

# Focus on: SSAs & Financials

## 26 October 2023



## Weekly Market Update



**Primary market environment:** The Middle East conflict is weighing on sentiment and risk aversion in the primary markets continues. According to ECB chief Lagarde, the ECB is closely monitoring the impact of the Middle East crisis on the economy. As expected, today's ECB meeting did not result in a change in interest rates.

### Primary market barometer

#### SSAs



The primary markets were largely driven by the SSA segment this week. The NRW issue stood out with a 3.7x oversubscription. Longer-dated issues continue to struggle to cross the finish line.

#### Covered Bonds



The environment is marked by uncertainty. Nevertheless, Helaba and SpareBank 1 Boligkredit were able to successfully execute primary market transactions this week. This shows that the absorptive capacity of the market is still there.

#### Senior Unsecured

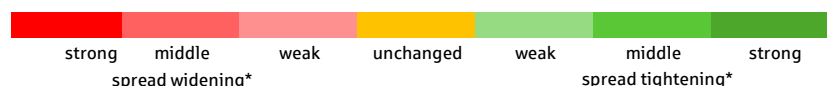


As expected, activity in the primary market for senior unsecured bank bonds is low this week. However, as the quarterly reporting season draws to a close, issuers may gradually become more active in the coming weeks. The market environment is generally receptive.

### Risk trend indicator (heat map): Risk aversion continues

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,03	-0,01	-0,03	0,30	1,84	0,23
European Union	0,02	0,03	0,30	0,69	1,29	2,56
Germany Covered	-0,02	0,07	0,44	1,05	2,14	2,36
EU Covered	-0,01	0,05	0,28	0,62	1,60	2,18
Banks senior preferred	-0,03	0,07	0,49	0,68	-0,56	2,45
Banks senior bail-in (SNP)	-0,05	0,00	0,36	0,64	-1,13	2,07
Banks subordinated	-0,06	0,06	0,31	0,61	-0,95	2,62
Supranational	-0,01	0,01	0,36	0,61	1,59	2,35
Agencies	0,00	0,00	0,19	0,69	2,14	1,31
Sub-Sovereigns Germany	-0,03	0,02	0,15	0,24	0,91	-0,35
Sub-Sovereigns	-0,01	0,04	0,37	0,57	1,10	0,92



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

The market environment is still characterised by uncertainty. As a result, investors are likely to be selective in their approach to the market. Apart from a slight brightening in the very short term, the warning signals on our heat map clearly outweigh the downside.



## SSAs

**Bpifrance** started this week on the primary market in the SSA segment on Monday. A EUR 1.25bn 4-year social bond was well received. With the order book 2.3 times oversubscribed, the final spread was set at OAT+39 bps, 2 bps tighter than guidance. On Tuesday, the **State of NRW** (EUR 1bn, 5 years, WNG) and **Ville de Paris** (EUR 295m, 14 years) vied for investors' favour. NRW's first issue in six months attracted an order book of EUR 3.7bn, with the spread tightening by 2bp to MS flat versus the market. A whopping 95 investors placed buy orders, with 46% in bank treasuries and 28% in asset managers. **Ville de Paris**, on the other hand, had a more difficult time, although demand of EUR 450m was well above the original target of EUR 250m. The spread was unchanged at OAT+ 40 bps, as forecast. The relatively long maturity of 14 years may have played a role. The **EU** raised more than EUR 4bn through auctions. **IDA** concluded this week's primary market activity.

**Outlook:** There is likely to be a need for primary transactions from the states in the near future.

€ SSAs issues week of 23 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	Bpifrance Financement	Aa2 /- /AA-	1,250 Mrd.		27.09.2027	FRTRs +39 bp	✓	23.10.2023	2,900 Mrd.	FRTRs + 41 area
3,125%	EU	Aaa /AAA/AAA	2,203 Mrd.	✓	04.12.2030	Auction		23.10.2023	2,696 Mrd.	Auction
3,375%	EU	Aaa /AAA/AAA	2,257 Mrd.		04.10.2038	Auction		23.10.2023	2,468 Mrd.	Auction
4,000%	Ville de Paris	- /AA/AA-	0,295 Mrd.		02.11.2037	FRTRs + 40 bp		24.10.2023	0,450 Mrd.	FRTRs + 40 area
3,375%	NRW	Aa1 /AA/AAA	1,000 Mrd.		31.10.2028	ms +0 Bp		24.10.2023	3,700 Mrd.	ms + 2 area
3,800%	International Development Association	Aaa /AAA/-	0,550 Mrd.		3/11/2053	ms +74 Bp		24.10.2023	not disclosed	ms + 74 bp

Sources: Bloomberg, Helaba DCM



## Covered Bonds

The covered primary market remained quiet on Monday. Metaphorically speaking, it is also getting quieter in terms of issuance volume this year: So far this year, transaction volumes in the European primary covered bond market have fallen below the comparable figure for 2022 for the first time. After an unprecedented first half of the year, in which issuers did all they could to take advantage of comparatively favourable conditions and the ECB as a buyer, the tide turned in the second half. In the absence of central bank support, significantly wider spreads and exhausted investor capacity, the slowdown in the prime market is not surprising.

On Tuesday, **Helaba** successfully issued a public Pfandbrief with a maturity of 3.8 years and a volume of EUR 750 million. The final spread tightened by 3 bps to MS+ 15 bps and corresponded to a new issue premium of 5 bps. This brings the total volume of Public Pfandbriefe for the month to EUR 2.45 bn, with 16 issues in this format totaling EUR 9.2 bn so far this year. On the same day, **Spare Bank 1 Boligkreditt** followed with a 4.75 year covered. The final spread was tightened by 4bp to MS+36bp on 1.6x oversubscription. The issuer, we are told, would have liked to place a longer tenor, but in the end a "safe route" was chosen to meet investor demand.

*"Quo vadis spreads? This is the question that continues to drive all players, primary and secondary. It can be said that the trend towards wider spreads is still intact. At the same time, the interactions between primary transactions and the day-to-day business of the secondary markets are mutually reinforcing. There is more coming out of the secondary than going to clients on the other side. This keeps spreads under pressure. This in turn leads to higher premium demands for new issues and repricing in the secondary market. "*

*Comment from the Helaba trading floor*

According to our trading, there is not enough demand in the secondary market to reverse the current trend in the long term. In the aftermath of the primary deals that were hailed as "icebreakers", the supposed mood of optimism is fading in the face of the poor subsequent performance of almost all bonds.

The Belgian BNP Fortis issue last Friday is a good example. It should also be noted that in the course of the new issue offer, clients are increasingly selling secondaries with similar maturities and jurisdictions, presumably in order to collect the new issue premiums offered. The lack of new demand is becoming apparent and is therefore at odds with what the order books suggest.

**Outlook:** The environment remains one of uncertainty. At least this week's successful issues have shown that the primary market is receptive. Nevertheless, supply is likely to gradually decline in the coming weeks.

€ Covered Bond issues week of 23 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	Helaba	Aaa /-/AAA	0,750 Mrd.		31.08.2027	ms +15 Bp		24.10.2023	0,952 Mrd.	ms + 18 area
3,625%	SpareBank 1 Boligkreditt	Aaa /-/	1,000 Mrd.		31.07.2028	ms +36 Bp		24.10.2023	1,500 Mrd.	ms + 40 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

As expected, activity in the primary market for senior unsecured bank bonds is low this week. This is due to the ongoing bank reporting season and the associated blackout period. The three transactions that have taken place so far this week have all gone fairly smoothly, with Portuguese savings bank **Banco Montepio** managing to fill the order book well despite its weak rating, albeit in sub-benchmark volumes and at a very attractive yield of just under 10% on a three-year tenor.

The issuance of a non-preferred bond by **DNB Bank** and a preferred bond by **Nationwide Building Society** were very successful - both were almost three times oversubscribed. DNB Bank's issue has a 6-year maturity and carries the green label, while Nationwide opted for a 3-year maturity.

This week marks the peak of the **quarterly reporting season for banks**. As expected, the focus is on net interest income, credit quality and share buybacks. **Deutsche Bank**, for example, made headlines with its announcement that it would return up to EUR 3 billion of capital to its shareholders. Overall, the sector continues to enjoy rising net interest income with problem loan ratios remaining low. However, it is becoming increasingly clear that net interest income will soon stabilise at a normalised level and will not increase further. **Swedbank** spooked investors today with the prospect of a "to level off" in net interest income. At French sector leader **BNP Paribas**, by contrast, it was weak fixed income revenues that disappointed today.

The quarterly reporting season for European banks continues next week. The focus is likely to remain on the outlook for interest income and problem loan ratios. Competition for customer deposits is intensifying and banks are under increasing pressure to pass on higher interest rates to customers (the so-called deposit beta). In addition, inflation, higher interest rates and the difficult economic environment are weighing on the outlook for new lending. Overall, however, banks continue to earn high interest income in the current interest rate environment and

„Investor flows remain below average. Overall, they are becoming more balanced after last week's large majority on the money side. Real money is still on the move on both sides. However, only a few asset managers and insurance companies are currently buying mid/long maturities. These requests are being aggressively serviced by dealers to reduce inventory and therefore risk with an eye to further new issuance and the end of the year. “

*Comment from the Helaba trading floor*

have good balance sheet quality. Risk buffers in the form of loan loss provisions and core capital are high, and share buybacks are even continuing.

**Outlook:** As the reporting season progresses, the **blackout periods are gradually coming to an end**, allowing issuers to return to the primary market. The market environment in this segment appears receptive. However, the houses have issued significant amounts so far this year and have already achieved a high level of pre-funding.

#### € Senior Preferred issues week of 23 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
10,000%	Caixa Económica Montepio Geral, caixa económica bancária, S.A.	B1 -/B+	0,200 Mrd.		30.10.2026	ms +620 Bp		23.10.2023	0,240 Mrd.	10.000% area
4,500%	Nationwide Building Society	A1 /A+/A+	1,250 Mrd.		01.11.2026	ms +100 Bp		25.10.2023	3,600 Mrd.	ms + 125 area

Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 23 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%	DNB Bank ASA	A2 /A/-	0,750 Mrd.		01.11.2029	ms +130 Bp	✓	24.10.2023	2,200 Mrd.	ms + 155 area

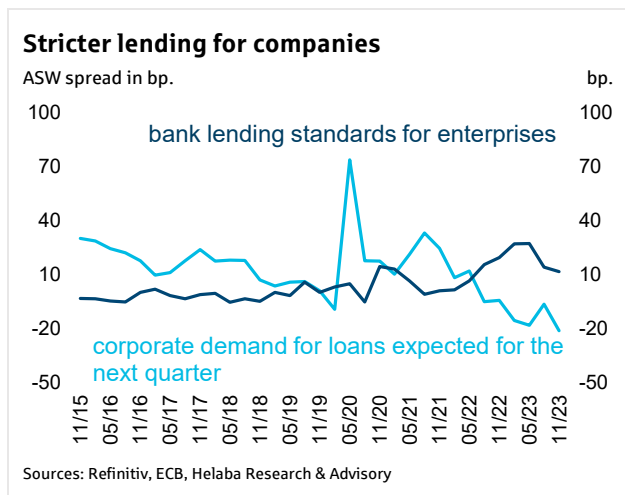
Sources: Bloomberg, Helaba DCM

#### Reporting dates of selected banks

Issuer	Date	Issuer	Date
UNICREDIT SPA	10/24	CREDIT SUISSE GROUP AG-REG	10/26
BARCLAYS PLC	10/24	BNP PARIBAS	10/26
UNICREDIT BANK AG	10/25	STANDARD CHARTERED PLC	10/26
OP CORPORATE BANK PLC	10/25	SPAREBANKEN MORE-CAP CERT	10/26
LLOYDS BANKING GROUP PLC	10/25	SPAREBANK 1SR BANK ASA	10/26
BANCO SANTANDER SA	10/25	SPAREBANKEN SOR	10/26
DEUTSCHE BANK AG-REGISTERED	10/25	SWEDBANK AB - A SHARES	10/26
SPAREBANKEN VEST	10/25	DANSKE BANK A/S	10/27
SKANDINAVISKA ENSKILDA BAN-A	10/25	NATWEST GROUP PLC	10/27

Sources: Bloomberg, Helaba Research & Advisory

## Chart of the Week



According to the **Bank Lending Survey** published by the ECB on Tuesday, the institutions continued to tighten their corporate lending standards in the third quarter of 2023 (net share of banks at 12%, after 14% in the second quarter of 2023). Since 2022, banks' lending prudence has thus increased significantly, which is in line with the noticeable slowdown in lending momentum, according to the ECB. The share of banks reporting a tightening however declined slightly compared to the previous quarter, but remained above the historical average of 9% for the sixth quarter in a row. The net tightening of credit standards was slightly higher for loans to SMEs (net share of 14%, after 17%) than for loans to large corporates (12%, after 13%). Moreover, the tightening was stronger for long-term loans (14%, after 15%) than for short-term loans (9%,

after 10%).

At the same time, net corporate credit demand in the euro area continued to decline significantly in the third quarter of 2023 (net percentage of -36%, down from -42% in the second quarter of 2023), with the net percentage of banks only slightly above the all-time low of the previous quarter. As in the previous quarters, the decline was significantly stronger than expected by the banks.



## Short news

**10/23 New regulation to promote sustainable finance:** The [European Council](#) adopted a regulation creating a European green bond standard. The regulation lays down uniform requirements for issuers of bonds that wish to use the designation 'European green bond' or 'EuGB' for their environmentally sustainable bonds. The new standard will foster consistency and comparability in the green bond market, benefitting both issuers and investors of green bonds.

**10/23 Eurozone lenders and borrowers shun credit as rates climb:** Eurozone banks further curbed access to credit in the third quarter even as demand from households and companies fell more than expected amid high borrowing costs and a deteriorating economic outlook, the European Central Bank's [Bank Lending Survey](#) showed. Banks expect a further, albeit less pronounced, decline in demand for all types of loans in the fourth quarter, Reuters adds.

**10/23 Single Supervisory Mechanism: where do we stand after 10 years?:** Alessandra Perrazzelli, Deputy Governor of the Bank of Italy, outlined the main future achievements and challenges in the field of banking supervision. "Three concepts must remain our guiding stars: a rigorous approach, cooperation, and openness to innovation," she says in a [speech](#) published by the Bank for International Settlements (BIS).

**10/23 Credit Suisse: Resolution could have worked:** The Credit Suisse resolution measures could have worked, but more needs to be done to improve regulation and supervision. This is the conclusion of the reports of the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB) regarding the takeover of Credit Suisse. The [Swiss Bankers Association](#) (SBA) remains in favor of targeted and effective adaptations of the prudential framework.

**10/23 The role of banks in biodiversity conservation:** Besides climate change, the preservation of biodiversity is one of the central challenges of our time. This [paper](#) by the Association of German Banks (BdB) reflects on the link between biodiversity and the banking sector, especially considering the foundational role the latter could play in financing sustainable transformation.

**10/20 Global Covered Bond Insights Q4 2023:** Housing market weathering correction: According to [S&P Global Ratings](#), rising interest rates have triggered a prolonged correction in European real estate markets. Although demand is slowing and prices are falling, asset quality remains well supported by stable employment and high savings rates during the pandemic. However, European GDP growth is slowing and labour markets are weakening. In addition, the impact of tighter monetary policy on European household budgets is lagging significantly. S&P Global expects house prices to remain under pressure until 2025. The report examines the impact of the housing correction on covered bond performance.

**10/20 The art and science of good supervision:** "Non-banks' market share is rising," says [European Central Bank](#) Supervisory Board member Elizabeth McCaul. Risk linked to leverage, counterparty credit and liquidity mismatches all deserve our attention.

**10/19 Banking turmoil to shape sector monitoring in 2024:** EU banking regulators have set specific objectives for their 2024 checks on lenders to reflect lessons from global banking turmoil earlier this year, the [European Banking Authority](#) (EBA) says. According to [Reuters](#), this includes asking for specific checks on liquidity and funding risks at banks, the impact of higher interest rates on their business models, and how they can recover from shocks and maintain resilience.

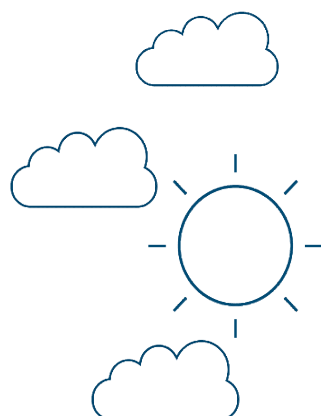
**10/19 Priorities for prudential supervisors for 2024:** The European Banking Authority (EBA) published the European Supervisory Examination Programme (ESEP) for 2024, which identifies key topics for heightened supervisory attention across the European Union.

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

E-STOXX 600 Banks	153	-4,36%	-3,94%	iBoxx € Cov. Germany	16,6	0,4	3,2	iTraxx Senior Financial	100,2	1,6	6,9
10Yr-Yield	2,89	-0,03	0,06	iBoxx € Cov. Bonds	29,4	0,4	3,2	iBoxx € Supranational	21,9	-0,1	3,3
Swap 10J	3,44	-0,04	0,06	iBoxx € Banks PS	90,1	1,9	12,4	iBoxx € Agencies	6,9	-0,1	1,5
iBoxx € Germany	-39,88	0,61	0,08	iBoxx Banks NPS	119,7	-0,3	11,0	iBoxx € Sub-Sov. Germany	12,7	-0,1	1,6
iBoxx € EU	28,45	0,19	3,23	iBoxx Banks Subordinated	208,9	1,8	13,7	iBoxx € Sub-Sovereign	29,4	0,2	3,6

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

**Leisure tip for the weekend: German toy museum, Sonneberg**



Look, marvel, play - immerse yourself in a new world of imagination!

There are 5,000 toys waiting to be discovered at the German Toy Museum in Sonneberg. The oldest toy collection in Germany shows toys from their beginnings to the present day.

The exhibition of rare and remarkable exhibits in the historic museum building takes you on a journey through the cultural history of toys.

Find out more: [German toy museum](https://www.thueringen.info/deutsches-spielzeugmuseum.html)

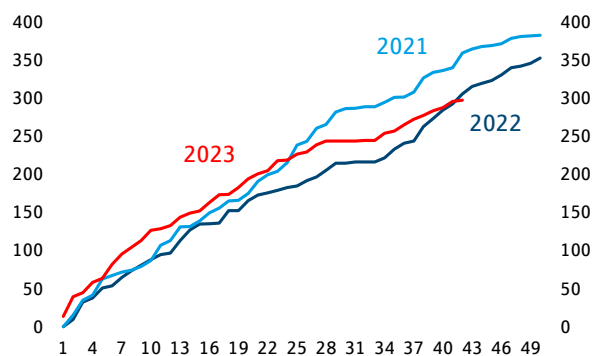
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://www.thueringen.info/deutsches-spielzeugmuseum.html>

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

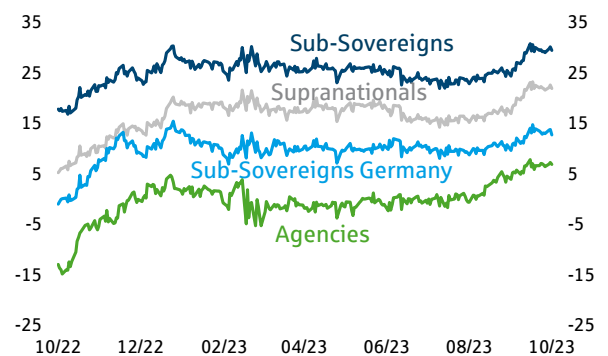
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

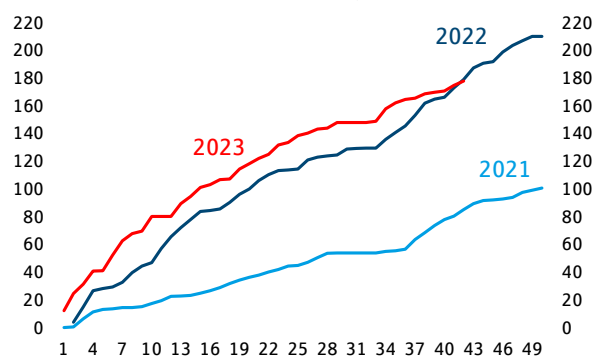
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Primary volumes

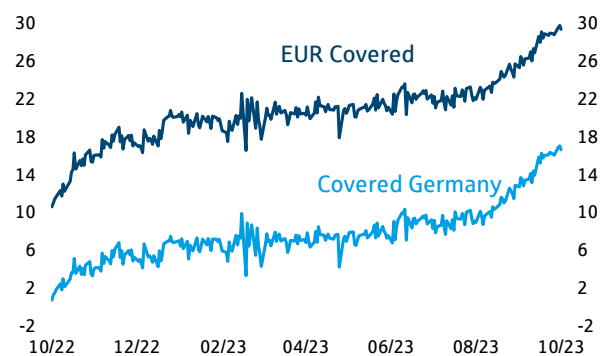
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

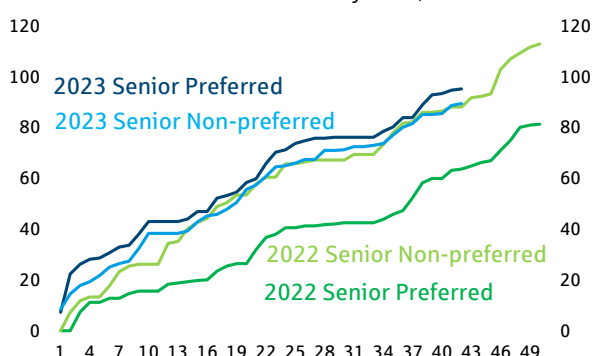
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

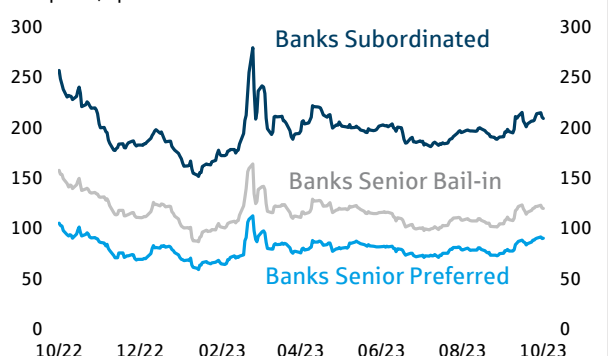
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



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- **Focus on Credit: Corporate Schuldschein: Prejudices are out of place"**
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- **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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