Is there such a thing as over-issuing in primary debt markets?

The suggestion in last week's primary market talk of a better showing in FIG primary turned out to be an under-statement. Even in a week shortened by a holiday in parts of Europe, issuers responded to the better market tone with a blizzard of deals.

Some three-dozen issuers – European names in euros and US dollars plus non-European names in euros – leaped through a wide-open funding window to print trades or launch into marketing between Tuesday 11th and Thursday 13th June. By the end of Thursday, FIG supply was in excess of EUR 24bn.

The deluge of deals broadly met solid investor take-up – although that showed signs of strain on some trades as the week progressed – as books were generally covered quickly. If deals were 2.3x covered on average, some (OP, BAWAG, CaixaBank, Lloyds AT1) caught the moment and did better.

The stronger primary deal flow wasn't the result of any particularly fundamental geopolitical or monetary shift (perhaps other than the further sinking in of the lower-for-longer reality); it was driven by a technical bid seeking to gain decent relative-value entry points following the spread reversals of recent weeks. And by pent-up demand from the slow pace of the past two or three weeks.

The rampant demand Spain and Italy met for their respective EUR 6bn long-10 and 20-year sovereign outings, garnering EUR 51.5bn of demand between them, only underlined the improved sentiment.

What it showed is that there is definitely a bid for yield, as demonstrated by good demand for the past week's senior trades. But interest in covered bonds also remains broadly intact, propelled by their attractive spreads over sovereigns.

Pricing in the majority of cases in the past three days continued to move quickly from initial price thoughts to much tighter guidance ranges with spreads fixed at the tight ends. As in previous weeks, pricing ended up at or around fair value.

FIG supply emerged across covered bonds, senior preferred, senior non-preferred and subordinated lines, in euros and dollars, across the maturity spectrum (two years to perpetual), in fixed and floating-rate formats, in benchmark and sub-benchmark size, in green and social formats; there were some debuts too. In short, something for everyone.

Issuers came from across the core eurozone (Austria, Germany, Finland, Netherlands), eurozone periphery (Spain, Italy, even a Greek bank mandating a subordinated offering), UK and Nordics/Baltics (Denmark, Sweden, Estonia). To add to the variety, Asian and North American issuers also hit the euro market and there were a couple of insurance issuers in there too.

Given how many deals flooded into primary, underwriters deserve some credit for making sure they didn't run into each other and cannibalise execution. With so many comparables across rating classes, jurisdictions, and debt classes, none of the deal's really ran into direct 'me or you' competition.

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As long as issuers that look like they might interfere with each other's execution tap different points in the capital structure even at the same time, that by definition puts clear water between them.

All of the above said, given the sheer pace of FIG issuance over just three days, it is reasonable to wonder if too much came too quickly. When treasurers see an opportunity to get something done, the mantra is to strike while the iron is hot rather than waiting for a better time that may never come. But the issuance of the past few days did turn into a bit of a frenzy and it is reasonable to ask whether issuers, particularly those bringing up the rear-guard, might have been better advised to wait until supply had been digested.

Some of the issuance of these past few days certainly had the look of opportunism about it. There is a sense that the past few days may have fallen victim to over-issuance, if such a thing exists, and that deal fatigue could easily set in, leading to a primary hiatus as investors either say 'enough is enough' or stop to draw breath.

Summary of key FIG debt issuance June 7 through June 14 (11:30 CET)

Aareal Bank extended its curve, mandating banks for a no-grow EUR 500m eight-year mortgage covered bond on 11 June. Leads went out the following morning with MS+2bp guidance and the book was more than covered with the hour. Guidance was revised to MS flat +/- 1bp WPIR and the final spread was fixed at the tight end (MS-1bp, roughly at fair value) with books at EUR 900m.

Banco BPM pushed out IPTs of MS+290bp area on 14 June for a planned five-year euro benchmark.

Mexico's **Banco Mercantil del Norte** will be coming through London on 17 June as part of its AT1 roadshow.

Banco Santander announced a EUR 1.25bn five-year senior preferred on 11 June and went out the following morning with IPTs of MS+high 60s and saw demand of more than EUR 1bn in no time. The size was fixed at EUR 1.25bn and the spread at MS+50bp as the book went above EUR 3bn by mid-morning.

Bank of Montreal priced a USD 1.75bn three-year 144a/Reg S covered bond at MS+29bp and gathered demand of USD 2.35bn, which enabled leads to tighten from MS+32bp area IPTs.

Bank of New Zealand London branch priced its EUR 750m 5.25-year senior unsecured bond at MS+58bp on 7 June, with books twice covered. Pricing came at the tight end of MS+60bp area +/-2bp WPIR guidance.

Banque PSA went out on 13 June with a EUR 500m five-year senior trade. IPTs of MS+120bp area tightened to guidance of MS+95bp area and the trade launched at MS+90bp as demand soared to EUR 2.9bn.

Barclays entered the market on 13 June with a USD 1.5bn 11NC10 fixed-to-floating Tier 2, putting out IPTs of T+300bp-312.5bp. Guidance emerged at T+300bp the number, which is where the bonds priced.

BAWAG went out with a no-grow EUR 500m 15-year mortgage covered bond. Leads put out guidance of MS+15bp on 12 June and the book was twice covered within the hour. Guidance was revised to MS+12bp area and the final spread fixed at MS+10bp, a small single-digit premium, by which time the book was in excess of EUR 1.6bn.

BBVA pushed out IPTs of MS+120bp-125bp on 12 June for its no-grow EUR 1bn seven-year green senior non-preferred offering. The book was covered within 90 minutes; leads tightening guidance to MS+105bp area +/-2bp WPIR with the spread fixed at the tight end as demand went above EUR 2.5bn at re-offer.

CaixaBank set the size of its seven-year senior non-preferred offering at EUR 1.25bn on 11 June and the final spread at MS+145bp, a full 30bp through MS+175bp area IPTs as books reached over EUR 3.85bn. Revised guidance had been MS+150bp area. Final pricing was arguably through fair value.

China Merchants Bank mandated a two-part senior unsecured US dollar and euro bond on 11 June. Leads went out on 12 June with a capped USD 600m three-year FRN, printing at final guidance of 3mL+74p (vs. initial guidance 3mL+95bp area) via the bank's London branch; and a EUR 300m three-year fixed-rate tranche at MS+55bp (initial guidance of MS+75bp area) via the Luxembourg branch. Demand for the euro tranche was EUR 1.1bn.

Final terms on insurer **Chubb**'s EUR 1.15bn dual-tranche senior unsecured were well through IPTs. The spread on the EUR 575m eight-year was MS+80bp vs +105bp area IPTs; the EUR 575m 12-year was set at MS+103bp area vs. MS+125bp area IPTs. Books closed at EUR 5.4bn (EUR 2.9bn for the eights, EUR 2.5bn for the 12s).

Commerzbank went out on 13 June with a no-grow EUR 500m seven-year senior non-preferred at IPTs of MS+140bp area, tightening to MS+120bp-125bp WPIR guidance. The spread was fixed at MS+120bp as demand moved above EUR 1.35bn.

The UK's **Coventry Building Society** mandated its no-grow EUR 500m seven-year UK regulated covered bond on 12 June and was out the following morning with guidance of MS+25bp area. Demand quickly grew and the spread was fixed at MS+22bp as demand exceeded EUR 1bn.

Jyske Bank put out IPTs of MS+110bp area for its no-grow callable (5NC4) EUR 500m senior non-preferred. Guidance with the call premium came at MS+95bp-100bp as demand went above EUR 1bn. Pricing was set +95bp.

South Korea's **Kookmin Bank** mandated leads to arrange roadshows kicking off on 17 June ahead of a prospective dollar-denominated 144a/Reg S PNC5 AT1.

Korea Housing Finance Corp, the State agency that supports South Korea's housing welfare policy, sold a no-grow EUR 500m five-year social covered bond on 11 June at a spread of MS+25bp. The final order book topped EUR 1.4bn. Guidance had been MS+30bp and IPTs MS+35bp area. Analysts suggested pricing looked rich though still offered a nice yield. Proceeds of KHFC's social covered bond programme are allocated to affordable housing.

Lloyds Bank drew EUR 1.4bn of demand for its seven-year UK mortgage covered bond on 11 June, extending its curve by around two years. The size was fixed at EUR 1bn and the spread at MS+17bp, through MS+18bp area guidance and MS+20bp area IPTs and offering a small single-digit premium. The UK bank followed up the next morning with a USD 500m PNC7 **AT1**. IPTs of 7.25% were revised to 7% and pricing came at 6.75%.Books were reported to have been prodigiously over-subscribed.

Luminor Bank attracted 2x coverage on its long three-year EUR 300m senior preferred offering on 11 June. Pricing was an attractive MS+167bp, the tight end of MS+170bp +/-3bp guidance as demand quickly built. IPTs had been MS+180bp area. For a sub-benchmark offering from a bank in the Baltics with Nordic roots, the result was pretty decent given broader issues at play around AML.

Mitsubishi UFJ Financial Group put its planned euro senior unsecured fixed rate 10-year green and/or five-year green or non-green bond on ice due to unforeseen circumstances. The Japanese bank had roadshowed the trade.

National Bank of Canada followed compatriot Bank of Montreal into the US dollar covered bond market, pushing out IPTs of MS+32bp area on 13 June for a USD 1bn three-year trade. The deal launched and priced at MS+30bp.

NatWest Markets plc offered a mid-single-digit premium to get a two-year EUR 1.25bn senior unsecured opco FRN away at 3mE+72bp with a good following wind that saw books soar to around EUR3.5bn at re-offer. Guidance had been 3mE+80bp area and IPTs 3mE+low 90s area.

Nordea Mortgage Bank priced a EUR 1bn eight-year Finnish covered bond at MS+3bp on 11 June, with books reaching above EUR 1.7bn on the back of MS+7bp area guidance. Sell-side analyst put fair-value at MS flat.

Oberbank followed its roadshow with its EUR 250m seven-year senior preferred debut on 12 June. The expected maturity on the road had been a seven to nine-years. IPTs were MS+80bp-85bp and the book was done (in excess of EUR 300m) within the hour. The final spread was fixed at MS+75bp.

OP Corporate Bank went out on 12 June with a no-grow EUR 500m five-year senior non-preferred deal, Finland's first, with IPTs of MS+80bp area that was twice covered in an hour or so. Guidance of MS+65bp area tightened to a final spread of MS+60bp and books closed above EUR 1.8bn.

Piraeus Bank, 26% owned by the Hellenic Financial Stability Fund (the government's bad bank), mandated banks to arrange roadshows kicking off on 13 June ahead of an expected euro Reg S 10NC5 Tier 2. The bank just sold a EUR 507m GBV corporate NPE portfolio to Davidson Kempner and reached agreement to see 80% of its Recovery Banking Unit to Intrum. (See Scope Ratings comment on Greek NPLs).

Rabobank mandated a dual-tranche EUR 2bn covered bond backed by prime Dutch residential mortgages on 12 June. The deal was split equally into eight and 20-year tranches. The bank went out with guidance of MS+5bp on the 8s and MS+11bp on the 20s. The 8s tightened to revised guidance of MS+3bp +/-1bp WPIR and fixed at MS+2bp; the 20s fixed at MS+8bp as the books for each tranche went above EUR 1.8bn/EUR 1.3bn, respectively.

Royal Bank of Canada went on 12 June with a EUR 1.25bn seven-year Canadian covered bond. MS+12bp area guidance attracted good initial demand, so leads revised to MS+10bp +/-2bp WPIR as demand went over EUR 1.9bn. But in a frenzied week, something like a third of orders reportedly dropped out at the final spread of MS+8bp.

Santander UK priced a USD 1bn senior five-year dollar trade at T+105bp on 11 June, the bottom of T+110bp area +/-5bp, having gone out with IPTs of T+120bp area.

SMBC sold a dual-tranche EUR 500m and USD 1bn contractual covered bond on 11 June backed by prime Japanese RMBS. The seven-year euros fixed at MS+25bp (the bottom of MS+27bp area +/-2bp WPIR guidance; IPTs were MS+30bp); the five-year dollars at MS+50bp. Books closed at EUR 750m and above USD 1bn. Bearing in mind SMBC's five-year covered last November came at MS+20bp, the euros looked good value

Sp Mortgage Bank, owned by the Finnish Savings Banks organisation, went out with MS+12bp area guidance on 12 June for its no-grow seven-year EUR 500m covered bond backed by prime Finnish residential mortgages. Demand quickly exceeded EUR 650m, so guidance was revised to MS+10bp +/- 1bp WPIR and bonds priced at the tight end (MS+9bp, a small to mid-single-digit premium) on an EUR 860m book.

Svenska Handelsbanken achieved a solid result on 11 June, pricing EUR 1bn in five-year senior preferred notes at MS+30bp. Books closed at EUR 1.9bn. IPTs had been MS+45bp area.

Slovakia's **Tatra Banka** goes on the road in Vienna, Frankfurt and Munich starting 14 June to market a potential fixed-rate covered bond backed by prime Slovakian residential mortgages. The deal will be the third from a Slovakian bank following outings from VUB (which returned to the market this week) and Slovenska Sporitelna.

TBC Bank, Georgia's largest bank, priced a USD 300m senior five-year 144a/Reg bond on 12 June, generating demand of USD 700m at the close of books. IPTs had been low 6%, guidance was 5%-6.125% and the coupon was fixed at 5.75%. The bank had gone on US and European roadshow kicking off June 3.

UBI Banca put out IPTs of MS+305bp area for its no-grow EUR 500m five-year senior non-preferred trade on 13 June. Books quickly grew to EUR 1bn as pricing was tightened to guidance of MS+290bp-295bp WPIR. The spread was fixed at the tight (+290bp) and the book closed above EUR 950m.

Vseobecna uverova banka, a subsidiary of Intesa Sanpaolo, returned to the market on 13 June with a EUR 500m 10-year covered bond. IPTs of MS+35bp area tightened to guidance of MS+32bp area and the spread was fixed at MS+30bp as demand exceeded EUR 1bn.

Zurich Insurance sold a no-grow EUR 500m 20-year senior unsecured bond on 11 June at a spread of MS+85bp, broadly at fair value. Final demand was EUR 1.5bn. Guidance had been MS+85bp-90bp and IPTs MS+105bp area.

(Source for basic deals data: Bond Radar.)

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