



SSAs

The new quarter started slowly. The EFSF alone took the opportunity to place a double tranche (new long 5-year April 2029 and a tap of the Sept 2034) totalling EUR 4 bn with solid order books. The new issue premiums of 6bp (for the short tranche) and 5bp (for the step-up) were roughly in line with the recently issued Land Treasury Bills. Thus, like many of its predecessors in recent days and weeks, this transaction contributed to new pricing points and led to further re-pricing of secondary market spreads.

Outlook: There are likely to be a few more issuers in the pipeline. Next week we expect the EU and Spain's national development bank ICO.

€ SSAs issues week of 2 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%	EFSF	AAA /AA/AA-	2.500 Mrd.		1104.2029	ms +7 Bp		04.10.2023	5.300 Mrd.	ms +7 area
3.000%	EFSF	AAA /AA/AA-	1500 Mrd.	✓	04.09.2034	ms +25 Bp		04.10.2023	3.800 Mrd.	ms +26 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

We would have liked to move on quickly from September and report a lively primary market in the first week of October. However, the last month of the quarter failed to shine with the usual bumper issuance volumes. Only EUR 6.6bn of benchmark covered bonds were sold - the lowest September figure since 2016. There are probably many reasons for this: We have already reported on selective investor interest and full credit lines. At the same time, the ECB continued to reduce its covered bond holdings by a good EUR 3.3bn to EUR 293bn. First and foremost, however, is the high volume of issues already placed this year (shown by the red line in our chart on page 6). At the same time, the slowdown in new lending in recent months has led to lower refinancing needs, and higher funding costs are anything but conducive.

As a result, both issuers and investors remained increasingly cautious until the middle of this week. Contrary to our expectations, the start of the quarter has not yet changed this. However, France's CFF and South Korea's Kookmin Bank took advantage of Thursday's issuance window. CFF offered its first social covered bond of EUR 500m with a good 5-year maturity (January 2029) at a reasonable spread of MS +40bps. With a final order book of more than EUR 3 bn, it narrowed the spread to MS +32 bps. Kookmin Bank also managed to fix its 3.5-year benchmark 3 bps below the guidance of MS +58 bps with an order book of more than EUR 750 million.

"Still no relief on the spread front! The capitulation seen in the markets last Thursday has left more cracks. In addition, a significant number of vintage bonds (benchmark issues with a longer issue date) have still not reached the new pricing levels of the new issues. In our view, spread convergence trades are likely to materialise."

Comment from the Helaba trading floor

Outlook: Further projects are in the pipeline, and issuers are likely to pay close attention to the performance of announced issuance projects.

€ Covered Bond issues week of 2 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
.	CFF	.	0.500 M rd.		16.01.2029	ms +32 Bp		05.10.2023	3.100 M rd.	ms +40 area
.	Kookmin Bank	.	0.500 M rd.		13.04.2027	ms +55 Bp		05.10.2023	0.925 M rd.	ms +58 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

The primary market in this segment was also **initially paralysed** and inactive, with no transactions reported in the first three days of the week. Today, two banks took advantage of the countermovement in the market environment to issue senior unsecured bank bonds.

The market environment is characterised by rising yields and widening spreads. In particular, risk premiums have risen for some Italian bonds, but also in Germany and Spain. Risk appetite is clearly waning and investors are increasingly turning to good credit quality and shorter maturities. Market participants' price expectations vary widely, which is why **turnover is low**. Another reason for the low market activity, apart from the difficult environment, is the **approaching quarterly reporting season** and the associated blackout period. In addition, the primary market in the senior unsecured segment has been very active so far this year, with the total issuance volume reaching around EUR 180 billion, an impressive 22% increase versus the same period last year.

Outlook: Many institutions have already made **good progress in terms of their issuance plans** and can take a wait-and-see approach in a more difficult market environment. The US quarterly reporting season starts at the end of next week. We expect issuance in the senior unsecured segment to be light for the time being.

„High oil prices, the ongoing property crisis in China and a possible shutdown in the United States pushed investors into defensive positions. The iTraxx indices have widened accordingly. The cash register is not unaffected by this, following the expansion on average 1:1. Towards the end of the quarter, investor flows picked up again. ETF funds and real money accounts remained defensive and largely continued to be sellers. Risk appetite has diminished markedly, with the shift to shorter maturities and high quality issuers continuing. However, the start of the new quarter was subdued due to the holiday day and the bridging day.“

Comment from the Helaba trading floor

€ Senior Preferred issues week of 2 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4.375%	Hamburger Sparkasse AG	Aa3	0.500 M rd.		12.02.2029	ms +100 Bp		05.10.2023	1000 M rd.	ms +120 area

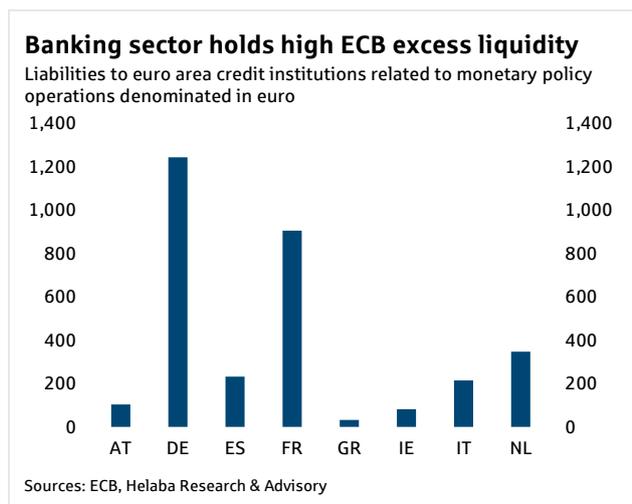
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 2 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
7.000%	Raiffeisen Bank S.A.	Baa2	0.300 M rd.		12.10.2027	ms +340 Bp		05.10.2023	0.000 M rd.	Mid 7.000% area

Sources: Bloomberg, Helaba DCM

Chart of the Week



According to media reports, ECB policymakers may soon discuss how to deal with the multi-trillion euros of excess liquidity held by banks. A possible first step could be to raise reserve requirements, [Reuters](#) reports. The debate, which could begin at the ECB's next meeting in Athens on 26 October or at a meeting in the autumn, is seen by monetary watchers as a further step towards normalising monetary policy. For banks, the increase in reserve requirements could lead to lower interest income, but in our view their creditworthiness should not be significantly affected.



Short news

10/4 EU Taxonomy for Sustainable Investments: The EU Taxonomy is the world's most detailed and comprehensive framework for classifying sustainable economic activities. To better break down this complexity, the Association of German Banks (BdB) has published a guideline in 2022. Since the taxonomy framework has evolved steadily since then, the BdB has issued an updated [guide](#).

10/3 The EMF-ECBC has released its 2023 edition of Hypostat: It provides a comprehensive analysis of the state of play of mortgage and housing markets in the 27 Member States of the European Union as well as in 9 additional countries. Hypostat 2023 brings together the efforts of over 30 contributors, commenting on an annual data series of 30 indicators and includes various articles focusing on key market developments.

10/3 Basel III: The Basel Committee has published its [report](#) on the Basel III implementation progress. The report shows good progress since the previous report in October 2022 in implementing the outstanding Basel III standards with 1 January 2023 due date.

10/3 EBA work program for 2024: The European Banking Authority (EBA) published its annual work program for 2024, setting out the key strategic areas to work on in the coming year. The focus will be on implementing the EU banking package and monitoring financial stability as well as sustainability against a backdrop of increased interest rates and uncertainty.

10/3 Parliament votes through Buch as EU banking cop: The European Parliament voted through Germany's Claudia Buch to become the EU's next chief banking supervisor after a standoff with the European Central Bank (ECB). As pointed out by [POLITICO](#), Buch's appointment would remove a hurdle for Spain's Finance Minister Nadia Calviño to become the next head of the European Investment Bank (EIB).

10/2 The question of monetary policy transmission: "The transmission of our monetary policy to the real economy will be key to our future decisions," [ECB](#) Vice-President Luis de Guindos says. He adds: We need to see how strongly the tightening of financing conditions feeds through to the real economy and inflation.

10/2 BoE warns lenders over loan loss estimates: The Bank of England (BoE) warned lenders about the risk in the models they use to predict loan losses and criticized them for failing to fully recognize the impact of high inflation and interest rates on borrowers, the [Financial Times](#) reports. BoE said it wanted banks to "challenge whether models capture risks associated with affordability".

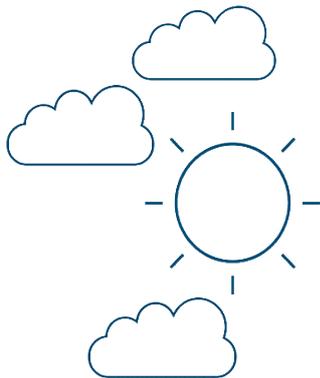
9/28 ESA’s analysis of the extent of voluntary disclosure of principal adverse impacts under the SFDR: The Joint Committee of the three European Supervisory Authorities (ESAs) published their **second annual Report** on the extent of voluntary disclosure of principal adverse impacts under Article 18 of the Sustainable Finance Disclosure Regulation (SFDR).

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

E-STOXX 600 Banks	157	-138%	2.09%	iBxx €Cov. Germany	13.1	-0.3	2.6	iTraxx Senior Financial	98.3	5.0	15.4
10Yr-Yield	2.94	0.11	0.29	iBxx €Cov. Bonds	26.0	-0.1	2.2	iBxx €Supranational	20.1	16	3.5
Swap 10J	3.48	0.10	0.28	iBxx €Banks PS	83.9	6.1	3.4	iBxx €Agencies	5.2	-0.2	2.6
iBxx €Germany	-4153	-157	-0.49	iBxx Banks NPS	117.5	8.8	7.9	iBxx €Sub-Sov. Germany	11.1	0.0	12
iBxx €EU	26.58	136	5.00	iBxx Banks Subordinated	210.9	15.7	116	iBxx €Sub-Sovereign	27.4	16	2.9

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

Leisure tip for the weekend: Museum Burg Linn



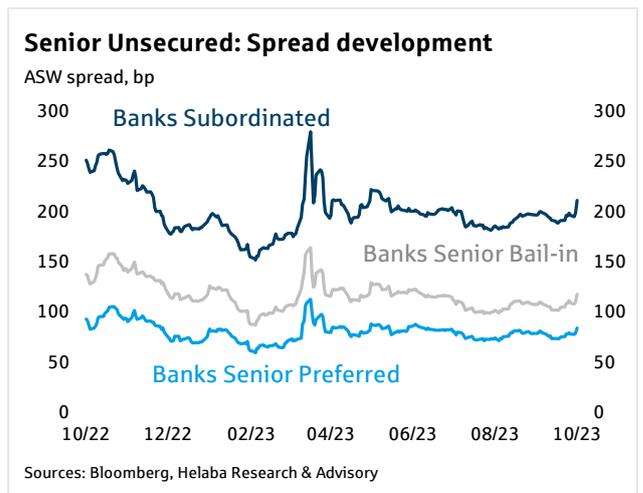
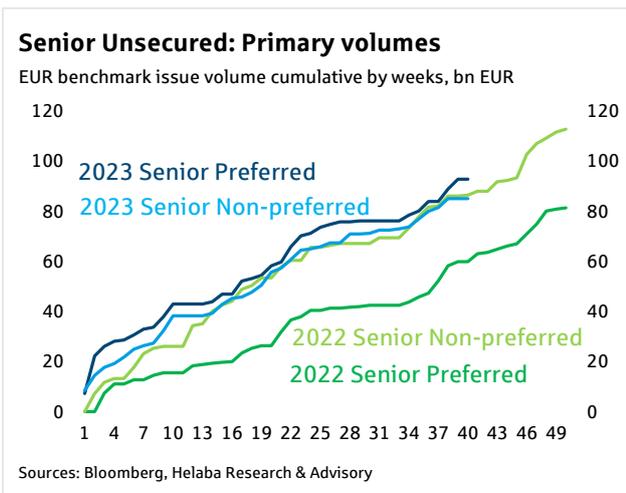
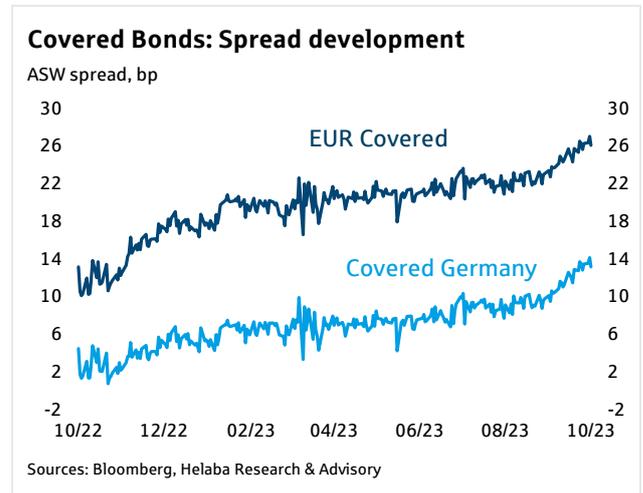
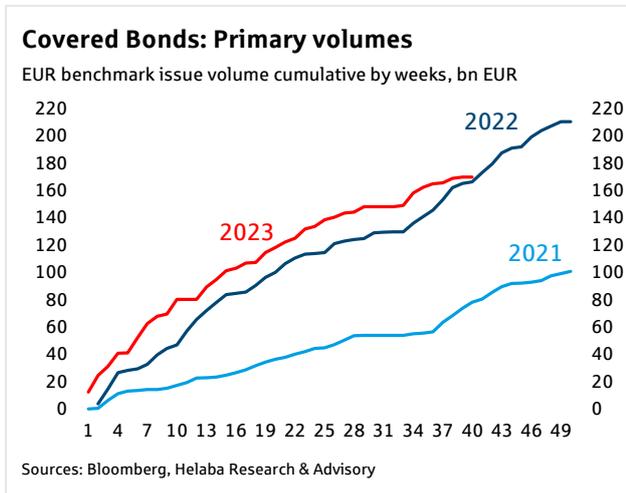
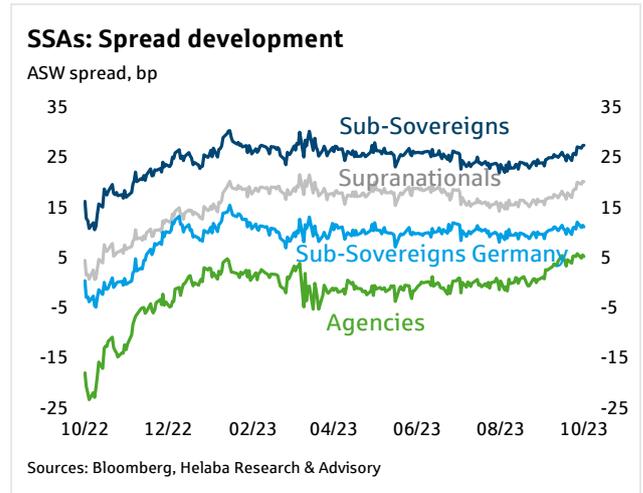
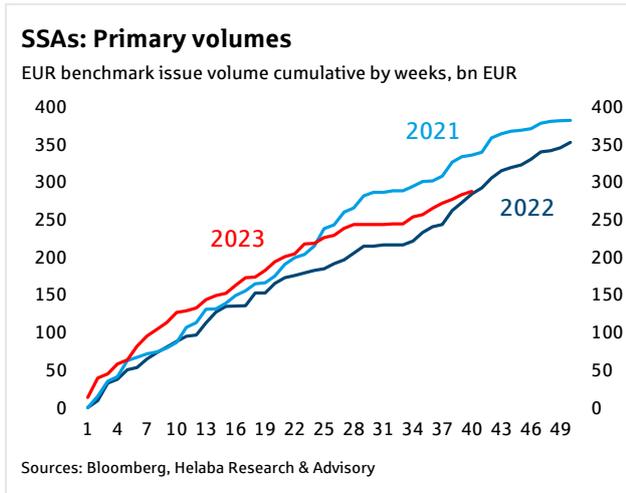
Burg Linn Museum offers a journey through 10,000 years of human history on the Lower Rhine: 6,500 graves tell of the lives of very different people: simple farmers as well as the princes of their time are reflected in finds from the birth of Christ to the Middle Ages. Linn Castle, the Hunting Lodge and the Archaeological Museum are open to visitors all year round with permanent and temporary exhibitions as well as various interactive events and demonstrations.

Find out more: [Museum Burg Linn](#)

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

Source: <https://www.monschau.de/en> & www.stadtpfade-reisen.de/ausflugsziele

Chartbook SSAs, Covered Bonds, Senior Unsecured





News from Research & Advisory

- [Focus on Credit: EUR Corporate bonds - Primary market Q3 2023](#)
- [Focus on Credit: Primary market update EUR benchmark bank bonds H1 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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