Whilst COVID-19 brought many aspects of daily life to a near standstill, the capital markets remained open, allowing a range of corporates to access long term funding.

Market conditions pre-crisis were exceptionally strong. Public bond deals in EUR were regularly pricing with modest new issue premiums in the low single digits with some even pricing inside of their fair value. Orderbooks were large as investors were seeking to buy assets and deals were able to tighten significantly from initial price thoughts, leading to competitive pricing levels. It was a similar story in GBP even though the volume of deals was lower given its smaller market size.

As the epicentre of the crisis shifted from Asia to Europe in February, the market did react and secondary market spreads did widen. For example the iTraxx Europe Main – a proxy for risk sentiment across investment grade corporates in EUR – more than trebled between mid-February and mid-March as investors sought to understand the economic impact of COVID-19. Some companies in sectors that were hard hit by the lockdown measures saw their bonds widen multiple times over whereas those in defensive sectors experienced a more modest, though still significant widening.

Amongst this challenging backdrop, the EUR market saw only 4 additional days without issuance between the beginning of February to the end of April compared to the same period in 2019. Issuers were required to pay additional premiums for their transactions, with the single digit concessions from the start of the year replaced with premiums firmly in the double digits, and in some instances closer to the triple digits. However deals still priced and issuers still received sizeable funding. There was €150bn raised throughout the February to April period, and this was 78% higher compared to 2019 as issuers sought to boost liquidity positions. There was also more issuance in GBP in the February to April period in 2020 compared to 2019, albeit at a more modest level – £8.9bn compared to £8.3bn

As Europe appeared to regain control of the virus in mid-April, some sense of normality returned with new issue premiums back in the single digits for a number of companies.

The banking system has played its part in ensuring companies have been able to access funding amongst the macro uncertainty. The ability to secure long term cash from investors in the capital markets is just one example with banks also helping companies take advantage of the Bank of England's Covid Corporate Financing Facility and Coronavirus Business Interruption Loan Scheme.

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