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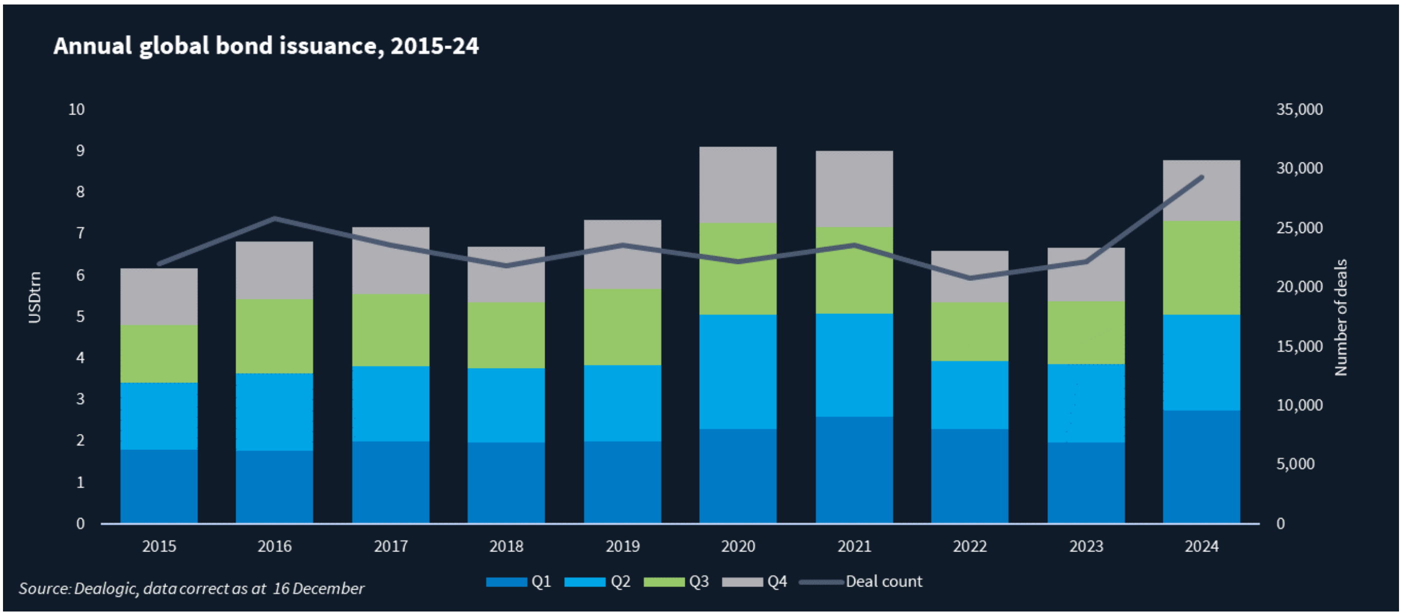
Written by Claude Risner

Bond Highlights FY24

Bond markets fire as EMEA, green issuance hits new records

This year has seen an impressive return to form for bond markets globally, as the Ukraine crisis and its after-effects hampered activity over the past two years. More than USD 8.75trn has flowed from investors into the coffers of issuers so far this year, according to *Dealogic* data. That is only narrowly down on the record years of 2021 and 2022, and up around 30% year-on-year (YoY). The quantity of deals has outstripped any other on record, showing what is possible next year if the size of deals returns to the 2020 average of around USD 410m.

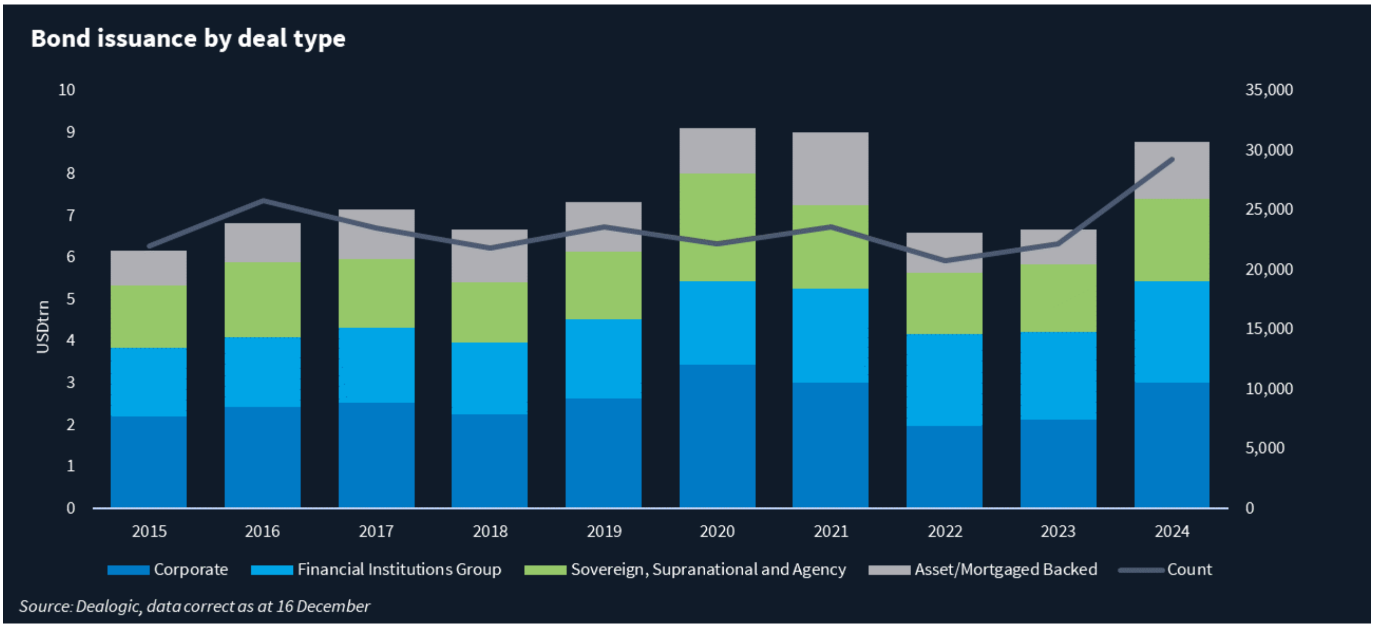
As we entered 4Q24, more bonds had already been issued than in the whole of 2023, ensuring this year is on track to be lucrative for bankers, lawyers and everyone else that had been waiting for global bond markets to recover. As reported in previous *Quarterly Highlights*, bond issuance slowed in 2Q24 after racing out of the blocks in 1Q24, before picking up the pace again in the third quarter. The rest of the year has been steady, with volume edging up YoY to USD 1.45trn.



America Trumps the rest

The driving force behind this year's bumper performance has been the Americas, where USD 1trn or 42% more volume has been printed compared with 2023. This is despite the presidential election bringing activity to a halt for much of November. Nevertheless, all three major global markets have performed well: Asia-Pacific (APAC) issuance rose 33%, while EMEA gained 20%. In fact, EMEA has already outstripped the previous record from 2021, with USD 2.73trn of issuance, while the Americas and APAC markets are yet to return to their record 2020 activity levels.

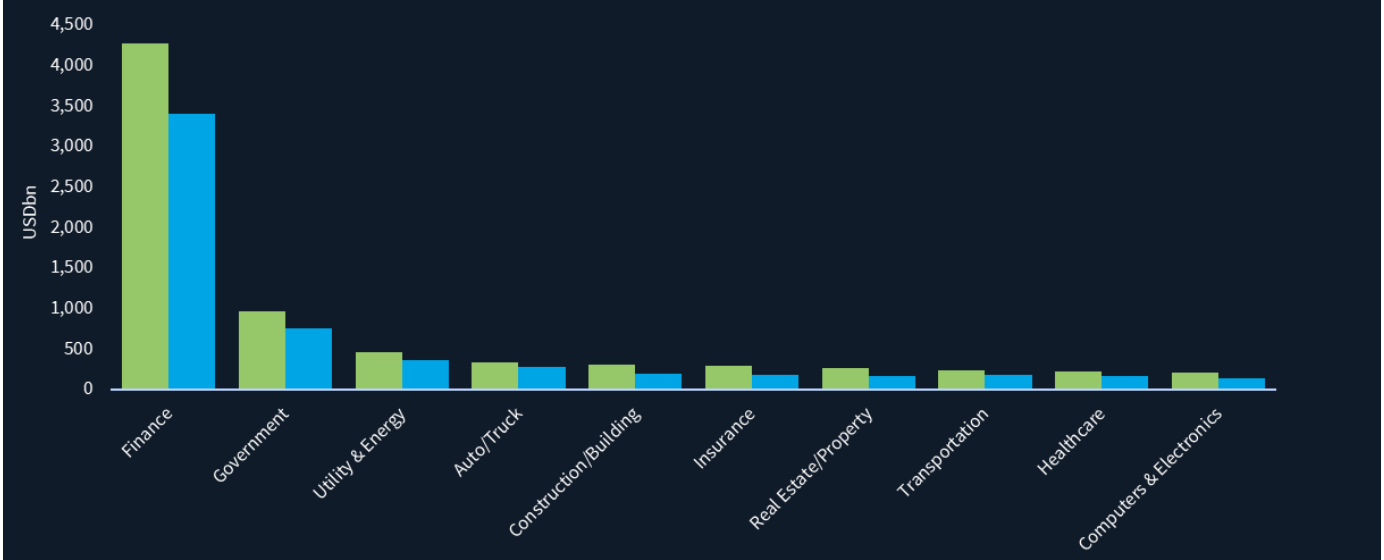
The corporate market, which raises capital for non-financial issuers, has been red hot, with USD 3trn of issuance, representing more than one-third of the total. Financial institutions were on a par with corporates last year despite the collapse of Credit Suisse and other banks heightening anxiety among investors in the asset class. This year, financial issuance has grown 16%, but this has not kept pace with the corporate market, which has printed 42% more paper in the year to date (YTD). The market for asset- and mortgage-backed securities has also been busy, with issuance spiking 62% YoY to USD 1.35trn.



Sectors show forward progress

The picture by sector is consistent with a strong bond market - no major sector tracked by *Dealogic* has seen lower volume this year compared with 2023. Aside from the financials and government sectors, utilities and energy, autos and construction have been the busiest. The latter two are particularly significant given that investors are nervously eyeing a ‘crisis’ in the European autos sector and construction has also been hard hit by the interest-rates cycle. In the European leveraged finance market, it has been noticeable that auto issuers such as Spanish parts manufacturer Antolin and British sports car manufacturer Aston Martin have been forced to print at double-digit coupons to convince investors to lend to them.

Bond issuance sector changes



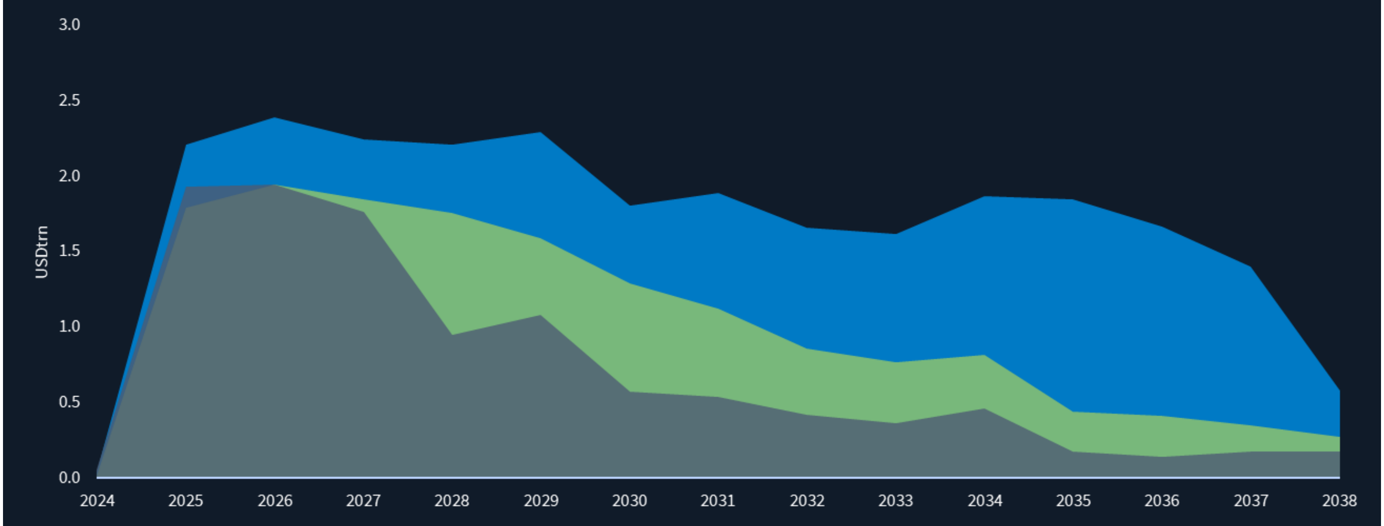
Source: Dealogic, data correct as at 17 December

More generally, the high-yield (HY) market has been strong relative to the investment-grade (IG) market, increasing to 6.6% of total issuance YTD from 5% last year. However, that is not to say IG has suffered, as both junk-rated and IG bonds have been in demand. The 3% of issuance attributable to high yield in 2022 and 5% in 2023 were also something of historical anomalies. HY never fell below this year level of issuance between 2015 and 2021. Moreover, 2024 HY issuance is still below 2019 in terms of volume and proportion of total issuance.

Green is go

Global environmental, social, and governance (ESG) bond issuance, comprising sustainable, green, and social bonds, has had a mixed year. The first quarter was the most active since 2021, feeding expectations that ESG issuance was on track for a banner year. However, 2Q24 disappointed and was down on the previous year. Fortunately, issuers of ESG bonds have been more present in the market in the second half, ensuring issuance is up 9% YoY at USD 847bn, marking the highest level since 2019. Coinciding with the COP 29 United Nations Climate Change Conference, 2024 green bond issuance has overtaken its previous record 2019 issuance to reach USD 523bn.

Bonds outstanding and maturities



Source: Dealogicdata correct as at 16 December

insights@iongroup.com

Turning attention to next year, the global market is expected to remain busy given pressure on issuers to refinance almost USD 6trn of maturities. APAC could be relatively active, as it currently has a greater 2025 maturity wall than the larger EMEA market. However, that is only the case for 2025. EMEA has a greater maturity wall for all other years up to 2038, which implies EMEA issuers have been proactive in dealing with upcoming bond maturities with markets open this year. Meanwhile, corporates are likely to be where the action is, as the USD 2trn of 2025 maturities in that market represent 34% of the total.

by Claude Risner, with analytics by Jose Roberto Castro