

Focus on: SSAs & Financials 24 August 2023



Weekly Market Update



Primary market environment: Rising economic concerns in both Germany and Europe have been the dominant market drivers of late. The likelihood of further ECB rate hikes has diminished, which has boosted bond markets. Credit spreads were mixed.

Primary market barometer SSAs



The SSA segment finally came out of the primary summer break this week. Issuances from major issuers KfW, NRW.BANK, EFSF and BNG were well received. We expect this sentiment to continue and anticipate further issues.

Covered Bonds

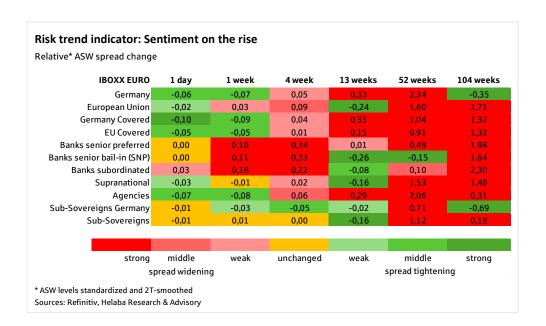


The German early movers of the previous week were followed by a number of covered bond issuers from around the world. They took advantage of the attractiveness of the asset class after the summer break. We expect the issuance climate to remain positive in the week ahead.

Senior Unsecured



The blackout periods due to the end of the quarterly reporting season are still having an impact, but issuers are also starting to return to the market in this segment after the summer break. We expect primary market activity to pick up noticeably in the coming weeks..



The sentiment for SSAs and covered bonds is increasingly positive. The red tint on the Risk Trend Indicator has disappeared. Senior unsecured investors continue to be relatively risk averse..



SSAs

As expected, SSA issuance has picked up this week. Order books are smaller than in the pre-summer months. Nevertheless, significant volumes can be achieved. The five issuers sold bonds with maturities of 3, 5, 7, 10 and 15 years and a total issue size of EUR 9.6 bn. In the EFSF transaction, investors showed much more interest in the longer 15-year tranche on Wednesday. This was probably due to the fact that the 5-year tranche offered by NRW.BANK at the same time was attractively priced. The financial spreads of this week's issues (with the exception of the shorter ESFS tranche) narrowed by one to two basis points compared to the marketing.

Outlook: We expect investor sentiment to continue to attract more issuers to the market next week.

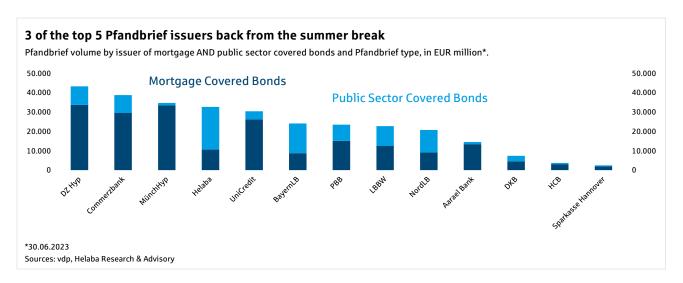
€ SSAs issues week of 21 August 2023

Coupon	Issuer	Rating Volume € Tap				Launch-Spread	ESG	Launch	Orderbook	1st Spread-	
	issuer	(M/S&P/F)	voiuille €	тар	Maturity	vs. Mid-Swaps	ESG	Launch	Orderbook	Indication	
3.125%	KFW	Aaa/AAA/AAA	4.000 M rd.		10.10.2028	ms -13 Bp		22.08.2023	7.250 M rd.	ms - 12 area	
3.250%	BNG	Aaa/AAA/AAA	1.000 M rd.		29.08.2033	ms +11Bp	✓	22.08.2023	1.500 M rd.	ms + 12 area	
2.750%	EFSF	AAA /AA/AA-	1.000 M rd.	✓	17.08.2026	ms -20 Bp		23.08.2023	2.200 M rd.	ms - 20 area	
3.375%	EFSF	AAA /AA/AA-	2.000 M rd.		30.08.2038	ms +28 Bp		23.08.2023	8.400 M rd.	ms +30 area	
3.375%	Swedish Export Credit Corporation	Aa1/AA+/-	0.600 M rd.		30.08.2030	ms +22 Bp		23.08.2023	0.860 M rd.	ms +23 area	
3.125%	NRW.Bank	Aa1/AA/AAA	1.000 M rd.		30.08.2028	ms -5 Bp		23.08.2023	1.940 M rd.	ms - 3 area	

Sources: Bloomberg, Helaba DCM

Covered Bonds

After DZ Hyp, Germany's largest Pfandbrief issuer, made its debut after the summer break last week, two more large Pfandbrief houses, Commerzbank and Helaba, followed suit this week, both with 5-year paper. They were joined by eight covered bond issuers from Australia, Slovakia, Denmark, the UK, France, Austria and Sweden, bringing the volume of new issues this year up by EUR 9 bn to around EUR 158 bn. The smaller Slovak issuers, however, suffered from the large supply and recorded lower bid-to-cover ratios.



For Pfandbriefe with a limited issue size of EUR 500 million, the premium over the secondary market curve was most recently around 3 basis points (bp); for this week's issues, which tended to be larger in size, it was closer to 5 bp (HESLAN 3 $\frac{3}{8}$ 01/20/28) and 6 bp (CMZB 3 $\frac{3}{8}$ 08/28). Despite this slight upward trend, we continue to view the market as very receptive. The asset class is attractive and offers reasonable pick-ups compared to the SSA segment.

"The new pricing points are naturally putting some selling pressure on the old bonds, either through swaps into new issues or through continued selling pressure at the longer end. In particular, Dutch covered bonds in the 10-15 year range have been under pressure in recent days. Finally, we continue to see a steepening of credit curves, which is also offsetting part of the inverse yield curve."

Comment from the Helaba trading floor

Outlook: We expect to see more issuers to be in the pipeline for next week, taking advantage of the constructive market environment.

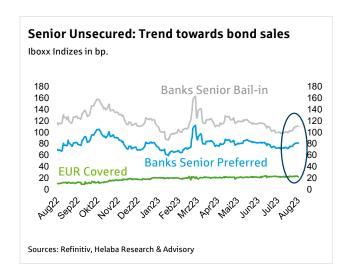
€ Covered Bond issues week of 21 August 2023

Coupon	Issuer	Rating	Volume €	Тар	Maturity	Launch-Spread	ESG	Launch	Orderbook	1st Spread-
	issuer	(M/S&P/F)	(M/S&P/F)		Maturity	vs. Mid-Swaps		Launch	Orderbook	Indication
3.375%	Commerzbank AG	Aaa /-/-	1250 M rd.		28.08.2028	ms +14 Bp		21.08.2023	2.010 M rd.	ms +16 area
3.768%	Commonwealth Bank of Australia	Aaa /-/AAA	1500 M rd.		3108.2027	ms +35 Bp		21.08.2023	2.450 M rd.	ms +40 area
3.875%	Slovenská sporiteľňa	Aaa /-/-	0.500 M rd.		30.09.2027	ms +53 Bp		22.08.2023	0.650 M rd.	ms +55 area
3.375%	Helaba	Aaa /-/AAA	1.000 M rd.		20.01.2028	ms +6 Bp		22.08.2023	1297 M rd.	ms + 10 area
3.500%	Danske Mortgage Bank Pic	Aaa /-/-	1.000 M rd.		29.01.2029	ms +26 Bp		22.08.2023	1350 M rd.	ms +29 area
3.750%	Clydesdale Bank PLC	AAA /-/Aaa	0.500 M rd.		22.08.2028	ms +50 Bp		22.08.2023	1400 M rd.	ms +55 area
3.500%	Nordea Mortgage Bank Plc	Aaa /-/-	1.000 M rd.		3108.2026	ms +5 Bp	✓	23.08.2023	2.000 M rd.	ms + 10 area
3.875%	Všeo becná úvero va banka, a.s.	Aa1/-/-	0.500 M rd.		05.09.2028	ms +73 Bp		24.08.2023	0.880 M rd.	ms +75 area
3.625%	HYPO NOE	Aa1/-/-	0.500 M rd.		02.03.2026	ms +18 Bp		24.08.2023	0.985 M rd.	ms +21area
3.375%	Credit Agricole Home Loan SFH	Aaa/AAA/AAA	1250 M rd.		04.09.2028	ms +24 Bp		24.08.2023	1900 M rd.	ms +28 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

Seit Juli weiteten sich die Sekundärmarktspreads bei den Senior Unsecured-Anleihen deutlich aus, während die Risikoaufschläge im Covered Bond Segment bislang relativ stabil blieben. Aus unserem Handelsraum hören wir, dass Anleger aus dem "Real Money"-Segment immer mehr dazu tendieren, Bonds (womöglich mit niedrigen Kupons) zu verkaufen, vermutlich um Platz für Neuemissionen (mit den aktuell attraktiven höheren Kupons) zu schaffen. Davon profitieren sowohl Covered Bonds als auch die Neuemissionen, die diese Woche im Senior Unsecured-Segment nach der Sommerpause auf dem erwachten Primärmarkt erscheinen. Zuletzt zeigte sich eine gewisse Stabilisierung.



Senior Unsecured

In the senior unsecured segment, primary market activity is relatively subdued for the time being, which we attribute in part to the blackout periods that still exist in some cases due to the recent quarterly reporting season. The focus is on longer maturities. The Italian market leader, Intesa, issued a dual preferred tranche with maturities of 4 and 8 years, generating an order book of an impressive EUR 4.5 bn for a total placement volume of EUR 2.25 bn. Japan's Mizuho Financial Group issued a 7-year non-preferred bond amounting to 0.75 bn EUR that was 2.3 times oversubscribed.

"The summer lull in the markets is slowly coming to an end and new issue activity is picking up. However, investor activity remains below average with flows well balanced. Spread widening is nevertheless supporting activity on the money side. Real money is increasingly tending to sell bonds. ETF funds are also selling as they experience outflows. Both, retail and private banking are acting as buyers, while fast money accounts are awakening to new activity as the primary market picks up."

Comment from the Helaba trading floor

Outlook: High maturities continue to dominate primary market activity in the senior unsecured segment. Many banks have already made good progress in issuing bail-in capital to meet regulatory requirements, allowing them to issue cheaper preferred bonds. Medium and longer maturities look relatively attractive. We expect primary market activity to pick up in the coming weeks, although timing will remain a challange given the upcoming central bank decisions and volatile markets.

E Senior Preferred	issues wee	ek of 21	August 2023
--------------------	------------	----------	-------------

Coupon	Issuer	Rating	Volume €	Tap	Maturity	Launch-Spread	ipread ESG Launch		Orderbook	1st Spread-	
Coupon	issuci	(M/S&P/F)	volume e	тар	Maturity	vs. Mid-Swaps	LJG	Launch	Oldelbook	Indication	
4.375%	Intesa Sanpaolo S.p.A.	Baa1/BBB/BBB	0.750 M rd.		29.08.2027	ms +105 Bp		22.08.2023	1250 M rd.	ms + 125 area	
5.125%	Intesa Sanpaolo S.p.A.	Baa1/BBB/BBB	1500 M rd.		29.08.2031	ms +200 Bp		22.08.2023	3.250 M rd.	ms +220 area	
Carrage Diagram	- U-l-k- DCM										

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 21 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap Matu	ity Launch-Sprea vs. Mid-Swap	ESG	Launch	Orderbook	1st Spread- Indication	
4.608%	Mizuho Financial Group, Inc.	A1/-/A-	0.750 M rd.	28.08.	030 ms +135 Bp	✓	22.08.2023	1.700 M rd.	ms +165 area	

Sources: Bloomberg, Helaba DCM

Short news

8/23 vdp sees upturn in new mortgage business: The Association of German Pfandbrief Banks (vdp) sees light at the end of the tunnel despite persistently weak demand for property loans. "The total volume of all residential and commercial real estate loans has now risen slightly for the second quarter in a row," said vdp managing director Jens Tolckmitt. (finanzen.net)

8/22 Bond issuance at record levels: Banks around the world are issuing bonds at an all-time high. Financial firms around the world have issued USD 2 trillion (EUR 1.84 trillion) of bonds this year - at a record pace. (Bloomberg)

8/21 S&P downgrades several US banks: S&P Global Ratings has downgraded the credit ratings of several US banks. This was reported today by the news agency Bloomberg. The move comes two weeks after Moody's Investors Service downgraded a number of US institutions. (Bloomberg)

8/21 Share buybacks: Europe's banks buy back shares on a large scale. Italy's Unicredit is spending 5.57 billion euros, the Netherlands' ING around 3.55 billion euros and France's BNP Paribas 3.4 billion euros. These are the sums with, which Europe's financial institutions have bought back since 2021, according to an analysis by **Handelsblatt**. Britain's HSBC bought back shares for around 4.6 billion euros over the same period, while Spain's Santander bought back 3.61 billion euros.

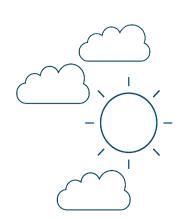
8/18 ESG performance improves terms: Consulting firm Oliver Wyman surveyed banks on the importance of ESG in lending. Two out of three banks said they would improve their lending conditions if their ESG performance was positive. (Börsen-Zeitung)

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

E-STOXX 600 Banks	156	-0,78%	-4,30%	iBoxx € Cov. Germany	8,8	-0,7	-0,4	iTraxx Senior Financial	85,0	1,1	4,4
10Yr-Yield	2,52	-0,12	0,06	iBoxx € Cov. Bonds	21,8	-0,8	-0,4	iBoxx € Supranational	15,8	0,0	0,0
Swap 10J	3,11	-0,13	0,03	iBoxx € Banks PS	81,0	1,8	7,9	iBoxx € Agencies	-0,2	-1,0	-0,2
iBoxx € Germany	-46,93	-1,16	-0,61	iBoxx Banks NPS	110,5	2,5	10,0	iBoxx € Sub-Sov. Germany	9,3	-0,3	-0,9
iBoxx€EU	20,12	0,29	0,87	iBoxx Banks Subordinated	197,1	8,3	10,6	iBoxx € Sub-Sovereign	23,7	0,2	-0,1

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

Leisure tip for the weekend: Schwielowsee / Lakeside resort Caputh (Dahme-Spreewald district)



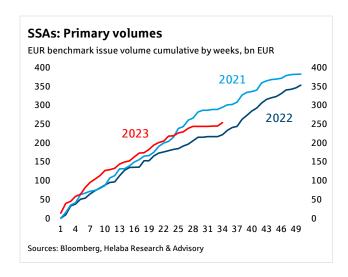
"Schwielowsee is cosy, sunny and has the good-naturedness of all broad natures," said Fontane, describing the lake close to Potsdam. Covering almost 60 square kilometres, it is the largest natural lake in Brandenburg. It not only has two beautiful bathing areas, but also excellent water quality. The lakeside resort of Caputh is a dream. On the white sandy beach, under large palm trees and with a fantastic view over the lake, you can feel the Caribbean. At the cocktail and champagne bar on the pier, right on the water, you can enjoy the romantic sunset with a drink.

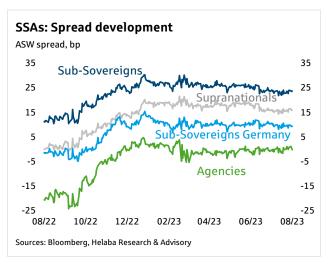
More information: Lakeside resort Caputh

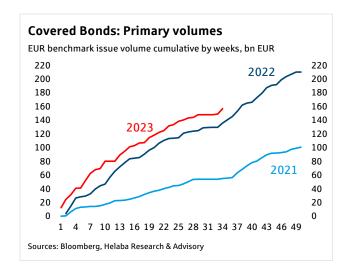
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

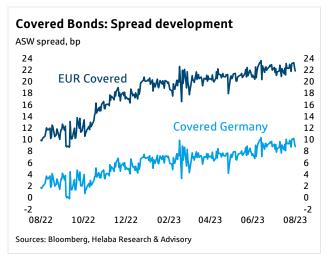
Source: https://www.reiseland-brandenburg.de/

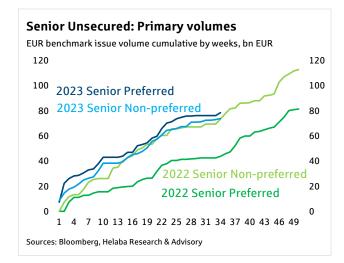
Chartbook SSAs, Covered Bonds, Senior Unsecured

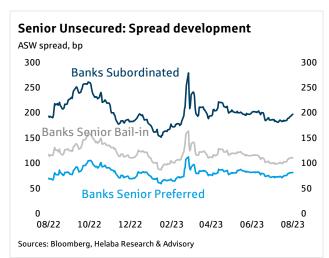














News from Research & Advisory

- Focus on Credits: Primary market update EUR benchmark bank bonds H1 2023
- → Focus on Credits: EUR Corporate bonds: Primary market Q2 2023
- → Video: Sustainable Finance ICMA & Helaba Talk 2023
- → Focus on Credits: Social and sustainability bonds: ICMA Principles the freestyle element makes all the difference
- → European banks: An optimistic outlook for 2023

Team of authors



Sabrina Miehs, CESGA Head of FI & SSA Research Senior Advisor Sustainable Finance T 069/91 32-48 90



Dr. Susanne Knips Senior Credit Analyst T 069/91 32-32 11



Christian Schmidt Covered Bond & SSA Analyst T 069/91 32-23 88

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

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.



Here you can subscribe to our newsletter: https://news.helaba.de/research/