

Members' Briefing: COVID-19 – How are European Capital Markets Coping?

14.00 BST/15.00 CET 27 April 2020

Speakers:

Adam Farkas, Chief Executive Officer, AFME

Julio Suarez, Director, Research AFME

1. Welcoming statements and introduction to AFME COVID-19 data report
2. Insights and discussion of data report
3. Overview of AFME COVID-19 activities and developments
4. Q&A



Adam Farkas,
Chief Executive
Officer, AFME



Julio Suarez,
Director,
Research, AFME



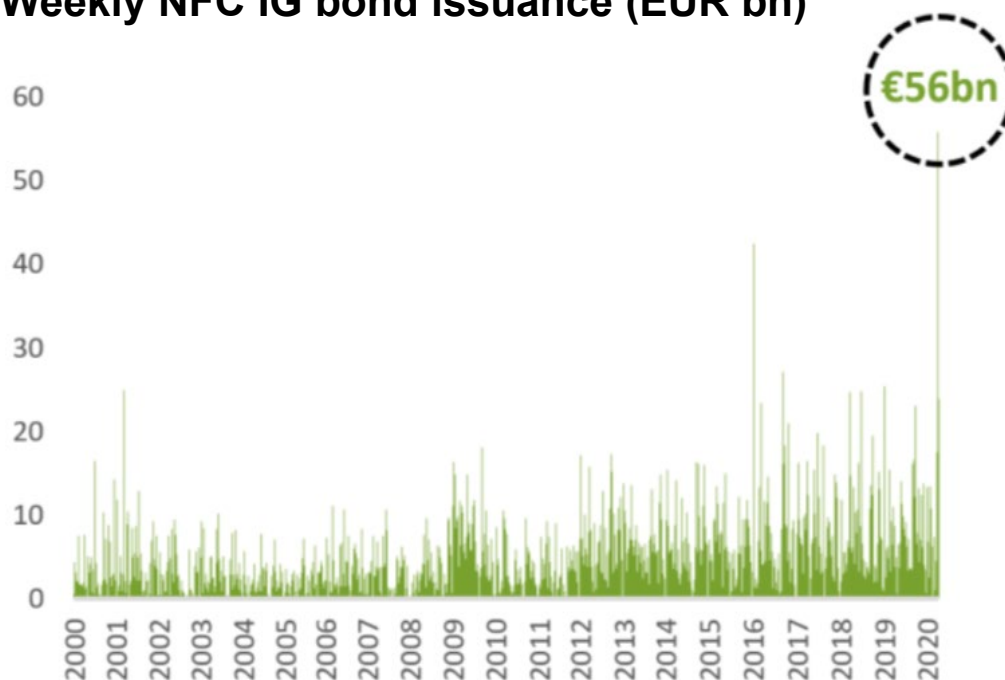


- The purpose of this report is to provide a snapshot of the initial impact of COVID - 19 on European capital markets activity
- European capital markets have continued to operate well and serve their function during times of stress
- Report produced with data available as of mid-April



- While working remotely, issuance of investment grade corporate bonds surpassed 50bn EUR in the first week of April; this was also the highest weekly amount ever issued in Europe

Weekly NFC IG bond issuance (EUR bn)

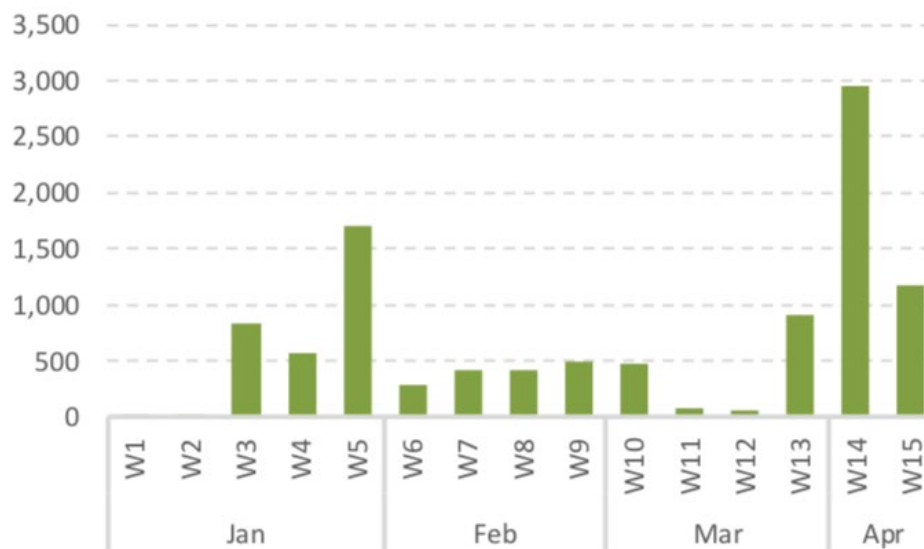


Source: Dealogic



- Non-financial corporates have rapidly increased secondary equity offerings
- Markets are more volatile than a few months ago, which has made it costly for some companies to list through IPOs

Follow - on issuance : 2020 YtD (EURmm)



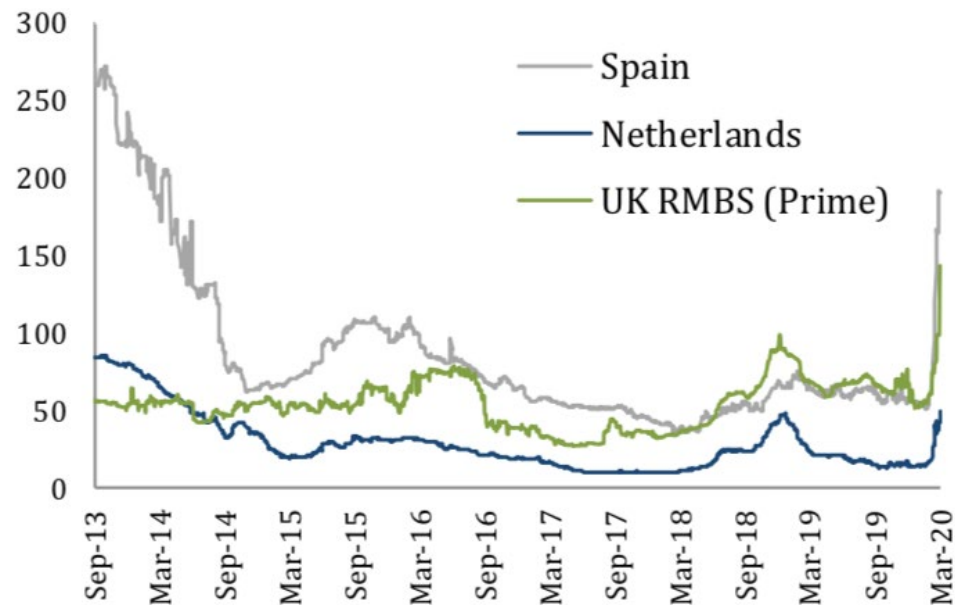


- Markets have continued to play their role in providing liquidity, price formation, timely clearing and settlement procedures, capital allocation and helping investors manage their portfolios
 - Equity trading (ADV) rose 94 % YoY in March-20;
 - Corporate bond trading increased 31 % YoY in Q1 2020;
 - FX spot trading (ADV) rose 61 % YoY in March - 20.
- Fail ratio has continued at 2-3%. The increase in fails was roughly proportionate to the increase in trading volume



- Securitisation secondary markets have suffered disproportionate reductions in liquidity due to central bank support which is more limited in scope and slower and more difficult to access than for other fixed income sectors

European AAA RMBS spreads (bps)

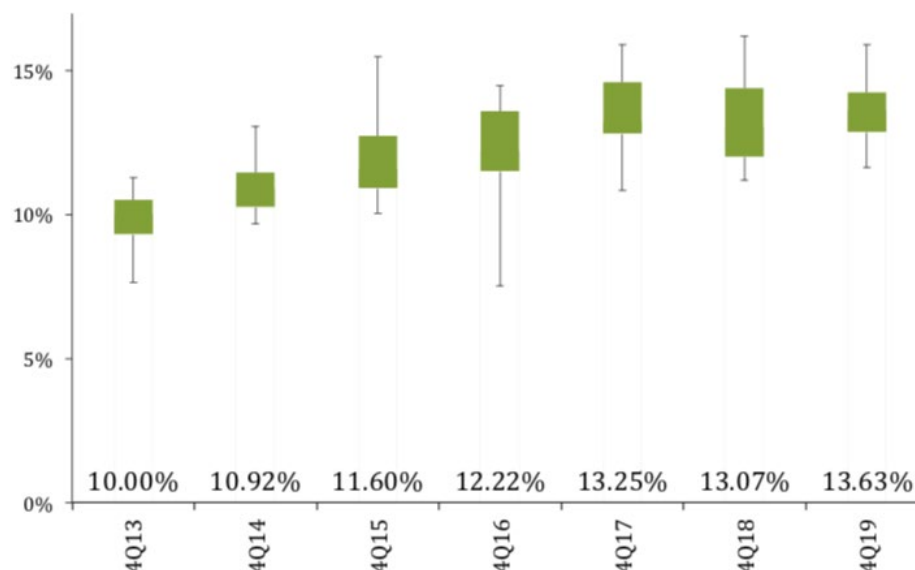


Source: IHS Markit



- COVID - 19 is stress-testing the entire financial system and its institutional architecture
- Stress-testing the speed of the institutional response
- Resilience of the banking system and capital markets

EUGSIBs CET1 ratio



Source: Regulatory filings



- Other sectors are covered in the report (M&A, sovereign debt, derivatives trading)
- AFME will continue to monitor the developments in the current atypical environment
- 5 data reports & KPI report



- **Contingency planning and compliance**
- **Markets/Regulatory implementation challenges**
- **Consultation Delays**
- **Prudential Regulation**



Q&A

The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.

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