

ANALYTICAL ARTICLES

Economic Bulletin

2/2021

BANCO DE **ESPAÑA**
Eurosistema

INTERNATIONAL CAPITAL MARKETS DURING
THE COVID-19 CRISIS

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ABSTRACT

This article analyses the main trends in securities issuance activity on international markets in 2020, a year in which capital markets were very buoyant despite the COVID-19 crisis. In 2020, record figures were posted for issues on fixed-income markets globally, driven by the measures adopted by governments and central banks to smooth financing and foment market liquidity. In terms of sectors, issuance by the public sector and non-financial corporations increased, while there were declines in the banking sector. By region, increases in issuance volumes were across the board, with notably greater dynamism in the United States and the United Kingdom. Finally, as regards time horizon, there was a strong increase in the second quarter of the year, with record figures posted. This may have been due to the fact that many issuers attempted to bring forward their issues in that quarter given the enormous uncertainty over the course of the pandemic and future financing conditions. Equity market issues were also notably buoyant, with figures not recorded since 2009.

Keywords: issues, international markets, COVID-19.

JEL classification: F3, G12, G15.

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Introduction

Financial market developments in 2020 were marked by the COVID-19 crisis, which decisively affected the behaviour of capital markets. The global spread of the virus in late February prompted strong declines in stock market prices, increased price volatility and high risk-aversion, which, initially, hampered the obtaining of funding through the usual channels and meant an increase in costs. Following the measures adopted by governments and central banks to smooth credit and promote market liquidity, financing channels were gradually restored, with record issuance figures on fixed-income markets being recorded globally in 2020.

This article analyses the main trends in issuance activity on international capital markets in 2020,¹ illustrating the factors that may have most significantly affected each market segment. The second section analyses the main features of issuance activity on the bond market segments for public debt, non-financial private fixed-income, the banking sector and emerging markets. The third section reviews activity on the markets for equity and securitisations.

Activity on the bond issuance markets

Gross bond issues at the international level were very high in 2020 compared with previous years, influenced by the rise in issues by the public sector and by non-financial corporations (NFCs) (see Table 1 and Chart 1).

Of note in 2020 was the high amount of issues in Q2, with the highest figures for the related time series being posted. The fiscal spending packages announced by governments and the expansionary measures implemented by central banks as from March may have influenced events during Q2, in which many issuers attempted to bring forward their issues given the increase in their financing needs against a

1 The analysis focuses on gross securities issued on capital markets at a term of over 18 months, using the Dealogic database as the main source. Shorter-dated financing is more significant from the standpoint of liquidity, whereas the issues included in this article respond to medium and long-term financing needs. Issues are obtained in accordance with the nationality criterion, including in the case of non-financial corporations those by non-resident subsidiaries.

Table 1

RECENT DEVELOPMENTS ON DEBT MARKETS. ISSUANCE VOLUMES

| \$bn, unless otherwise indicated | 2019 | 2020 | Annual change 2020 (%) | 2020 | | | |
|----------------------------------|-------|--------|---------------------------|-------|-------|-------|-------|
| | | | | Q1 | Q2 | Q3 | Q4 |
| Total bonds (a) | 9,861 | 12,940 | 31.23 | 2,973 | 3,867 | 3,234 | 2,867 |
| Developed economies | 9,181 | 12,191 | 32.77 | 2,779 | 3,651 | 3,052 | 2,708 |
| Emerging economies (b) | 679 | 750 | 10.37 | 193 | 216 | 181 | 159 |
| Total bonds, by country | | | | | | | |
| Developed | 9,181 | 12,191 | 32.77 | 2,779 | 3,651 | 3,052 | 2,708 |
| United States | 4,539 | 6,453 | 42.17 | 1,419 | 1,779 | 1,659 | 1,597 |
| Euro area | 2,154 | 2,452 | 13.86 | 659 | 855 | 534 | 404 |
| Spain | 219 | 276 | 25.86 | 90 | 109 | 47 | 30 |
| Rest of euro area | 1,935 | 2,177 | 12.50 | 570 | 746 | 487 | 374 |
| United Kingdom | 347 | 538 | 54.89 | 102 | 308 | 80 | 48 |
| Japan | 1,278 | 1,467 | 14.81 | 311 | 313 | 435 | 407 |
| Other developed | 864 | 1,281 | 48.21 | 288 | 395 | 345 | 252 |
| Emerging | 679 | 750 | 10.37 | 193 | 216 | 181 | 159 |
| Total bonds, by sector | | | | | | | |
| Public sector | 6,288 | 8,684 | 38.11 | 1,824 | 2,432 | 2,291 | 2,138 |
| Developed | 6,101 | 8,430 | 38.18 | 1,769 | 2,328 | 2,252 | 2,081 |
| United States | 3,232 | 4,535 | 40.34 | 896 | 1,069 | 1,268 | 1,303 |
| Euro area | 1,328 | 1,688 | 27.15 | 447 | 577 | 388 | 277 |
| Spain | 141 | 197 | 40.35 | 62 | 85 | 35 | 16 |
| Rest of euro area | 1,187 | 1,491 | 25.59 | 385 | 492 | 353 | 261 |
| United Kingdom | 152 | 297 | 95.71 | 51 | 217 | 22 | 7 |
| Japan | 1,077 | 1,226 | 13.89 | 262 | 256 | 359 | 349 |
| Other developed | 313 | 683 | 118.33 | 113 | 209 | 215 | 146 |
| Emerging | 187 | 254 | 35.78 | 54 | 104 | 39 | 57 |
| Non-financial corporations | 1,948 | 2,620 | 34.50 | 619 | 990 | 593 | 418 |
| Developed | 1,626 | 2,298 | 41.35 | 537 | 909 | 505 | 347 |
| United States | 814 | 1,334 | 63.84 | 335 | 553 | 278 | 168 |
| Euro area | 377 | 390 | 3.50 | 84 | 167 | 74 | 65 |
| Spain | 21 | 30 | 44.99 | 3 | 14 | 5 | 8 |
| Rest of euro area | 356 | 360 | 1.07 | 81 | 153 | 70 | 56 |
| United Kingdom | 89 | 138 | 55.32 | 21 | 58 | 38 | 20 |
| Japan | 122 | 162 | 32.94 | 25 | 43 | 48 | 47 |
| Other developed | 224 | 274 | 22.29 | 72 | 89 | 67 | 46 |
| Emerging | 323 | 322 | -0.03 | 83 | 81 | 88 | 71 |

SOURCE: Dealogic.

a Estimated totals. Data excluding securitisations and short-term debt instruments.

b In emerging economies only issues on international markets are included.

Table 1

RECENT DEVELOPMENTS ON DEBT MARKETS: ISSUANCE VOLUMES (cont'd)

| \$bn, unless otherwise indicated | 2019 | 2020 | Annual change 2020 (%) | 2020 | | | |
|----------------------------------|-------|-------|---------------------------|------|-----|-----|-----|
| | | | | Q1 | Q2 | Q3 | Q4 |
| Banking sector | 1,226 | 1,154 | -5.82 | 420 | 301 | 225 | 208 |
| Developed | 1,056 | 981 | -7.11 | 364 | 269 | 170 | 178 |
| United States | 278 | 297 | 6.80 | 120 | 76 | 33 | 68 |
| Euro area | 390 | 322 | -17.29 | 121 | 92 | 60 | 49 |
| Spain | 56 | 46 | -19.06 | 24 | 10 | 6 | 5 |
| Rest of euro area | 333 | 277 | -16.99 | 97 | 82 | 54 | 43 |
| United Kingdom | 85 | 78 | -9.21 | 23 | 25 | 15 | 15 |
| Japan | 60 | 60 | -0.81 | 17 | 10 | 23 | 9 |
| Other developed | 242 | 224 | -7.52 | 83 | 65 | 39 | 37 |
| Emerging (c) | 170 | 173 | 2.18 | 56 | 32 | 55 | 31 |
| Other financial institutions | 399 | 481 | 20.71 | 109 | 144 | 125 | 103 |
| United States | 215 | 286 | 33.47 | 68 | 80 | 80 | 58 |
| Euro area | 60 | 52 | -12.94 | 7 | 20 | 11 | 14 |
| Spain | 1.0 | 2.2 | 129.34 | 0.5 | 0.5 | 0.6 | 0.6 |
| Rest of euro area | 59 | 50 | -15.28 | 7 | 19 | 11 | 13 |
| United Kingdom | 21 | 26 | 19.35 | 7 | 8 | 5 | 6 |
| Japan | 18 | 18 | -0.53 | 6 | 4 | 5 | 3 |
| Other developed | 85 | 99 | 17.03 | 21 | 33 | 24 | 23 |
| Memorandum item | | | | | | | |
| Collateralised bonds (d) | 267 | 192 | -28.16 | 87 | 51 | 27 | 26 |
| Euro area | 137 | 99 | -27.54 | 46 | 30 | 12 | 11 |
| Spain | 14 | 8.9 | -35.70 | 8.6 | 0.2 | 0.1 | 0.0 |
| Rest of euro area | 123 | 90 | -26.62 | 37 | 30 | 12 | 11 |
| Other | 130 | 93 | -28.82 | 41 | 21 | 15 | 15 |
| High-risk bonds | 607 | 704 | 15.89 | 165 | 184 | 191 | 164 |
| Developed | 444 | 583 | 31.38 | 117 | 166 | 163 | 138 |
| United States | 226 | 376 | 66.08 | 61 | 122 | 111 | 82 |
| Euro area | 75 | 69 | -8.07 | 16 | 19 | 14 | 20 |
| Spain | 2.8 | 2.4 | -11.44 | 0.6 | 0.0 | 1.5 | 0.3 |
| Rest of euro area | 72 | 66 | -7.95 | 15 | 19 | 12 | 20 |
| United Kingdom | 24 | 37 | 55.10 | 6 | 9 | 11 | 11 |
| Japan | 10.4 | 2.6 | -74.67 | 0.4 | 0.0 | 0.9 | 1.3 |
| Other developed | 109 | 99 | -8.78 | 34 | 15 | 27 | 23 |
| Emerging | 164 | 121 | -26.13 | 48 | 18 | 28 | 27 |

SOURCE: Dealogic.

c The emerging economies' banking sector includes other non-bank financial institutions.

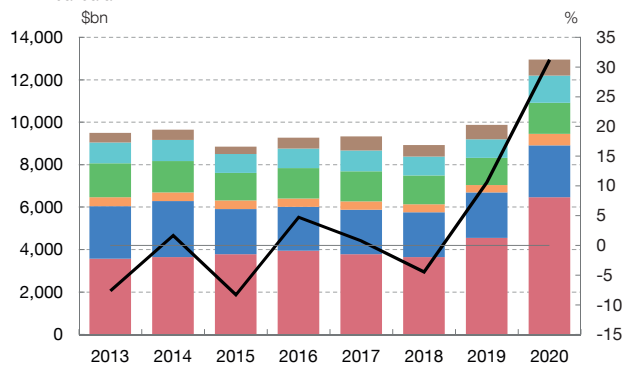
d Includes guaranteed bonds issued by all institutions, whereby the issuance base is wider than the banking sector.

Chart 1

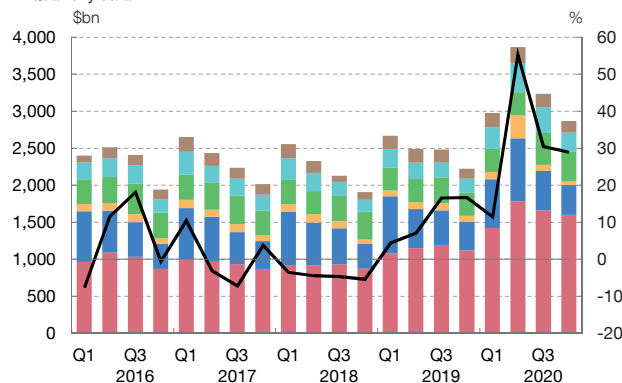
GROSS BOND ISSUES BY SECTOR AND BY COUNTRY (a)

There was a high increase in total bond issues on previous years, influenced by the increases seen both in the public sector and non-financial corporations. The biggest concentration of issues was in Q2 and, by region, the United States and the United Kingdom were the most dynamic areas.

1 GROSS ISSUE BY COUNTRY OR ISSUING REGION
Annual data

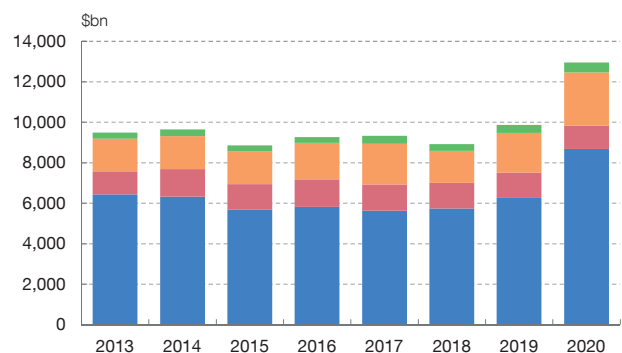


2 GROSS ISSUE BY COUNTRY OR ISSUING REGION
Quarterly data

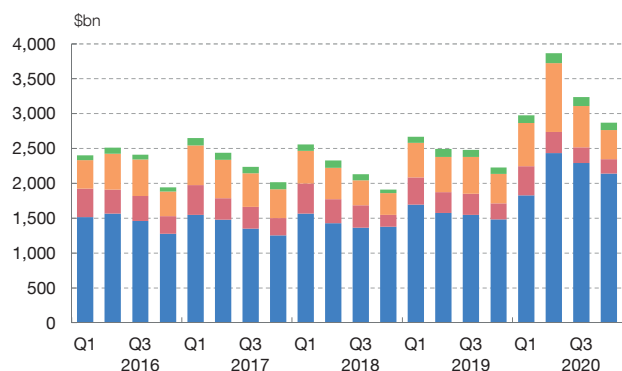


UNITED STATES EURO AREA UNITED KINGDOM JAPAN OTHER DEVELOPED EMERGING Y-O-Y CHANGE (right hand scale)

3 GROSS ISSUE BY ISSUING SECTOR
Annual data



4 GROSS ISSUE BY ISSUING SECTOR
Quarterly data



GOVERNMENT BANKING SECTOR NON-FINANCIALS OTHER FINANCIAL INSTITUTIONS

SOURCE: Dealogic.

a Data excluding securitisations and short-term debt instruments.

background of the enormous uncertainty over the course of the pandemic and future financing conditions.

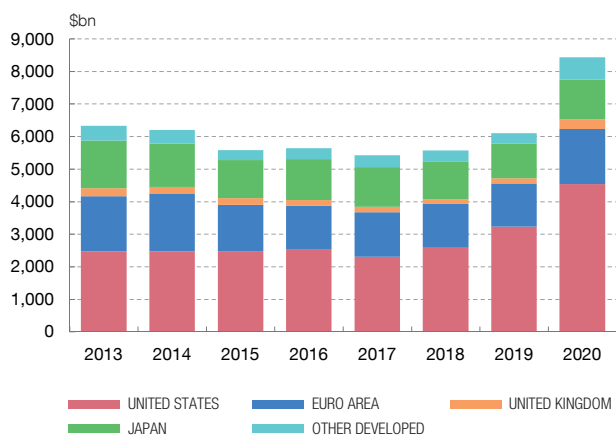
In terms of regions, the increases in issuance volumes were across the board, and were more dynamic in particular in the United States and the United Kingdom. Across sectors, the performance was more uneven, with increases in issues by the public sector and NFCs, and declines in the case of the banking sector, which were concentrated in the euro area.

Chart 2

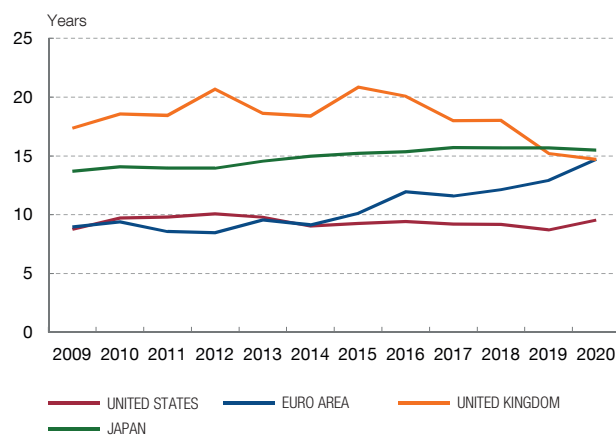
PUBLIC DEBT MARKETS IN THE DEVELOPED ECONOMIES (a)

Gross public sector issues in the developed countries increased very markedly, reaching record levels. A conditioning factor here was countries' financing needs given the fiscal spending policies implemented to mitigate the effects of the COVID crisis.

1 GROSS ISSUE BY PUBLIC SECTOR



2 AVERAGE MATURITY OF CENTRAL GOVERNMENT ISSUES



SOURCE: Dealogic.

a Data excluding securitisations and short-term debt instruments.

Public debt markets in developed countries

There was a very marked increase in gross issues by the public sector in the developed countries in 2020, with a record high being posted (see Chart 2.1). This was much influenced by countries' financing needs in light of the spending policies implemented to mitigate the effects of the COVID-19 crisis. Thus, following the spread of COVID-19 globally and the entry into force of social distancing measures, most developed areas approved extraordinary budgetary items to reinforce the health system, support firms' liquidity and maintain household incomes.² The favourable financing conditions maintained in 2020, supported by the main central banks' accommodative policies, were conducive to the buoyancy of issues in the public sector. Moreover, the growing demand for safe assets in the face of the uncertainty over the pandemic and its economic consequences were also initially conducive to issues of these securities expanding.

Notable among the major developed regions, despite the fact there were increases across the board, was the percentage increase over the previous year in issues in the United Kingdom (96%), followed by the United States (40%). This higher growth might be partly influenced by greater financing needs in light of the fiscal spending

² See L. Cuadro-Sáez, F. S. López-Vicente, S. Párraga and F. Viani (2020), "Fiscal policy measures in response to the health crisis in the main euro area economies, the United States and United Kingdom", Occasional Paper no. 2019, Banco de España.

programmes implemented by these countries.³ In Spain, issues by the public sector also rose significantly (40%), higher than those in the euro area as a whole (27%). In terms of the issuing agent, the bulk continues to be centralised, with treasuries amassing most of the securities placed on markets, with 80% of the total.

Lastly, the average maturity of issues increased in 2020 both in the euro area and in the United States. Among the main economies, US public debt continues to have the lowest average maturity. Longer maturities, more pronounced in the case of the euro area, might be due to treasuries trying to harness the favourable long-term financing conditions to reduce rollover risk and the possible future rise in interest rates. In Japan and the United Kingdom, meanwhile, there were slight declines in average maturities (see Chart 2.2).

Non-bank private fixed-income markets in the developed countries

In 2020, fixed-income issues by NFCs on capital markets rose strongly and reached an unprecedented volume (see Chart 3.1). By region, the increases were across the board, with notable growth in the United States (64%) and the United Kingdom (55%). In the euro area, the increase (4%) was lower than in the other developed regions, although in Spain's case it was indeed significant (45%). The expansion in NFCs' issues was partly influenced by the central banks' asset purchase programmes to mitigate the effects of the health crisis given the rise in financing costs at the start of the pandemic, which subsequently fell.

Although in all quarters the figures were higher than in previous years, it was in Q2 that the biggest volume of issues was recorded. This may have been due to the implementation of the measures adopted by the main central banks to maintain favourable financing conditions, while companies took advantage of the window of opportunity to obtain funds ahead of the growing uncertainty over the future course of the pandemic. Specifically, on 18 March the ECB announced a pandemic emergency purchase programme (PEPP) with a total envelope of €750 billion, which was subsequently increased in June (by a further €600 billion) and in December (€500 billion). Part of this programme was earmarked for the purchase of investment-grade bonds issued by NFCs resident in the euro area.⁴ The Federal Reserve, for its part, announced on 23 March that it would make unlimited asset purchases and, on 9 April, that these purchases would also include high-yield corporate bonds. Further, the Bank of England announced a 200-billion-pound increase in its total asset purchases on 19 March, with this figure further increased in June (by 100 billion) and November (150 billion). These

3 According to the IMF "Fiscal Monitor Database", the fiscal impulse measures implemented in the face of the COVID-19 crisis, and which entail additional spending or immediate tax cuts, amount to 16.3% and 16.7% of GDP in the United Kingdom and in the United States, respectively. In the case of the European Union, by contrast, this figure would be notably lower (3.4%). See: <https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19>.

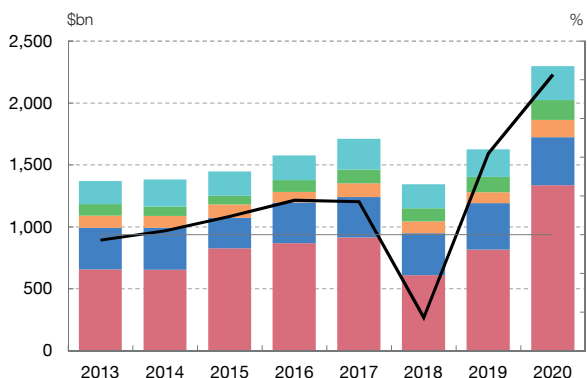
4 As at end-January 2021, corporate bond purchases under the PEPP amounted to €22.3 billion.

Chart 3

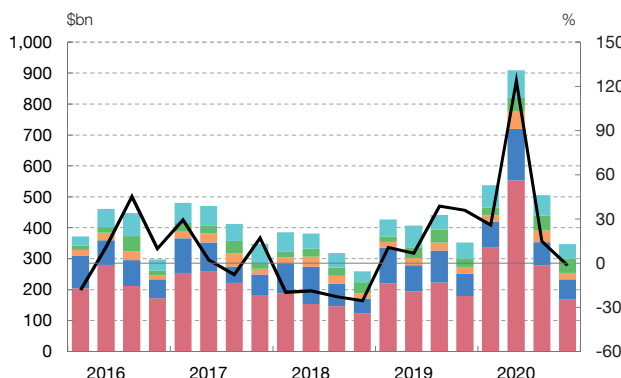
GROSS ISSUES BY NON-FINANCIAL CORPORATIONS IN THE DEVELOPED ECONOMIES (a)

Issues by non-financial corporations grew strongly and reached a record volume in 2020. By region, increases were across the board, with the United States and the United Kingdom performing notably better. The biggest volume of issues was concentrated in Q2, which may have been due to many companies seeking to bring them forward given the uncertainty over the future course of the pandemic and the need to build up liquidity for precautionary reasons. The dollar remained the main currency of issue.

1 GROSS ISSUE BY ISSUING COUNTRY OR REGION
Annual data

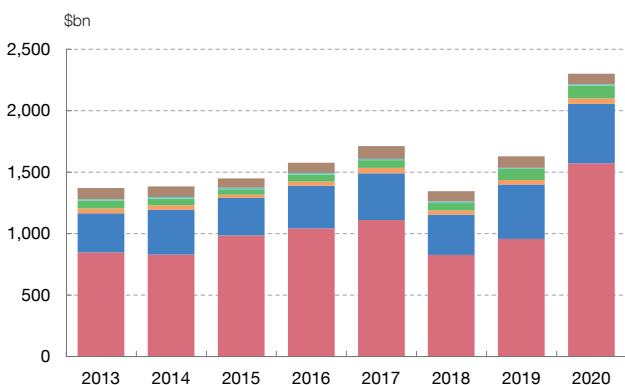


2 GROSS ISSUE BY ISSUING COUNTRY OR REGION
Quarterly data



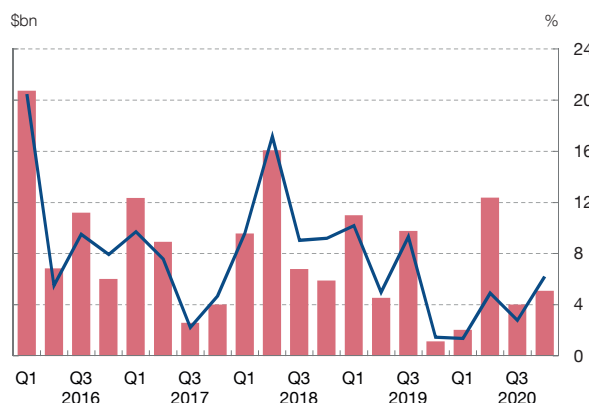
UNITED STATES EURO AREA UNITED KINGDOM JAPAN OTHER DEVELOPED Y-O-Y CHANGE (right hand scale)

3 GROSS ANNUAL ISSUE BY CURRENCY



DOLLAR EURO STERLING YEN SWISS FRANC OTHER CURRENCIES

4 DOLLAR ISSUE IN EURO AREA



VOLUME % OF TOTAL ISSUE IN DOLLARS (right hand scale)

SOURCES: Dealogic, Federal Reserve, Federal Reserve Bank of Kansas City, ECB and JP Morgan.

a Data excluding securitisations and short-term debt instruments.

measures influenced companies' financing costs, which were lower at the end of the year than was the case in early 2020 (see Charts 3.7 and 3.8).

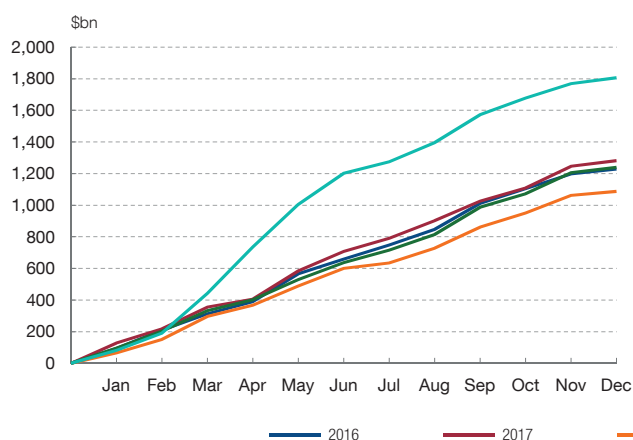
By currency, dollar issues continued to be the most numerous, with their weight in the total further increasing from 62% in 2019 to 70% in 2020 (see Chart 3.3). Influencing this was the strong increase in US issues, along with the rise in risk-

Chart 3

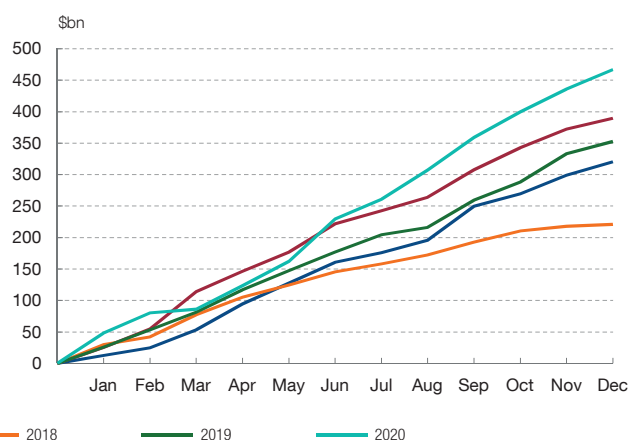
GROSS ISSUES BY NON-FINANCIAL CORPORATIONS IN THE DEVELOPED COUNTRIES (a) (cont'd)

By segment, the strong increase in investment-grade issues was notable, partly influenced by the central banks' stimulus programmes. High-yield issues were also up on previous years. Corporate debt financing costs fell following the rise observed in March 2020.

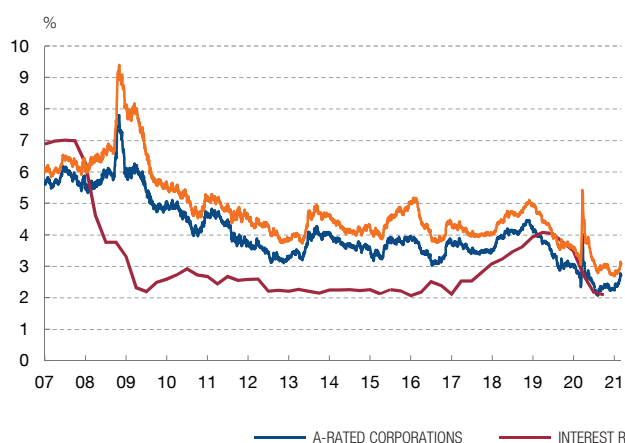
5 ISSUES OF INVESTMENT-GRADE BONDS



6 ISSUES OF HIGH-YIELD BONDS



7 UNITED STATES: NON-FINANCIAL CORPORATIONS' FINANCING COSTS



8 EURO AREA: NON-FINANCIAL CORPORATIONS' FINANCING COSTS



SOURCES: Dealogic, Federal Reserve, Federal Reserve Bank of Kansas City, ECB and JP Morgan.

a Data excluding securitisations and short-term debt instruments.

aversion owing to the COVID-19 crisis and to many firms' preference for dollar financing due to its reserve currency status. In this respect, the strong demand for dollars globally prompted a co-ordinated intervention by central banks in March to increase currency swap facilities both in terms of their amount and the number of jurisdictions in which they were operative.⁵ The strong demand for the US currency

⁵ In March, the Fed increased the amount and improved the conditions of the swap facilities it had already set in place with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank. It further set up new swap facilities with the Reserve Bank of Australia, the Central Bank of

was also patent in the volume of dollar-denominated issues by euro area companies in Q2, although in the remaining quarters this type of issue held at moderate levels (see Chart 3.4).

By segment, there was a notably high volume of issues by NFCs with an investment-grade rating, compared with previous years (see Chart 3.5). In the case of the high-yield segment, this growth was, despite having also reached record highs, not so marked (see Chart 3.6). The poorer relative performance of the high-yield segment may have been partly influenced by the fact that the asset purchase programmes of most central banks, as in the case of the ECB, do not include this type of debt. Indeed, the high-yield segment posted record volumes in the United States and not in the euro area, which might be due to the inclusion of these issues in the Fed's purchase programmes.⁶

Another segment that retained its buoyancy in 2020 was that of bonds fulfilling sustainability,⁷ with a 43% increase in issues in the developed areas as a whole. In any event, this type of issue still accounts for only 3% of the total, with the euro area the region with the greatest weight (8%).

Bank funding markets in developed countries

In the year as a whole, the volume of issues by the banking sector fell to \$981 billion, 7.1% down on 2019 (see Chart 4.1). The decline was extensive to all geographical areas, with the exception of the United States. There was a 19% contraction in issues in Spain, and of 17% in the rest of the euro area.

The fall-off in debt issues and the composition thereof was influenced by the policies implemented in response to the COVID-19 crisis. In the euro area and the United Kingdom, covered bonds, traditionally a major bank funding source in episodes of market tension, declined in 2020 in the face of the extensive monetary stimuli. In the euro area in particular, covered bond issues appear to have been replaced by the ECB's targeted long-term refinancing operations (TLTRO-III), which offer very advantageous terms. A similar effect came about in March when the Bank of England restored its Term Funding Scheme (TFSME),⁸ which saw covered bond issues fall by 66% in the United Kingdom.

Brazil, the National Bank of Denmark, the Bank of Korea, the Bank of Mexico, Norges Bank, the Reserve Bank of New Zealand, the Singapore Monetary Authority and Sveriges Riksbank.

6 For a discussion of the role that monetary policy in the United States and in the euro area may have played in high-yield corporate bond issues in both regions in 2020, see Khametshin, D. (2021) "High-yield bond markets during the Covid-19 crisis: the role of monetary policy", Banco de España, Occasional Paper 2110.

7 This category also includes bonds fulfilling environmental and social criteria.

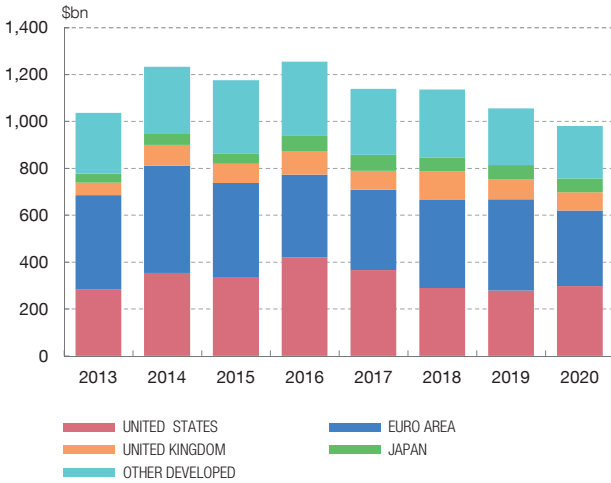
8 This scheme includes additional incentives to provide credit to SMEs.

Chart 4

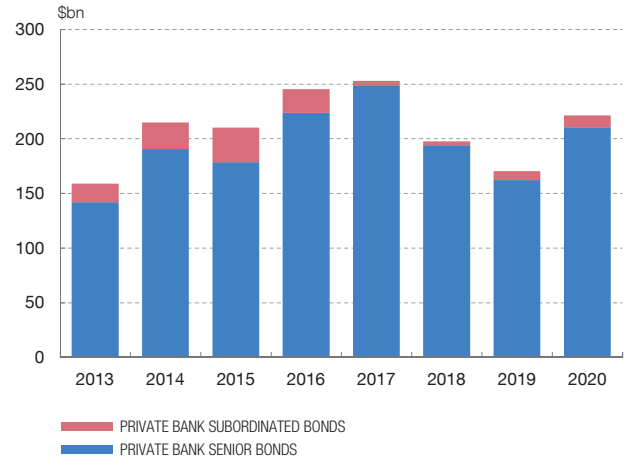
GROSS BOND ISSUES BY BANKS IN THE DEVELOPED ECONOMIES (a)

The volume of gross issues by the banking sector fell slightly in 2020 across the board, with the exception of the United States. The euro area experienced the biggest fall-off, against a background of extensive financing by the ECB under advantageous conditions, although subordinated bond issues rose. The COVID crisis may have acted as a catalyst to green bank debt issues and, in particular, issues of bonds incorporating social criteria.

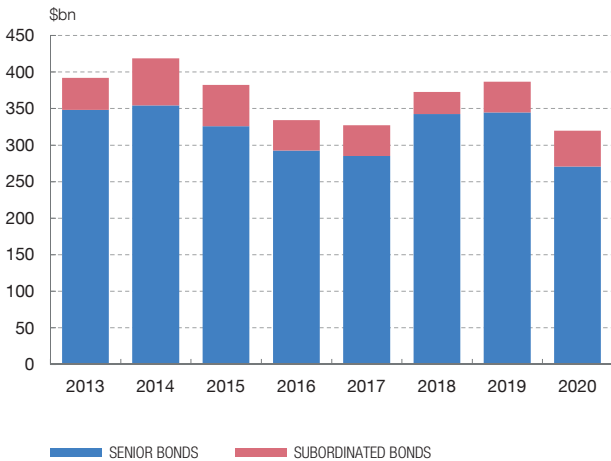
1 GROSS ISSUES BY ISSUING COUNTRY OR REGION



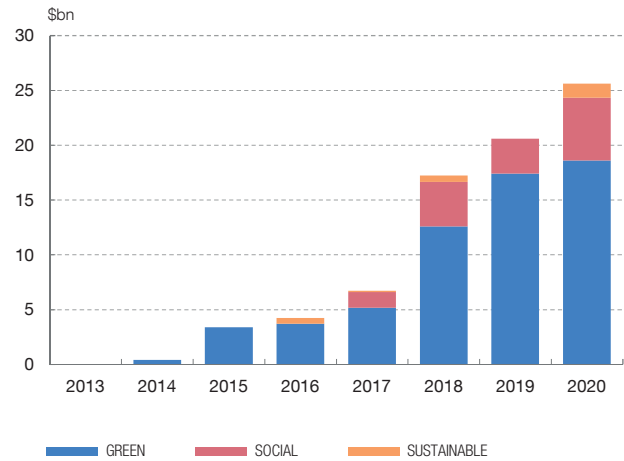
2 UNITED STATES: BY TYPE OF ISSUE



3 EURO AREA: BY TYPE OF ISSUE



4 GREEN AND SOCIAL BOND ISSUES IN THE EURO AREA (b)



SOURCE: Dealogic.

a Data excluding securitisations and short-term debt instruments.

b The "sustainable" category includes bonds fulfilling "green" (financing projects with environmental benefits) and "social" criteria (financing projects with social benefits).

The improvement in financing conditions prompted the resumption of regulatory debt issues, although the yields on instruments with loss-absorbing capacity held higher than pre-pandemic levels in some segments.⁹ Also, in the euro area the

9 See: European Banking Authority (2020). Risk Assessment of the European Banking System. December 2020. Luxembourg: Publications Office of the European Union.

issuance of Tier 2 and AT1 instruments was assisted by the Single Supervisory Mechanism's decision being brought forward, whereby these instruments could be used partially to cover Pillar 2 requirements (P2R). On aggregate, the placement of subordinated debt in the euro area was up 17% on 2019 (see Chart 4.3), while there were declines in issues of non-preferential senior debt and contingent convertible bonds (AT1).

US banks, on the contrary, increased their issues in 2020, with significant rises in the senior and subordinated debt segments (30% and 28%, respectively) (see Chart 4.2). Some analysts suggest that the easing in financing conditions may have been harnessed to bring forward a portion of the issues scheduled for the following year, although the non-extension of the capital requirements-related relief measure¹⁰ introduced in April 2020 might influence the increase in banks' regulatory issue needs.

Lastly, the COVID-19 crisis may notably have acted as a catalyst to the issuance of bank debt incorporating social criteria, and also committed to the Paris Agreement (see Chart 4.4). Testifying to this is the fact that, in the euro area, "green" bonds, which fund projects with a positive environmental impact, continued to increase in terms of issuance volume. However, the highest growth was in the social benefits segment, which was up 119% on 2019. Overall, sustainable debt, whether for its environmental and/or social characteristics, accounted for 8% of total bank issues in the euro area in 2020.

Emerging markets

In 2020, emerging economies' placements of fixed-income securities on international markets¹¹ marked a new record high of almost \$750 billion (see Chart 5.1). Issues collapsed in March to less than \$23 billion (the worst month of March since 2009), but rebounded thereafter, underpinned initially by sovereign debt placements, which came to account for 70% of the market. Such a development had not been seen since the global financial crisis, and is largely the result of financing needs stemming from the policies implemented to contain the effects of the pandemic.

By sector, the biggest increase in 2020 was in sovereign issues (up 36% on 2019), followed by issues by commodities-related companies (see Chart 5.2), which in many of these countries are public or semi-public. Market access for low-rated companies was seriously limited, given that placements of this type of debt fell by

¹⁰ This measure, in force until 31 March 2021, excluded US Treasury securities and deposits held at Federal Reserve banks from the calculation of the supplementary leverage ratio. See: <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200401a.htm>.

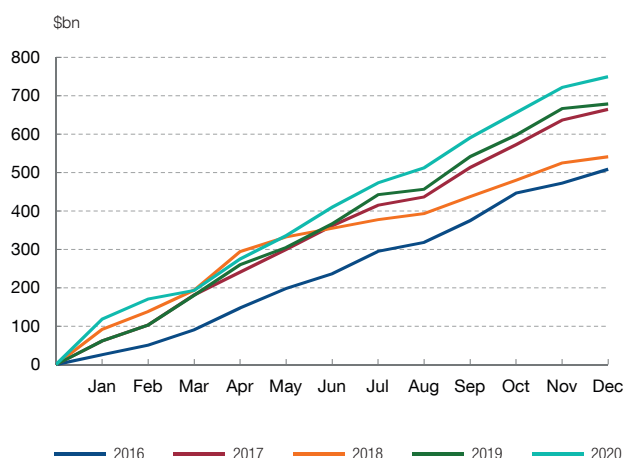
¹¹ See Box 1 in the December 2020 *Quarterly report on the Spanish economy: "Capital flows to the emerging economies during the pandemic"*.

Chart 5

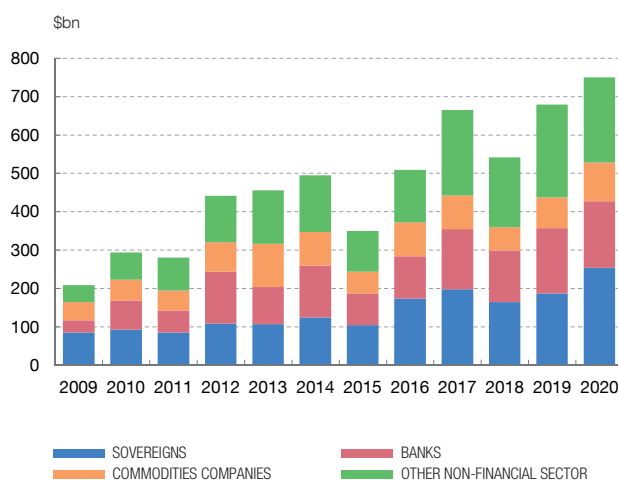
GROSS ISSUES: EMERGING ECONOMIES

In 2020, the emerging economies' fixed-income issues marked a new record high, driven by sovereign placements, on one hand, and those of Latin America and Europe, on the side of the regions. Issuance costs remained unchanged despite the pandemic.

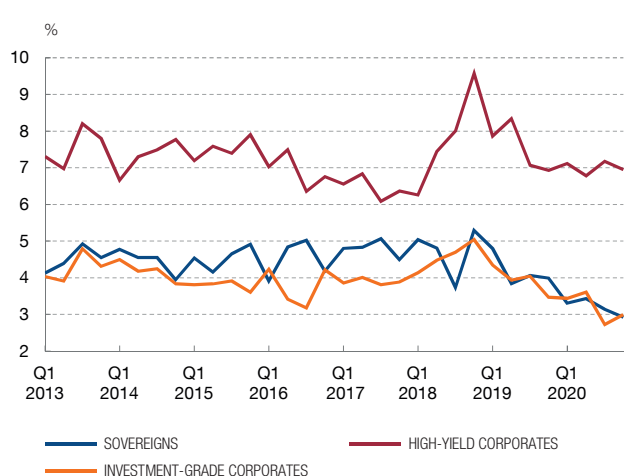
1 CUMULATIVE DATA SINCE START OF THE YEAR



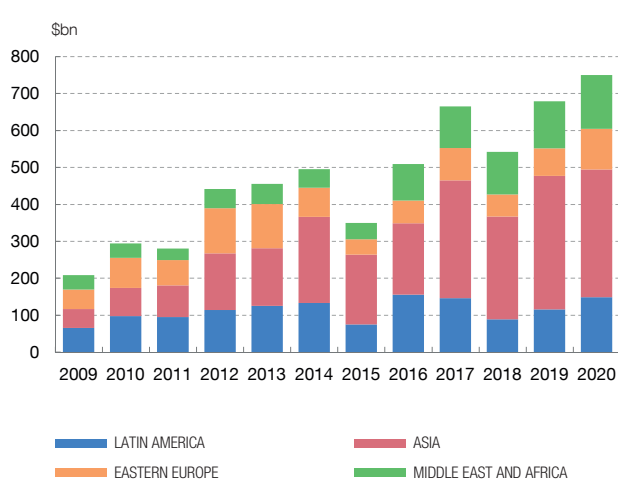
2 BY TYPE OF ISSUER



3 INTEREST RATES AT ISSUANCE



4 BY REGION



SOURCE: Dealogic.

more than 26% on the previous year, against a backdrop of historically high downgrades.¹² The raising of bigger funds by sovereigns and high-rated corporates was not at the expense of a worsening in access conditions, given that the interest rate at issue for both segments fell to record lows, while that on low-rated corporates rose slightly, albeit by a much lower amount than in previous bouts of financial turbulence (see Chart 5.3). This was largely thanks to the monetary policy measures

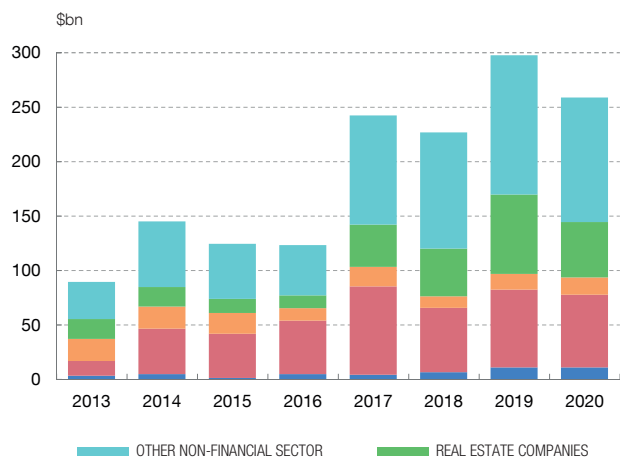
12 See Box 2.1 in the October 2020 Financial Stability Report: "Effects of the pandemic on the international banking systems most relevant to Spain".

Chart 5

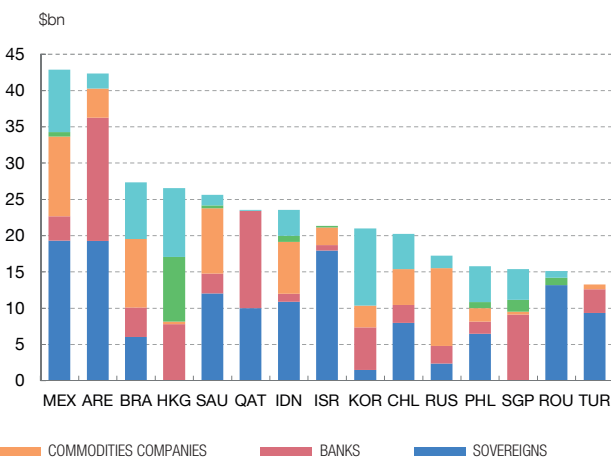
GROSS ISSUES: EMERGING ECONOMIES (cont'd)

Unlike in China, the biggest issuer in 2020, sovereign issues and issues by commodities-related companies were to the fore in the other countries with high placements. The main currency of issue continued to be the dollar. In Asia, most maturities are concentrated in the next three years.

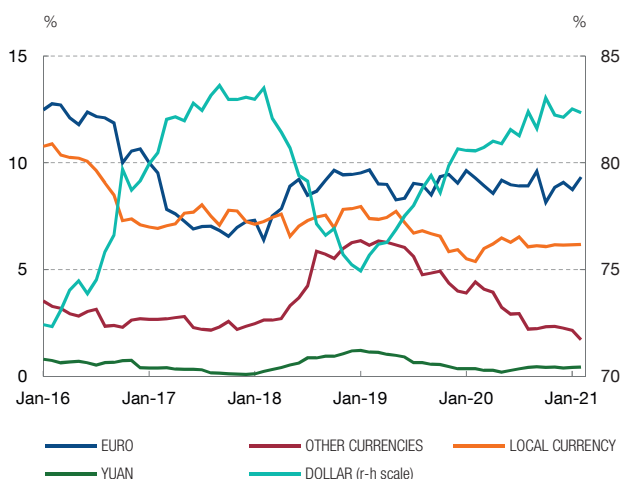
5 BY COUNTRY: CHINA



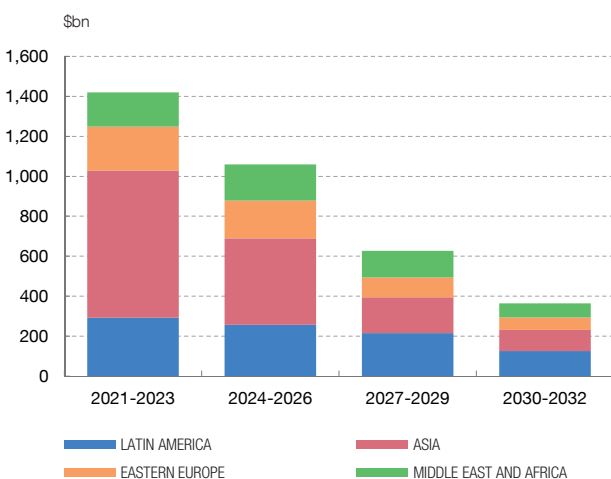
6 BY COUNTRY: BIGGEST ISSUERS IN 2020



7 CURRENCY OF ISSUE (% TOTAL)



8 ESTIMATED MATURITIES BY REGION



SOURCE: Dealogic.

in the advanced economies, which contained any worsening of global financial conditions.

All regions raised their issues (see Chart 5.4) – Eastern Europe in particular (by 47% compared with the previous year) – except Asia, which posted a slight fall of 4.7% derived from a decline in funds raised by China (-13%), especially in the case of real estate companies (-30%), which had been one of the most active sectors in previous years (see Chart 5.5). China aside, the weight of sovereign placements in the case of the major issuers is apparent (see Chart 5.6) in 2020, especially in Middle Eastern

countries and in Mexico, and commodities-related companies, above all in Latin America. Likewise, after the outbreak of the pandemic, countries with sizeable external vulnerabilities such as Turkey and Egypt came to the market, as did others with a low rating and little experience on the markets, such as Honduras and the odd sub-Saharan African country. Finally, the breakdown by currency of issues scarcely changed in 2020 (see Chart 5.7), and the US dollar remained absolutely prevalent. Indeed, its share increased at the expense of issues in other currencies such as Sterling and yen (a trend observable since early 2019), with a still very marginal role for the Chinese yuan, where issues were confined to countries within its sphere of influence and United Arab Emirates banks.

Finally, regarding the maturity profile (see Chart 5.8), of the redemptions envisaged for the next 12 years, somewhat over 40% will take place between 2021 and 2023, although the case of Asia is somewhat more unfavourable (51% of the expected total), especially in the real estate sector (62% of maturities in 2021-2023) and banks (59%).

Other markets

Equities

Equity issues on international markets grew sharply in 2020, reaching their highest volume since 2009 (see Charts 6.1 and 6.2). Firms' extensive financing requirements and the need to shore up their balance sheets were one of the determining factors of the increase in these issues. Thus, securities issued rose by 51.2% year-on-year (in Spain the increase on 2019 was 22.4%), although their issuance was concentrated in the last three quarters of the year (see Chart 6.3). The increase was extensive to all sectors except banking, which also showed a relatively poorer performance in stock prices.

In the euro area and the United Kingdom, the increase in equity issues (55% and 52%, respectively) was driven by follow-on operations, i.e. the issuance of new shares by companies already listed on the stock market. The main aim of these operations was to recapitalise companies in light of the impact of the COVID-19 crisis. Initial public offerings (IPOs) picked up progressively, helped by markets stabilising as from Q2.¹³ Overall, IPOs were up 56% in the United Kingdom on 2019, while in the euro area they fell by 57% year-on-year.

The biggest increase in issues was in Japan (83%) and the United States (78%), in line with the strong stock market rise over the course of the year (to record highs in

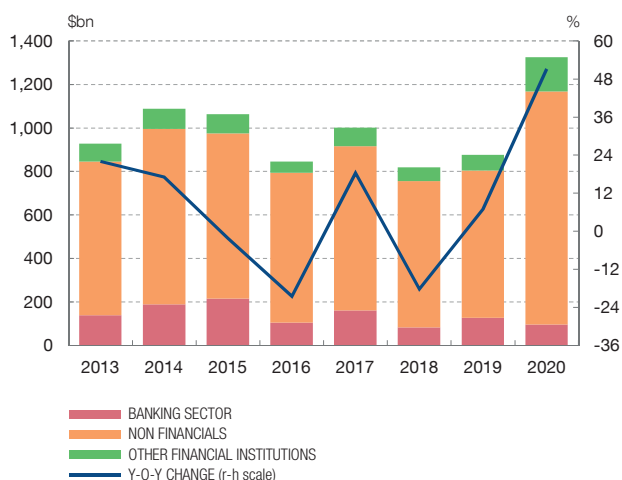
¹³ Evidencing this were the IPOs by The Hut Group in the technological sector, and by Soltec in Spain in the renewable energies sector.

Chart 6

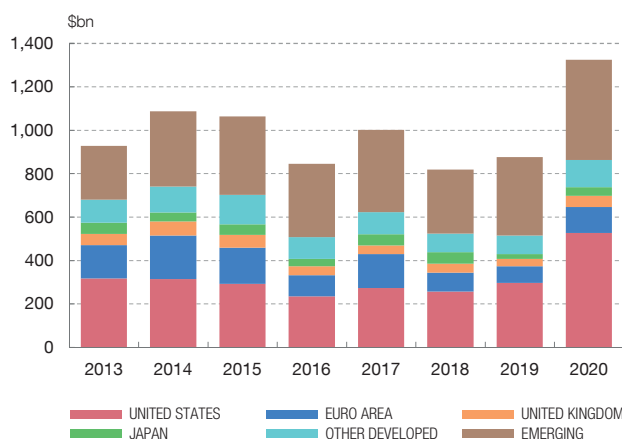
EQUITY ISSUES BY SECTOR AND BY COUNTRY

Equity issues increased significantly in 2020, driven by companies' extensive liquidity needs stemming from the COVID crisis and the pick-up in stock markets over the year. Thus, the increase in issues was across the board in terms of sectors, with the exception of banking, and was concentrated in the last three quarters of the year. By country, Japan and the United States posted the biggest increase in placements, underpinned by a sharp stock market upturn.

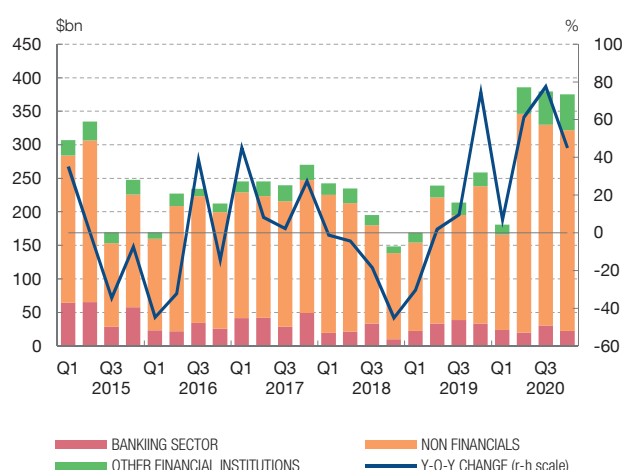
1 ISSUE BY ISSUING SECTOR. ANNUAL DATA



2 ISSUE BY ISSUING COUNTRY OR REGION



3 ISSUE BY ISSUING SECTOR. QUARTERLY DATA



4 STOCK MARKETS



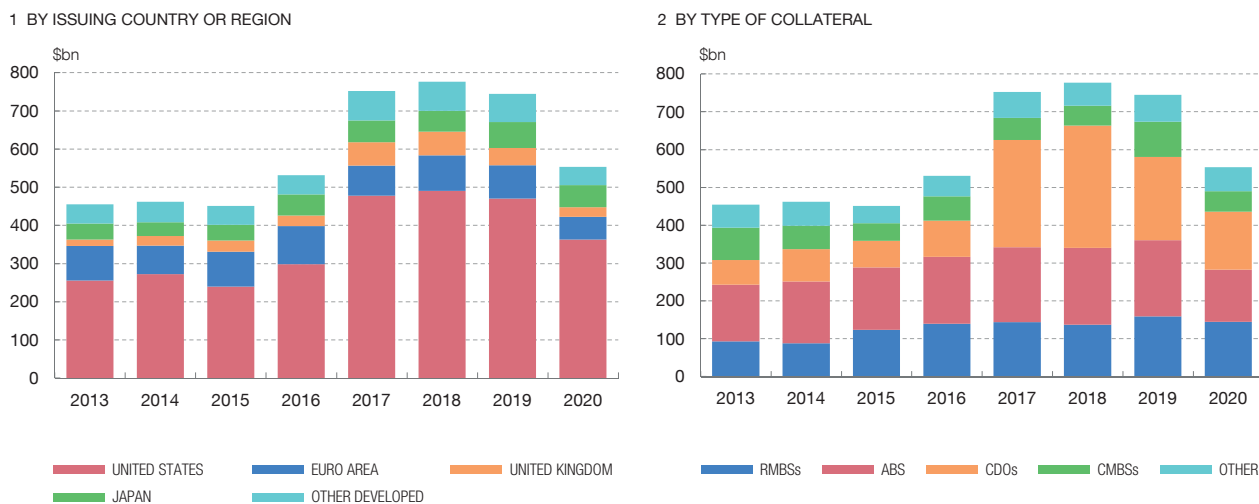
SOURCES: Dealogic and Refinitiv Datastream.

the S&P 500) (see Chart 6.4). Notable in US issues were IPOs, especially in the financial, technological and health sectors, which continued posting record highs after seeing their volume rise by 166% on 2019. In this region, moreover, more than half of such issues were instrumented through Special Purpose Acquisition Companies (SPACs), which raise funds for the purchase of other companies, exceeding \$80 billion in issues in 2020. Issues on emerging markets increased, boosted by their main issuer, China, which passed the \$300 billion mark for the first time.

Chart 7

SECURITISATIONS ISSUED IN THE DEVELOPED ECONOMIES, BY COUNTRY AND TYPE OF COLLATERAL (a)

Securitisations issues fell significantly in 2020, posting their lowest volume since 2016. The extensive financing provided by central banks under advantageous conditions might have restricted this type of issue, with the fall-off particularly marked in the United Kingdom. By type of collateral, commercial mortgage-backed securities (CMBSs) recorded the biggest decline, influenced by the impact of the COVID crisis on business activity.



SOURCE: Dealogic.

a Data excluding short-term securitisations.

Securitisations and structured products

Securitisations issues fell significantly in 2020 to \$553 billion, the lowest volume since 2016, with a 26% decline in year-on-year terms (see Chart 7.1). This decline was across the board regionally, with the United Kingdom experiencing the biggest year-on-year fall (45%). The United States and Japan underwent a lesser correction in relation to 2019 (-23% and -14%, respectively). Conversely, Spain saw a 11% increase in issues, driven by residential mortgage-backed securities (RMBSs).

In the euro area and the United Kingdom, although the resilience of lending to households and firms offered support for the generation of structured products, the extensive financing provided to financial institutions by central banks limited the issuance of securitisations. As regards the regulatory framework, in 2020 the EU included additional new technical standards in its Securitisation Regulation. Also, as part of the Capital Markets Recovery Package, amendments were proposed. These included extending the framework in force in the EU for simple, transparent and standardised securitisations to synthetic securitisations,¹⁴ in order to facilitate the use of securitisation.

14 Synthetic securitisations are those in which the exposures securitised remain on the balance sheet and the credit risk is transferred with the use of credit derivatives or guarantees.

By type of collateral, the decline was across the board. There was a notable 42% fall in commercial mortgage-backed securities, against a background in which the commercial property market was greatly affected by the COVID-19 crisis (see Chart 7.2). The riskiest instruments in this category, namely collateralised debt obligations (CDOs), fell by 30% year-on-year, despite continuing to post the biggest issuance volume (\$154 billion in 2020). Asset-backed securities (ABSs) issues were down 32% on 2019.

21.4.2021.