



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
ECONOMIC AND FINANCIAL AFFAIRS

E1: Financial markets and financial intermediaries and
L5: Borrowings and Treasury

ECFIN/210/03-EN

MONTHLY NOTE ON THE EURO-DENOMINATED BOND MARKETS

N° 58: SEPTEMBER 2003

HIGHLIGHTS

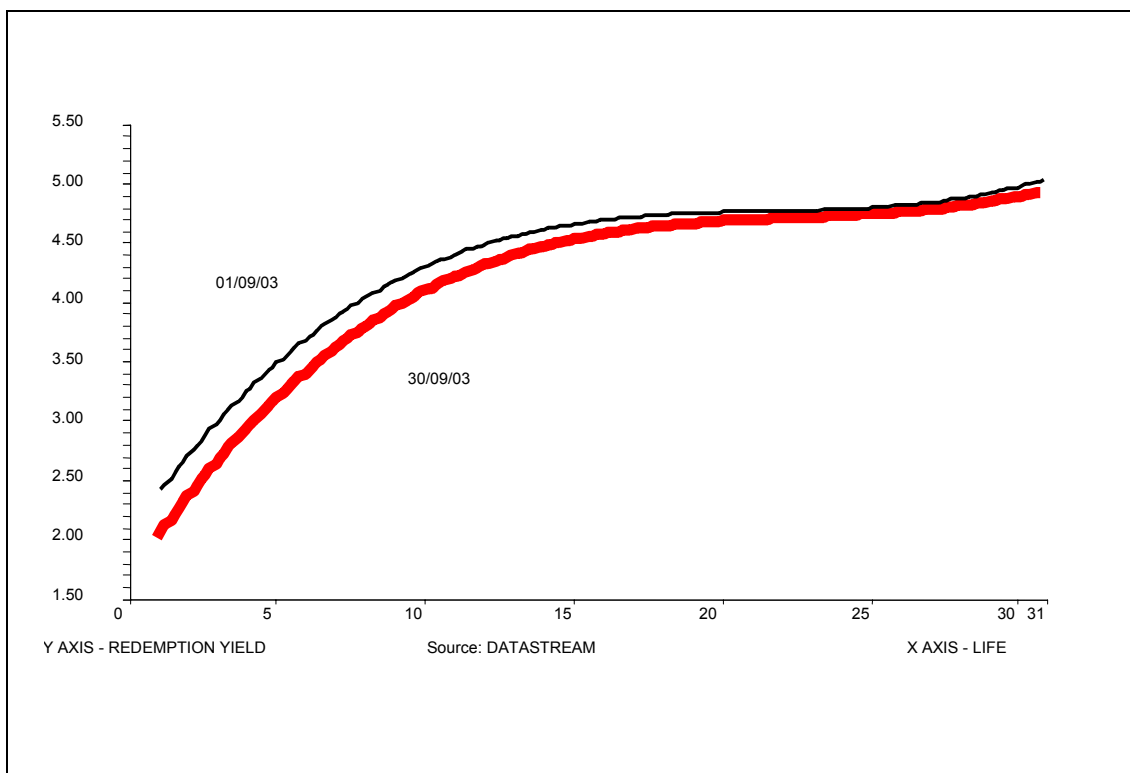
- The short end of the euro yield curve shifted downward by about 25 basis points in the course of September. This development was mainly related to the significant appreciation of the euro against the US dollar, which supported market expectations that the ECB would keep interest rates low despite signs of an improving economic climate. Accordingly, the euro yield curve also became slightly steeper, with the 2-year to 10-year spread increasing from about 160 to 180 basis points. *(See Graphs 1 and 2)*
- Total issuance of euro-denominated bonds rebounded to €164bn in September from €69bn in August and was more comparable to issuance volumes in earlier months of 2003. *(See Graph 3 and Table 1)*
- Compared to the average of the previous 12 months, the composition of issuance was characterised by a relatively high share of central government bonds (50%). The Italian government received much attention with the syndicated issuance of a €7bn 30-year and an inaugural €7bn 5-year euro-area inflation-linked bond. In contrast, issuance of pfandbriefe/covered bonds and local government bonds was slightly below average (11% and 1% respectively), and there was no issue by a supranational institution. The main bond in the agency sector, which accounted for 4% of total issuance, was the long-awaited €4bn 5-year issue from the French agency Unedic. The share of issuance from financial institutions, corporates and asset-backed securities (ABS) was close to the 12-month average (22%, 8% and 4% respectively). The most important corporate issues in September came from General Motors (a €1.5bn 3-year and a €1bn 7-year bond), Aventis and Ford (a €1.5bn 7-year and a 5-year bond respectively). *(See Graph 4a)*
- Other notable characteristics of issuance were a higher than usual share of short term and zero-coupon bonds, both of which can be traced back to the issuance of a €6.5bn 1-year zero-coupon bond by the Italian government. A new €1bn 7-year bond from the Hungarian government and a €500mn 3-year (floating-rate) bond from the Polish government contributed to a higher than usual share of bonds issued from outside the euro-area. *(See Graphs 4a and 4b)*

This series of notes, and a statistical annex, are available from the European Commission website at:

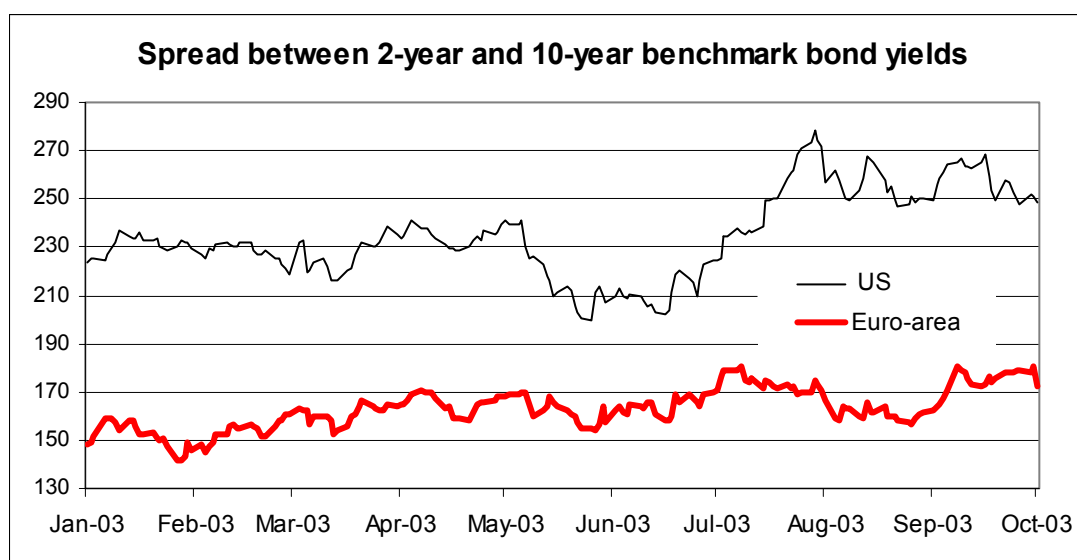
http://europa.eu.int/comm/economy_finance/publications/bondmarkets_en.htm

1. EURO-AREA INTEREST RATES ¹

GRAPH 1 – EURO YIELD CURVE



GRAPH 2 – EURO YIELD CURVE: SPREAD



¹ Source: As EUROSTAT yield curves are currently not available, the euro yield curve is based on a selection of euro-area triple-A rated government bonds (GVEA list) provided by Thomson Financial Datastream.

2. EURO-AREA BOND MARKET ISSUES²

GRAPH 3 – ISSUING ACTIVITY, VOLUMES IN € MILLION

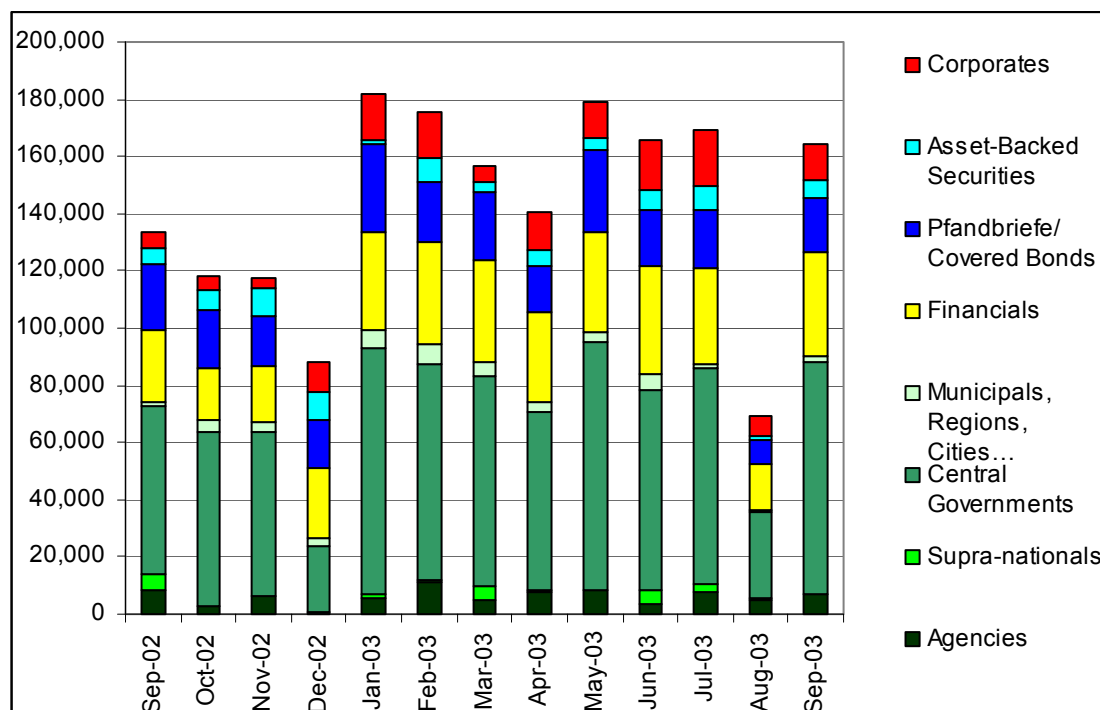


TABLE 1 – EURO ISSUING ACTIVITY IN SEPTEMBER SINCE 2000

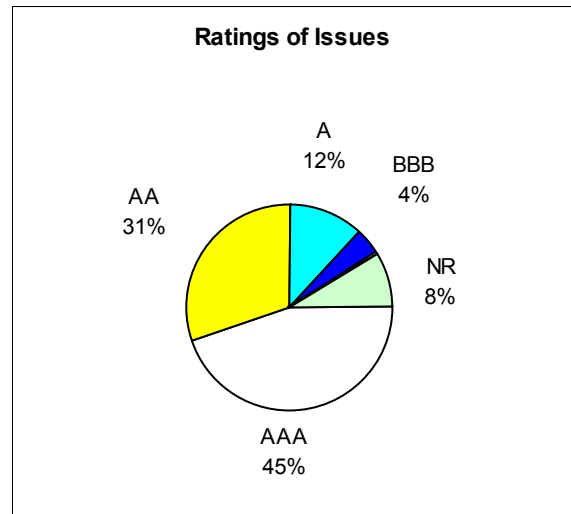
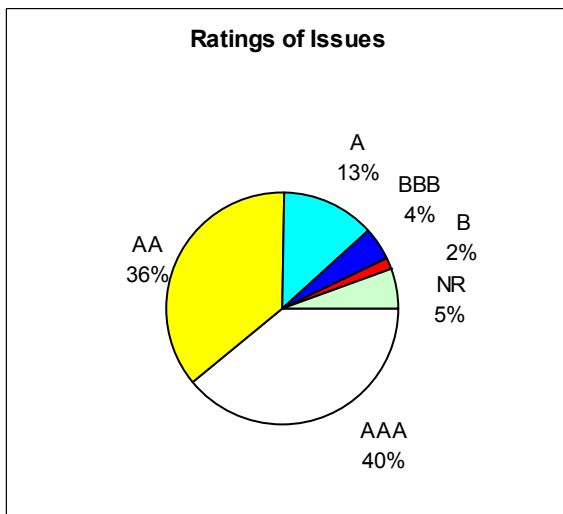
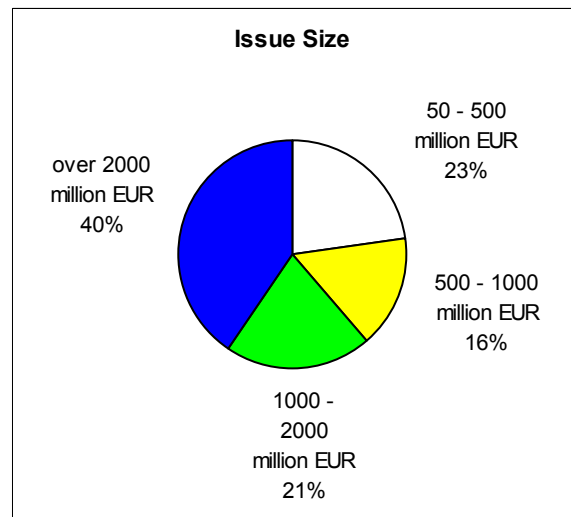
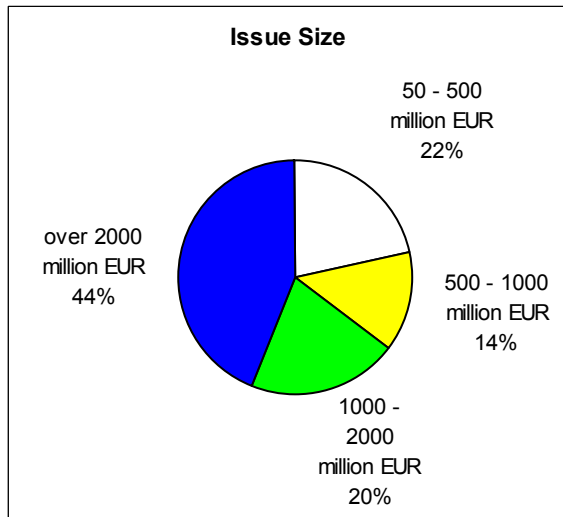
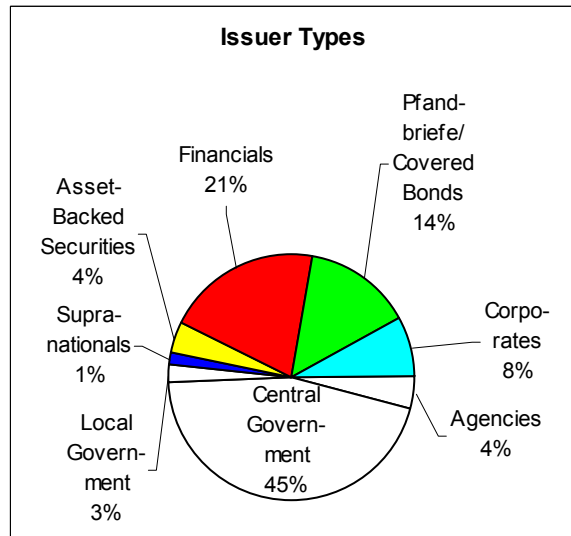
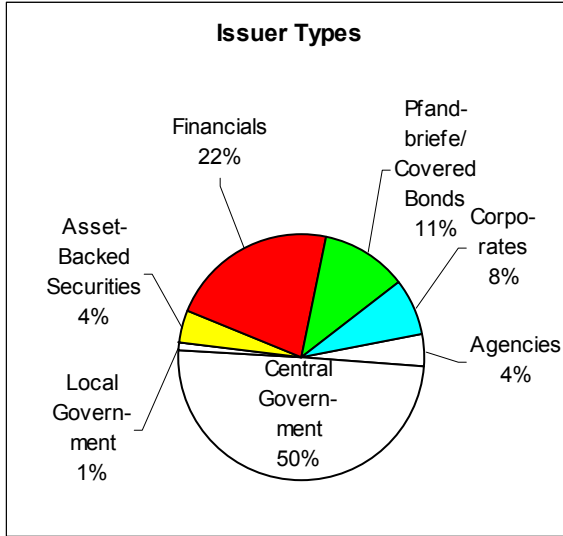
Issue volumes in € mn	Sep-00	Sep-01	Sep-02	Sep-03
Agencies	8,639	1,041	8,550	7,020
Supranationals	100	300	5,250	0
Central Government	49,581	66,348	58,867	81,192
Local Government	1,067	4,500	1,682	1,800
Financials	24,539	19,247	25,214	36,588
Pfandbriefe/ Covered Bonds	13,827	15,658	22,674	18,788
Asset-Backed Securities	2,864	460	5,772	6,570
Corporates	11,220	3,895	5,508	12,420
Total	111,837	111,449	133,517	164,378

² All figures quoted are from the DG ECFIN database unless stated otherwise. In this database all euro denominated issues of an amount of €50mn or more are recorded. It should be noted that the database includes all issues of a maturity of 1 year or more (incl. in particular Italian and French discounted paper of usually significant issue amount). Throughout this note, payment dates - as opposed to announcement dates - of new issues have been taken into account unless stated otherwise. Data are subject to revision.

**GRAPH 4a – ISSUANCE CHARACTERISTICS IN SEPTEMBER 2003
 COMPARED TO THE AVERAGE OF THE 12 PREVIOUS MONTHS
 (IN EURO, % OF TOTAL VOLUME ISSUED)**

September 2003

September 2002 – August 2003



**GRAPH 4b – ISSUANCE CHARACTERISTICS IN SEPTEMBER 2003
 COMPARED TO THE AVERAGE OF THE 12 PREVIOUS MONTHS
 (IN EURO, % OF TOTAL VOLUME ISSUED)**

September 2003

September 2002 – August 2003

