

Focus on: SSAs & Financials

12 October 2023



Weekly Market Update



Primary market environment: The conflict in the Middle East is escalating, however, the capital markets have so far shown little interest. The Federal Reserve has recently made it clear that interest rate decisions are data dependent. Sentiment in the covered bond segment is mixed.

Primary market barometer

SSAs



Primary market activity in the SSA segment is struggling to gain traction, although the environment remains broadly constructive. Issuer pricing continues to play an important role.

Covered Bonds



The short-term improvement in primary market sentiment was actively used by issuers this week to implement their issuance plans. Issuance totalled EUR 4 billion, up from EUR 1 billion the previous week.

Senior Unsecured

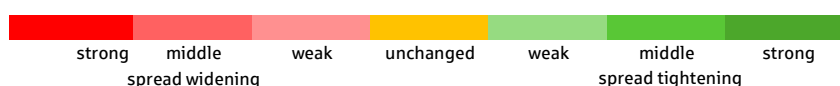


As expected, there was little activity in the primary market for senior unsecured bank bonds this week, ahead of the quarterly reporting season. However, Banco Santander impressed with a double tranche of EUR 3.25bn. Although the market environment is receptive, the blackout period argues against increasing activity.

Risk trend indicator (heat map): Risk aversion remains high

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,04	-0,11	-0,03	0,30	2,52	0,03
European Union	-0,01	0,13	0,43	0,71	1,88	2,70
Germany Covered	0,03	0,29	0,58	0,86	1,98	2,19
EU Covered	0,02	0,17	0,32	0,49	1,52	2,01
Banks senior preferred	-0,05	0,19	0,40	0,48	-0,04	2,18
Banks senior bail-in (SNP)	-0,10	0,14	0,41	0,50	-0,56	1,91
Banks subordinated	-0,12	0,01	0,23	0,37	-0,92	2,38
Supranational	0,01	0,21	0,47	0,58	2,06	2,39
Agencies	-0,05	0,14	0,32	0,69	2,98	1,22
Sub-Sovereigns Germany	0,02	0,17	0,18	0,19	1,21	-0,08
Sub-Sovereigns	-0,01	0,23	0,41	0,50	1,73	1,10



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

Investors' appetite for risk has fallen sharply of late. There is no end in sight to this trend, as shown by the deep red colouring of our heat map..



SSAs

Primary market activity has yet to really take off since the start of the new quarter. The EU was in the spotlight on Tuesday with a double tranche. A new EUR 4bn 20-year bond was issued and the EUR 2bn 5 October 2026 bond was increased. The new bond attracted an order book of EUR 48bn, while the increase was EUR 37bn. In both cases, the final spreads were 2 bps tighter than the target and the issues were therefore considered successful. On Wednesday, Caisse des Depots et Consignations took advantage of the tailwind for a 7-year sustainability bond (EUR 500 million) and Cassa Depositi e Prestiti (EUR 500 million). Both crossed the finish line with order books of EUR 1.5 billion and EUR 1.8 billion respectively.

Outlook: Other issuers in the pipeline include Spain's national development bank ICO and Assistance Publique Hopitaux de Paris.

€ SSAs issues week of 9 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	EU	Aaa /AA+/AAA	3,000 Mrd.	✓	05.10.2026	ms -11 Bp		10.10.2023	37,000 Mrd.	ms - 9 area
4,000%	EU	Aaa /AA+/AAA	4,000 Mrd.		04.04.2044	ms +67 Bp		10.10.2023	48,000 Mrd.	ms + 69 area
3,375%	Caisse des Depots et Consignations	Aa2 /AA/AA-	0,500 Mrd.		25.11.2030	FRTR +28 bp		11.10.2023	1,500 Mrd.	FRTR +30 area
4,750%	Cassa Depositi e Prestiti S.p.A.	-/BBB/BBB	0,500 Mrd.		18.10.2030	BTPS + 48 bp		11.10.2023	1,800 Mrd.	BTPS + high 50s area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Sentiment in the covered bond segment remains mixed. The secondary market is very illiquid and spreads are widening following extensive repricing. At the same time, the primary market is functioning relatively well. Although new issue premiums are still high, oversubscription rates reflect strong demand. On Tuesday, Caffil was able to place EUR 750m with a long 5 year maturity and a spread of MS +32bps. During the bookbuilding, the spread was tightened by 6 bps and the issue was 4.7 times oversubscribed. Nationale-Nederlanden Bank (NN Bank) generated an order book of EUR 1.3bn for its 3-year benchmark (EUR 750m) and tightened the spread by 4bps to MS +20bps versus the marketing, with a new issue premium of 3bps.

"The days are getting shorter and, unfortunately, so are the events on the secondary markets. The supply pressure continues and the players involved are changing. On the one hand it is domestic funds/AMs and on the other it is insurers selling cash. The swap spreads paid are high and tend to remain so. The alignment of vintage bonds with new issue spreads continues. However, there has been no panic selling. The repricing is taking place in a relatively orderly fashion".

Comment from the Helaba trading floor

Belfius Bank managed to raise EUR 1bn on Wednesday. The spread tightened by 5 bps to MS+32 bps on an order book of EUR 1.5 bn. Today's primary activity was completed by Achmea Bank (EUR 500 mn, 3 years, WNG), Danish Ship Finance (EUR 500 mn, 3 years, WNG) and Sumitomo Mitsui Trust (EUR 500 mn, 4.5 years).

Due to the uncertain market environment, issuers are coming to the market with very attractive spreads. At the same time, the "tightening potential" is being strongly exploited, especially as refinancing spreads are at a very high level.

In the secondary market, we are seeing some international players who, according to our trading, are very selective in their choice of securities and spread levels. "Cash is king and buyers are calling the tune. Paid levels, sometimes well below the screens, are the result.

Outlook: Further issues are in the pipeline, although some planned projects have already been postponed until next year.

€ Covered Bond issues week of 9 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,625%	CaFFIL	Aaa/AA+/-	0,750 Mrd.		17.01.2029	ms +32 Bp	✓	10.10.2023	3,500 Mrd.	ms + 38 area
3,625%	Nationale-Nederlanden Bank N.V.	- /AAA/-	0,750 Mrd.		16.10.2026	ms +20 Bp		10.10.2023	1,300 Mrd.	ms + 24 area
3,625%	Belfius Bank SA/NV	- /AAA/AAA	1,000 Mrd.		18.10.2028	ms +32 Bp		11.10.2023	1,500 Mrd.	ms + 37 area
3,750%	Achmea Bank N.V.	- /AAA/-	0,500 Mrd.		19.10.2026	ms +26 Bp		12.10.2023	0,650 Mrd.	ms + 26 area
4,086%	Sumitomo Mitsui Trust Bank	Aaa /-/-	0,500 Mrd.		18.04.2028	ms +72 Bp		12.10.2023	0,600 Mrd.	ms + 72 area
4,375%	Danmarks Skibskredit A/S	- /A/-	0,500 Mrd.		19.10.2026	ms +90 Bp		12.10.2023	0,800 Mrd.	ms + 90-93 wpir

Sources: Bloomberg, Helaba DCM



Senior Unsecured

As expected, there was little activity in the primary market for senior unsecured bank bonds this week. Only three issuers came to market with new issues. However, the deal from Spanish market leader Banco Santander was impressive: it placed EUR 3.25bn of non-preferred paper with investors as part of a dual tranche and was well received, generating orders for a total of EUR 5.6bn. The tranches had maturities of 4 (4NC3) and 8 years.

Despite record issuance so far this year (see [Primary Market Update Bank Bonds](#) of 10/10/2023), some banks still have refinancing needs, and with the upcoming blackout period for quarterly reporting and the year-end approaching, the issuance windows are getting smaller. Tomorrow JP Morgan, Citigroup and Wells Fargo will start the reporting season for US banks, followed by European banks in the coming weeks. Particular attention should be paid to interest rate gains and problem loan ratios. Since the middle of 2012, banks have enjoyed pleasingly high profits, boosted by the changed interest rate environment, but competition for customer deposits has recently intensified. On the lending side, risk buffers are high and problem loan ratios are therefore very well under control.

Outlook: The quarterly reporting season begins at the end of this week. We expect the senior unsecured bank bond segment to remain weak for the time being due to the upcoming blackout periods.

„Primary markets have been very quiet recently, reflecting market sentiment. Most new issues widened by around 10bps. Yesterday Santander tested sentiment with a dual tranche at high IPT levels and it will be interesting to see how the order books look and also the secondary performance of the new bonds. The funding needs of some banks remain high and issuance windows are starting to narrow due to the upcoming blackout period and the approaching end of the year.“

Comment from the Helaba trading floor

€ Senior Preferred issues week of 9 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
8,625%	MBH Bank Nyrt.	Ba2 /-/-	0,350 Mrd.		19.10.2027	ms +514 Bp		11.10.2023	0,560 Mrd.	9.000% area
4,000%	Bank of China (Luxembourg) S.A.	A1 /A/A	0,300 Mrd.		19.10.2026	ms +60 Bp		12.10.2023	0,670 Mrd.	ms + 80 area

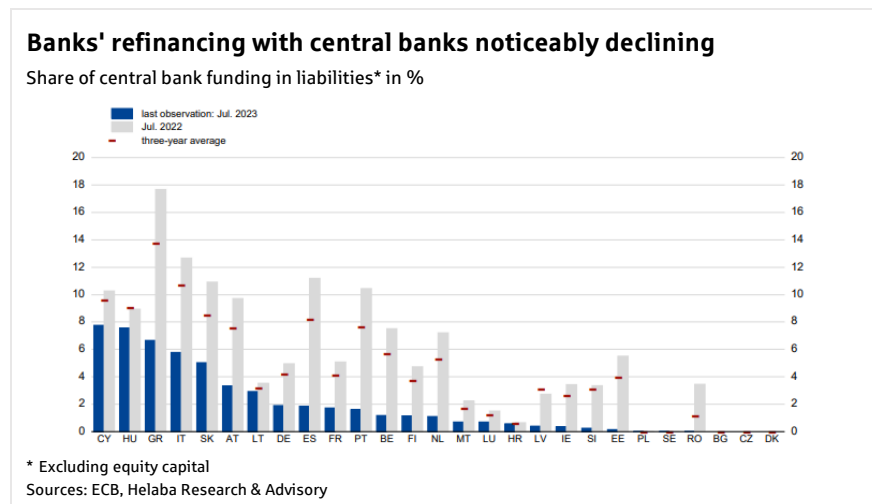
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 9 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,625%	Banco Santander, S.A.	Baa1 /A-/A-	1,250 Mrd.		18.10.2027	ms +125 Bp		11.10.2023	2,000 Mrd.	ms + 150/155 bp
4,875%	Banco Santander, S.A.	Baa1 /A-/A-	2,000 Mrd.		18.10.2031	ms +170 Bp		11.10.2023	3,600 Mrd.	ms + 200 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



Bank funding from central banks has declined significantly year-on-year, as the [ESRB Risk Dashboard](#) published last week shows. According to our observations, this reflects in particular the reduction in TLTRO funding (see also [Weekly of 21 September 2023](#)). Due to the changed interest rate environment and lower TLTRO funding, banks' funding costs are rising, but this is more than offset by significantly higher margins for both, customer deposits and liquidity reserves. Moreover, as

the sector has sufficient liquidity, it is able to reduce the less attractive central banks refinancing relatively easily - further evidence that borrowing has so far been more about taking advantage of attractive interest rate spreads than about liquidity needs. However, there are differences between institutions and countries. In Italy and Greece, for example, the stock of central bank funding is still relatively high, despite the decline.



Short news

10/11 Fitch Ratings places three Spanish covered bond programmes on watch: [Fitch Ratings](#) has placed three Spanish mortgage-backed covered bond programmes (cédulas hipotecarias - CH) of Banco Santander, S.A. (Santander; A/Stable), Caja Rural de Granada, Sociedad Cooperativa de Crédito (CRG) and Caja Rural de Albacete, Ciudad Real y Cuenca, Sociedad Cooperativa de Crédito (Globalcaja) on Watch, following the publication of its covered bond rating criteria on 9 October 2023.

10/10 EBA risk dashboard: The European Banking Authority (EBA) published its [Q2 2023 quarterly Risk Dashboard](#) (RDB). Banks' profitability and capital ratios increased further, while macroeconomic uncertainty weighed on loan growth.

10/10 Reserve requirements: The European Central Bank (ECB) shouldn't change reserve requirements for banks as part of its monetary policy, Governing Council member Francois Villeroy de Galhau said. "There's no monetary justification for increasing reserve requirements," [Bloomberg](#) cited Villeroy as saying. "The stability of the current regime should remain in place."

10/9 EBA moves ahead with new ESG rule feared across Europe: European Banking Authority (EBA) Chairman Jose Manuel Campa commented on the green asset ratio (GAR), with mandatory disclosure set to kick in from January. As reported by [Bloomberg](#), Campa acknowledged that the first impression bank stakeholders will get of the green asset ratios they see will be "incomplete."

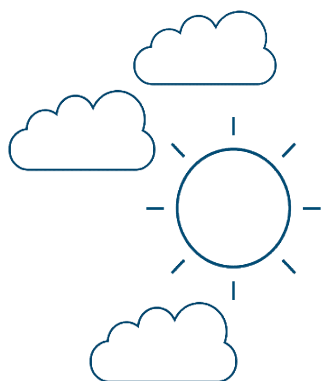
10/5 Italy's banks sidestepping Meloni tax with payouts intact: Italy's banks won't pay the country's new tax and choose to boost their capital cushions instead, according to [Bloomberg](#). Boosting capital "is the best option" for Italy's banks, said Rossella Locatelli, a professor of banking and finance at the University of Insubria.

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

E-STOXX 600 Banks	163	3,57%	3,95%	iBoxx € Cov. Germany	16,3	3,1	4,8	iTraxx Senior Financial	95,7	-2,6	14,6
10Yr-Yield	2,7	-0,2	0,1	iBoxx € Cov. Bonds	29,1	3,1	4,5	iBoxx € Supranational	23,2	3,04	5,79
Swap 10J	3,3	-0,2	0,1	iBoxx € Banks PS	85,5	1,6	9,9	iBoxx € Agencies	6,9	1,77	3,41
iBoxx € Germany	-41,8	-0,2	0,3	iBoxx Banks NPS	116,9	-0,6	11,9	iBoxx € Sub-Sov. Germany	14,7	3,60	3,64
iBoxx € EU	29,1	2,6	6,4	iBoxx Banks Subordinated	203,7	-7,2	9,7	iBoxx € Sub-Sovereign	30,6	3,18	5,33

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

Leisure tip for the weekend: The old town of Heusenstamm



Located in the heart of the Frankfurt Rhine-Main metropolitan region and the Offenbach district, Heusenstamm is home to three of the most beautiful attractions in the Offenbach district: The Renaissance castle, built in 1663, is idyllically situated on the Bieberaue. The baroque church of St. Cäcilia, completed in 1740 to plans by the famous master builder Balthasar Neumann, impresses not only with its imposing architecture but also with its generous ceiling frescoes and ornate high altar. Another of the city's cultural landmarks is the Torbau, built in 1764.

Find out more: [Heusenstamm](#)

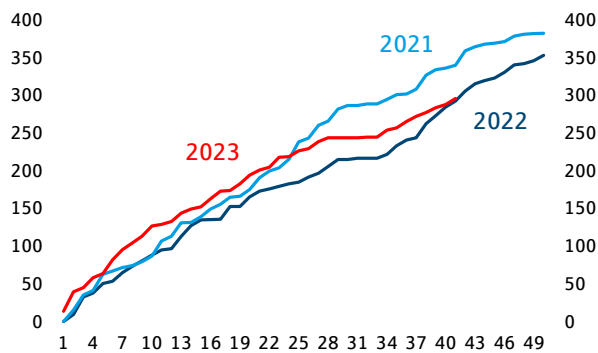
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

Source: <https://www.heusenstamm.de>

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

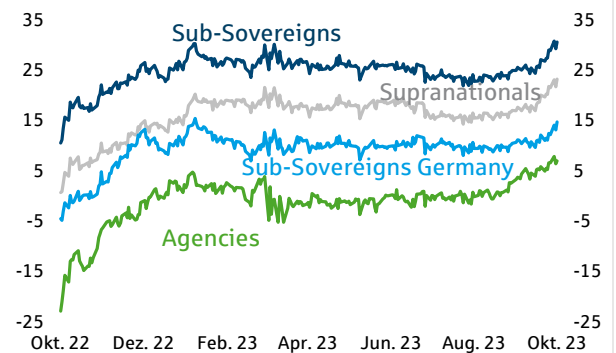
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

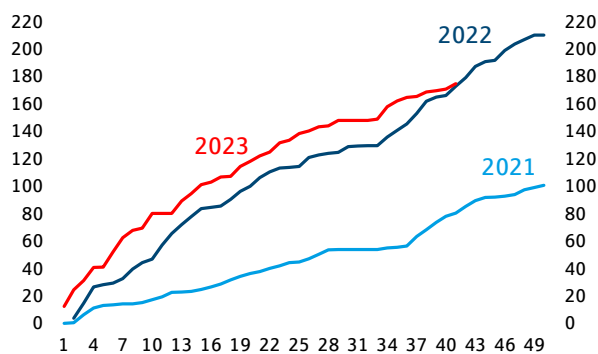
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

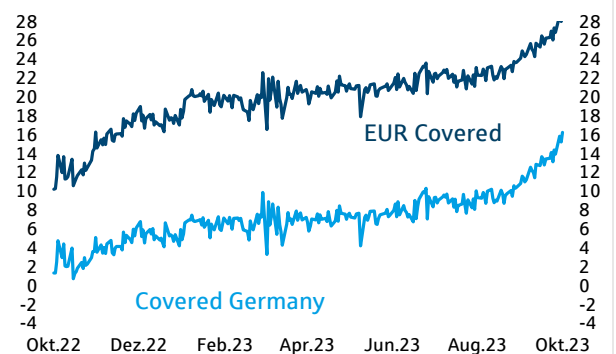
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

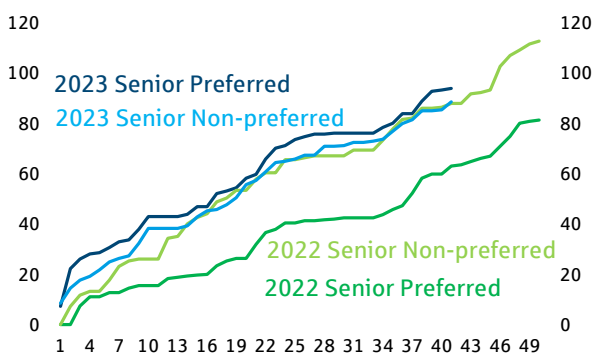
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

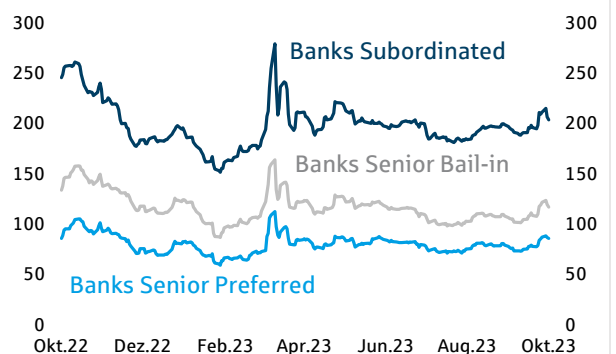
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



News from Research & Advisory

- **Focus on Credit: Primary Market Update Bank Bonds**
- **Focus on Credit: Corporate Schuldschein: Prejudices are out of place"**
- **Focus on Credit: EUR Corporate bonds - Primary market Q3 2023**
- **Video: Sustainable Finance – ICMA & Helaba Talk 2023**
- **Focus on Credit: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference**
- **European banks: An optimistic outlook for 2023**

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