

# Focus on: SSAs & Financials

## 13 April 2023



## Weekly Market Update



**Primary market environment:** Overall, the primary markets are performing well. The senior unsecured segment is also continuing to pick up. For the ECB (Holzmann), inflation argues for a sharp hike in May and for the Fed (Barkin), there is still more to do to bring down core inflation.

### Primary market barometer

#### SSAs



The SSA primary market remains in good shape. Nevertheless, the number of transactions is limited. This is not due to the market environment, but rather to the lack of financing needs.

#### Covered Bonds



Usually the days on the covered primary market around Easter are very quiet. This year the picture is completely the opposite. Many issuers are taking advantage of the opportunities for lively activity.

#### Senior Unsecured

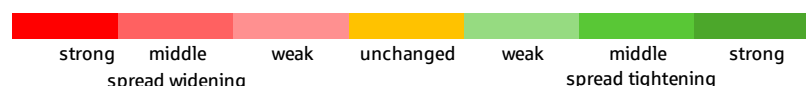


For senior unsecured bonds, the pick-up in primary market activity continued this week, as we had expected. In particular, well-established issuers with high credit ratings again took advantage of the opportunity before the start of the reporting season. We expect a similar picture for next week.

### Risk trend indicator: Sentiment brightens up

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,06	0,07	0,30	-0,46	1,17	-0,91
European Union	-0,10	-0,13	-0,41	-0,44	2,15	2,48
Germany Covered	-0,11	-0,14	-0,20	-0,14	0,76	1,08
EU Covered	-0,04	-0,05	-0,06	-0,04	0,72	0,92
Banks senior preferred	0,00	0,13	-0,18	0,19	1,80	1,88
Banks senior bail-in (SNP)	0,01	0,15	-0,37	0,13	1,55	1,87
Banks subordinated	-0,04	0,12	-0,01	0,52	1,56	2,15
Supranational	-0,11	-0,15	-0,35	-0,37	1,91	2,06
Agencies	-0,03	-0,04	-0,07	-0,48	0,85	0,03
Sub-Sovereigns Germany	-0,08	-0,12	-0,12	-0,38	0,13	-0,30
Sub-Sovereigns	-0,11	-0,15	-0,25	-0,47	1,00	0,74



\* ASW levels standardized and 2T-smoothed  
Sources: Refinitiv, Helaba Research & Advisory

Like the mood on the market as a whole, the picture of our risk trend indicator has also brightened. At least in the short term, the lights are literally green.



## SSAs

As a safe haven asset, the SSA segment - especially supras and agencies - remains in demand. The Dutch BNG Bank placed a seven-year benchmark with a volume of EUR 1.5 billion on Wednesday. This was already the third issue this year, bringing the total volume to EUR 4.5 billion. NWB Bank (Nederlandse Waterschapsbank) successfully placed a 10-year "Water Bond" with a volume of EUR 1.5 billion. The book was 2.5 times oversubscribed and the final spread was fixed at MS+11, 2 bps tighter than in the marketing. Despite an overall favourable market environment, only 2 primary market transactions were executed this week. This is underpinning our assumption that issuers have little reason to be active at the moment.

**Outlook:** In the coming week, the overall intact SSA primary market could pick up again somewhat, as some projects are in the pipeline. The EFSF, for example, has already sent out Request for Proposals (RfPs). The EU should also take the stage a week later.

€ SSAs issues week of 10 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	BNG	Aaa /AAA/AAA	1,500bn		23.04.2030	ms +6 bps		12.04.2023	4,000bn	ms + 8 area
3,000%	Nederlandse Waterschapsbank	Aaa /AAA/-	1,500bn		20.04.2033	ms +11 bps		13.04.2023	3,800bn	ms + 13 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

After a short Easter break, the Canadian Federation des Caisses Desjardins du Quebec (CCDJ) was the first issuer to become active on the primary market. The covered bond with a 5-year maturity was oversubscribed by around 1.7 times at a volume of EUR 750 million and the final spread was narrowed by 3 bps compared to the marketing to MS+37. Issuance activity picked up on Wednesday. With OMA Savings Bank (Tap, EUR 250m) Hypo NOE, BayernLB, LBP Home Loan SFH and Banco Santander Totta, five issuers took the stage. The latter placement was the first covered from Portugal since November 2019 and the issuer's first deal since September 2017.

Overall, it can be said that the benchmark transactions from core Europe in particular had a decent bookbuilding, although LBP stood out once again. The bookbuilding of Banco Santander Totta, on the other hand, was somewhat slower. This is probably due to the very short marketing phase. After maturities of up to 5 years dominated recently, issuers such as Commerzbank and BayernLB (both 6 years) are increasingly venturing into maturities beyond that. The issues were successful.

*"As expected, the start of the shortened trading week was characterised by very thin turnover. Spreads were stable and trended sideways. Nothing changed in the big picture. Primarily, the Canadian Federation Caisse Desjardins provided the only new price point for this jurisdiction. Bookbuilding was very decent given a new issue premium of 5-6 bps, and in the aftermath the bond was able to tighten approx. 2 bps. (midmarket)"h"*

*Comment from the Helaba trading floor*

**Outlook:** Provided there are no significant changes in the market environment, primary market activities will continue. The South Korean KEB Hana Bank is on a roadshow for a 3-5 year social bond. In addition, further issuers from Canada should be in the starting blocks.

€ Covered Bond issues week of 10 April 2023

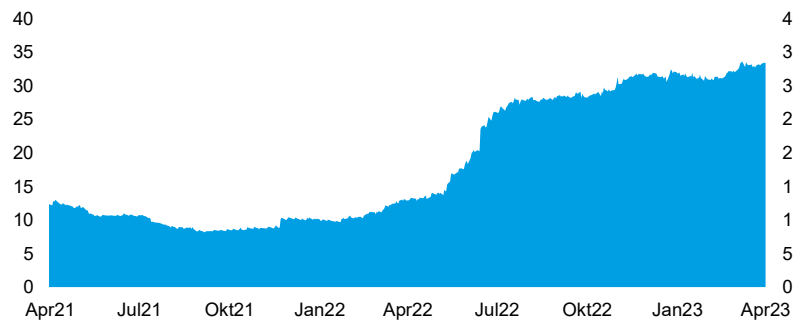
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	Fédération des Caisses Desjardins du Québec	Aaa I-/AAA	0,750bn		18.04.2028	ms +37 bps		11.04.2023	1,300bn	ms + 40 area
0,010%	Oma Saastopankki Oyj	- /AAA/-	0,250bn		25.11.2027	ms +36 bps		12.04.2023	1,100bn	ms + 42 area
3,250%	HYPO NOE	Aa1 I-/	0,500bn		19.04.2028	ms +26 bps		12.04.2023	0,860bn	ms + 30 area
3,000%	Bayerische Landesbank	Aaa I-/	0,500bn		22.05.2029	ms +4 bps		12.04.2023	1,100bn	ms + 7 area
3,375%	Banco Santander Totta, S.A.	Aa2 I-/AA-	0,750bn		19.04.2028	ms +43 bps		12.04.2023	0,950bn	ms + 45 area
3,125%	La Banque Postale Home Loan SFH	- /AAA/-	1,000bn		19.02.2029	ms +22 bps		12.04.2023	1,850bn	ms + 26 area
3,125%	Commerzbank AG	Aaa I-/	1,250bn		20.04.2029	ms +10 bps		13.04.2023	2,200bn	ms + 13 area
3,125%	OP Mortgage Bank	Aaa I-/	1,000bn		20.10.2028	ms +16 bps		13.04.2023	1,200bn	ms + 18 area
3,375%	RLB Niederösterreich-Wien AG	Aaa I-/	0,500bn		24.07.2028	ms +33 bps		13.04.2023	0,665bn	ms + 33 area

Sources: Bloomberg, Helaba DCM

### Chart of the week

#### Spread difference between Pfandbriefe and Italian covereds: Slight tendency to widen continues

ASW in Bps.



\*

Sources: Refinitiv, Helaba DCM, Helaba Research & Advisory

The spread difference between German Pfandbriefe and Italian covered bonds (OBGs) widened significantly in the middle of last year and has since been moving sideways at an elevated level with a slight upward trend. The last time Italian issuers appeared on the primary market was in June 2022. With the adoption of the final, CBD-compliant regulations of the Italian Covered Bond Act on 31 March 2023, the legal framework and thus the basis for new issues was created. In this respect, we expect the first transactions in

the middle of the second quarter, after a lead time of 30 days for existing programmes. The increased primary market activities to be expected then should have a slight impact on the existing trend in spread development, despite good demand for crisis-proof securities.



## Senior Unsecured

For senior unsecured bank bonds, the pickup in primary market activity continued this week, as we expected. The calming of the market environment is continuing and providing support. In particular, well-established issuers with high credit ratings took the opportunity again before the start of the reporting season and are prepared to offer higher spread levels in the process.

Yesterday, KBC Group was able to generate orders of EUR 2.7 billion for a EUR benchmark bond with a fixed coupon in the volume of EUR 1.0 billion. The transaction was quite ambitious: The non-preferred paper has a 7-year maturity.

Today, ABN AMRO Bank followed with a dual tranche consisting of a 2-year preferred bond and a 5.5-year non-preferred bond as well as Crédit Agricole with an 8-year preferred bond. The transactions also showed encouragingly high oversubscription rates, and the issue premiums were noticeably reduced compared with the first indications.

**Outlook:** In view of high maturities and strict regulatory requirements for total bail-in capital, issuance plans for this year are still far from being executed. We expect further activity next week; some issuers are likely to use the opportunity once again before the reporting season in Europe gets going from the week after next. Until then, leading US investment banks will present their quarterly reports and thus provide a good indication. The focus is likely to be on, among other things, a review of the recent banking turbulence, the question of particularly interest-dependent business areas, and problem loan ratios.

*„The Easter days have led to a classic quiet holiday trading with little turnover. Only the strong U.S. labor market data on Good Friday have given new impetus to the market after weak ISM Index and ADP Report on the days before and let the yields rise significantly. The iTraxx indices had initially widened a bit to now trade tighter compared to the previous week. Cash is trading 5 bps tighter in preferreds and 10 bps in non-preferreds on the week with little investor activity and below average turnover. Thus, last week's recovery rally continued. US banks are the underperformers.“*

*Comment from the Helaba trading floor*

### € Senior Preferred issues week of 10 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,750%	ABN AMRO Bank NV	A /A 1/A+	1500bn		20.04.2025	ms +35 bps		13.04.2023	3,600bn	ms +65 area
3,875%	Credit Agricole SA	Aa3 /A+/AA-	1500bn		20.04.2031	ms +95 bps		13.04.2023	3,000bn	ms +120 area

Sources: Bloomberg, Helaba DCM

### € Senior Non-preferred issues week of 10 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,375%	KBC Group N.V.	Baa1/A-/A	1000bn		19.04.2030	ms +138 bps		12.04.2023	2,700bn	ms +165 area
4,375%	ABN AMRO Bank NV	Baa1/BBB/A	1250bn		20.10.2028	ms +135 bps		13.04.2023	2,600bn	ms +160 area

Sources: Bloomberg, Helaba DCM



## Short news

**4/12 EU to speed up how regulators tackle failing banks:** EU plans will seek to speed up the handling of failing banks to ensure they are not bailed out by taxpayers but "bailed in" using their own resources, EU documents seen by [Reuters](#) showed. The draft would include a requirement for EU authorities, including the ECB, to give an early warning if there was a risk of a bank failure.

**4/12 Amendments to extend and simplify sustainability disclosures:** The three [European Supervisory Authorities](#) (ESAs) have published a Consultation Paper with amendments to the Delegated Regulation of the Sustainable Finance Disclosure Regulation (SFDR). The ESAs are proposing changes to the disclosure framework to address issues that have emerged since the introduction of SFDR.

**4/11 EU banks well positioned to weather market volatility:** Banks' share prices and credit spreads have partially recovered since the volatility that followed the confidence crisis surrounding Credit Suisse and Silicon Valley Bank, Barbara Pianese from The Banker writes. Most of the EU banks have sound fundamentals to absorb pressure from monetary tightening and mitigate potential deposit volatility. ([The Banker](#))

**4/11 Credit quality:** Credit insurer Allianz Trade expects more corporate insolvencies this year as a result of the recent bank turmoil. For Germany, Allianz Trade expects an increase of 22 % compared with the previous year, to around 17,800 cases in the current year. ([Handelsblatt](#))

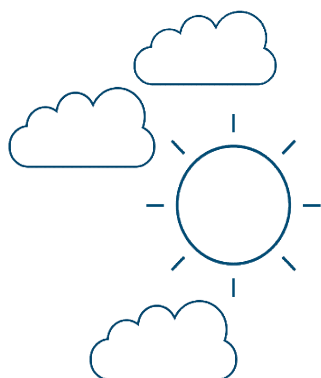
**4/10 Germany seeks to limit Brussels' scope on national debt reduction plans:** Germany wants stricter debt reduction rules for high-debt countries and tighter restraints on the European Commission's scope to agree fiscal plans with EU capitals, as the bloc prepares for a sweeping overhaul of the union's budget rules. According to the [Financial Times](#), Berlin demanded that debt-to-gross domestic product ratios of heavily indebted countries should fall by 1 percentage point a year and for countries with less onerous debts, the minimum requirement could be a 0.5 percentage point a year.

**Market Data** (current\*, vs. 1 week, vs. 4 weeks)

E-STOXX 600 Banks	149	2,41%	4,27%	iBoxx € Cov. Germany	5,8	-1,7	-0,7	iTraxx Senior Financial	97,6	-9,4	-33,8
10Yr-Yield	2,4	0,2	0,2	iBoxx € Cov. Bonds	19,3	-1,7	-0,4	iBoxx € Supranational	15,6	-2,55	-3,59
Swap 10J	3,0	0,2	0,1	iBoxx € Banks PS	84,0	0,1	-6,6	iBoxx € Agencies	-2,3	-1,15	1,38
iBoxx € Germany	-50,9	0,9	12,0	iBoxx Banks NPS	122,8	1,4	-16,7	iBoxx € Sub-Sov. Germany	8,6	-2,95	-2,15
iBoxx € EU	20,4	-2,6	-4,8	iBoxx Banks Subordinated	206,8	-3,8	-5,5	iBoxx € Sub-Sovereign	24,3	-2,86	-2,96

\* Closing prices from the previous day

Sources: Refinitiv, Helaba Research &amp; Advisory, \* ASW-Spreads

**Leisure tip for the weekend: Crystal Cave in Kubach**

The Kubach Crystal Cave is the only calcite crystal cave in Germany. The 350-million-year-old limestone is covered with countless crystals and pearl dropstones. The cave system, which was formed during the Ice Age, was first entered by humans in 1974 and has been open to the public as a show cave since 1981. With a ceiling height of 30 metres in the so-called South Hall, it is the highest show cave in Germany. The deepest accessible point is about 70 metres below the earth's surface and forms the end of the more than 300-metre-long guided tour. A tour of the cave takes about 45 minutes and leads up 456 steps.

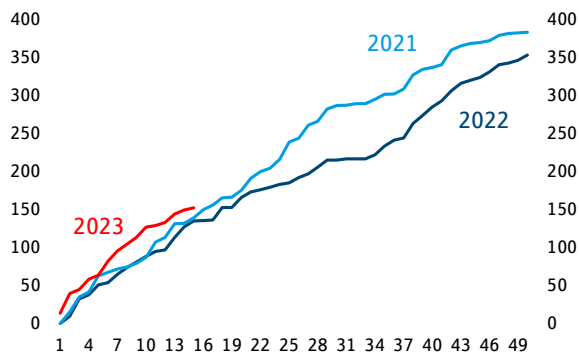
Further information:

[Crystal Cave in Kubach](https://kubacherkristallhoehle.de)Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).Source: <https://kubacherkristallhoehle.de>

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

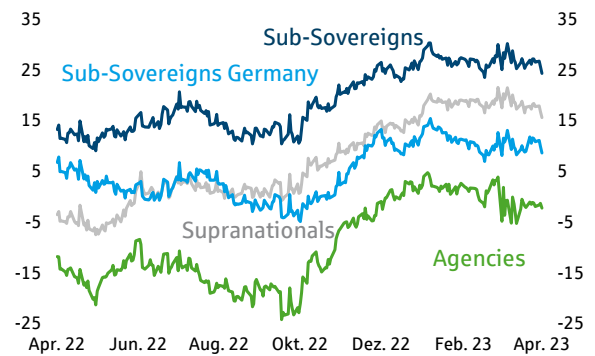
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

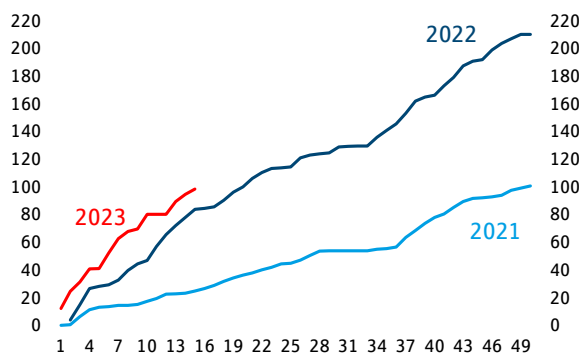
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

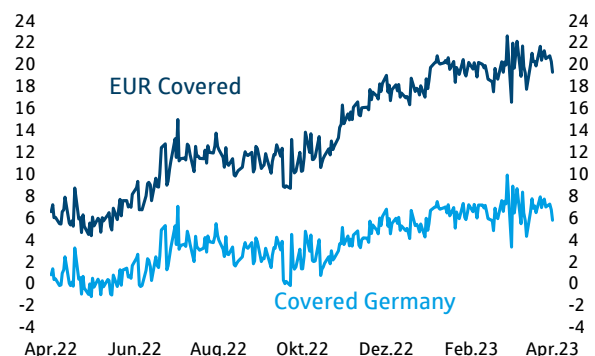
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

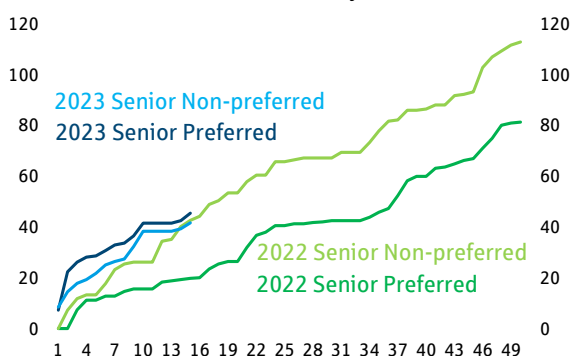
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

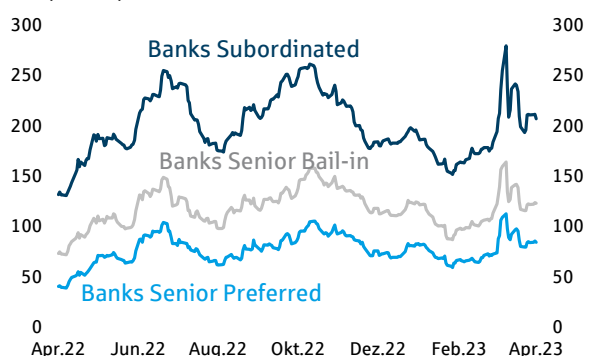
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



## News from Research & Advisory

- Video: Sustainable Finance – ICMA & Helaba Talk 2023
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