

Focus on: SSAs & Financials

23 November 2023



Weekly Market Update



Primary market environment: Right-wing populists led by Geert Wilders win elections in the Netherlands and the US celebrates Thanksgiving. The ECB's Nagel speaks of persistent risk factors that could trigger a surge in inflation. Primary markets remain receptive. However, as we approach the end of the year, activity is becoming increasingly subdued.

Primary market barometer

SSAs



The SSA segment was dominated by gains this week. Bpifrance led the way with its July 2031 bond. Development banks IB Berlin and Sächsische Aufbaubank also had no trouble filling their order books.

Covered Bonds



The covered bond segment was constructive again this week, although issuance was lower than the previous week. As the end of the year approaches, we expect activity to gradually decline.

Senior Unsecured

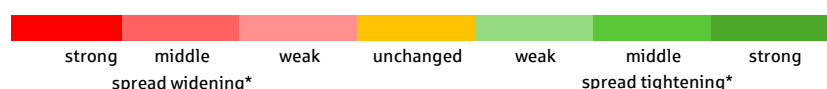


In the senior unsecured segment, both senior preferred and senior non-preferred transactions have been seen so far this week. The priced bonds in this segment had strong order books. The good level of activity could continue into next week before slowing down as the end of the year approaches.

Risk trend indicator (heat map): Mixed picture

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,06	-0,04	0,40	0,78	1,67	1,32
European Union	-0,03	-0,01	0,21	0,82	1,35	2,76
Germany Covered	-0,02	0,12	0,39	1,39	2,16	2,81
EU Covered	-0,01	0,06	0,20	0,83	1,47	2,56
Banks senior preferred	-0,03	-0,01	-0,13	0,28	-0,11	2,05
Banks senior bail-in (SNP)	-0,02	0,04	-0,22	0,13	-0,67	1,62
Banks subordinated	-0,03	-0,04	-0,34	-0,07	-0,48	1,99
Supranational	-0,03	0,03	0,23	0,82	1,43	2,64
Agencies	-0,04	0,05	0,27	0,99	1,65	1,84
Sub-Sovereigns Germany	-0,01	0,07	0,18	0,43	0,66	-0,01
Sub-Sovereigns	-0,03	0,03	0,24	0,78	0,99	1,26



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

Our heat map shows a mixed picture. For the most part, the improvement in sentiment seen in the previous week did not continue throughout the week. In the case of bank bonds, however, the recent positive trend has continued.



SSAs

The SSA primary market was quiet on Monday. **IB Berlin** kicked things off on Tuesday with the tap of its March 2033 bond (500 million, WNG). With investor demand totalling EUR 1.35bn, the issue went through without a hitch. The attractive pricing (MS + 15bp) should have contributed to this. On Wednesday, **Bpifrance** took the opportunity to tap its July 2031 issue by EUR 630m. The final spread of FRTR +38bp could not be tightened versus the marketing. **Sächsische Aufbaubank** (EUR 250m, WNG, 5 years), another development bank, followed today.

Outlook: There are likely to be a few more projects in the pipeline. However, given the recent developments in the primary market, we no longer expect a significant pick-up in the primary market before the end of the year.

€ SSAs issues week of 20 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	Investitionsbank Berlin	-/-/AAA	0,500bn	✓	01.03.2033	ms +15 bps		21.11.2023	1,580bn	ms + 17 area
0,625%	Bpifrance Financement	Aa2 -/-/AA-	0,630bn	✓	22.07.2031	FRTR + 38 Bp.		22.11.2023	0,640bn	FRTR +38 bp
3,125%	Sächsische Aufbaubank - Förderbank	-/AAA/-	0,250bn		01.12.2028	ms +8 bps		23.11.2023	0,350bn	ms + 9 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Although issuance in the EUR primary market was not quite as strong as last week, it can still be described as a constructive market. Nationwide Building Society successfully opened the primary market for covered bonds this week. The EUR 1bn 5 year covered bond was priced at MS + 41bp, 4bp tighter than the target. Nationwide was also active in the eurozone in March this year with a EUR 1bn placement (MS + 24bp). In the two previous years it had issued 'only' EUR 500m each time. On Tuesday, Wüstenrot Bausparkasse (EUR 500m, WNG, 5 years) issued its first green covered bond. The final pricing of MS + 32bp was in line with the target. The order book included 45 high quality investors. The Italian BPER Banca (EUR 750m, 5 years, Fxd-to-FRN) attracted total demand of over EUR 1.5bn. The final spread was tightened by 5bp to MS + 75bp versus the marketing.

"Some recent "big picture" observations: Increasing economic concerns in several key world regions, sharply declining oil prices, falling medium-term inflation expectations (ref. 5y5y inflation swaps) and extreme rate cut expectations for the EUR area in 2024 (Dec24 strip at peak 100 bps) characterise the current situation. This is likely to have contributed to an increased secondary bid in longer maturities. In contrast, liquidity is very low due to the duration aversion that has prevailed since the beginning of the year and the lack of long new issues, especially securities with tradable coupons."

Comment from the Helaba trading floor

For regulatory reasons, only bank treasuries are currently a reasonably reliable source of secondary market demand. Spreads remain elevated. The path for new issues, exclusively in the short to medium term, remains bumpy. Last week's core issues recorded a respectable secondary performance of up to 3 bps. The performance of Italian covered bonds, which certainly benefited from the favourable ratings of the Italian government, is encouraging.

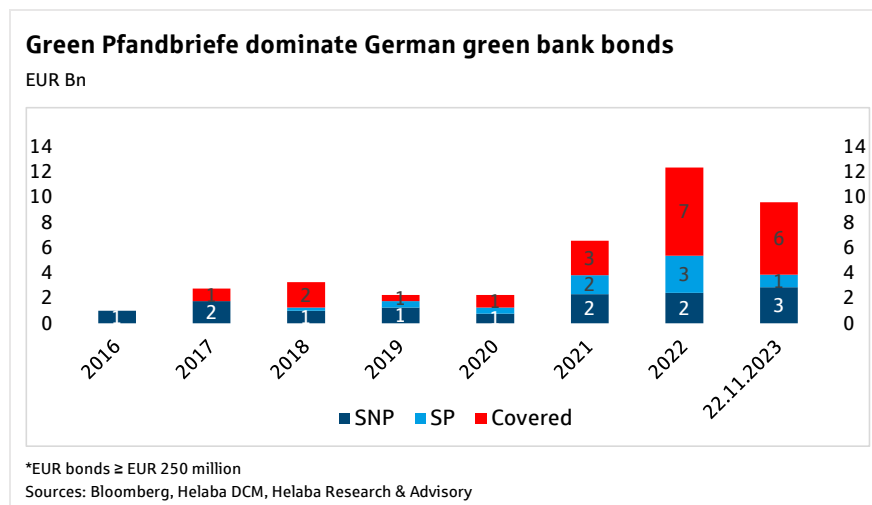
Outlook: The remaining issuance window for the year, and therefore the primary supply, is getting smaller and smaller. We expect the books to be closed by 13 December. Until then, there may still be opportunities for pre-funding.

€ Covered Bond issues week of 20 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	Nationwide Building Society	-/AAA/AAA	1,000bn		27.11.2028	ms +41 bps		20.11.2023	1,750bn	ms + 45 area
3,375%	Wüstenrot Bausparkasse AG	-/AAA/-	0,500bn		28.11.2028	ms +32 bps	✓	21.11.2023	0,435bn	ms + 32 area
3,750%	BPER Banca S.p.A.	Aa3 -/-	0,750bn		22.10.2028	ms +75 bps		21.11.2023	1,600bn	ms + 80 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

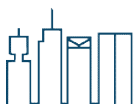


"Green Pfandbriefe are very popular with German banks. At EUR 6.75 bn and EUR 5.75 bn in 2022 and 2023, the volume of green Pfandbriefe even significantly exceeds the sum of green senior preferred and senior non-preferred securities. This development stands in contrast to the European comparison: For European banks as a whole (including German banks), green senior non-preferred bonds dominated in the last two years with around EUR 23 bn in each case, while green senior pre-

ferred bonds were roughly equal at EUR 15 bn (2022: EUR 16 bn) and green covered bonds at EUR 14 bn (2022: EUR 16 bn).

German Pfandbrief banks were among the pioneers of green securities in the banking sector and this image has been reinforced to this day. As early as 2015, Berlin Hyp was the first to issue a green Pfandbrief (later also in the senior unsecured segment), while Münchener Hyp even placed the first ESG Pfandbrief in 2014.

It is not entirely impossible that the establishment of the vdp member institutions' own minimum standards for green Pfandbriefe in 2019 in particular (for details, see our 2019 study, Chapter 2 [covered-bonds-special-20191008-data.pdf \(helaba.de\)](#)) has given the market a boost that is only now becoming visible due to the long preparation time usually required for issues.



Senior Unsecured

In the senior unsecured segment, both senior preferred and senior non-preferred tranches have been seen so far this week. They were well received by market participants. A total of EUR 5.3bn was raised in 8 benchmark transactions. Investor interest was extremely high, as evidenced by the fact that the order book was more than three times larger than the benchmark. Both capital market heavyweights and second-tier names were represented. Maturities of the new issues ranged from 3 to 10 years. Spread tightening was relatively high compared to initial indications and investors also enjoyed relatively high spread tightening following the transactions.

„Despite the current positive sentiment and renewed risk-on mode, investor flows are merely balanced. Real money accounts and ETF funds are acting as buyers and sellers, the latter on a larger scale. The good performance of new issues in recent weeks is tempting investors to take profits while trying to prepare for the wave of new issues in January. Shorter-dated bonds were also sold, in some cases in exchange for longer-dated bonds from the same issuer.“

Comment from the Helaba trading floor

Outlook: The market environment in this segment remains very constructive. The good level of activity could continue next week, before slowing down as the end of the year approaches. Pre-funding transactions may once again play a greater role..

€ Senior Preferred issues week of 20 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,875%	Eurobank S.A.	Ba1 /BB-/BB	0,500bn		28.11.2029	ms +280 bps		21.11.2023	1,400bn	6,500% area
4,375%	CaixaBank, S.A.	Baa1 /A-/A-	1,000bn		29.11.2033	ms +145 bps		21.11.2023	3,000bn	ms + 170/175 area
3,875%	China Construction Bank	A1 /-/	0,300bn		30.11.2026	ms +75 bps	✓	22.11.2023	not disclosed	ms + 90 area
4,125%	Crédit Mutuel Arkéa	Aa3 /-/AA-	0,750bn		01.02.2034	ms +120 bps		22.11.2023	1,700bn	ms + 145 area
4,625%	Banco BPM S.p.A.	Baa2 /BBB-/BBB-	0,500bn		29.11.2027	ms +155 bps	✓	22.11.2023	1,900bn	ms + 190 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 20 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,375%	Credit Agricole SA	A3 /A-/A+	1,250bn		27.11.2033	ms +135 bps	✓	20.11.2023	5,700bn	ms + 165/170 bp
3m€ +60 Bp	LBBW	A2 /-/A-	0,500bn		28.11.2025	ms +60 bps	✓	21.11.2023	1,100bn	3m€ +90 area
4,250%	KBC Group N.V.	Baa1 /A-/A	0,500bn		28.11.2029	ms +130 bps		21.11.2023	0,850bn	ms + 155 area

Sources: Bloomberg, Helaba DCM



Short news

11/23 Fitch Ratings - APAC 3Q23 Covered Bond Issuance Volume Falls amid Volatile Housing Market. Residential property sentiments in the four APAC economies with covered bond programmes rated by Fitch Ratings – Australia, New Zealand, Singapore and South Korea – have been volatile on inflationary pressure and interest rate hikes, with issuance dropping amid varied performance among the markets. Fitch believes the housing market is likely to rebound in the next few quarters from the recent trough in 2022, although the pace may be mixed for the four economies.

11/22 Moody's upgrades several Portuguese covered bonds. Moody's upgrades several Portuguese covered bonds. The rating actions for the Portuguese covered bond programmes follow Moody's raising of the country ceiling for local currency bonds issued by the Portuguese government from Aa2 to Aaa, which in turn follows Moody's upgrade of the Portuguese government's sovereign rating to A3 with a stable outlook from Baa2 on 17 November 2023 and the upgrade of the counterparty risk (CR) ratings of all six covered bond issuers. This means that the ratings of the Portuguese covered bonds are no longer constrained by the sovereign limit. Moody's has also lowered the refinancing margins for all Portuguese covered bonds.

11/21 New Covered Bond Label member: The Covered Bond Label Foundation (CBLF) is pleased to announce the addition of Finland's S-Bank to the community of covered bond issuers, which now includes 137 issuers and 176 cover pools in 24 countries.

11/21 EU to exempt banks from new green rules: A new push from member countries to exempt financial institutions from proposed EU rules on Corporate Sustainability Due Diligence risks further complicating already thorny negotiations. A potential compromise could see banks and insurers covered, while asset managers would be left out of the rules, **POLITICO** reports.

11/20 Net Zero Industry Act: boosting clean technologies in Europe: Europe is lagging behind in the deployment of clean energy technologies but a new EU initiative called **the Net Zero Industry Act** aims to improve the situation, according to the European Commission (EC). The act puts forward measures aimed at ensuring that by 2030 the EU is able to produce at least 40% of its own needs for green technologies.

11/17 Fitch Ratings: Spain's shift to Soft-Bullet Covered Bonds is an Long-Term-Positive. According to Fitch Ratings, will the transition of the Spanish mortgage Covered Bonds market to soft bullet maturities continue and could eventually drive rating upgrades if the bulk of a programme's outstanding bonds are soft bullet.

11/17 Final templates to collect climate-related data from EU banks: The European Banking Authority (EBA) published the **final templates** that will be used to collect climate-related data from EU banks in the context of the one-off Fit-for-55 climate risk scenario analysis.

11/17 Single market watchdog in push for European capital union: Europe needs a capital markets union, including a single supervisor and trading infrastructure, to finance its digitalization and green transition, European Central Bank (ECB) President Christine Lagarde said. Lagarde said neither heavily indebted governments nor banks can come up with the money needed to make the European Union more productive and independent in an increasingly fragmented world, [Reuters](#) reports.

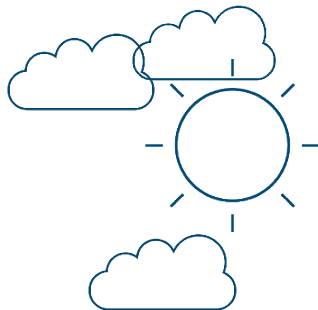
11/16 Digital fraud and banking: Financial stability implications: The Basel Committee of the Bank for International Settlements (BIS) issued a [discussion paper on digital fraud](#) and banking. The paper provides a high-level assessment of the supervisory and financial stability implications of digital fraud for the banking system. Its goal is to elicit feedback from a broad range of interested stakeholders.

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

E-STOXX 600 Banks	161	0,00%	4,72%	iBoxx € Cov. Germany	19,9	1,9	3,3	iTraxx Senior Financial	78,9	-2,5	-21,3
10Yr-Yield	2,56	-0,07	-0,32	iBoxx € Cov. Bonds	31,9	1,7	2,5	iBoxx € Supranational	24,6	1,4	2,8
Swap 10J	3,04	-0,08	-0,40	iBoxx € Banks PS	86,5	0,7	-3,6	iBoxx € Agencies	9,5	1,8	2,6
iBoxx € Germany	-34,56	-0,30	5,32	iBoxx Banks NPS	112,8	2,4	-6,9	iBoxx € Sub-Sov. Germany	16,2	2,2	3,5
iBoxx € EU	31,17	0,95	2,73	iBoxx Banks Subordinated	193,7	0,2	-15,2	iBoxx € Sub-Sovereign	32,3	1,4	2,9

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

Leisure tip for the weekend: Plästerlegge (NRW) A waterfall in waterfall



The waterfall can only be reached on foot. A wooden sign in the village of Wasserfall points the way to Plästerlegge. From there it is a 20 minute walk. The path to the waterfall is not suitable for prams.

There is a bench below the waterfall where you can take a break. There are also information boards about the flora in the Plästerlegge nature reserve. Plästerlegge is a nature reserve.

Find out more: [Plästerlegge](#)

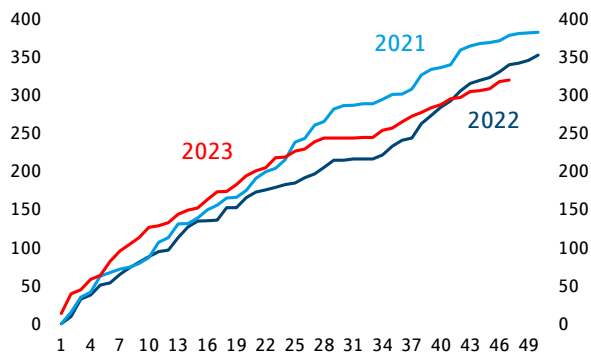
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

Source: <https://sauerland.com/en/outdooractive-pois/plaesterlegge-a-waterfall-in-waterfall>

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

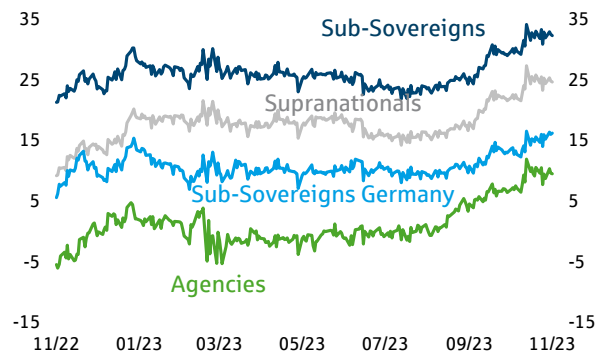
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

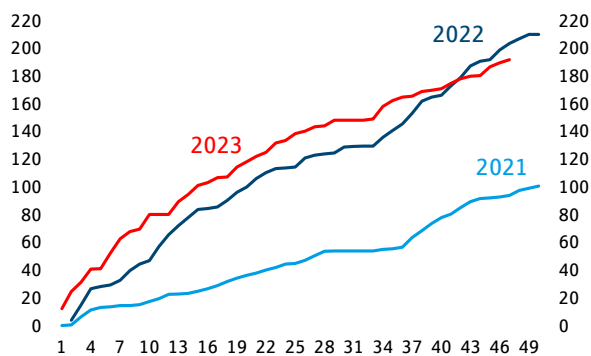
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

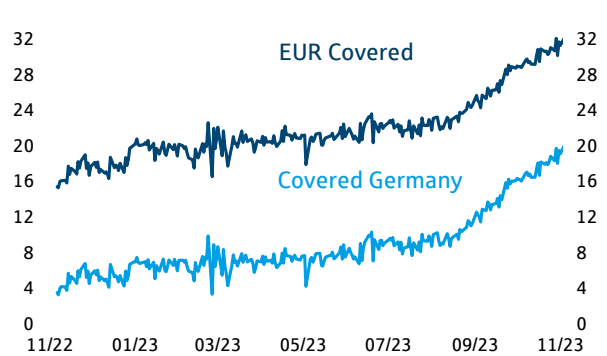
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

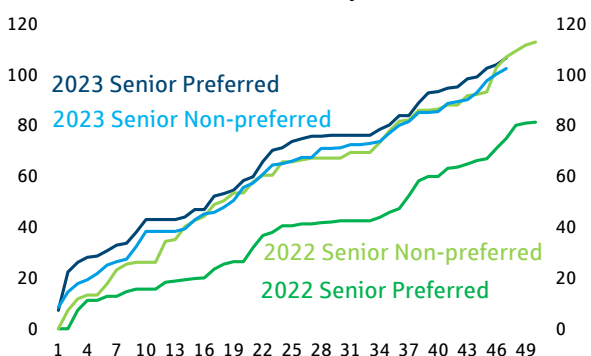
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

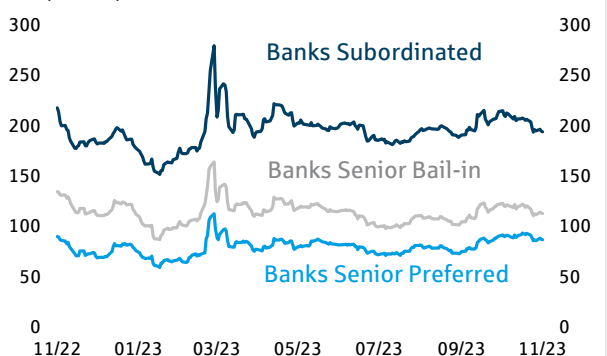
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



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