

# SMART MARKETS™

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Standardised & Contextualised  
Fixed Income



## SMART MARKETS™ ANALYSIS:

### FRENCH GOVERNMENT BONDS: MARKET TRENDS AFTER EU ELECTIONS IN JUNE AND GENERAL ELECTIONS IN JULY 2024

Leveraging Smart Markets™, the advanced analytics platform powered by Mosaic Smart Data & Euroclear, this paper analyses the French Government Bonds (i.e. OATs, bonds issued by “Tresor Public”) trading patterns exhibited by European and international investors during the week 8<sup>th</sup> – 12<sup>th</sup> July 2024, after the high-volatility observed during the period ahead of the general elections’ held on 7<sup>th</sup> July 2024.

Analysis of the French Government Bonds flows is updated up to 12<sup>th</sup> July 2024.

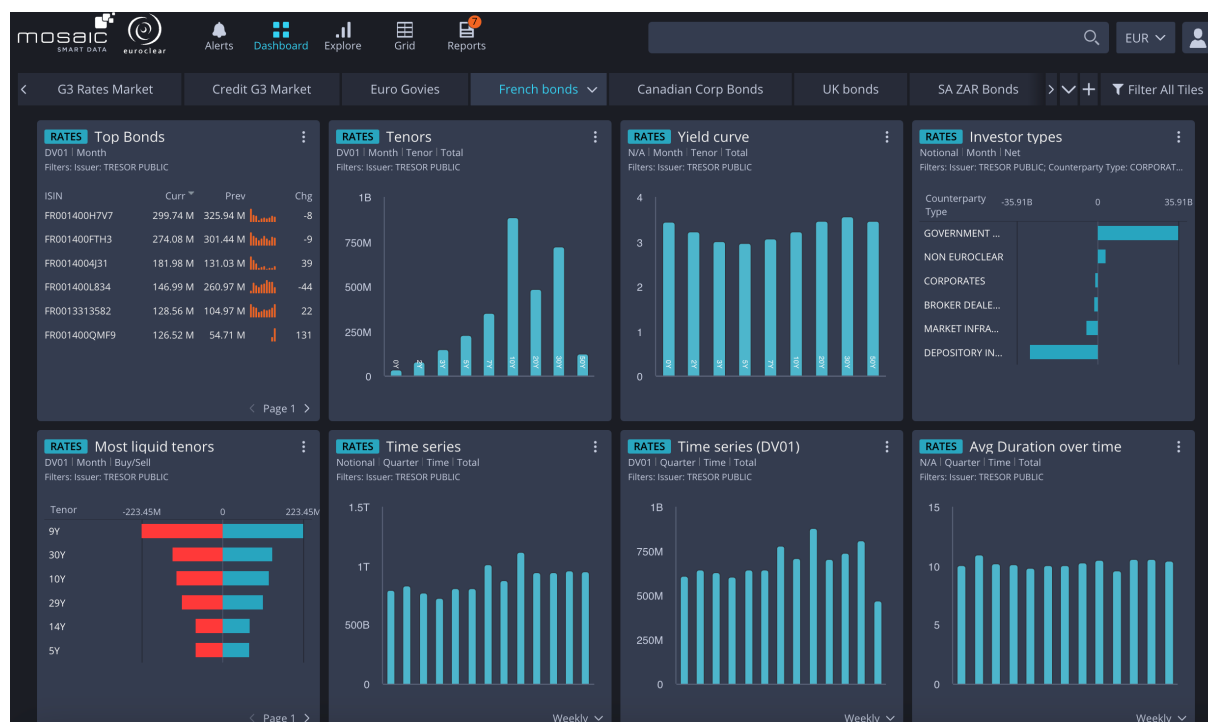
#### Key highlights:

- The most liquid tenors in the period 10<sup>th</sup> June 2024 - 12<sup>th</sup> July 2024 on a risk basis have been **10 years** (>€550M DV01 traded in the period) and **30 years** (>€450M DV01 traded in the period). The **tenor distribution is aligned with pre-elections levels**, even if turnover increased during the period 10<sup>th</sup> June 2024 - 12<sup>th</sup> July 2024.
- The **top 3 traded French government bonds**, on a risk-adjusted (DV01) basis, demonstrated a very significant increase in turnover and liquidity on the week 8<sup>th</sup> – 12<sup>th</sup> July 2024 after the General Elections:
  - OAT 3.0% 25MAY33 (**FR001400H7V7**): **+32%** in free-float volume, **+18.5%** in number of holders within the Euroclear settlement network.
  - OAT 3.0% 25MAY54 (**FR001400FTH3**): **+5%** in free-float volume, **+6%** in number of holders within the Euroclear settlement network.
  - OAT 0.75% 25MAY53 (**FR0014004J31**): **+13%** in free-float volume, **+11%** in number of holders within the Euroclear settlement network.
- The high **volatility and bonds turnover** in French Government Bonds (i.e. OATs, bonds issued by “Tresor Public”) observed immediately after the results of the EU elections became public on the w/c 10<sup>th</sup> June 2024 were not observed the week after the general elections’ held on 7<sup>th</sup> July 2024. On the contrary, French Government Bonds flows on the week 8<sup>th</sup> – 12<sup>th</sup> July 2024 **returned to a pre-stress scenario**.
- Similarly, **average modified duration** of the traded French Government Bonds returned to **“normal” levels** at **10.4 years** on the week 8<sup>th</sup> – 12<sup>th</sup> July 2024. In fact, in the week after EU elections’ results became public on 10<sup>th</sup> June 2024, there’s been a high turnover of French Government Bonds across European and International investors’, as well as a particular interest towards longer durations. Such trend quickly subsided and returned to “normal” levels (~10 years) in the following weeks.

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## FRENCH GOVERNMENT BONDS FLOW IN JUNE-JULY 2024



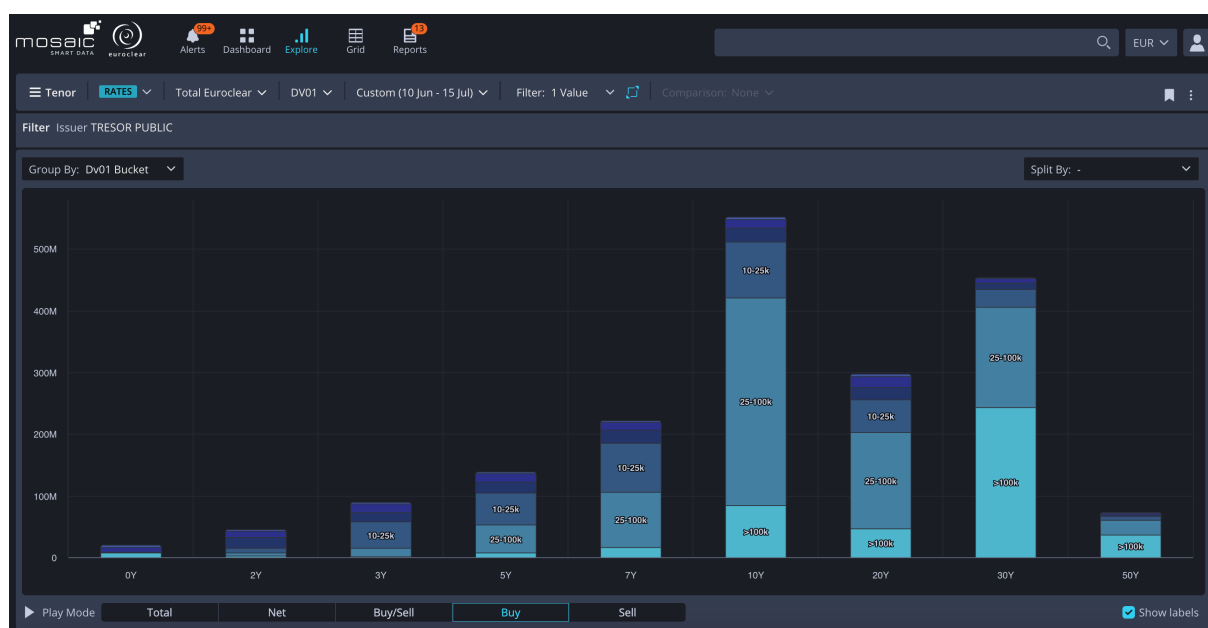
At a glance, this is a snapshot of the French flow recorded in Euroclear CSDs in June – July 2024.

Note: Both sides of the trade (buy/sell) are reported, and all flow is reported in EUR.

## Key highlights:

- **Turnover** of French Government Bonds in June 2024 slightly increased when compared with the average of previous months of the year. In particular, the **week 10<sup>th</sup> June – 15<sup>th</sup> June 2024** (immediately after the EU elections) has been the busiest week of the year for the OAT market, with almost **€540 Bln** being traded by European and international investors within the Euroclear CSDs.
- By far, the most significant **net buying activity** of OATs in June / July has been performed by **Government related financial institutions**, with a net buying activity of **€46.7 Bln** in the period 10<sup>th</sup> June 2024 – 12<sup>th</sup> July 2024.
- The most significant **net selling activity** of OATs in June / July has been performed by **Depository institutions**, with a net selling activity of **€43.8 Bln** in the period 10<sup>th</sup> June 2024 – 12<sup>th</sup> July 2024.
- The OAT bonds most actively traded, on a risk (DV01) basis, by European and international investors in the period 10<sup>th</sup> June 2024 – 12<sup>th</sup> July 2024 are:
  - **OAT 3.0% 25MAY33 (FR001400H7V7):** € 207.6 Bln turnover in the period between 10<sup>th</sup> June 2024 and 12<sup>th</sup> July 2024, which corresponds to € 184.9 M of DV01.
  - **OAT 3.0% 25MAY54 (FR001400FTH3):** € 68.5 Bln equivalent turnover in the period between 1<sup>st</sup> June and 18<sup>th</sup> June 2024, which corresponds to € 182 M of DV01.
  - **OAT 0.75% 25MAY53 (FR0014004J31):** € 50.9 Bln equivalent turnover in the period between 1<sup>st</sup> June and 18<sup>th</sup> June 2024, which corresponds to € 111 M of DV01.
  - **OAT 3.5% 25NOV33 (FR001400L834):** € 105 Bln equivalent turnover in the period between 1<sup>st</sup> June and 18<sup>th</sup> June 2024, which corresponds to € 97 M of DV01. This is the current **10 year French Government bond benchmark**.
- As we can also infer from the 4 most traded bonds above, the majority of the OAT turnover on a risk (DV01) basis lies within the **10 year** and **30 year** tenor buckets. Also worth noting

that majority of the turnover on the 30 year bucket is generated by **very large ticket sizes** (more than € 100k per ticket). Please refer to the following tenor chart.



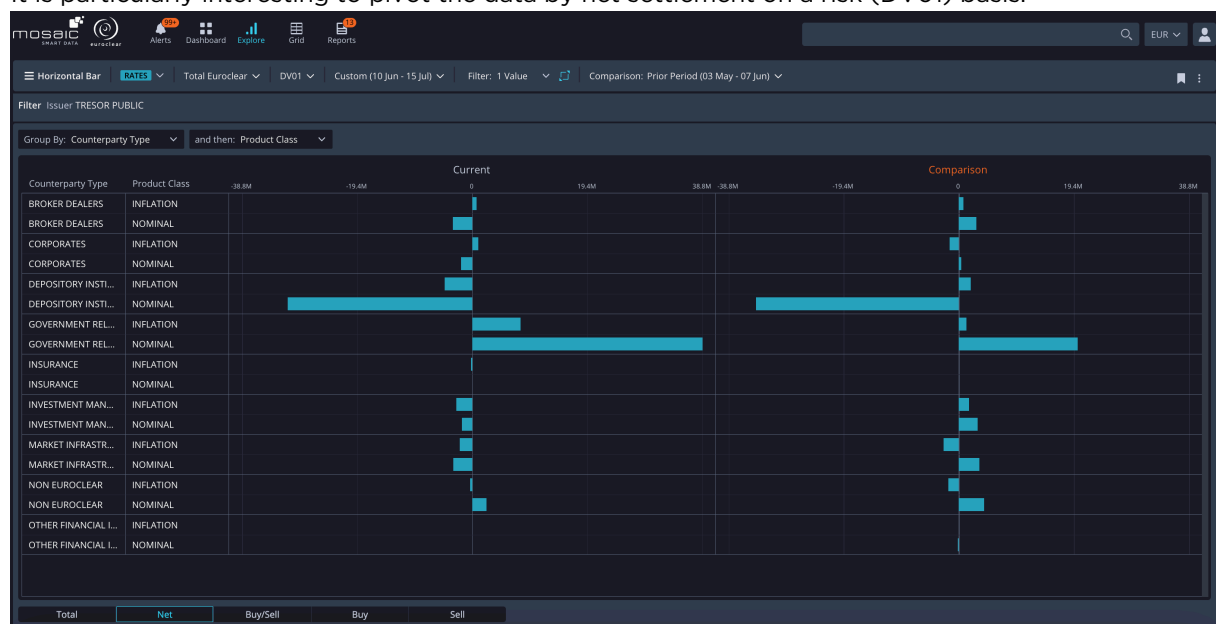
Note: All flow is reported in EUR.

## BREAK-DOWN BY INVESTOR TYPE

Breaking down the 10<sup>th</sup> June 2024 - 12<sup>th</sup> July 2024 French Government Bonds flow by counterparty type highlights that most of the total turnover is settled by:

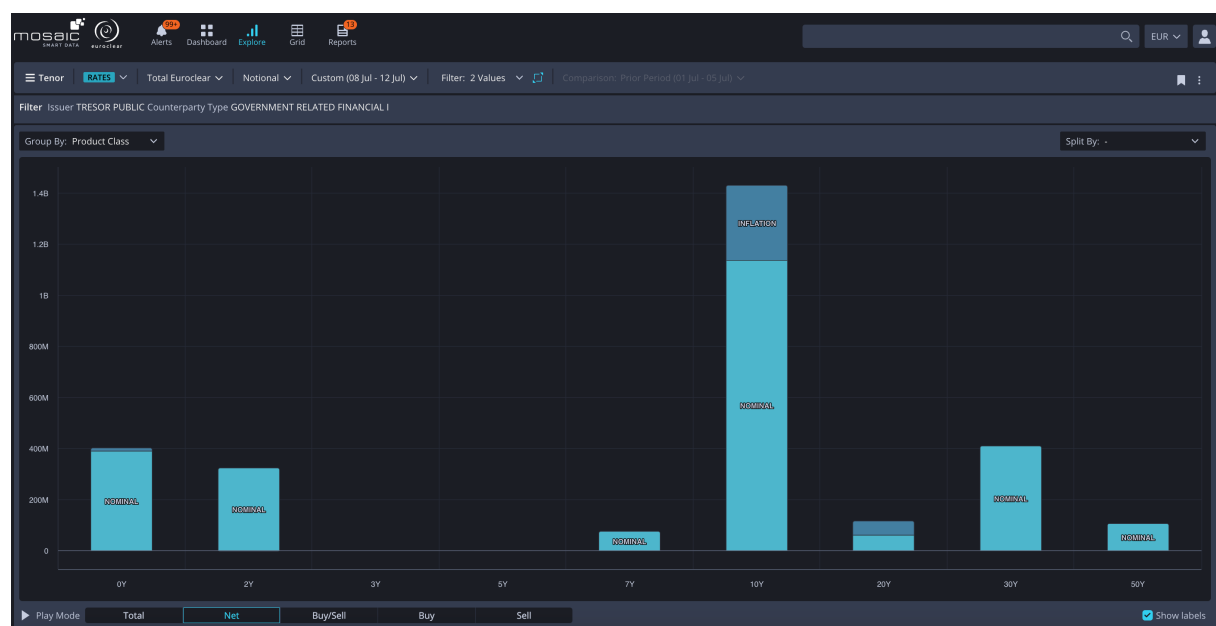
- Depository institutions
- Non Euroclear institutions
- Market Infrastructures

It is particularly interesting to pivot the data by net settlement on a risk (DV01) basis:



Looking at net flow by investor type in the period the 10<sup>th</sup> June 2024 - 12<sup>th</sup> July 2024, and comparing it with the prior period (May 2024 and first week of June 2024), we can appreciate how the net buying activity from Government Related Financial Institutions intensified in the period between EU elections and the General elections. The net selling activity from Depository institutions remained relatively stable.

The most notable net flow is the one attributable to Government Related Financial Institutions, who have been buying OATs in June and July 2024. Drilling down in the details of this flow (and specifically in the latest week 8<sup>th</sup> July 2024 - 12<sup>th</sup> July 2024 : see next chart), we notice how Government Related Financial Institutions focused their buying activity on the 10 year tenor.



Note: All flow is reported in EUR

## HOLDINGS ANALYSIS ON THE MOST TRADED FRENCH GOVT BONDS

As outlined in the previous chapter, the most actively traded French Government Bonds by European and international investors in the period 10<sup>th</sup> June 2024 – 12<sup>th</sup> July 2024 are:

- **OAT 3.0% 25MAY33 (FR001400H7V7)**: € 207.6 Bln turnover in the period between 10<sup>th</sup> June 2024 and 12<sup>th</sup> July 2024, which corresponds to € 184.9 M of DV01.
- **OAT 3.0% 25MAY54 (FR001400FTH3)**: € 68.5 Bln equivalent turnover in the period between 1<sup>st</sup> June and 18<sup>th</sup> June 2024, which corresponds to € 182 M of DV01.
- **OAT 0.75% 25MAY53 (FR0014004J31)**: € 50.9 Bln equivalent turnover in the period between 1<sup>st</sup> June and 18<sup>th</sup> June 2024, which corresponds to € 111 M of DV01.
- **OAT 3.5% 25NOV33 (FR001400L834)**: € 105 Bln equivalent turnover in the period between 1<sup>st</sup> June and 18<sup>th</sup> June 2024, which corresponds to € 97 M of DV01. This is the current 10 year French Government bond benchmark.

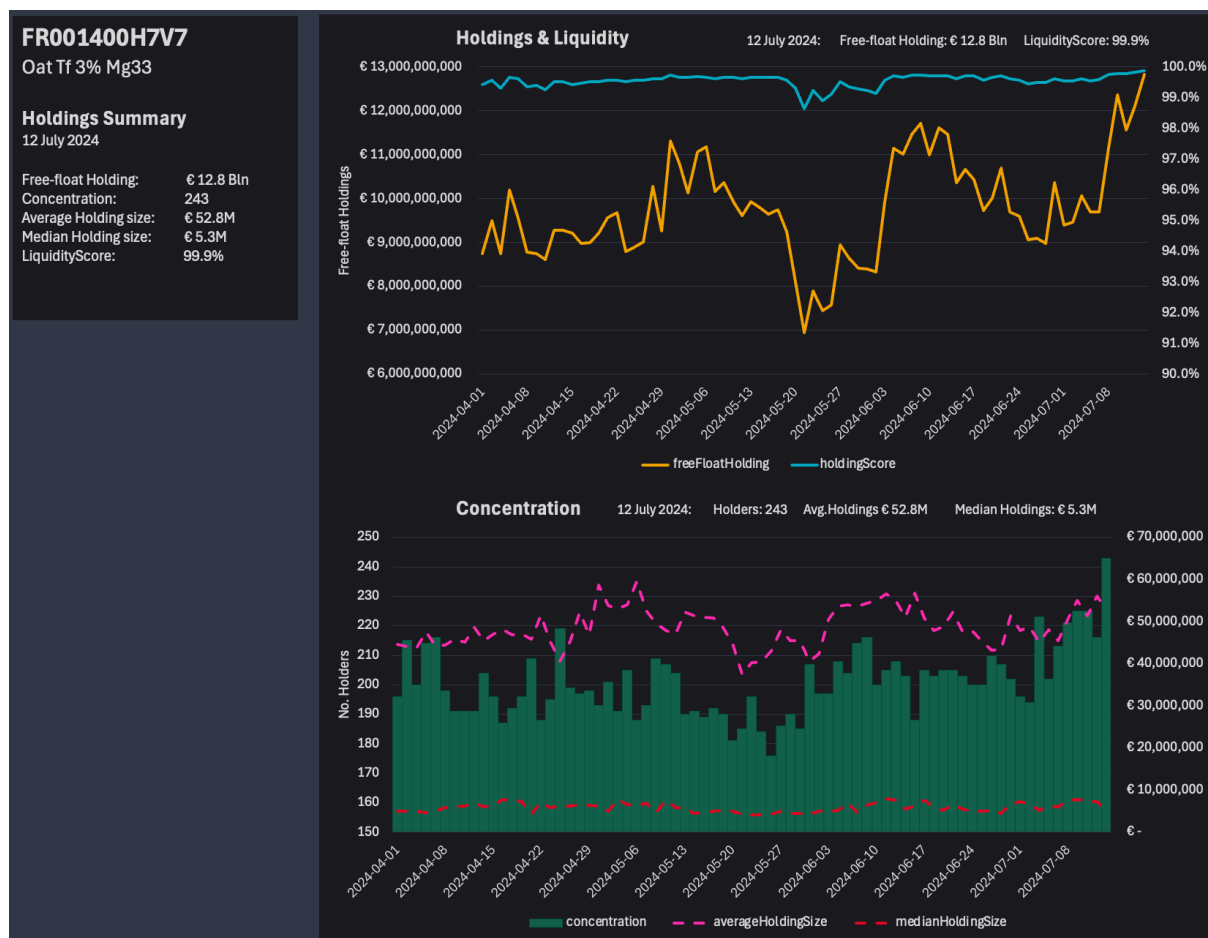
In the next sub-sections, we'll analyse the aggregate Holdings Volume (i.e. the total amount of each bond held by European and international investors within Euroclear) for each of these four bonds individually over the course of the last few weeks and months.

### HOLDINGS ANALYSIS FOR OAT 3.0% 25MAY33

OAT 3.0% 25MAY33 (FR001400H7V7) has been the most actively traded French bond within Euroclear in the period 10<sup>th</sup> June 2024 – 12<sup>th</sup> July 2024 on a risk-adjusted basis.

The analysis of the Euroclear aggregated Holdings data for OAT 3.0% 25MAY33 (FR001400H7V7) highlights an extremely interesting upward trend following the General elections on the week 8<sup>th</sup> July – 12<sup>th</sup> July 2024, with European and international investors increasing the aggregate amount in their portfolios from €9.7 Bln on July 5<sup>th</sup> to €12.8 Bln on the 12<sup>th</sup> of July (**+ €3.1 Bln, i.e. +32%, in the week 8<sup>th</sup> July – 12<sup>th</sup> July 2024**).

It also interesting to note that number of investors holding OAT 3.0% 25MAY33 (FR001400H7V7) in their Euroclear portfolio increased from an average of 205 holders in the week 1<sup>st</sup> – 5<sup>th</sup> July 2024 to an average of 226 holders in the week 8<sup>th</sup> – 12<sup>th</sup> July 2024, with a **peak of 243 holders (+18.5%)** on Friday **12<sup>th</sup> July 2024**, signalling a significantly more widespread liquidity of OAT 3.0% 25MAY33 across the Euroclear investors' community.



Note: Holdings data is reported in EUR. The aggregate Holdings data is represented by the yellow line. Number of holders in represented by the green bars.

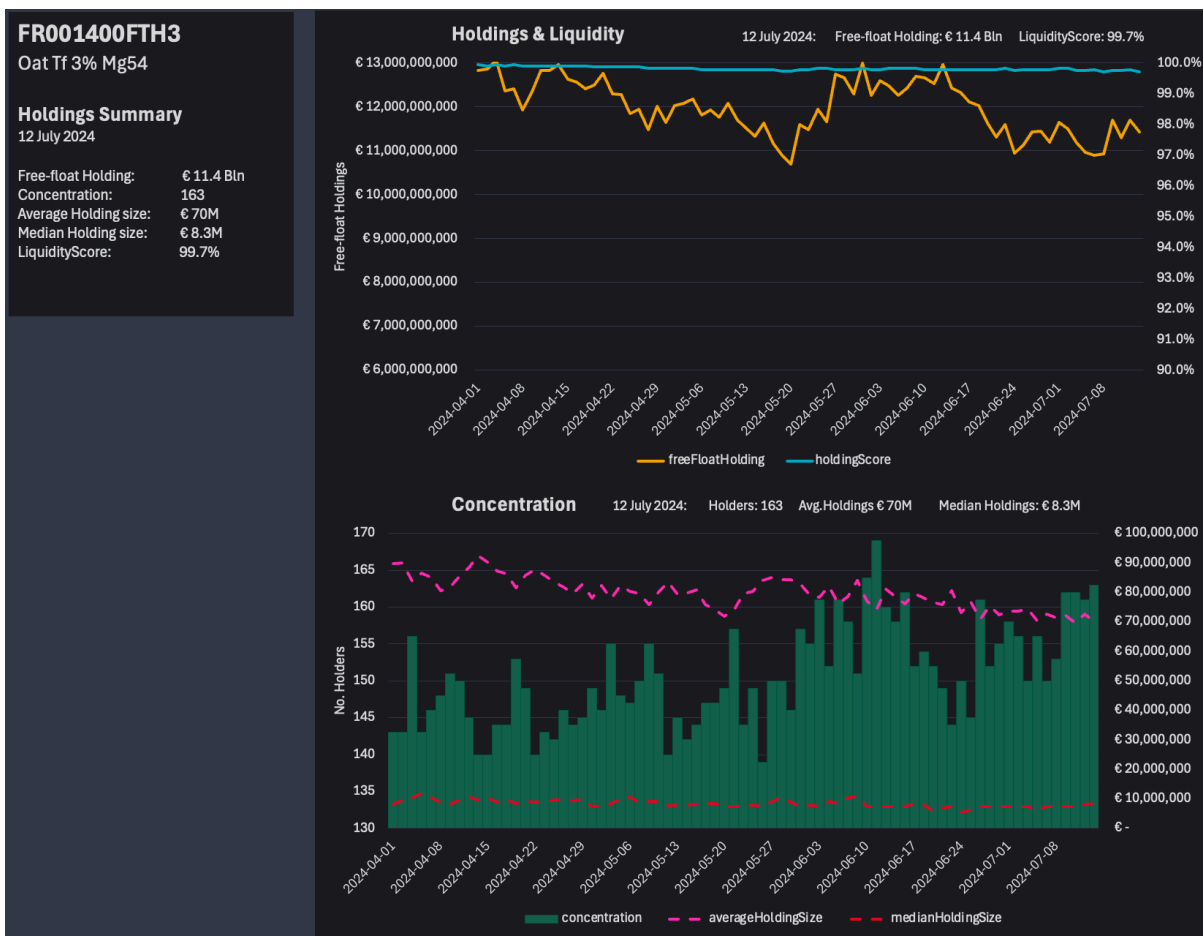
## HOLDINGS ANALYSIS FOR OAT 3.0% 25MAY54

**OAT 3.0% 25MAY54 (FR001400FTH3)** has been the second most actively traded French bond by European and international investors in June / July 2024, on a risk (DV01) basis.

The analysis of the Euroclear aggregated Holdings data for OAT 3.0% 25MAY54 in the period April - July highlights a **relatively stable holdings volume** pattern over the course of the last few months, however we can notice, at a smaller scale, a similar pattern to the one observed for OAT 3.0% 25MAY33, with the overall holdings and number of holders increasing during the week 8<sup>th</sup> - 12<sup>th</sup> July 2024.

In fact, focusing only on the week 8<sup>th</sup> - 12<sup>th</sup> July 2024, worth mentioning that the aggregate amount OAT 3.0% 25MAY54 in Euroclear investors' portfolio slightly increased from €10.9 Bln on July 5<sup>th</sup> to €11.4 Bln on the 12<sup>th</sup> of July (**+ €0.5 Bln, i.e. +5%, in the week 8<sup>th</sup> July - 12<sup>th</sup> July 2024**).

Similarly interesting to note that, similarly to OAT 3.0% 25MAY33, the number of investors holding OAT 3.0% 25MAY54 in their Euroclear portfolio increased: concentration increased from an average of 154 holders in the week 1<sup>st</sup> - 5<sup>th</sup> July 2024 to an average of more than 160 holders in the week 8<sup>th</sup> - 12<sup>th</sup> July 2024, with **163 holders (+6%)** on Friday 12<sup>th</sup> July 2024.



Note: Holdings data is reported in EUR. The aggregate Holdings data is represented by the yellow line. Number of holders is represented by the green bars.

## HOLDINGS ANALYSIS FOR OAT 0.75% 25MAY53

OAT 0.75% 25MAY53 (FR0014004J31) has been the third most actively traded French bond traded by European and international investors in June / July 2024, on a risk (DVO1) basis.

The analysis of the aggregated Holdings data for OAT 0.75% 25MAY53 in the period April -July 2024 highlights a very interesting trend, with investors drastically increasing the aggregate amount of OAT 0.75% 25MAY53 held in their Euroclear portfolios after the General elections, and specifically in the week 8<sup>th</sup>- 12<sup>th</sup> July 2024.

European and international investors increased the aggregate amount of OAT 0.75% 25MAY53 in their Euroclear portfolios from €12.67 Bln on July 5<sup>th</sup> to €14.3 Bln on the 12<sup>th</sup> of July (+ €1.6 Bln, i.e. +13%, in the week 8<sup>th</sup> July – 12<sup>th</sup> July 2024).

It also interesting to note that number of investors holding OAT 0.75% 25MAY53 (FR0014004J31) in their Euroclear portfolio increased from an average of 164 holders in the week 1<sup>st</sup> – 5<sup>th</sup> July 2024 to an average of 169 holders in the week 8<sup>th</sup>- 12<sup>th</sup> July 2024, with a **peak of 182 holders (+11%)** on Friday **12<sup>th</sup> July 2024**, signalling a significantly more widespread liquidity of OAT 0.75% 25MAY53 across the Euroclear investors' community.



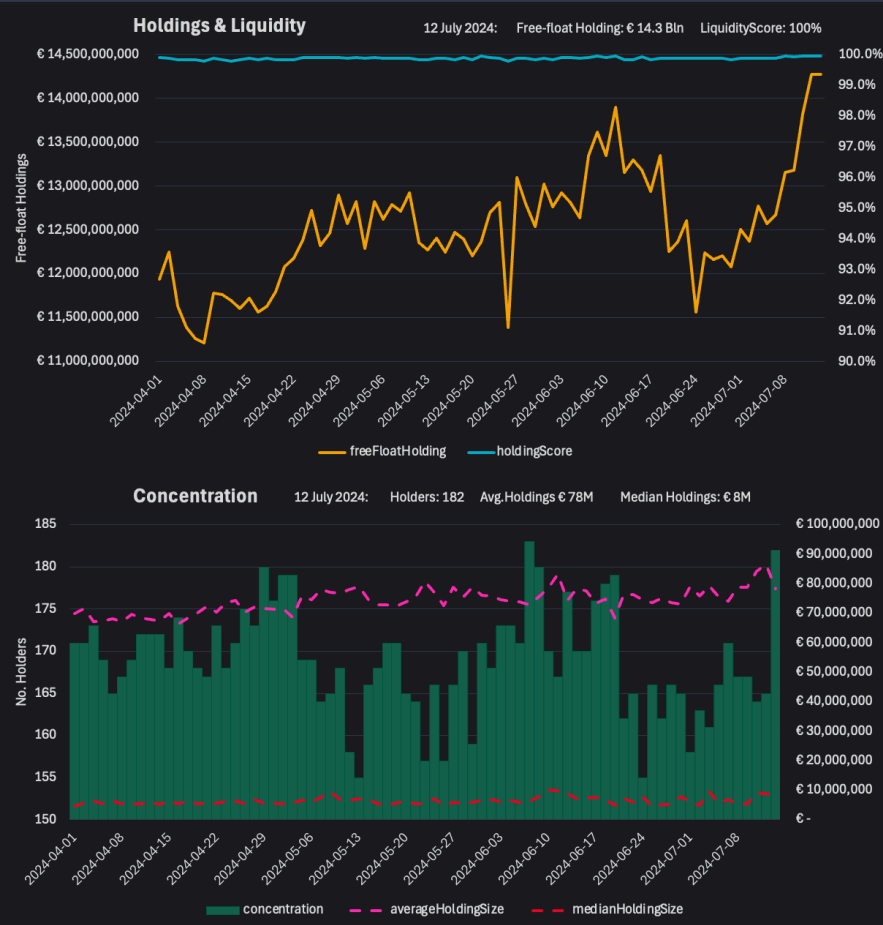
**FR0014004J31**

Oat Tf 0,75% May53

**Holdings Summary**

12 July 2024

Free-float Holding: € 14.3 Bln  
 Concentration: 182  
 Average Holding size: € 78M  
 Median Holding size: € 8M  
 LiquidityScore: 100%



Note: Holdings data is reported in EUR. The aggregate Holdings data is represented by the yellow line. Number of holders in represented by the green bars.

## HOLDINGS ANALYSIS FOR OAT 3.5% 25NOV33

OAT 3.5% 25NOV33 (FR001400L834) has been the fourth most actively traded French bond by investors within the Euroclear settlement ecosystem, on a risk-adjusted (DV01) basis, in June / July 2024.

The pattern of aggregated Holdings data for OAT 3.5% 25NOV33 deviated from the previous top three liquid bonds (OAT 3.0% 25MAY33, OAT 3.0% 25MAY54 and OAT 0.75% 25MAY53): while the liquidity of the top three bonds increased both in terms of free-float volume and number of holders in the week 8<sup>th</sup>– 12<sup>th</sup> July 2024, the liquidity patterns for OAT 3.5% 25NOV33 seem not be particularly affected by the EU and General elections in June and July 2024.

There is however a peak in liquidity in early May, with OAT 3.5% 25NOV33 becoming more popular with investors settling their transactions within the Euroclear CSDs.

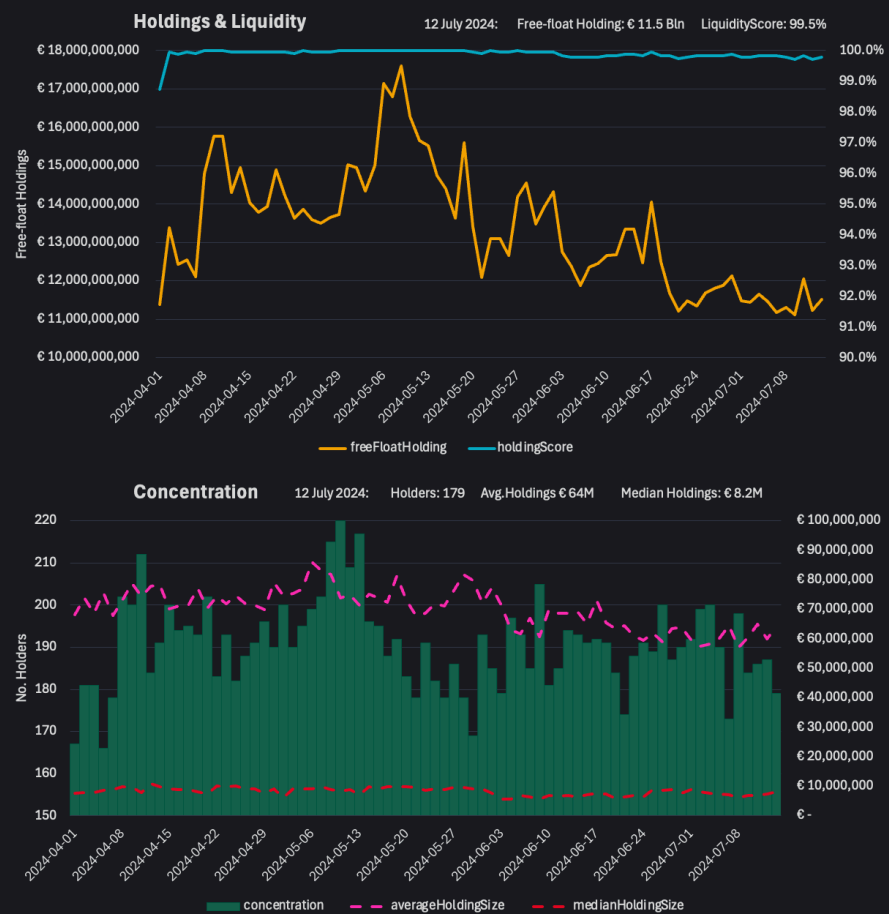
**FR001400L834**

Oat Fx 3.5% Nov33

**Holdings Summary**

12 July 2024

Free-float Holding: € 11.5 Bln  
Concentration: 179  
Average Holding size: € 64M  
Median Holding size: € 8.2M  
LiquidityScore: 99.8%



Note: Holdings data is reported in EUR. The aggregate Holdings data is represented by the yellow line. Number of holders in represented by the green bars.