

Focus on: SSAs & Financials

2 June 2023



Weekly Market Update



Primary market environment: In the US, the threat of default has been averted. At the same time, price pressure is easing in Germany, Spain, France and Italy. These factors, as well as the fact that inflation and interest rate concerns have been further suppressed and expectations of interest rate hikes have been subdued, are supporting the primary market environment.

Primary market barometer

SSAs



While the weather barometer (at least in Germany) has been yellow like the sun this week, the issuance barometer for SSAs has been and remains clearly in the green. For the next (short) week, however, we expect less primary market activity.

Covered Bonds



In the covered bond segment, the momentum was in favour of 10-year paper. The generous new issue premiums certainly helped. This gives hope to imitators even in prospect of the coming short week.

Senior Unsecured

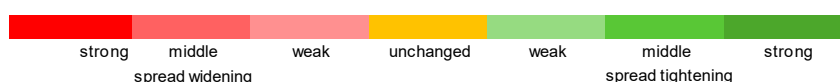


The primary market for senior unsecured bank bonds was extremely active this week. Issuers will continue to take advantage of friendly market windows ahead of the summer break and the next quarterly reporting season.

Risk trend indicator: New issuances lead to some spread compression

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,04	-0,10	0,14	-0,72	0,75	-128
European Union	0,08	0,06	-0,07	-0,12	2,12	184
Germany Covered	0,04	-0,05	-0,12	-0,08	0,90	0,96
EU Covered	0,02	-0,02	-0,06	0,02	0,82	0,94
Banks senior preferred	0,10	0,12	-0,04	0,49	0,76	190
Banks senior bail-in (SNP)	0,06	0,03	-0,11	0,41	0,69	179
Banks subordinated	0,03	-0,06	-0,30	0,51	0,46	2,09
Supranational	0,06	0,04	-0,09	-0,10	2,08	151
Agencies	0,03	-0,09	-0,08	-0,50	0,96	-0,19
Sub-Sovereigns Germany	0,01	0,01	-0,09	-0,02	0,61	-0,43
Sub-Sovereigns	0,03	0,04	-0,10	-0,17	1,22	0,38



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

The recent negative factors - such as the US debt ceiling debate - and profit-taking following the large number of new issues are reflected in our red-coloured secondary market risk trend indicator. However, a longer-term trend has not yet been established.



SSAs

The SSA segment was abuzz with issuance activity this week. Interest in the North Rhine-Westphalia bond reached dizzying heights. Falling inflation rates in the eurozone, the resolution of the US debt crisis and the rebalancing at the end of the month are likely to have been among the drivers. Hence, the order book for the EUR 2bn 10-year sustainability bond was over EUR 13bn, with the spread tightening by 3bp to MS+3bp. The sustainability component attracted a large number of ESG investors: According to market reports, this investor group took two-thirds of the allocation. The ten-year issue adds to the issuer's sustainability bond curve.

Outlook: After this eventful week, activity is likely to be lower, especially as the week is shortened again in Germany and Austria due to public holidays. Nevertheless, we expect investor demand to remain strong.

€ SSAs issues week of 29 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
3,500%	Export-Import Bank of Korea	Aa2 /AA/AA-	0,850bn		07.06.2026	ms +29 bps		30.05.2023	1,650bn	ms +37 area
3,625%	Export-Import Bank of Korea	Aa2 /AA/AA-	0,500bn		07.06.2030	ms +72 bps	✓	30.05.2023	0,920bn	ms +77 area
3,125%	Inter-American Investment Corporation	Aa1/AA+/AAA	0,500bn		07.06.2030	ms +21bps		31.05.2023	1,000bn	ms +23 area
2,900%	NRW	Aa1/AA/AAA	2,000bn		07.06.2033	ms +3 bps	✓	31.05.2023	13,000bn	ms +6 area
2,950%	Investitions- und Strukturbank Rheinland-Pfalz	-/-/-	0,250bn		12.06.2030	ms +2 bps		01.06.2023	not disclosed	ms +2 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

The performance of Crédit Agricole, Rabobank and Crédit Mutuel Arkéa in 10-year covered bonds is proof that there is confirmed hope for a pick-up in longer-dated bonds in the covered bond segment this week. As in the case of SSAs, attractive new issue premiums and the "ESG touch" are supporting order book dynamics. Last but not least, the aforementioned subdued expectations for interest rate hikes are boosting investor behaviour.

Firstly, Crédit Agricole Home Loan SFH posted an impressive result. The EUR 1.25bn transaction generated a final order book of over EUR 2.7bn, with over 100 investors participating. The final spread of MS+33bp represents a new issue premium of 5bp.

The issues by Arkéa Home Loan SFH and Rabobank were also well received by investors. The issuers were able to tighten their spreads by 4 basis points compared to the first spread announcement, while offering investors attractive new issue premiums.

Although there were only three issuers on the primary covered bond market this week, the total volume of EUR 3 billion is quite respectable and brings the year-to-date issuance to around EUR 125 billion.

Outlook: Following the encouraging issuance results, more issuers are likely to follow.

"The tentative scanning of longer maturities that has been going on for weeks at least allows the vague conclusion that some investors are afraid of missing the yield trend. However, it remains to be seen whether this will trigger a secondary dynamic. All in all, turnover across all maturities is rather subdued and one cannot say that there is no secondary material in the shop window. Moreover, the market is still in the "ECB wind-down phase"! Due to the continued high issuance activity, I consider the investment demand sufficiently satisfied - it stands in the way of an ongoing performance!"

Comment from the Helaba trading floor

€ Covered Bond issues week of 29 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
3,250%	Credit Agricole Home Loan SFH	Aaa / AAA / AAA	1250bn		08.06.2033	ms +33 bps	✓	30.05.2023	2,700bn	ms +37 area
3,250%	Arkéa Home Loans SFH	Aaa / AAA / AAA	1000bn		01.08.2033	ms +33 bps	✓	31.05.2023	1250bn	ms +37 area
3,106%	Rabobank	Aaa / - / -	0,750bn		07.06.2033	ms +18 bps		31.05.2023	1400bn	ms +22 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds had an **extremely busy week**, despite the public holiday on Monday. A total of nine preferred and four non-preferred transactions in EUR benchmark format were observed. There was a rich diversity of issuers, regions, maturities and structures (social, green, floater, sub-Bmk etc.). In addition to established permanent issuers, rarer issuers from the periphery were also available for selection. The maturities offered range from two to eight years.

Particularly in preferred transactions, some issuers also ventured onto the market with smaller volumes. The **total issue volume** in the course of this week amounted to a respectable **EUR 9.6 billion**, with order books mostly well filled. On the basis of attractive new issue spreads, investors were able to realize pleasing spread tightening in the aftermath.

Outlook: The issuance pipeline remains well filled in view of high maturities and strict bail-in requirements. The friendly market window is being actively used by issuers, especially as the summer vacations start - with the Scandinavian countries - at the end of June.

"The stock markets have recently retreated somewhat from their highs. The iTraxx indices were volatile, but are currently at cyclical lows. Cash traded a bit wider during the week as investors' focus remains on new issues and their attractive NIPs of 10-20 bps. Secondary spreads are widening as a result. The performance of recent new issues has been split, ranging from 1 bp tightening (yesterday's BFCM dual tranche) to 3-5 bps widening in issuances earlier this week. Negative sentiment due to the protracted US debt ceiling debate and some weak economic data weighed on the market. In addition, market participants are aware that the primary pipeline is very full before the summer and bonds need to be absorbed."

Comment from the Helaba trading floor

€ Senior Preferred issues week of 29 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%	Société Générale	A 1/A/A	1,250bn		02.06.2027	ms +95 bps		30.05.2023	1,750bn	ms + 120/125 area
5,000%	Banco de Sabadell SA	-/BB+/BBB-	0,750bn		07.06.2029	ms +200 bps	✓	30.05.2023	1,800bn	ms + 230 area
4,636%	Mitsubishi UFJ Financial Group	A 1/A-/A-	0,500bn		07.06.2031	ms +160 bps		30.05.2023	3,500bn	ms + 195 area
7,750%	Luminor Bank AS	Baa1/-/-	0,300bn		08.06.2027	ms +450 bps		31.05.2023	0,350bn	7,75% area
3m€+50 Bp	Nationwide Building Society	A 1/A-/A+	0,500bn		07.06.2025	ms +50 bps		31.05.2023	1,000bn	3m€+65 area
5,625%	Ibercaja Banco, S.A.	Baa3/-/BBB-	0,500bn		07.06.2027	ms +245 bps		31.05.2023	0,725bn	ms + 260 area
3,875%	BFCM	Aa3/A-/AA-	0,500bn		14.02.2028	ms +95 bps		01.06.2023	0,950bn	ms + 115 area
4,125%	BFCM	Aa3/A-/AA-	1,250bn		14.06.2033	ms +125 bps		01.06.2023	1,500bn	ms + 150 area
3m€+50 Bp	Canadian Imperial Bank of Commerce	A 2/A-/A-	0,500bn		09.06.2025	ms +50 bps		01.06.2023	0,500bn	3m€+50 Bp

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 29 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,500%	KBC Group N.V.	Baa1/A-/A	1,250bn		06.06.2026	ms +95 bps		30.05.2023	1,750bn	ms + 115 area
4,375%	KBC Group N.V.	Baa1/A-/A	0,750bn		06.12.2031	ms +145 bps		30.05.2023	1,500bn	ms + 165 area
3m€+45 Bp	Bank of Montreal	A 2/A-/AA-	1,000bn		06.06.2025	ms +45 bps		30.05.2023	1,400bn	3m€+60 area
4,156%	Zürcher Kantonalbank	Aa2/-/-	0,500bn		08.06.2029	ms +115 bps		01.06.2023	0,785bn	ms + 125/130 area

Sources: Bloomberg, Helaba DCM



Short news

5/26 2022 ECB Annual Report: The 2022 Annual Report by the European Central Bank is available. Vice-President Luis de Guindos presented the report to the European Parliament while also discussing the current economic outlook and the importance of a resilient financial system.

5/26 Spanish banks with optimistic outlook: Spanish banks are bullish on their 2023 lending income after a strong Q1 according to S&P Global Market Intelligence. Spain's largest banks are confident of earning more income from domestic lending in 2023 than originally expected following a strong first-quarter performance, [S&P Global Market Intelligence](#) writes.

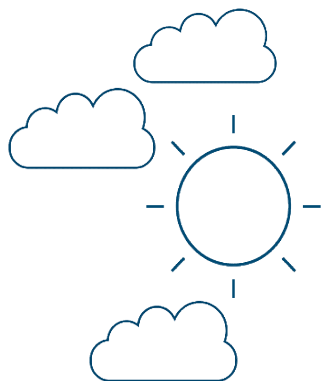
Market Data (current*, vs. 1week, vs. 4 weeks)

E-STOXX 600 Banks	147	-126%	2,06%	iBoxx €Cov. Germany	7,1	-0,2	-13	iTraxx Senior Financial	90,1	-4,9	-16,8
10Yr-Yield	2,3	-0,2	0,1	iBoxx €Cov. Bonds	20,7	-0,1	-15	iBoxx €Supranational	18,9	0,99	-108
Swap 10J	2,9	-0,3	0,0	iBoxx €Banks PS	85,5	5,7	-2,4	iBoxx €Agencies	-1,7	-0,10	-108
iBoxx €Germany	-514	-12	2,0	iBoxx Banks NPS	122,0	2,8	-6,9	iBoxx €Sub-Sov. Germany	10,0	0,39	-186
iBoxx €EU	25,0	15	-0,7	iBoxx Banks Subordinated	202,9	-0,5	-18,9	iBoxx €Sub-Sovereign	26,2	0,84	-166

* Closing prices from the previous day

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

Leisure tip for the weekend: Barefoot path in Moers-Repelen (near Duisburg)



"Barefoot through nature" - enjoying the elements of nature with all your senses - is what the "loam pastor" Emanuel Felke practised and recommended to his spa guests more than 100 years ago. The barefoot path in the Jungbornpark in Moers-Repelen consists of two parts. On the one hand, there is a meadow and woodland path of more than 1 kilometre through the park, which links the sites of the former health resorts. This path is open to the public and has several stations where you can balance and feel different surfaces. On the other hand, there is an "intensive area" where you can walk on water and clay and feel many different materials.

Further information:

[Barefoot path in Moers-Repelen](#)

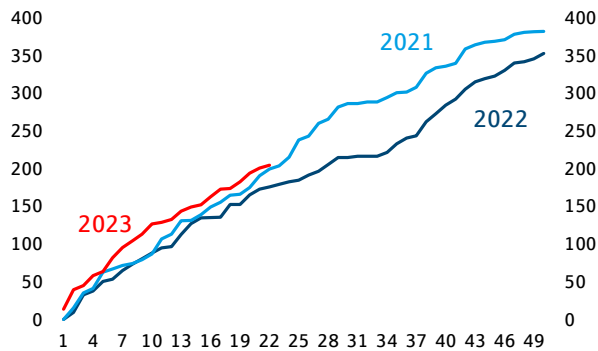
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

Source: Der Pfad (barfusspfad-moers-repelen.de)

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

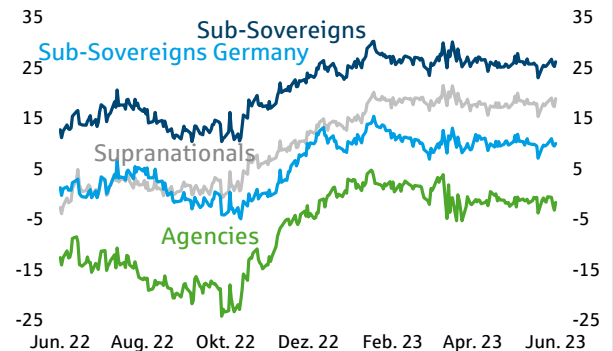
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

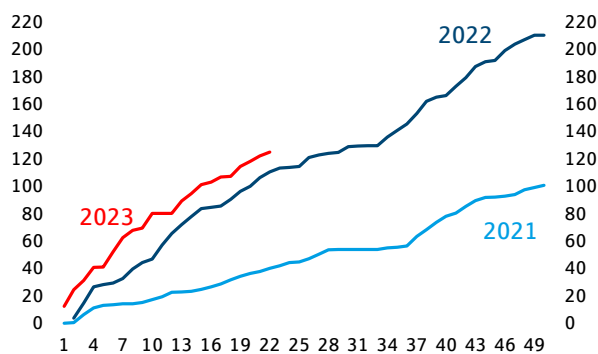
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

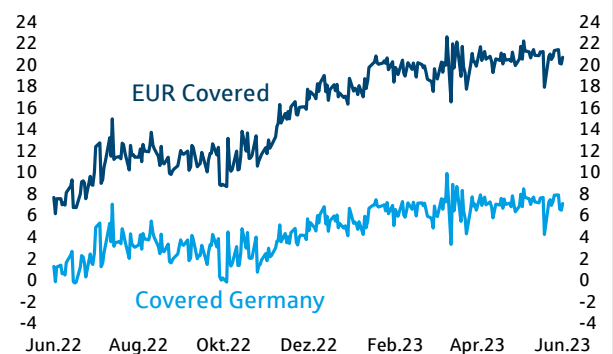
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

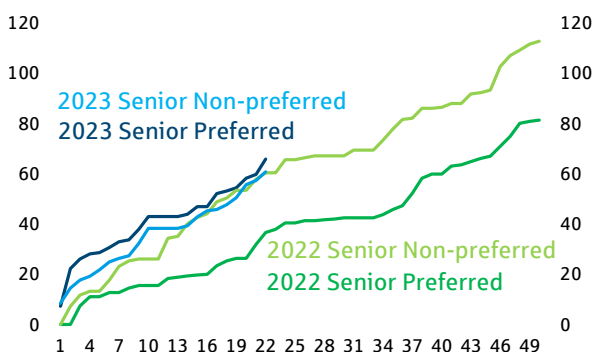
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

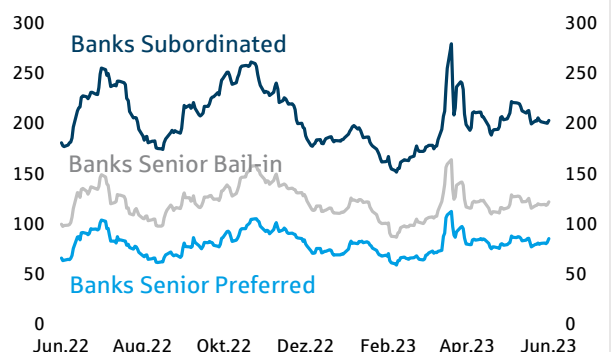
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



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Authors

Team FI & SSA Research

Publisher and editorial office

Helaba Research & Advisory

Editor:

Sabrina Miehs

Corporate Research & Advisory

Responsible:

Dr. Gertrud R. Traud

Chefvolkswirtin/

Head of Research & Advisory

Neue Mainzer Str. 52-58

60311 Frankfurt am Main

T +49 69 / 91 32 – 20 24

Internet: www.helaba.com

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