

# **Bond Case Briefs**

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## **U.S. Research Quarterly, Second Quarter 2015.**

### **About the Report**

A quarterly report containing brief commentary and statistics on the U.S. capital markets, including but not limited to: municipal debt, U.S. Treasury and agency debt, short-term funding and money market debt, mortgage-related, asset-backed and CDO debt; corporate bonds, equity and other, derivatives, and the primary loan market.

### **Summary**

#### **Total Issuance Increases in 2Q'15**

Long-term securities issuance totaled \$1.76 trillion in 2Q'15, a 3.1 percent increase from \$1.71 trillion in 1Q'15 and a 10.1 percent increase year-over-year (y-o-y) from \$1.60 trillion in 2Q'14. Issuance fell quarter-over-quarter (q-o-q) across three asset classes: federal agency, asset-backed and equity while the remainder recorded increases.

Long-term public municipal issuance volume came in at \$110.4 billion for 2Q'15, an 6.2 percent increase q-o-q (\$104.0 billion) and 32.7 percent increase y-o-y (\$83.2 billion). With private placements included (\$2.5 billion), long-term municipal issuance for 2Q'15 was \$113.0 billion, a 5.3 percent and 25.2 percent increase, respectively, q-o-q and y-o-y.

Total gross issuance of Treasury bills and coupons, with cash management bills, Floating Rate Notes and Treasury Inflation-Protected Securities included, was \$1.69 trillion in 2Q'15, which was unchanged from 1Q'15 and a 1.1 percent decrease from 2Q'14's issuance of \$1.71 trillion. U.S. Treasury net issuance, including CMBs, fell sharply to \$56.6 billion in the second quarter, a 51.5 percent decrease from \$116.6 billion issued in the previous quarter but a much higher outcome than 2Q'14's net redemption of \$64.50 billion. Net issuance for the second quarter was 4.1 percent below the Treasury's May net borrowing estimate of \$59.0 billion.

Federal agency long-term debt issuance was \$88.9 billion in the second quarter, compared to \$130.19 billion in 1Q'15 and \$69.4 billion in 2Q'14.

Mortgage-related securities issuance, which includes agency and non-agency passthroughs as well as collateralized mortgage obligations (CMOs), reached \$441.2 billion in 2Q'15, a 27.0 percent increase q-o-q (\$347.5 billion) and a 44.7 percent gain y-o-y (\$304.9 billion). Increases were driven entirely by improvements in agency issuance, as non-agency volumes declined both q-o-q and y-o-y.

Asset-backed securities (ABS) issuance reached \$60.1 billion in 2Q'15, falling 2.7 percent and 14.8 percent, respectively, q-o-q and y-o-y. The auto industry continued to lead issuance totals with \$27.7 billion (46.1 percent of total 2Q'15 issuance), followed by credit cards (\$8.8 billion, or 14.7 percent).

Corporate bond issuance stood at \$442.6 billion in the second quarter, a 1.7 percent increase from the \$435.0 billion issued in 1Q'15 and 3.5 percent above 2Q'14's issuance of \$427.8 billion. Both the investment grade and high yield issuance showed quarterly increases with HY bonds' issuance

increasing at a slightly faster pace.

Equity underwriting fell 9.5 percent to \$81.0 billion in 2Q'15 from \$89.5 billion in the previous quarter and down 14.2 percent y-o-y, but was 13.3 percent above the five-year average of \$71.5 billion. The number of equity underwriting deals dropped to 301, down 6.2 percent q-o-q and 17.5 percent from 2Q'14. The average deal size dropped to \$269.2 million in 2Q'15, a decline of 3.5 percent q-o-q but a 4.0 percent gain y-o-y.

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