



BIANNUAL BULLETIN: INCLUDING THE REPORT ON MARKETS AND ARTICLES ON THE EFFECT OF SHARE BUYBACKS ON THE SPANISH MARKET AND THE ALTERNATIVE FIXED-INCOME MARKET

26 October 2023

The Spanish National Securities Market Commission (CNMV) has published today [its biannual bulletin](#) corresponding to the period going from April to September 2023. This edition includes the market situation report, with the most relevant figures at the end of September. It also contains three boxes on:

- ✓ The new Code of Good Governance for Cybersecurity, released on 13 July by the CNMV and drafted by the National Forum for Cybersecurity;
- ✓ The Report the OECD has started drafting on the revitalisation of the Spanish capital market, backed by the EU; and
- ✓ The update of the Dashboard prepared by the CNMV on the activity of retail investor in the equity market in 2022.

Two articles are also included:

- ✓ An econometric analysis on the effect of the buyback of listed Spanish securities on the market valuation of the company, by professors María Gutiérrez Urriaga and Maribel Sáez Lacave;
- ✓ A descriptive analysis of the Spanish Alternative Fixed-Income Market (MARF), by Jesús González Redondo, from the Research and Statistics Department in the Directorate General of Strategic Policy and International Affairs of the CNMV.

The **first article** studies the market reaction to the announcement of share buybacks by Spanish listed companies during the 2011-2022 period, throughout which there were a total 211 buyback announcements, the majority aiming to redeem shares or for stock-based compensation. The results show that, after announcing the buyback, there were no abnormal yields in the long-term (up to 1 year after the buyback announcement). That is to say, after the initial reaction, in the long term no difference is noticed in the development of companies performing buybacks from that which is to be expected had they not done so.

However, companies on average obtain abnormal yields of around 1% in the short term (3 days following the announcement). Furthermore,

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[CNMV](#) Communications Department

Tel.: 91 5851530 - comunicacion@cnmv.es



the cross-sectional analysis shows that the size of the reaction depends to a large extent on the characteristics of and the company performing the announcement.

The article includes broad references to studies and research in several countries regarding the subject of share buybacks.

The **second article**, a continuation to the work presented in 2022 on alternative stock markets, analyses alternative fixed-income markets, placing special emphasis on the Spanish Alternative Fixed-Income Market (MARF), its operation, structure and perspectives, together with the type of companies listed on it.

Situation report

The Markets **Situation report** reflects how both national and international financial development continues to be conditioned by the monetary policy tightening, with its consequences regarding inflation and economic activity still being hard to forecast. Monetary policy tightening continues in 2023 aiming to fight inflation, albeit some differences can be seen across economic areas. On the other hand, the markets have certainly internalized this scenario of greater inflation, monetary policy tightening and uncertainty regarding economic activity, in an irregular manner.

Long-term sovereign debt markets have shown yield increases in the third quarter of the year (particularly intense the latter part of same), of between 40 and 76 basis points in the Eurozone and the US, in line with the expectations of higher for longer interest rates. It is relevant to point out the continuation of flattening or even inversion of the interest rate curves in many economies of reference.

In this context, the Spanish financial market stress indicator has kept around the threshold that separates medium and low risk limits (0.27) in the last quarter, positioning itself at 0.25 in the first week of October.

In Spain, the yield of short-term public and private debt has continued to increase, although the rise has been less intense in private debt assets. Sovereign risk premium has shown few movements, with only a slight increase in the last days of September. The risk premia of Spanish private subsectors showed few changes in the third quarter, after some initial rises and falls during the last days.

So far this year, the fixed income issues recorded in Spain are at 71,813 million euros, 21% less than in 2022 (61,109 million with the CNMV

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[CNMV](#) Communications Department

Tel.: 91 5851530 - comunicacion@cnmv.es

and 10,704 million in the MARF). Debt issues carried out by Spanish issuers abroad amounted to 94,900 million in the year (one month less as the data for September is not yet available).

ESG debt issues by Spanish issuers in the private sector amounted to 4,406 million in the third quarter, far above that in 2022 (2,530 million in the same period). The amount up to September 2023 was 10,352 million euros, also surpassing the 8,640 million of 2022.

In the equities market, after the advances in the first half of the year, the main international stock exchange indices fell in the third quarter due to the forecast of higher for longer interest rates, within the context of a slight downturn in the economic situation.

The development of the main stock exchanges throughout the year shows advances in all regions, being more intense in the case of the market of Japan and the US Nasdaq technological index. Despite this, the majority of the indices have not managed to recover all the losses suffered in 2022 and are below 2021 closing levels.

In Spain, the Ibex 35 ended the quarter with a 1.7% downturn, proving to be the second-best behaviour from among the Eurozone stock exchanges behind the Italian index, while advancing 14.6%, throughout the year, almost 5% more than Eurostoxx 50. In spite of this slight downturn, the annual cumulative advances of the Ibex 35 allow it to recover from all the losses in the previous year.

The trading volumes of the main stock exchanges showed significant drops in all regions between January and September, except in Japan where these were more moderate. The interest rate increase and the environment of low volatility have discouraged trading in the stock markets. Equity issues in the international financial markets, showing a 28% decrease in 2022, have recovered moderately during this year, although the volumes are still far from the amounts in 2020 and 2021.

On its part, Spanish equities trading was at around 128,00 million euros in the third quarter of the year, 14.1% less than the same quarter in 2022 and the lowest figure for a quarter in the past 10 years. This downturn stems both from the drop in trading volumes in BME (-13.2%) and in competing trading venues (-14.8%).

The cumulative volume of Spanish securities traded so far this year amounts to just over 476,000 million euros, 17.8% less than in the same period of 2022. As for the distribution of Spanish shares traded between the regulated market and other markets and competing trading venues,

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[CNMV](#) Communications Department

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this continued to be concentrated in the regulated market and the Cboe Global Markets which, together, amount to around 85% of the total traded.

Equity issues in domestic markets amounted to 1,982 million euros in the third quarter, these levels being similar to those one year ago.