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Exhibit 10: Common acronyms/abbreviations used in our reports

This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition
1H	First Half	IT	Italy
2H	Second Half	Jan	January
1Q	First Quarter	Jul	July
2Q	Second Quarter	Jun	June
3Q	Third Quarter	lhs	left-hand side
4Q	Fourth Quarter	m	month
ann	annualized	MA	Moving Average
APP	Asset Purchase Programme	Mar	March
Apr	April	MBM	Meeting-by-meeting
AS	Austria	mom	month-on-month
Aug	August	Mon	Monday
BdF	Banque de France (Bank of France)	MPC	Monetary Policy Committee
BE	Belgium	MWh	Megawatt-hour
BEA	Bureau of Economic Analysis	NGEU	NextGenerationEU
BLS	Bank Lending Survey	NE	Netherlands
BoE	Bank of England	Nov	November
BofA	Bank of America	NRRP	National Recovery and Resilience Plan
BoI	Banca d'Italia (Bank of Italy)	NSA	Non-seasonally Adjusted
BoJ	Bank of Japan	OAT	Obligations assimilables du Trésor
BoS	Banco de España (Bank of Spain)	OBR	Office for Budget Responsibility
bp	basis point	Oct	October
BTP	Buoni Poliennali del Tesoro	OECD	Organisation for Economic Co-operation and Development
Buba	Bundesbank	ONS	Office for National Statistics
c	circa	p	preliminary/flash print
CA	Current Account	PBoC	People's Bank of China
CPI	Consumer Price Index	PEPP	Pandemic Emergency Purchase Programme
CSPP	Corporate Sector Purchase Programme	PMI	Purchasing Managers' Index
d	day	PSPP	Public Sector Purchase Programme
GE	Germany	PT	Portugal
Dec	December	QE	Quantitative Easing
DS	Debt sustainability	qoq	quarter-on-quarter
EA	Euro area	QT	Quantitative Tightening
EC	European Commission	RBA	Reserve Bank of Australia
ECB	European Central Bank	RBNZ	Reserve Bank of New Zealand
ECJ	European Court of Justice	rhs	right-hand side
EFSF	European Financial Stability Facility	RPI	Retail Price Index
EGB	European Government Bond	RRF	Recovery and Resilience Facility
EIB	European Investment Bank	SA	Seasonally Adjusted
EMOT	Economic Mood Tracker	SAFE	Survey on the access to finance of enterprises
EP	European Parliament	Sat	Saturday
SP	Spain	Sep	September
ESI	Economic Sentiment Indicator	SMA	Survey of Monetary Analysts
ESM	European Stability Mechanism	SNB	Swiss National Bank
EU	European Union	SPF	Survey of Professional Forecasters
f	final print	Sun	Sunday
Feb	February	SURE	Support to mitigate Unemployment Risks in an Emergency
Fed	Federal Reserve	S&P	Standard & Poor's
FR	France	Thu	Thursday
Fri	Friday	TLTRO	Targeted Longer-term Refinancing Operations
GC	Governing Council	TPI	Transmission Protection Instrument
GDP	Gross Domestic Product	TTF	Title Transfer Facility
GNI	Gross National Income	Tue	Tuesday
GR	Greece	UK	United Kingdom
HICP	Harmonised Index of Consumer Prices	US	United States
HMT	His Majesty's Treasury	WDA	Work-day Adjusted
IMF	International Monetary Fund	Wed	Wednesday
INSEE	National Institute of Statistics and Economic Studies	y	year
IP	Industrial Production	yoy	year-on-year
IR	Ireland	ytd	year-to-date
PCA	Principal Component Analysis	EGB	Eurozone Government Bond
ORI	Optional Reverse Inquiry	C&R	Coupons and redemptions
DV01	Dollar Value of one basis points change		

Source: BofA Global Research

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Research Analysts

European Rates Research

Ralf Preusser, CFA

Rates Strategist
MLI (UK)
ralf.preusser@bofa.com

Sphia Salim

Rates Strategist
MLI (UK)
sphia.salim@bofa.com

Mark Capleton

Rates Strategist
MLI (UK)
mark.capleton@bofa.com

Erjon Satko

Rates Strategist
BoFASE (France)
erjon.satko@bofa.com

Ronald Man

Rates Strategist
MLI (UK)
ronald.man@bofa.com

Agne Stengeryte, CFA

Rates Strategist
MLI (UK)
agne.stengeryte@bofa.com

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