

# Focus on: SSAs & Financials

## 29 February 2024



## Weekly Market Update



**Primary market environment:** The DAX remains at record levels. ECB President Christine Lagarde expects inflation in the eurozone to continue to fall. The Fed's Bostic and Williams believe that inflation has not yet reached its target. The primary market environment remains constructive and we believe that issuance should continue at least until the Easter holidays.

### Primary market barometer

#### SSAs



In a rather subdued week overall, all new issues in the SSA segment reached their target volumes. However, the EIB clearly stood out with an order book of EUR 32bn. We are more optimistic for this week. Among other things, EU auctions are on the agenda.

#### Covered Bonds



The primary market for covered bonds has had some success recently. The highlight of the week was undoubtedly the 5-year issue from UBS. The Swiss company's bond impressed with an order book of EUR 7.4bn. However, demand for the week's other issues was also very strong.

#### Senior Unsecured

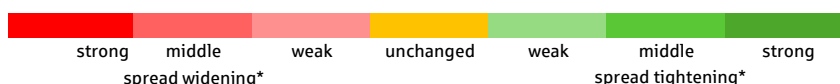


Senior Preferred issuance was up on the previous week. Lloyds Banking Group saw the strongest demand with the order book oversubscribed six times. Overall, spreads continued their rally and tightened again. The primary market remains receptive.

### 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                    | 0,02  | 0,13   | 0,49   | 1,01     | 1,74     | 3,68      |
| European Union             | 0,00  | 0,05   | 0,23   | 0,44     | 0,99     | 3,29      |
| Germany Covered            | -0,03 | -0,03  | 0,43   | 0,98     | 2,69     | 3,38      |
| EU Covered                 | -0,03 | -0,03  | 0,08   | 0,36     | 1,79     | 3,14      |
| Banks senior preferred     | 0,02  | -0,17  | 0,04   | -0,20    | 0,44     | 0,92      |
| Banks senior bail-in (SNP) | 0,05  | -0,10  | -0,07  | -0,29    | -0,15    | 0,45      |
| Banks subordinated         | 0,01  | -0,22  | -0,04  | -0,50    | -0,33    | 0,03      |
| Supranational              | 0,00  | 0,05   | 0,21   | 0,46     | 1,15     | 3,16      |
| Agencies                   | 0,00  | 0,07   | 0,24   | 0,60     | 1,89     | 3,46      |
| Sub-Sovereigns Germany     | 0,00  | 0,03   | 0,10   | 0,32     | 0,93     | 0,55      |
| Sub-Sovereigns             | 0,00  | 0,03   | 0,14   | 0,35     | 1,15     | 1,80      |



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

The slight improvement in sentiment shown recently in our heat map has already passed. Only covered bonds have seen a moderate improvement in the short term.



## SSAs

The general sentiment in the SSA sector is broadly positive, although the large wave of supply has lost momentum since the beginning of the year. Spreads at least seem to have bottomed out for the time being. Although the selling pressure on the secondary curves has eased, there is still a lack of follow-on buying that could lead to further performance.

The SSA primary market is often quiet at the start of the week. This Monday was no exception. **EIB** kicked things off on Tuesday with its third issue of the year. EUR 5bn was easily placed with an outstanding order book of EUR 32bn. The spread eventually tightened by 2bp to MS +5bp. EUR 6bn and EUR 3bn had already been placed on 9 and 30 January respectively. The EIB estimates its total issuance for the year at EUR 60bn. In December, the EIB's Board of Directors approved a borrowing authorisation of up to EUR 65bn to provide a degree of flexibility. Bond redemption in 2024 is estimated at EUR 62bn. In 2023, the EIB raised EUR 49.8bn, while repayments totalled EUR 60.4bn. The Land of **Schleswig-Holstein** successfully issued a EUR 1bn 7-year bond from an order book of EUR 1.15bn. The new issue premium was low at just 1 bp. The **State of Hesse** (EUR 1bn, 15 years) successfully completed this week's issuance today with the order book oversubscribed twice.

**Outlook:** The outlook for next week is optimistic, not only for a further stabilisation of secondary market spreads. We also expect more participants in the primary market. The next EU auction is scheduled for 4 March. The market expects maturities to increase by up to EUR 3 bn in 2028 and up to EUR 2 bn in 2038. The Auckland Council has already mandated a 10-year social benchmark and other states are likely to follow..

€ SSAs issues week of 26 February 2024

| Coupon | Issuer             | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|--------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 2,750% | EIB                | Aaa /AAA/AAA     | 5,000bn  |     | 17.07.2029 | ms +5 bps                   |     | 27.02.2024 | 32,000bn  | ms +7 area            |
| 2,875% | Schleswig-Holstein | - /-/AAA         | 1,000bn  |     | 06.03.2031 | ms +13 bps                  |     | 28.02.2024 | 1,150bn   | ms + 13 area          |
| 3,125% | Hessen             | - /AA+/-         | 1,000bn  |     | 10.03.2039 | ms +36 bps                  |     | 29.02.2024 | 2,100bn   | ms + 38 area          |

Sources: Bloomberg, Helaba DCM



## Covered Bonds

The debut issue of the UK's TSB Bank (EUR 500m, 5 years, WNG), mandated last week, was successfully printed on Monday with a bookbuilding of over EUR 3.4bn. The spread narrowed by 8 bps to MS +52 bps compared to the marketing. This example alone shows the bullish sentiment in the market at the moment. Many are looking to take advantage of the current high spreads. The highlight of the week was undoubtedly **UBS's** first EUR covered bond issue. With a bookbuilding of EUR 7.4bn, the issue set an impressive benchmark, breaking the annual order book record set the previous week by Portugal's Novo Banco. The spread on the five-year bond, which had been set in the low MS +60s during marketing and was certainly an eye-catcher, tightened to MS +48bp. The success of this transaction is all the more remarkable given that it is a "structured" issue and the covered bond does not qualify as HQLA nor can it be deposited as collateral with the ECB. Not surprisingly, asset managers were the largest investor group at 59%. In terms of geographical distribution, investors from Germany (26%) were ahead of investors from the UK/Ireland (20%). The **Iccrea Banca** covered bond (EUR 500m, 8 years, WNG) also saw very strong demand from almost 140 investors totalling EUR 5.1bn, with a good mix of bank treasuries, asset managers and fast money accounts. On Wednesday, **DZ Hyp** (EUR 500m, 10 years, WNG) also had no problems filling its order book. With a bookbuilding of over EUR 2.3bn, the spread tightened by 6bp to MS +41bp vs. guidance.

**Outlook:** The mood in the primary market remains very constructive and we expect more issuers to take advantage of the opportunities available.

„The two transactions of UBS Switzerland 5y (reofferspread +48) and the Italian Iccrea Banca 8y (reoffer-spread +80) are exemplary for the current situation. Both issues were historically heavily oversubscribed in the bookbuild (factor 7 and 10 respectively). Even if the "order book inflation" typical of constructive sentiment is factored out, the underlying bid for non-core bonds is very high. This can be seen from the strong follow-on performance of almost all bonds that have been issued from this region recently. In the case of UBS, the premium is 6 bp. The same can be said for TSB Ltd. 5Y, Novo Banco 3Y, Iccrea Banca 8Y, Banco BPI 6Y and others, and similarly for the bulk of French and Dutch bonds".

*Comment from the Helaba trading floor*

#### € Covered Bond issues week of 26 February 2024

| Coupon | Issuer              | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|---------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 3,319% | TSB Bank            | Aaa /-/-         | 0,500bn  |     | 05.03.2029 | ms +52 bps                  |     | 26.02.2024 | 3,400bn   | ms + 60 area          |
| 3,500% | Iccrea Banca S.p.A. | Aa3 /-/-         | 0,500bn  |     | 04.03.2032 | ms +80 bps                  |     | 27.02.2024 | 5,100bn   | ms +92 area           |
| 3,304% | UBS Switzerland     | - /-/AAA         | 1,000bn  |     | 05.03.2029 | ms +48 bps                  |     | 27.02.2024 | 7,500bn   | low 60 area           |
| 3,125% | DZ HYP AG           | Aaa /AAA/-       | 0,500bn  |     | 28.02.2034 | ms +35 bps                  |     | 28.02.2024 | 2,200bn   | ms +41 area           |

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

The primary market is much quieter than a few weeks ago, although market sentiment remains positive. This gives market participants a chance to digest the strong spread performance. The new Credit Agricole 12y Non Preferred tightened by 10bps. Of particular note is **UniCredit S.p.A.**'s Senior Preferred benchmark, which initially saw very strong demand and peaked at EUR 4.3bn. After aggressive spread tightening and an issue size of EUR 1.25bn, the final order book was "only" EUR 1.9bn. The successful transaction was priced well below its own secondary curve. Demand for **Lloyds Banking's** floating rate benchmark was strong as expectations of interest rate cuts faded, and with a bid/cover of 6, the re-offer spread was tightened by a good 35bp to EUR 3m +70bp. In addition, **Standard Chartered PLC** (Holdco) was active in the senior non-preferred format and S-Bank of Finland and Novo Banco of Portugal were active in the senior preferred format.

Preferred bonds traded 4-5bps tighter and the non-preferred segment 7bps tighter. The positive sentiment and spread tightening between non-preferred and preferred bonds is evident across all jurisdictions and maturities. Only German financials are out of line and remain the underperformers as they continue to be affected by the current news situation.

„Credit strength continues. While equity markets continue to climb to new all-time highs and interest rate volatility remains high, credit spreads are tightening again. The broad spread rally that has been in place since the autumn is now very much exhausted, but the market has so far proved robust in the face of macro news and ahead of next week's ECB meeting. The cash and iTraxx indices are showing a solid performance with further tightening as the week progresses, supported by calmer primary markets."

*Comment from the Helaba trading floor*

**Outlook:** The ECB meeting in the coming week is gradually coming into focus, meaning that the potential for setbacks from further hawkish statements is increasing by the day. A few more issuers, especially from Scandinavia, are likely to come to the market before the Easter break.

€ Senior Preferred issues week of 26 February 2024

| Coupon    | Issuer                   | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|-----------|--------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 4,000%    | UniCredit S.p.A.         | Baa1 /BBB/BBB    | 1,250bn  |     | 05.03.2034 | ms +125 bps                 |     | 27.02.2024 | 1,900bn   | ms +170 area          |
| 3m€+70 Bp | Lloyds Banking Group plc | A3 /BBB+/A       | 0,500bn  |     | 05.03.2027 | ms +70 bps                  |     | 27.02.2024 | 3,000bn   | 3m€ + 105/110         |
| 4,875%    | S-Bank                   | - /BBB/-         | 0,300bn  |     | 08.03.2028 | ms +195 bps                 |     | 28.02.2024 | 0,900bn   | ms + 225 area         |
| 4,250%    | Novo Banco S.A.          | Ba1 /BBB-/BB     | 0,500bn  |     | 08.03.2028 | ms +130 bps                 |     | 28.02.2024 | 1,050bn   | ms +155 area          |

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 26 February 2024

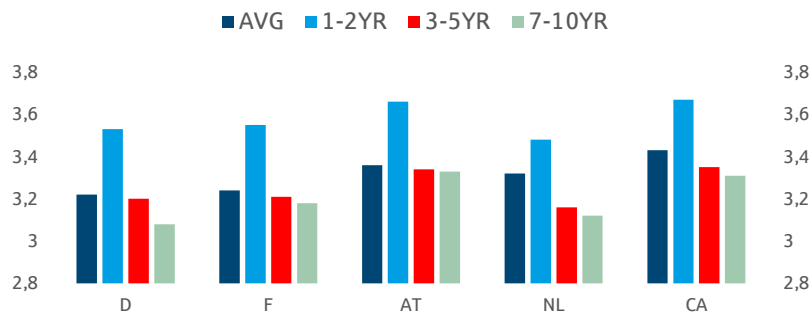
| Coupon | Issuer                 | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 4,196% | Standard Chartered PLC | A3 /BBB+/A       | 1,000bn  |     | 04.04.2031 | ms +145 bps                 |     | 26.02.2024 | 2,500bn   | ms + 180 area         |
| 4,125% | BPCE SA                | Baa1 /BBB+/A+    | 1,250bn  |     | 08.03.2033 | ms +145 bps                 |     | 29.02.2024 | 2,400bn   | ms +170 area          |

Sources: Bloomberg, Helaba DCM

## Chart of the Week

### Yields on covered bonds: short end most attractive

Average yields of triple-A rated covered bonds by maturity band in %



Sources: Bloomberg, Helaba Research & Advisory

Low-risk assets such as Covered Bonds currently offer attractive yields, even in the AAA range. There are differences between countries and maturity bands, with the yield advantage of German Pfandbriefe over French Covered Bonds tightening recently. As the yield curve remains inverted, the short end remains attractive for investors. At an average of 3.71%, Austrian Covered Bonds offer the highest yields in the 1-2 year window. By comparison, German paper yields 3.57% and French covered

bonds 3.55%. At 3.7%, Canadian covered bonds have a similarly high short-term yield to Austria. We expect Canadian issuers to become active soon, typically in early March. The free flow of investors and the yield level should ensure that the new bonds are sold without any problems.



Short news

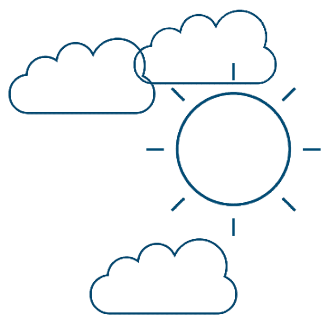
**2/26 S&P Capital IQ:** Italian banks' risk provisioning in focus amid higher credit costs. S&P Capital IQ expects Italy's largest banks to build higher reserves in 2024 to protect against potential new credit losses as concerns over higher interest rates and a slowdown in economic growth persist.

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

|                   |        |       |       |                          |       |      |      |                          |      |      |      |
|-------------------|--------|-------|-------|--------------------------|-------|------|------|--------------------------|------|------|------|
| E-STOXX 600 Banks | 175    | 2,12% | 2,24% | iBoxx € Cov. Germany     | 29,2  | -0,1 | 2,9  | iTraxx Senior Financial  | 64,9 | -1,3 | -5,4 |
| 10Yr-Yield        | 2,46   | 0,02  | 0,30  | iBoxx € Cov. Bonds       | 36,3  | -0,1 | 0,0  | iBoxx € Supranational    | 31,1 | 1,0  | 2,1  |
| Swap 10J          | 2,78   | -0,01 | 0,21  | iBoxx € Banks PS         | 78,4  | -3,6 | 1,1  | iBoxx € Agencies         | 16,1 | 0,7  | 1,8  |
| iBoxx € Germany   | -20,35 | 1,78  | 7,98  | iBoxx Banks NPS          | 99,5  | -1,7 | -1,9 | iBoxx € Sub-Sov. Germany | 22,9 | 0,9  | 1,0  |
| iBoxx € EU        | 38,10  | 1,17  | 3,05  | iBoxx Banks Subordinated | 160,5 | -8,7 | -2,2 | iBoxx € Sub-Sovereign    | 38,2 | 0,8  | 1,0  |

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

Leisure tip for the weekend: Fürther miniature world(Hesse)



Today the big world gets very small! In the middle of the Odenwald is one of the largest model railway worlds in Germany. 9 kilometres of track, over 400 trains, on an area larger than an ice hockey pitch.

First you enter a small shop and then the door to the model railway world opens. Trains glide over high bridges, disappear into dark tunnels or stop at large stations.

Find out more: [Miniature world](#)

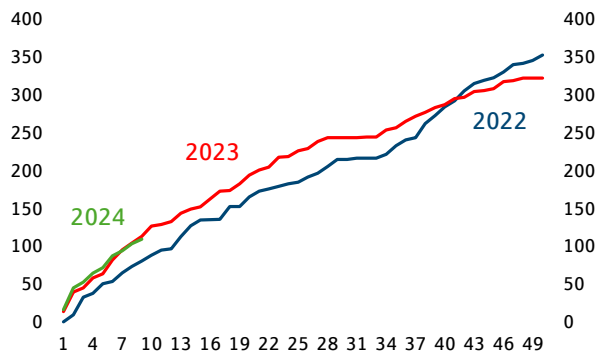
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Sources: [www.ffh.de/Freizeit/100-dinge.html](http://www.ffh.de/Freizeit/100-dinge.html)/[www.fuerther-miniaturwelten.de](http://www.fuerther-miniaturwelten.de)

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

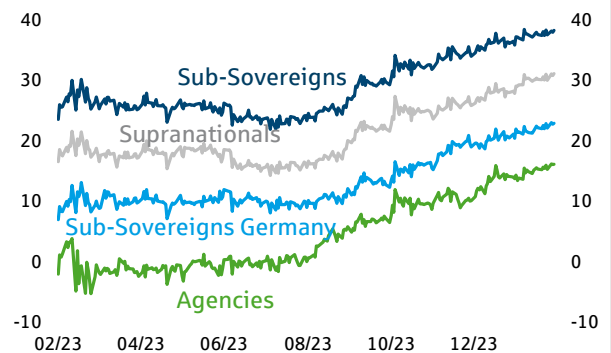
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

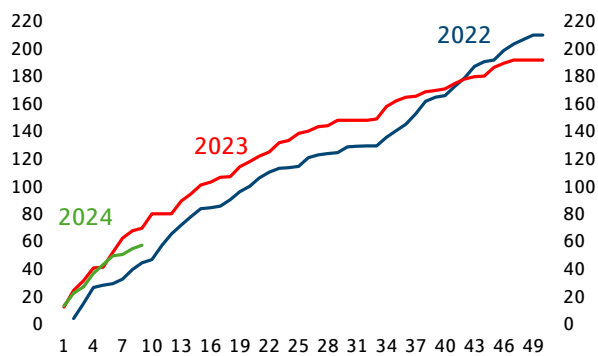
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

### Covered Bonds: Primary volumes

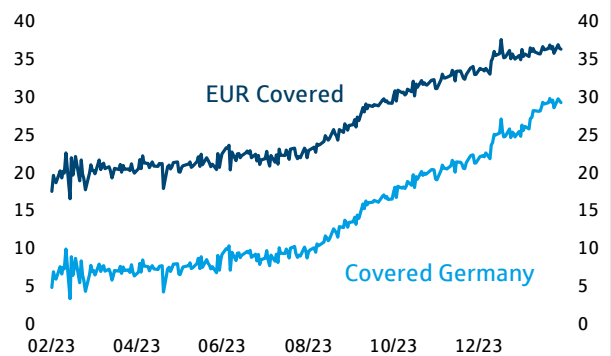
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

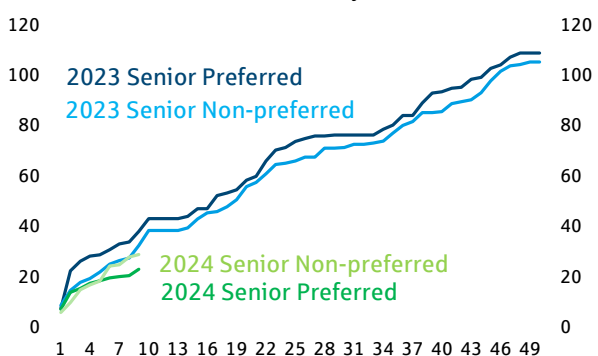
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

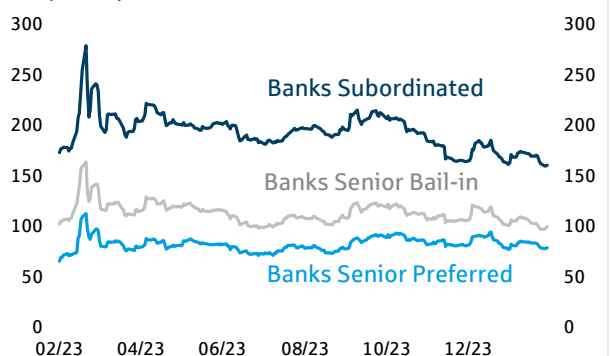
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory



## News from Research & Advisory

- **Focus on Credit – Major European Banks: Heading into 2024 with strong credit risk buffers**
- **Focus on: Credit - Primary market update bank bonds**
- **Focus on: Credit – Primary market update corporate bonds**
- **Focus on: Credit – Primary market update Schuldschein**
- **Focus on: Credit – European banks: The sharpening contours of ESG disclosure**
- **Markets & Trends 2024 – Global economy in a transition game**

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