



## CNMV BULLETIN: IT INCLUDES A MARKET REPORT AND TWO ARTICLES ON BUYBACKS AND TRADING ON OWN SHARES, AND ON THE THIRD-COUNTRY REGIME FOR INVESTMENT SERVICES IN THE EU

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The Spanish National Securities Market Commission (CNMV) has published its quarterly Bulletin for the third quarter of 2019.

This edition of the Bulletin includes the half-yearly report “The securities markets and their agents: situation and outlook”, which analyses in depth the latest trends in the economic and financial situation, focusing on the development of the Spanish financial markets and their most relevant participants. In addition, the Bulletin features two articles: one on the third-country regime in the field of the provision of investment services in the European Union, and another that analyses transactions with own shares executed by companies listed on the Spanish stock exchanges in recent years.

### **Securities markets and their agents: at international level**

The report on the securities markets and their agents describes an international economic context marked by a *synchronised slowdown* in growth which, in a low inflationary environment, has triggered a change in the monetary policy in the US and in the euro area. Financial market trends throughout the year have been conditioned by doubts about the intensity of the slowdown, which, in particular, was due to trade restrictions and other uncertainties, including most notably the final outcome of *brexit*, and some of a political nature.

International equity markets, which started the year with gains after the heavy losses recorded at the end of 2018, have continued with gains but at a slower pace as the year progressed. In the year to date, the most important indices have risen by more than 15%. Debt markets have again recorded declines in the yields of advanced economy assets in line with the monetary policy direction and, in some cases, the consideration of long-term bonds as safe-haven assets. As a result of this situation, yields of 10-year sovereign bonds of eight euro-area economies were in negative territory at the end of the third quarter in a context of interest rates known as “low for long to lower for longer”.



## The securities markets and their agents: Spain

The Spanish economy is also facing a slowdown in growth due to the slower growth of domestic demand. This slowdown may be stronger than anticipated a few months ago due to the deterioration of the export markets of our economy, a fact which is reflected in recent growth forecasts. Even so, the differential with the euro area is still substantial – close to one percentage point.

In this context, equity markets, which had recorded gains up to April, remained almost unchanged during the following months. In the year to date, the Ibex 35 has risen by 8.3%, which is below the gains recorded by other European indices. A poorer performance by sectors with more relevance in the Spanish Ibex-35, in a context of domestic political uncertainties, helps to explain this difference.

In debt markets, the yield of the Spanish bond stood very close to zero at the end of the third quarter, with the risk premium closing at 72 basis points. This low level of bond yields is encouraging companies to seek financing through market debt issues. In the first three quarters of 2019, Spanish companies issued 21% more than in the same period of the previous year. Although 56% of these issues were made outside Spain, the volume of issues made in Spain during the third quarter increased by 39% with respect to the previous quarter. Also noteworthy is the fact that issues on the MARF (Alternative Fixed-Income Market) increased in 2019 by 68% to 7.39 billion euros in the first nine months of the year.

The report also describes the activities carried on during the quarter by entities supervised by the CNMV. In the case of Spanish investment funds, it is important to highlight the recovery during the first quarter of the year of assets that had been lost at the end of 2018, which in June totalled more than 270 billion euros. This recovery was primarily due to the increase in the price of the funds' assets.

The Bulletin also includes a section on the returns and costs of Spanish collective investment schemes for 2017 and 2018, which is a preview of the study that the CNMV is currently conducting in the context of a similar analysis, at European level, recently published by ESMA (European Securities and Markets Authority). The preliminary conclusions of the study indicate that, in general, the costs associated with Spanish investment funds are aligned with those of other European countries. These costs are lower in certain categories such as fixed-income or mixed funds, both of which are extremely important in Spain. If the distribution model for these products in Spain were taken into account and, therefore, the part of the management fee that corresponds to marketing were deducted (which in other countries such as the UK or the Netherlands is paid directly by the investors to the distributors), the fees of Spanish funds would be well below average.



## Articles on trading on own shares and provision of investment services and third countries regime

The article “Buybacks and transactions with own shares” (Recompras y operativa de acciones propias), by Maribel Sáez Lacave and María Gutiérrez Urtiaga, who are lecturers at the Autonomous University and the Carlos III University of Madrid, respectively, contains an analysis of the transactions with own shares executed by companies listed on the Spanish stock exchanges in 2016, 2017 and 2018. The analysis is conducted in the context of the current debate on these transactions and with regard to the empirical evidence for other markets. It may be concluded that Spanish companies make a limited use of share buybacks, although almost a third execute transactions with own shares outside the *safe harbours* stipulated in the relevant laws.

Finally, the article “The third-country regime in the field of providing services and carrying on investment activities in the European Union” (Régimen de terceros países en el ámbito de la prestación de servicios y realización de actividades de inversión en la Unión Europea), by Fátima Cerdán, Deputy Director of the CNMV’s International Affairs Department, is currently of particular interest in view of *brexit*. The article describes the potential access channels available, in accordance with European legislation, for third-country companies which decide to provide investment services in the European Union, and also details regulatory amendments recently agreed upon by European Union co-legislators in this regard.

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