

# Focus on: SSAs & Financials

## 4 May 2023



## Weekly Market Update



**Primary market environment:** The week was dominated by interest rate decisions in both the US and Europe. As expected, the FOMC unanimously raised rates by 25bps to a target range of 5.0-5.25%. The ECB is prepared to slow the pace of rate adjustments and announced a 25bp rate hike today.

### Primary market barometer

#### SSAs



Influenced by holidays and Fed and ECB decisions, issuance activity across all asset classes has been low in recent days, as expected. For SSAs, the barometer for the coming 5-day week is green, indicating a good primary market situation for issuers in this segment.

#### Covered Bonds



We also expect covered bond issuance to pick up next week. Also last week, it had not come to a full standstill: Sparkasse Pforzheim Calw was rewarded for its courage (see next page). This should be an incentive for other Pfandbrief issuers in the savings bank family.

#### Senior Unsecured

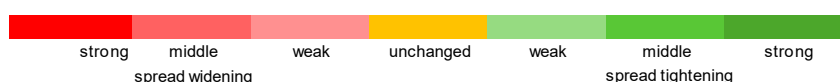


Interest rate decisions and Monday's public holiday slowed the primary market this week. Negative news from the US banking sector contrasted with pleasingly good quarterly results from European banks. As the reporting season draws to a close, we expect the market to remain receptive next week.

### Risk trend indicator: Marked by caution

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,08	-0,13	-0,16	-0,59	133	-124
European Union	0,00	0,12	0,17	0,00	2,76	2,52
Germany Covered	0,00	0,01	0,03	0,21	1,10	125
EU Covered	0,00	0,02	0,02	0,12	0,92	105
Banks senior preferred	0,04	0,13	-0,03	0,80	1,11	181
Banks senior bail-in (SNP)	0,06	0,14	-0,02	0,91	0,80	177
Banks subordinated	0,06	0,16	0,12	1,15	0,88	2,25
Supranational	0,00	0,09	0,11	0,05	2,42	2,21
Agencies	-0,03	0,02	-0,02	-0,24	137	0,01
Sub-Sovereigns Germany	0,00	0,03	0,00	0,03	0,48	-0,20
Sub-Sovereigns	-0,01	0,08	0,00	0,05	136	0,80



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

Our Risk Trend Indicator shows a rather cautious attitude on the part of investors. However, the market environment for European banks is encouragingly stable, given the negative news flow coming from the US banking sector.



## SSAs

As expected, Monday's Labor Day holiday and the Fed and ECB decisions resulted in little issuance this week. Only **Schleswig-Holstein** issued a 5-year bond. Issuance was solid, with a final order book of just under EUR 800m and an issuance volume of EUR 650m.

**Outlook:** Although volumes are unlikely to match those of previous weeks, **next week's EU issue** is a big one and other issuers are likely to follow in its wake.

The **European Central Bank (ECB)** continued to reduce its holdings of bonds purchased under the **APP programme** in April. Holdings fell by a total of EUR 14.490 bn (March: -15.392) to EUR 3.216 bn. APP holdings of **public sector bonds** decreased by EUR 12.037 bn (-10.104 bn) to EUR 2,557.8 bn, and those of **covered bonds** by EUR 1.080 bn (-2.759 bn) to EUR 298.6 bn. According to the ECB's decision, APP holdings will be reduced by EUR 15 billion per month until the end of June. In line with today's decision, there will be **no reinvestment of APP maturities from July onwards**, so that the reduction of holdings will accelerate in the second half of the year.

### € SSAs issues week of 1 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,875%	Schleswig-Holstein	-/-/AAA	0,650bn		10.05.2028	ms -8 bps		03.05.2023	0,795bn	ms -8 area

Sources: Bloomberg, Helaba DCM

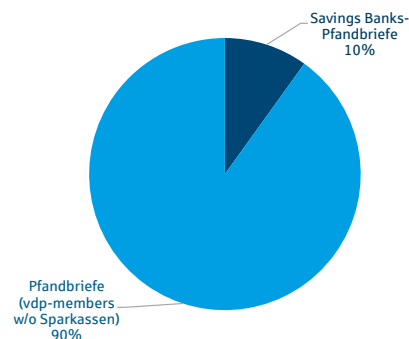


## Covered Bonds

Pfandbriefe from the savings bank sector are a guarantee for successful primary issues. For example, this week Sparkasse Pforzheim Calw placed a EUR 500m 6-year Mortgage Pfandbrief and achieved a final order book of EUR 840m. The original spread target was tightened by 3bp from MS+14bp to a final MS+11bp. The issue met with strong demand, particularly from savings banks. From the point of view of other Pfandbrief issuers in the savings bank sector, this should be seen as a positive signal of good primary market conditions. The transaction was also well received on the secondary side, with spreads tightening slightly the following day. Overall, risk premiums for the asset class remained stable.

### More than 40 savings banks are Pfandbrief issuers

Distribution of Mortgage Pfandbrief volume of savings banks and vdp members\*



\*Q2 2022

Sources: vdp, Helaba Research & Advisory

We currently count a total of 44 savings banks that regularly issue mortgage and public-sector Pfandbriefe under the German Pfandbrief Act (Pfandbriefgesetz). The high proportion of residential mortgages in the cover pool is a key feature of all savings bank Pfandbriefe. Overall, the savings banks' mortgage Pfandbriefe account for around 10% of the EUR 260 billion volume of all corresponding bonds issued by savings banks and member institutions of the Association of German Pfandbrief Banks at the end of June 2022, which is a considerable amount.

**Outlook:** The primary market backdrop remains constructive. We expect a high volume of transactions next week after the recent quiet days.

### € Covered Bond issues week of 1 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Sparkasse Pforzheim Calw	-/-/AAA	0,500bn		11.05.2029	ms +11bps		03.05.2023	0,910bn	ms +14 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

As expected, activity in the primary market for senior unsecured bonds was relatively low this week, with market participants adopting a wait-and-see attitude ahead of interest rate decisions in the US and Europe. In addition, Monday was a public holiday. With BBVA, Nordea Bank and Standard Chartered, three very well established names placed securities in EUR benchmark format. With a total transaction volume of EUR 3 billion, they were able to generate orders worth a respectable EUR 5 billion on the basis of relatively favourable spread offers. The market remained encouragingly receptive despite the resurgence of negative news from the US banking sector.

At the beginning of the week, the announcement of JP Morgan's acquisition of Californian First Republic Bank (FRB) initially provided some relief. FRB had previously suffered a significant outflow of deposits, especially after the failure of Silicon Valley Bank. The calm did not last long, however, and share prices of other regional banks such as PacWest Bancorp and Western Alliance Bancorp fell.

Nevertheless, banks in Europe continued to post very good quarterly results, with HSBC, BNP Paribas and UniCredit all reporting respectable year-on-year profit increases. This was largely due to surging net interest income with stable low problem loan ratios. Managements of UniCredit and BNP stated that they were not

### Reporting dates of selected banks

Issuer	Date	Issuer	Date
RAIFFEISEN BANK INTERNATIONAL	5/5	ABN AMRO BANK NV-CVA	5/10
INTESA SANPAOLO	5/5	CREDIT AGRICOLE SA	5/10
SPAREBANKEN NOR	5/5	AAREAL BANK AG	5/11
BANCA MONTE DEI PASCHI SIENA	5/8	ING GROEP NV	5/11
BANCO BPM SPA	5/8	SOCIETE GENERALE SA	5/12

Sources: Bloomberg, Helaba Research & Advisory

planning any takeovers; for market leaders, this is an obvious question in an environment of turbulent news. More caution comes from BPCE's results today, which are marked by rising funding costs, while the repricing of assets is not progressing to the same extent.

*"While equity markets are still not far from their highs for the year, credit spreads have recently started to widen again and the iTraxx indices are gradually rising as nervousness increases. The iTraxx Main and Sen Fin are decoupling again as nervousness grows in the banking sector. Investor flows are relatively balanced but below average. Real money is increasingly looking for the bid side and fast money is trading without clear tendencies. ETF funds have been buyers again recently. New issues continue to see the most activity. Illiquidity is likely to rise due to the many holidays in May, so overreactions cannot be ruled out."*

Comment from the Helaba trading floor

**Outlook:** Issuance plans for this year are far from being realised, given the long maturities and strict regulatory requirements for total bail-in capital. Most banks have now reported their quarterly results, so issuance could pick up again. However, this depends on the news flow remaining calm. Further negative news from US regional banks could cause uncertainty, but we do not currently see direct contagion risks for the European primary market.

### € Senior Preferred issues week of 1 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4.125%	BBVA	A3/A/A-	1,000bn		10.05.2026	ms +67 bps		02.05.2023	2,000bn	ms +90 area

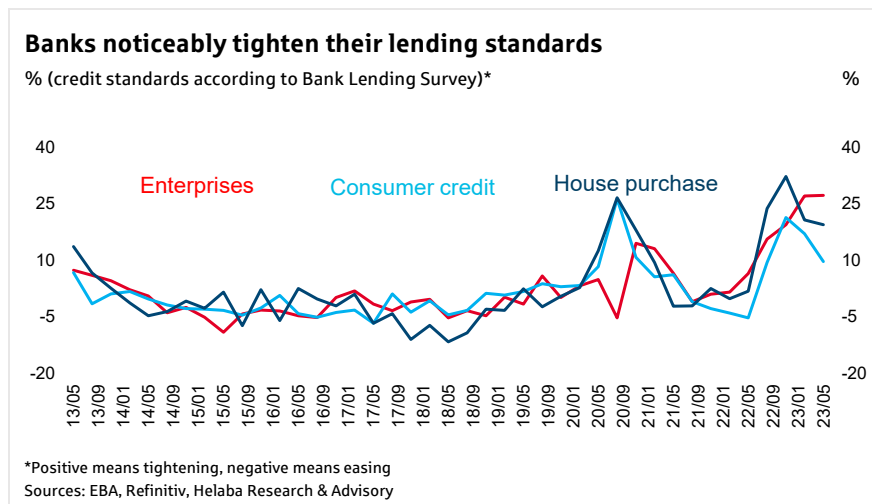
Sources: Bloomberg, Helaba DCM

## € Senior Non-preferred issues week of 1 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,125%	Nordea Bank Abp	A3 /A/AA-	1000bn		05.05.2028	ms +10 bps		02.05.2023	1450bn	ms +125 area
4,874%	Standard Chartered PLC	A3 /BBB-/A	1000bn		10.05.2031	ms +85 bps		02.05.2023	1600bn	ms +205 area

Sources: Bloomberg, Helaba DCM

## Chart of the Week



This week, the European Banking Authority published its [April 2023 Bank Lending Survey](#). According to the report, banks reported a further substantial tightening in credit standards. Loan demand decreased strongly, driven by rising interest rates, lower fixed investment, and deteriorating housing markets. The ongoing reduction in the European Central Bank (ECB)'s balance sheet contributes to weakening lending dynamics.



## Short news

**5/3 Italian Covered Bonds/Scope Ratings:** The full implementation of the EU Covered Bond Directive (with the entry into force of the secondary legislation on 31.3.23) and the updating of the legal framework for Italian covered bonds have no impact on the agency's rating methodology, says Scope Ratings in its [report](#). According to the report, Italian covered bonds can be rated up to 9 notches above the issuer's rating. The implementation of the EU directive should now pave the way for Italian banks to launch new issues. This requires an update of the base prospectus and notification to the Bank of Italy. After a 30-day notification period, the institutions will be able to resume their issuing activities.

**5/3 Europe's banks drop in loan demand but upbeat on profit:** Banks in Europe are facing flagging demand for loans amid rising borrowing costs and industry turmoil, but they remain optimistic about profitability from higher lending rates. According to [Bloomberg](#), the overwhelming majority of banks said that the rising rates will continue to improve their profitability.

**5/1 Banking sector turmoil:** JP Morgan Chase & Co. agreed to acquire First Republic Bank in a government-led deal for the failed lender, putting to rest one of the biggest troubled banks remaining after turmoil engulfed the industry in March. ([Bloomberg](#))

**4/28 FitchRating downgrades France from 'AA' to 'AA-':** Following Fitch's downgrade of France to 'AA-' with a stable outlook, we do not expect any impact on covered bond ratings. On the one hand, the public sector covered bonds of Caisse Française de Financement Local SCF, Crédit Agricole SCF, Arkea Public Sector SCF and Société Générale SCF are not be rated by Fitch. On the other hand, Fitch-rated Mortgage Covered Bonds should have no rating implications due to the agency's rating standards.

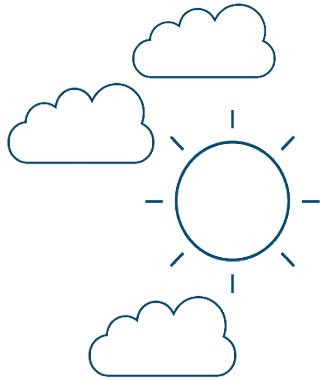
**4/27 Draft version of its revised taxonomy architecture:** The **European Banking Authority (EBA)** and the European Insurance and Occupational Pensions Authority (EIOPA) have been working jointly with Eurofiling to produce a revised version of the taxonomy architecture in order to implement the improvements introduced by data point model (DPM) Refit to data point modeling.

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

E-STOXX 600 Banks	147	-2,1%	0,52%	iBovx€Cov. Germany	6,8	-1,0	-0,7	iTraxx Senior Financial	103,3	2,1	-3,7
10Yr-Yield	2,3	-0,1	0,1	iBovx€Cov. Bonds	20,5	-0,6	-0,5	iBovx€Supranational	18,1	0,32	-0,01
Swap 10J	2,9	-0,1	0,1	iBovx€Banks PS	81,3	15	-2,7	iBovx€Agencies	-2,5	-0,72	-1,40
iBovx€Germany	-54,8	-2,3	-2,9	iBovx€Banks NPS	119,4	3,3	-2,0	iBovx€Sub-Sov. Germany	10,3	-0,16	-1,22
iBovx€EU	23,9	0,9	0,9	iBovx€Banks Subordinated	210,4	4,5	-0,2	iBovx€Sub-Sovereign	25,9	0,23	-1,25

\* Closing prices from the previous day  
Sources: Refinitiv, Helaba Research & Advisory, \* ASW-Spreads

#### Leisure tip for the weekend: Visit to the Battenberg Town Museum at the coronation of Charles III



This week's leisure tip is for Battenberg / Eder. It is true that Charles III will in future be addressed as "Royal Highness" and by his first name. But the official surname of all the descendants of Elizabeth II is "Mountbatten-Windsor", an anglicised version of the name of the town in northern Hesse. The name derives from Charles's grandmother's membership of the House of Battenberg. You can find out more about the links between the Hessian noble family and important European royal houses by visiting the town museum.

Further information:  
[Battenberg Town Museum](#)

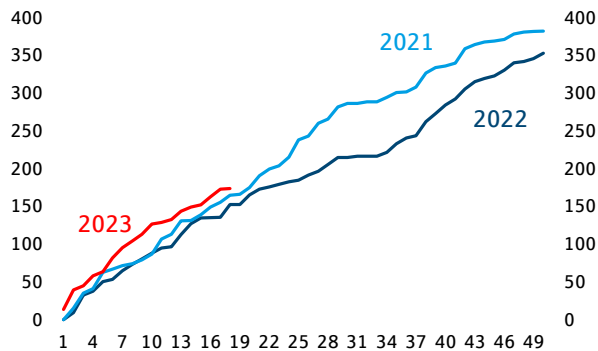
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://www.stadtmuseum-battenberg.de>

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

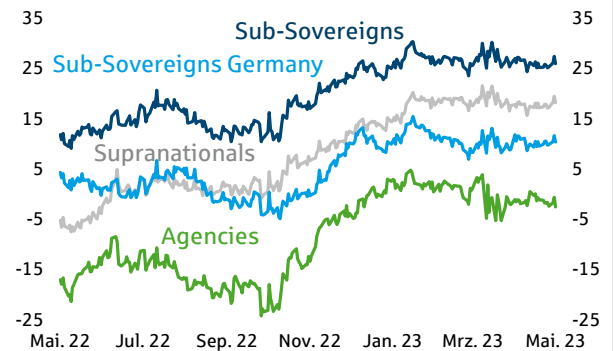
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

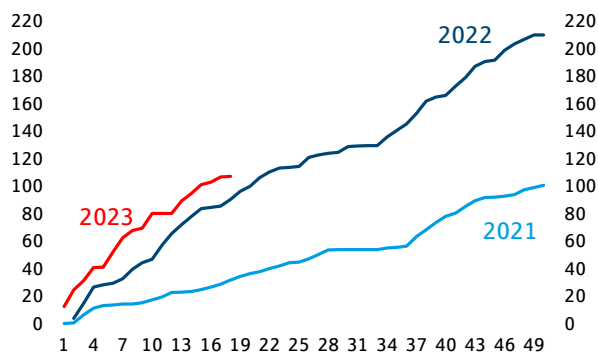
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Primary volumes

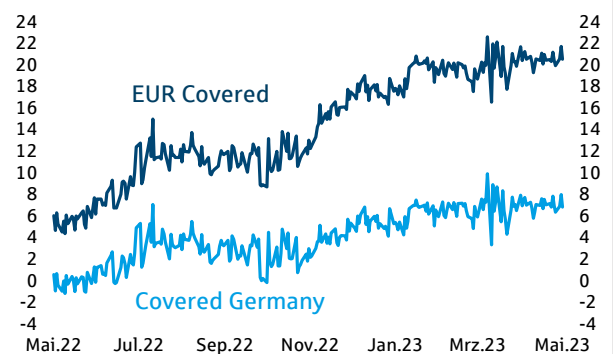
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

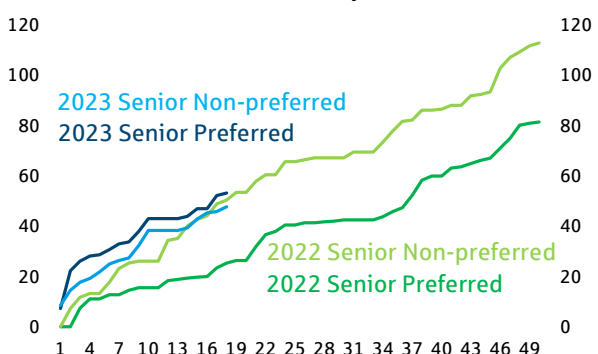
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

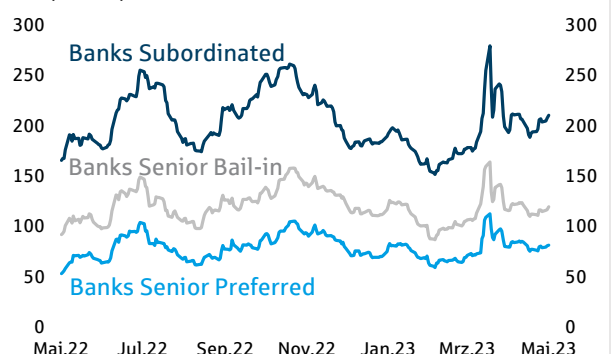
EUR benchmark issue volume cumulative by weeks, bn EUR



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
- Focus on Credits: Primary market update EUR benchmark bank bonds Q1 2023"
- Focus on Credits: EUR Corporate bonds: Primary market Q1 2023
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