Italian companies insulated from sovereign debt turbulence

Italy’s corporate sector is insulated from the turmoil in the country’s sovereign debt markets thanks to record issuance last year that ensures refinancing needs are limited.

In the past two weeks Italian corporate bond prices have fallen just 0.7 per cent, according to a bond index published by Italian private bank Fideuram. This is despite benchmark government yields rising to levels last seen in 2014 and then rebounding as a new government was formed. Yields rise when prices fall.

The European Central Bank’s suppression of yields via quantitative easing has also helped protect Italian companies from the woe in the sovereign debt market, by encouraging many businesses to refinance borrowings at longer maturities.

Italian non-financial corporations raised €42.5bn in debt markets last year, research by rating agency Moody’s shows, and are set to sell just over half that, or €22bn, in 2018. The 2017 total was boosted by a few chunky transactions.

Although Italian speculative-grade issuers sold more bonds last year than those of most other European nations, the biggest issuers in the Italian corporate bond market will remain big investment-grade companies, Moody’s said. It said Italian companies remained largely reliant on banks for finance and the bank lending market was still “supported by abundant liquidity thanks to the European Central Bank’s accommodative monetary policy”. Kate Allen
Italian corporate bond issuance (€bn)

Excluding financials

Italian corporates' bond refinancing needs, €bn (forecast)

2018 figure is May-December

Fideuram Italy corporate bond index

Data: martedì 05.06.2018