

# Focus on: SSAs & Financials

## 18 April 2024



## Weekly Market Update



**Primary market environment:** Rising tensions in the Middle East are weighing on sentiment and affecting risk parameters: Bund swap spreads have widened, for example, and US VIX implied volatility has risen to its highest level since February 2018. Primary markets remain constructive, although issuance volumes have eased somewhat recently.

### Primary market barometer

#### SSAs



Despite an overall constructive picture in the SSA segment, Euro issuance was manageable this week. However, more activity was seen in GBP and USD. We expect activity to pick up next week.

#### Covered Bonds



The primary market for covered bonds continues to be very receptive. The majority of issues are characterised by significant oversubscription of the order book and tightening spreads. The uncertainty surrounding market developments at the beginning of the week, related to the conflict in the Middle East, has eased somewhat.

#### Senior Unsecured

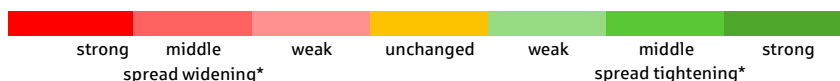


The market environment remains encouragingly receptive, but the presentation of quarterly reports and the associated blackout period result in relatively low activity in the primary market in this segment. With the earnings season now in full swing, there is unlikely to be any significant pick-up next week.

### Risk trend indicator (heat map): Mostly positive trend

Relative\* ASW spread change

| IBOXX EURO                 | 1 day | 1 week | 4 week | 13 weeks | 52 weeks | 104 weeks |
|----------------------------|-------|--------|--------|----------|----------|-----------|
| Germany                    | -0,04 | -0,21  | -0,32  | 0,48     | 1,93     | 3,28      |
| European Union             | -0,03 | -0,17  | -0,14  | 0,20     | 0,91     | 2,76      |
| Germany Covered            | -0,03 | -0,03  | -0,18  | 0,23     | 2,13     | 2,77      |
| EU Covered                 | -0,02 | -0,05  | -0,28  | -0,26    | 1,25     | 2,67      |
| Banks senior preferred     | 0,02  | 0,06   | -0,09  | -0,53    | -0,26    | 0,92      |
| Banks senior bail-in (SNP) | 0,04  | 0,18   | 0,02   | -0,44    | -0,58    | 0,36      |
| Banks subordinated         | 0,04  | 0,25   | 0,08   | -0,30    | -0,77    | 0,38      |
| Supranational              | -0,03 | -0,12  | -0,11  | 0,24     | 1,06     | 2,82      |
| Agencies                   | -0,05 | -0,15  | -0,03  | 0,27     | 1,92     | 3,46      |
| Sub-Sovereigns Germany     | -0,01 | -0,04  | -0,02  | 0,19     | 0,84     | 1,11      |
| Sub-Sovereigns             | -0,02 | -0,11  | -0,07  | 0,23     | 1,09     | 2,19      |



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

The green in our heat map has weakened somewhat recently. This is particularly true for Senior Unsecured. This is where the spread tightening has been most pronounced.



## SSAs

The lower supply, combined with the recent widening of the bund/swap, has led to liquid SSAs becoming more expensive versus swaps. This is particularly true for EUs, some of which are trading 5bps higher (vs swaps) than a week ago. A similar trend can be seen in other E names, although the movement is much less pronounced. For the time being, however, this general movement seems to have run its course, as the market is already anticipating the next wave of EU supply and other names are likely to consider new issues. The EUR primary market remained very quiet until Wednesday. Then the **state of Baden-Württemberg** livened things up a bit with a 2-year FRN (EUR 250m, WNG). The issue was priced at EUR 6m -7bp. Today the Norwegian agency **Kommunalbanken** successfully issued a EUR 500m 5-year **green bond** (WNG). The book was 4.6x oversubscribed and the spread eventually tightened by 3bp to MS +11bp.

Overall, a number of SSA issuers took advantage of the constructive market environment to issue benchmarks, e.g. in USD such as EIB 5 years, MuniFin 3 years, Ontario 10 years, SFIL 3 years or GBP the KfW (6 years).

**Outlook:** The EU is likely to set the tone next week. We also expect several states to become active again in the near future.

€ SSAs issues week of 15 April 2024

| Coupon    | Issuer            | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook     | 1st Spread-Indication |
|-----------|-------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|---------------|-----------------------|
| 6m€ +0 Bp | Baden-Württemberg | Aaa /AA+/-       | 0,250bn  |     | 23.04.2026 | ms -7 bps                   |     | 16.04.2024 | not disclosed | 6m€ -7 area           |
| 2,875%    | Kommunalbanken AS | Aaa /AAA/-       | 0,500bn  |     | 25.04.2029 | ms +11 bps                  | ✓   | 18.04.2024 | 2,300bn       | ms +14 area           |

Sources: Bloomberg, Helaba DCM



## Covered Bonds

At the very beginning of the week, the French **Compagnie de Financement Foncier S.A. (CFF)** issued a dual tranche which was successfully placed on the primary market. This was despite the renewed escalation in the Middle East conflict over the weekend. Uncertainty about market developments initially delayed the opening of the order book. In the end, however, market conditions were little changed from Friday. The shorter tranche (EUR 1.25bn, 3 years) was around 2.5 times oversubscribed and the longer eight-year tranche (EUR 750m) was 2.9 times oversubscribed. Spreads tightened by 8 bps to MS +16 bps and MS +36 bps respectively. On Tuesday, **Banca Monte dei Paschi di Siena**, **Equitable Bank** (EUR 500m, 3 years, WNG, Social) and **LBBW** were active with a dual tranche (EUR 500m, 3 years, WNG and EUR 750m, 7 years). All reached their target size without any problems. The Monte dei Paschi bond was placed with around 60 investors, with a final order book of EUR 2.3bn. LBBW and Equitable Bank together attracted just under EUR 2.4bn and EUR 4bn respectively. The final spreads were tightened by 9 bps, 5 bps (LBBW) and 2 bps (Equitable) over Monte dei Paschi's target. The next day saw the debut of **Sparkasse Bremen** (EUR 250m, 7 years, WNG) and **UniCredit Bank GmbH (BMK)**, 4 years short). Sparkasse impressed with a 4.8x oversubscription and the final spread narrowed by 7bp to MS + 43bp.

"Another current geopolitical hotspot adds to the case for subdued secondary market activity! Rising tensions in the Middle East have led to a significant widening of bund/swap spreads. At the same time, interest rates in the eurozone and across the Atlantic are moving in opposite directions, at least verbally! In this mixed situation, the dynamics of secondary spreads tend to slow down. In addition, asset managers in particular are saying that covered bonds no longer look so cheap".

*Comment from the Helaba trading floor*

Asset managers play a central role in **secondary market** demand, so their view is very important for the evolution of spreads. Against the backdrop of the aforementioned bund/swap widening, covered bonds have recently "naturally" become cheaper; compared to government bonds and SSAs, the picture is mixed at best. Convergence trends between euro core and semi-core/periphery countries are also well advanced. The pros and cons of further spread widening seem more balanced, suggesting a sideways movement in the coming weeks. In any case, there are currently no signs of a selling impulse on the part of market participants that would lead to a repricing.

**Outlook:** Further issuance is likely to be in the pipeline, especially as the primary market traffic light is still green. However, there are no publicly known mandates as yet.

€ Covered Bond issues week of 15 April 2024

| Coupon | Issuer                                | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|---------------------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 3,125% | CFF                                   | Aaa /AAA/AAA     | 1,250bn  |     | 24.04.2027 | ms +16 bps                  |     | 15.04.2024 | 2,200bn   | ms + 24 area          |
| 3,000% | CFF                                   | Aaa /AAA/AAA     | 0,750bn  |     | 24.04.2032 | ms +36 bps                  |     | 15.04.2024 | 2,000bn   | ms + 44 area          |
| 3,000% | LBBW                                  | Aaa /-/          | 0,500bn  |     | 26.04.2027 | ms +13 bps                  |     | 16.04.2024 | 1,350bn   | ms +18 area           |
| 3,000% | LBBW                                  | Aaa /-/          | 0,750bn  |     | 26.04.2031 | ms +30 bps                  |     | 16.04.2024 | 1,200bn   | ms +35 area           |
| 3,500% | Equitable Bank                        | - /-/AA          | 0,500bn  |     | 28.05.2027 | ms +58 bps                  |     | 16.04.2024 | 4,000bn   | ms +70 area           |
| 3,250% | Banca Monte dei Paschi di Siena S.p.A | Aa3 / -/AA-      | 0,750bn  |     | 23.04.2029 | ms +68 bps                  |     | 16.04.2024 | 2,400bn   | ms +77 area           |
| 3,125% | Sparkasse Bremen                      | - /-/AA+         | 0,250bn  |     | 24.04.2031 | ms +43 bps                  |     | 17.04.2024 | 1,200bn   | ms +50 area           |
| 3,125% | UniCredit Bank GmbH                   | Aaa /-/          | 0,750bn  |     | 24.02.2028 | ms +25 bps                  |     | 17.04.2024 | 1,200bn   | ms +30 area           |

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

Since the beginning of the week, the only senior unsecured bank bond in EUR benchmark format has been **Banco Santander's two tranche deal**. The new issue is non-preferred. The terms of the two tranches with maturities of 5 and 10 years were attractive for the issuer and investors: Order books were well filled and spreads tightened significantly compared to the initial announcement. The issuer raised a total of EUR 2.0 billion.

The **current blackout period** is having the greatest impact on senior issuance. **US banks** traditionally kicked off the reporting season with their first quarter results. Once again, the institutions surprised with strong figures: Revenues - including from bond trading and commissions - were relatively high and credit risk costs remained under control. However, after a period of strong growth in net interest income, we are seeing the first signs of a flattening out, and the outlook for net interest income given by management was rather cautious. We feel confirmed in our expectation that net interest income will flatten out as the year progresses (see [our Outlook Report](#) from 16 January 2024).

Reporting dates of selected banks

| Issuer                      | Date | Issuer                      | Date |
|-----------------------------|------|-----------------------------|------|
| DNB BANK ASA                | 4/23 | DEUTSCHE BANK AG-REGISTERED | 4/25 |
| LLOYDS BANKING GROUP PLC    | 4/24 | BNP PARIBAS                 | 4/25 |
| CREDIT SUISSE GROUP AG-REG  | 4/24 | SWEDBANK AB - A SHARES      | 4/25 |
| SVENSKA HANDELSBANKEN-A SHS | 4/24 | SPAREBANKEN MORE-CAP CERT   | 4/25 |
| SKANDINAVISKA ENSKILDA BANK | 4/24 | NATWEST GROUP PLC           | 4/26 |
| BARCLAYS PLC                | 4/25 | DANSKE BANK A/S             | 4/26 |
| SPAREBANK 1 SR BANK ASA     | 4/25 |                             |      |

Sources: Bloomberg, Helaba Research &amp; Advisory

**Outlook:** The first banks have already filed their quarterly reports and can resume issuance. Some US banks have already issued in USD. Overall, however, the quarterly reporting season will peak over the next two weeks, meaning that primary market activity in the senior unsecured segment is likely to remain relatively subdued..

„New geopolitical risks in the Middle East and credit weakness! The potential escalation of the Israeli-Iranian conflict remains a major source of instability for the region as a whole, with massive implications for the oil price, global supply chains and, consequently, inflation. The latest data from the US continues to show rising inflation, strong economic data and a firm labour market. None of this is a reason for the Fed to cut rates in the near future, so markets have been given a cold shower and are now expecting both later and fewer rate cuts. The ECB, on the other hand, maintained its verbal commitment to a June cut at last Thursday's meeting, and ECB officials backed this up in subsequent speeches.”

*Comment from the Helaba trading floor*

#### € Senior Preferred issues week of 15 April 2024

| Coupon | Issuer | Rating (M/S&P/F) | Volume € | Tap | Maturity | Launch-Spread vs. Mid-Swaps | ESG | Launch | Orderbook | 1st Spread-Indication |
|--------|--------|------------------|----------|-----|----------|-----------------------------|-----|--------|-----------|-----------------------|
| none   |        |                  |          |     |          |                             |     |        |           |                       |

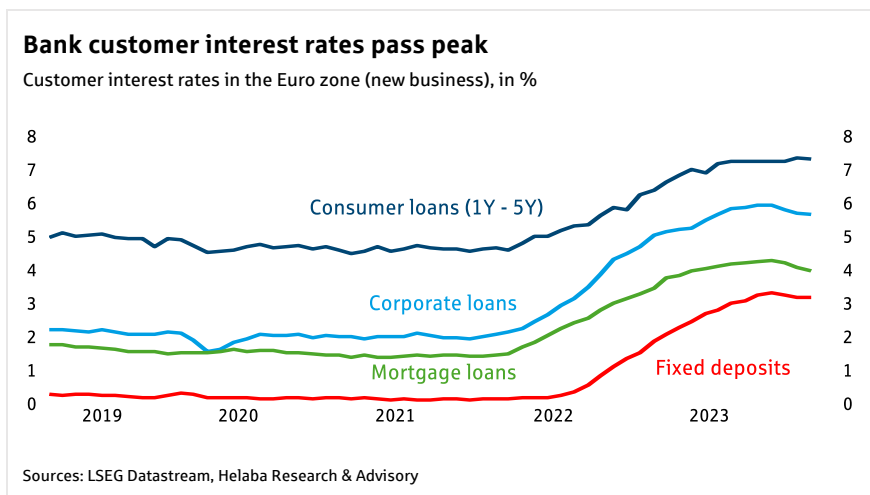
Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 15 April 2024

| Coupon | Issuer          | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|-----------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 3,875% | Banco Santander | Baa1 /A-/A-      | 1,250bn  |     | 22.04.2029 | ms +110 bps                 |     | 15.04.2024 | 1,700bn   | ms +130 area          |
| 4,125% | Banco Santander | Baa1 /A-/A-      | 0,750bn  |     | 22.04.2034 | ms +140 bps                 |     | 15.04.2024 | 1,200bn   | ms +160 area          |

Sources: Bloomberg, Helaba DCM

## Chart of the Week



The current reporting season for banks is focusing, among other things, on their net interest income. These have risen rapidly since the turnaround in interest rates. Banks are passing on some of the higher interest rates to their customers (deposit beta). We expect net interest income to plateau this year (see our Annual Outlook of 10 January 2024). With the prospect of interest rate cuts by the ECB and a stable outlook for banks' earnings, deposit products and long-term financing products are starting to see first small reductions in customer interest rates.



### Short news

**4/17 VÖB positions for the 2024 European Election:** The [Association of German Public Banks](#) (VÖB) published its positions for the 2024 European Election. The VÖB is advocating for a strong banking and financial sector to finance Europe's transformation and ensure its competitiveness. The proposals

relate to “Regulation and Supervision”, “Efficient Capital Markets as a Source of Financing”, “Promoting, Funding, Financing” and “Digital Ecosystems to Strengthen European Sovereignty”.

**4/16 Fitch Ratings: UK 'AAA' Covered Bond Ratings Resilient Despite Sluggish Economic Outlook** [Fitch](#)-rated UK covered bonds are well protected against potential cover pool deterioration arising from higher refinancing costs, persistent core inflation and a subdued housing market, the agency says in two new reports. This is thanks to the large buffers against IDR downgrades (three to six notches), prime quality of cover assets and large overcollateralization levels.

**4/16 European banks call for classification as a "strategic" sector:** [European banks](#) are calling on the EU to declare them a "strategic" sector, warning that the sector's competitiveness is at stake due to high regulatory requirements in international comparison. The lobby called for a review of current regulation to assess its impact not only on stability, but also on competitiveness and growth.

**4/15 BdB position paper on securitisation:** In a [position paper](#), the Bundesverband deutscher Banken (BdB) examines the starting points for a revival of the securitisation market in Europe. In particular, it emphasises that a single regulatory measure will not bring the desired success in reviving the securitisation market. It therefore considers that a comprehensive assessment of the entire securitisation process is necessary. To meet the expected challenges of sustainable and digital transformation, the focus should be on portfolios that are useful for transformation.

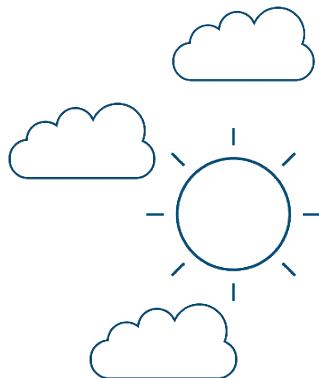
**4/12 Annual EBA assessment of banks' internal approaches for the calculation of capital requirements:** The [European Banking Authority](#) (EBA) today published its 2023 Reports on the annual market and credit risk benchmarking exercises. These exercises aim at monitoring the consistency of risk weighted assets (RWAs) across all EU institutions authorised to use internal approaches for the calculation of capital requirements. [Read more](#)

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

|                   |        |        |       |                          |       |      |      |                          |      |      |      |
|-------------------|--------|--------|-------|--------------------------|-------|------|------|--------------------------|------|------|------|
| E-STOXX 600 Banks | 188    | -3,36% | 1,65% | iBoxx € Cov. Germany     | 26,7  | -0,1 | -2,0 | iTraxx Senior Financial  | 69,9 | 7,3  | 5,1  |
| 10Yr-Yield        | 2,47   | 0,04   | 0,04  | iBoxx € Cov. Bonds       | 32,4  | -0,2 | -3,0 | iBoxx € Supranational    | 30,2 | -1,2 | -1,6 |
| Swap 10J          | 2,77   | 0,06   | 0,06  | iBoxx € Banks PS         | 69,3  | 2,4  | -2,5 | iBoxx € Agencies         | 16,1 | -0,9 | -0,2 |
| iBoxx € Germany   | -19,59 | -2,46  | -3,85 | iBoxx Banks NPS          | 92,3  | 6,2  | -0,1 | iBoxx € Sub-Sov. Germany | 23,3 | -0,1 | -0,4 |
| iBoxx € EU        | 36,07  | -2,34  | -2,36 | iBoxx Banks Subordinated | 153,2 | 10,7 | 0,6  | iBoxx € Sub-Sovereign    | 38,5 | -0,8 | -0,9 |

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

**Leisure tip for the weekend: Landgrave Castle Marburg (Hesse)**



A visit to the landgrave's castle in Marburg offers a tour of special rooms and an encounter with numerous objects from the cultural history of the Philipps University of Marburg: the magnificent Fürstensaal is considered one of the most beautiful secular Gothic halls in Germany; the palace chapel, consecrated in 1288, captivates with its medieval frescoes and multi-coloured interior.

Find out more: [Landgrave Castle](#)

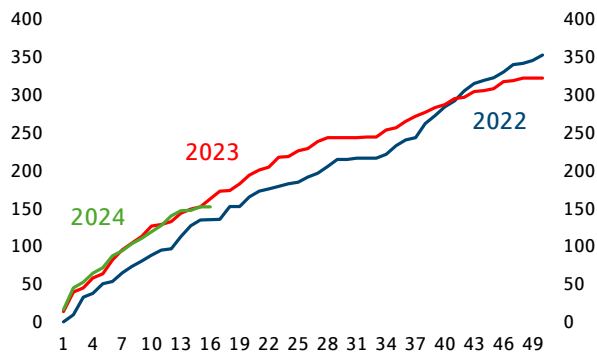
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: [www.uni-marburg.de/de/museum/landgrafenschloss](http://www.uni-marburg.de/de/museum/landgrafenschloss)

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

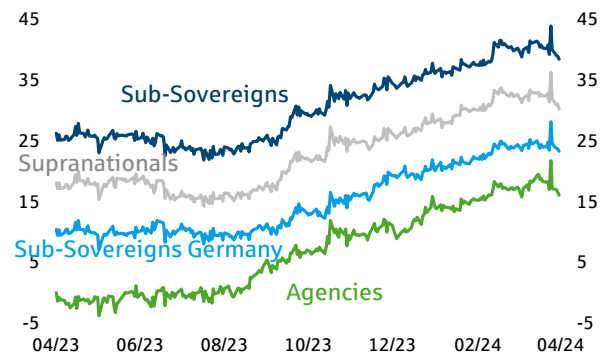
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

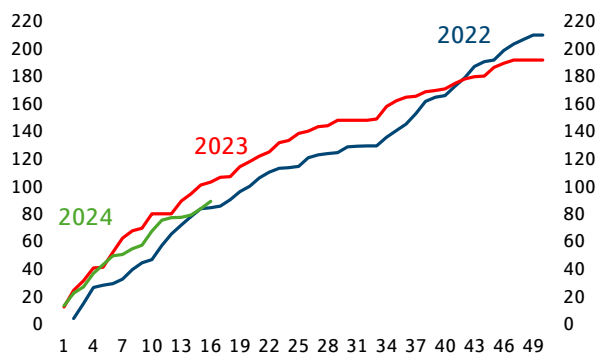
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

### Covered Bonds: Primary volumes

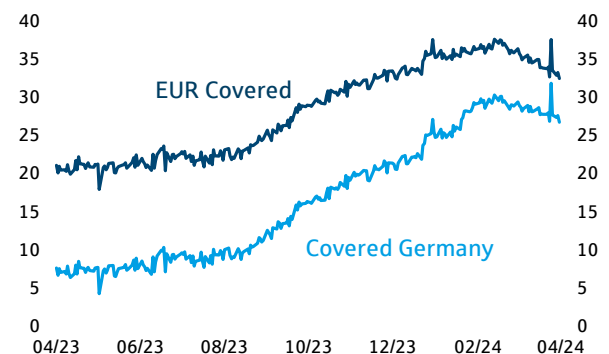
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

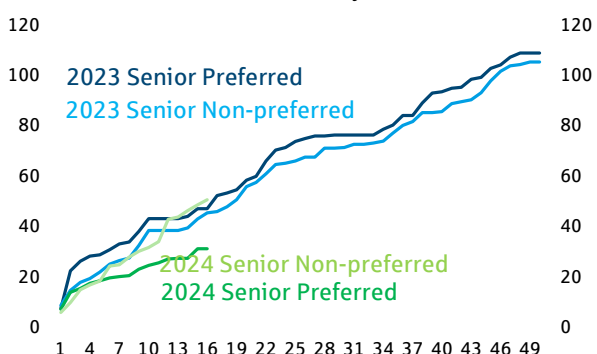
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

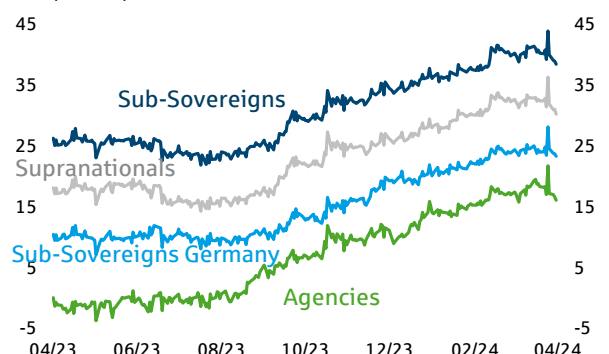
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory



## News from Research & Advisory

- **Focus on Credit: “Primary market update EUR benchmark bank bonds Q1 2024”:**
- **Focus on Credit: "Corporate Schuldschein: Primary market Q1 2024**
- **Focus on Covered Bonds: APAC Covered Bonds: "Popular securities, limited supply"**
- **Focus on Credit – MayorEuropean 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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