Helaba

Focus on: SSAs & Financials

2 March 2023

Weekly Market Update

Primary market environment: Primary markets continue to be receptive, although the market environment is somewhat more challenging. New orders for durable goods in the US fell more than expected in January. Rising inflation in France and Spain fuelled fears of further ECB rate hikes. Bund yields continue to climb.

Primary market barometer

SSAs



The momentum in the SSA segment continued this week. The state of NRW stood out among the issues with an ultra-long, 50-year maturity. The triple oversubscription of the book showed that there is a market for this maturity segment again.

Covered Bonds



The relatively low issuance activity this week is likely to have been an exception. The picture remains constructive and valuations of covereds are cheap compared to other asset classes.

Senior Unsecured



The market environment has deteriorated noticeably in recent weeks. This can be seen, among other things, in the recent rise in new issue premiums.

Risk trend indicator: Risk aversion turns out to be slightly higher

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,11	-0,11	0,08	1,08	1,83	-0,79
European Union	0,04	-0,14	-0,03	0,49	2,74	2,55
Germany Covered	0,08	-0,17	0,01	0,09	0,77	0,91
EU Covered	0,03	-0,06	-0,02	0,05	0,65	0,73
Banks senior preferred	0,10	-0,03	-0,09	-0,16	0,52	1,14
Banks senior bail-in (SNP)	0,07	0,00	0,10	-0,32	0,60	1,29
Banks subordinated	0,04	-0,01	0,20	-0,07	0,31	1,29
Supranational	0,04	-0,14	-0,05	0,45	2,15	2,03
Agencies	0,10	-0,15	-0,18	0,30	1,11	-0,01
Sub-Sovereigns Germany	0,03	-0,14	-0,23	-0,22	-0,47	-0,53
Sub-Sovereigns	0,06	-0,17	-0,16	0,04	0,58	0,51

strong | middle | weak | unchanged | weak | middle | strong

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

Already in the previous week, our risk trend indicator showed that short-term risks were weighted somewhat higher by investors. The latest development follows on seamlessly from this.



SSAs

In February, the SSA segment again dominated the primary market for the second month in a row. Of the bonds issued in the past month, around 87% succeeded in narrowing spreads compared to the issue. NIPs averaged 3.1 vs. 3.7 bps in January. Since Monday 7 bonds have been placed. The EU kicked off with two increases. As usual, these went through without a hitch. The state of NRW stood out with its benchmark due to an ultra-long maturity of 50 years. The bond with a volume of EUR 2 billion was 3 times oversubscribed and was finally priced at mid-swap rate (MS)+104 bps. Obviously, there is a market for such a duration again. The book for the 7-year benchmark of Rentenbank was also very well filled with EUR 4.4 billion, so that the final spread could be fixed at MS-3 by 2 bps below the default. The autonomous region of Galicia successfully placed a 6-year Sustainable Bond (EUR 500m, WNG) at SPGB +27. The book was 2.8 times oversubscribed.

Outlook: Issuance activity is expected to continue unabated in the coming week. The EU has already sent out RfPs (Request for Proposal). Other projects are also likely to be in the pipeline, especially as maturities in March are higher than in previous months.

€ SSAs issues week of 27 Febuary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
0,800%	EU	Aaa /AA+/AAA	1,770bn	✓	04.07.2025	Auction		27.02.2023	2,880bn	Auction
0,000%	EU	Aaa /AA+/AAA	1,800bn	✓	04.10.2028	Auction		27.02.2023	3,830bn	Auction
3,250%	Landwirtschaftliche Rentenbank	Aaa /AAA/AAA	1,500bn		06.09.2030	ms -3 bps		28.02.2023	4,600bn	ms - 1 area
3,400%	NRW	Aa1 /AA/AAA	2,000bn		07.03.2073	ms +104 bps		28.02.2023	6,000bn	ms + 106 area
4,500%	Corporation Andina de Fomento	Aa3 /AA-/AA-	1,000bn		07.03.2028	ms +110 bps		28.02.2023	2,300bn	ms + 115 area
3,711%	Galicia	Baa1 /A/-	0,500bn		30.07.2029	SPGB +25 bp	✓	28.02.2023	1,500bn	SPGB +30 area
3,250%	Investitionsbank Schleswig-Holstein	- /-/AAA	0,500bn		10.03.2031	ms +2 bps		01.03.2023	1,350bn	ms + 4 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

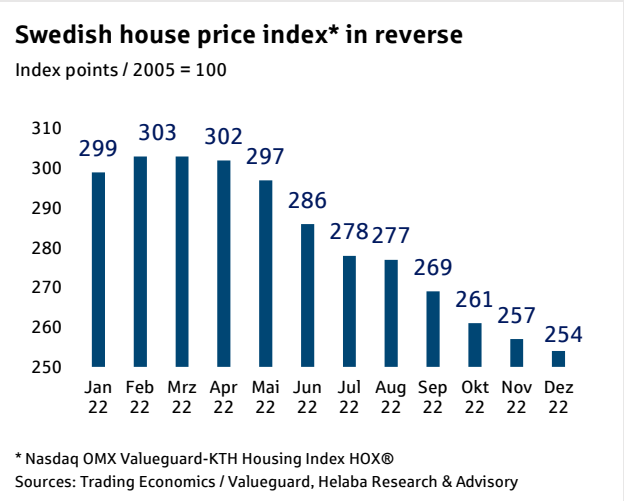
Primary market activity in the covered bond segment was relatively modest this week. This could be due to pull-forward effects in connection with the ECB's withdrawal from the primary market. In fact, the central bank participated in primary market transactions for the last time within the framework of CBPP3. This marked the end of the purchase programme, which had been in place since October 2014 and involved purchases of around EUR 160 billion. However, maturities will continue to be replaced via the secondary market. Overall, it seems that the central bank's change in strategy was well absorbed by the market. Berlin Hyp kicked off the primary market this week with a 5-year benchmark. HSBC Canada also opted for a 5-year maturity. The EUR 1 billion benchmark bond was successfully placed, not least because it was 1.7 times oversubscribed. For both securities, spreads tightened both at issuance and in secondary market trading.

> *"The continued upward path in absolute yields is creating good demand in the kitty. This is especially true for short maturities. Swap spreads remain well to very well supported and, despite high spread discounts, are rather an expression of the absolute yield advantage over their counterparts at the long end. An end to this regime, and thus a gamechanger, does not seem to be in sight at the moment."*
>
> *Comment from the Helaba trading floor*

Outlook: The recent somewhat lower activity is likely to be an exception, as maturities of EUR 14.3 billion and EUR 14.5 billion are to be replaced in the current and the coming month, respectively. In addition, it is to be expected that more issuers from Canada will appear on the primary market, after HSBC Canada made a start this week. The secondary picture also remains constructive, the central banks of the Eurosystem have already been relatively ac-

tive on the buy side and will continue to do so in line with their announced strategy. Compared to other asset classes, the valuations of covereds are attractive. The approach of 2-year maturities to the 4% mark is also attracting further buyers.

Chart of the week



According to a forecast by the Swedish central bank Riksbank, higher mortgage rates that weigh on disposable income could, in the best-case scenario, cause house prices to fall by 18 % by 2024. However, a sharper decline of 20% or more is increasingly likely, after a decline of almost 17% in just nine months. Initially, however, only property purchases within the last two years are affected by a decline in value. During this period, prices climbed by around 20 %. The average LTV on new mortgages in Sweden is around 67 % compared to 57 % on existing loans. Only a very small proportion of new borrowers have LTV ratios above 80%, which mitigates credit risks for banks for the time being. A decline in property prices usually leads to an adjustment of the collateral valuation and thus to rising loan-to-value ratios. valuation and thus to rising loan-to-value ratios in the cover pools. As a result, higher overcollateralisation ratios may become necessary. Based on eight selected Swedish covereds, the average overcollateralisation is currently around 66%, so that readjustments may only be necessary in individual cases. Despite the growing challenges, rating agencies such as Scope give a stable outlook for the credit stability of Swedish banks for the current year. The agency does not expect any negative effects on the recovery rates of covered bonds under stress conditions due to lower house prices.

€ Covered Bond issues week of 27 Febuary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	Berlin Hyp AG	Aaa /-/-	0,750bn		07.03.2028	ms +1 bps		28.02.2023	1,100bn	ms + 4 area
3,625%	HSBC Bank Canada	Aaa /-/AAA	1,000bn		07.03.2028	ms +32 bps		28.02.2023	2,100bn	ms + 35 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

Last week, the iTraxx Europe Senior Financial Index widened in the face of existing interest rate fears. This week, interest rate worries were temporarily dampened in the wake of the decline in the money supply and the resulting inflationary potential. However, the central bank remains under pressure, especially as inflation continues to rise in major euro countries. The expectation that the ECB will raise interest rates by 50 bps next month remained unchanged. There was no change in this expectation. In the senior unsecured segment, issuing activity picked up somewhat compared to the previous week. Landesbank Berlin made a successful start to the week in a challenging market environment with a 3-year senior non-preferred debut issue as a sub-benchmark (EUR 250 million, WNG). The final spread was set at MS+95, 5 bps below the initial target. De Volksbank placed a 7-year SNP Green Bond. Intesa Sanpao-lo met good demand with a green SNP dual tranche. The spread narrowed by 20 bps on the 5NC4 (EUR 1.5bn) compared to marketing and by 15 bps on the 10-year (EUR 750m).
Credit Agricole issued an SP benchmark dual tranche on Wednesday. The bonds had maturities of 2 and 7 years, respectively. The current market uncertainty can be seen from the fact that shorter maturities are significantly more in demand from investors, which is also evidenced by the two issues mentioned.

In the cash segment, spreads have widened again recently. In the pref segment, the widening was more moderate and averaged 3 bps. The periphery is an underperformer with up to 7 bps, while Skandis again lived up to their

safe haven status with unchanged spread levels. For non-prefs, the widening is much more pronounced with an average of 7 bps. The risk premiums of peripheral bonds increased by 8-12 bps, but this was partly due to repricing as a result of new issues.

Outlook: The credit curves steepened again recently, the decompression between prefs and non-prefs is still intact and should remain so due to the nervous market environment. In view of the consolidating markets, things have been a little quieter on the primary side recently, but now it seems as if momentum is picking up again. Generally slightly rising new issue premiums offer the chance of a tightening of bond spreads.

> *„Interest rate volatility is increasing massively again and consolidation is taking hold on the stock markets and in the credit cash area. There was no sell-off, as FOMO (fear of missing out) still seems to apply. The iTraxx indices are trading tighter in a weekly comparison, decoupled from the cash. However, nervousness is gradually increasing here. The central bank meetings in a fortnight with further interest rate steps are already casting their shadows."*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 27 Febuary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3m€+32 Bp	Credit Agricole SA	Aa3 /A+/AA-	1,750bn		07.03.2025	ms +32 bps		28.02.2023	3,300bn	3m€ 55/60 bp
4,125%	Credit Agricole SA	Aa3 /A+/AA-	1,000bn		07.03.2030	ms +90 bps		28.02.2023	1,900bn	ms + 110/115 bp

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 27 Febuary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,500%	Landesbank Berlin	A3 /-/-	0,250bn		06.03.2026	ms +95 bps		27.02.2023	0,275bn	ms + 100 area
5,000%	Intesa Sanpaolo S.p.A.	Baa3 /BBB-/BBB-	1,500bn		08.03.2028	ms +170 bps	✓	27.02.2023	3,000bn	ms + 190 area
5,625%	Intesa Sanpaolo S.p.A.	Baa3 /BBB-/BBB-	0,750bn		08.03.2033	ms +255 bps	✓	27.02.2023	2,000bn	ms + 270 area
4,875%	de Volksbank N.V.	Baa2 /-/A-	0,500bn		07.03.2030	ms +160 bps	✓	28.02.2023	0,850bn	ms + 170 area
4,656%	Morgan Stanley	A1 /A-/A	2,000bn		02.03.2029	ms +125 bps		28.02.2023	3,900bn	ms + 150 area

Sources: Bloomberg, Helaba DCM



Short news

2/28 EU Green Bond Standard: EU negotiators reached an agreement on Tuesday that creates the first first-class standard for green bond issuance. The European Green Bonds Standard (EUGBS), which companies can optionally choose when placing a bond, will primarily allow investors to target their investments towards more sustainable technologies and companies with greater certainty. It also gives the company issuing the bond more certainty that its bond is suitable for investors seeking green bonds in their portfolio. The standard is in line with the more horizontal taxonomy legislation that defines which economic activities can be considered environmentally sustainable. The agreement was reached by European Parliament negotiators led by rapporteur Paul Tang (S&D, NL) and the Swedish EU Presidency. It will make clear to bond issuers what economic activities can be carried out with the bond proceeds, establish a clear reporting procedure on the use of proceeds from bond sales and standardise the verification work of external auditors, which will improve confidence in the verification process.

2/28 Bloomberg: Foreigners flee Danish Mortgage Bonds as Housing Cools. Foreign investors are reducing their holdings in Denmark's mortgage bonds at an accelerating pace, leading to higher refinancing costs for home owners who're already facing declining house prices. Over the past 12 months, foreigners have sold a net 118 billion kroner ($17 billion) in fixed-rate convertible mortgage bonds and now hold 376 billion kroner, according to data published on Tuesday by the Danish central bank. Their share of ownership fell to 31% in January, the lowest in four-and-a-half years.

2/28 Moody's: RMBS and Covered Bonds Australia – Mortgage Secktor is better placed in current housing downturn than previous slump. The Australian mortgage sector is in a stronger position in the current housing market downturn than it was during the 2008 financial crisis, because risky lending has declined, macroprudential policies have improved underwriting standards, and lenders have a greater propensity to support homeowners than in the past. These factors will continue to support mortgage performance as interest rates increase, house prices decline and the economy weakens in the coming months. Nonetheless, some borrowers are more vulnerable than others and we expect mortgage delinquencies to rise from current low levels.

2/27 Barkow: Volume of German mortgage loans declines. The volume of outstanding German mortgage loans fell in January for the first time since 2016, according to Barkow Consulting. "It is down by EUR 1.6 billion month-on-month, which is also the largest decline since 2014," the consultancy said in a statement.

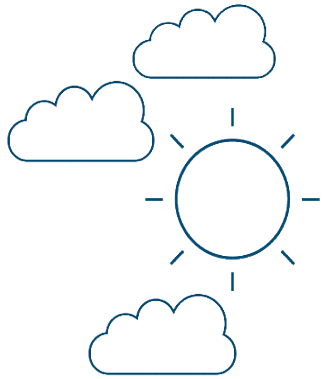
2/27 Moody's: Finland's 30-year maximum loan term for mortgages is credit positive for covered bonds: On 16 February, **Finland**'s Ministry of Finance capped the maturity of new housing loans at 30 years and restricted interest-only periods for loans to housing companies. Both regulations are credit positive for covered bonds because they lessen the risk of mortgage borrowers becoming too indebted and reduce asset-liability mismatches in covered bond programmes.

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

E-STOXX 600 Banks	167	1,74%	3,52%	iBoxx € Cov. Germany	6,9	-0,3	0,3	iTraxx Senior Financial	90,0	5,2	0,4
10Yr-Yield	2,7	0,2	0,4	iBoxx € Cov. Bonds	19,6	-0,3	-0,1	iBoxx € Supranational	18,5	-0,66	-0,58
Swap 10J	3,3	0,2	0,4	iBoxx € Banks PS	68,8	0,7	-1,6	iBoxx € Agencies	1,1	-0,25	-1,31
iBoxx € Germany	-44,1	0,7	1,9	iBoxx Banks NPS	104,7	0,0	3,9	iBoxx € Sub-Sov. Germany	9,1	-1,06	-2,91
iBoxx € EU	24,7	-0,7	-0,8	iBoxx Banks Subordinated	176,7	-0,7	9,8	iBoxx € Sub-Sovereign	26,0	-0,94	-1,33

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

Leisure tip for the weekend: Oranienburg Palace Museum



Oranienburg Palace is one of the most significant Baroque buildings in the Mark Brandenburg, and a symbol of the Electorate of Brandenburg's regal ascent.

After a varied history of use, the **Oranienburg Palace Museum** today presents a collection of masterly works of art, including the magnificent étagères in the porcelain chamber. Outstanding are a group of ivory seating furniture, a series of tapestries from Pierre Mercier's manufactory in Berlin depicting the glorious deeds of the Great Elector, and sculptural works by the sculptor Bartholomeus Eggers.

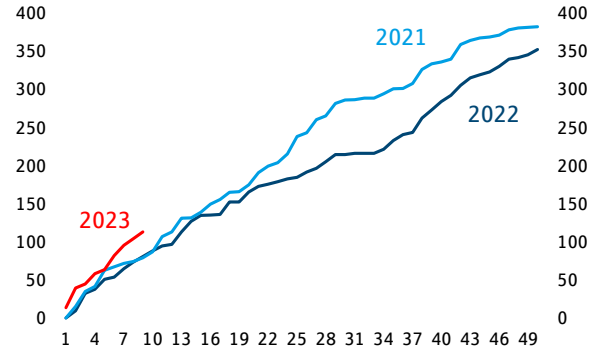
Further information:
Oranienburg Palace Museum

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: https://www.spsg.de/en/palaces-gardens/object/oranienburg-palace-museum/

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

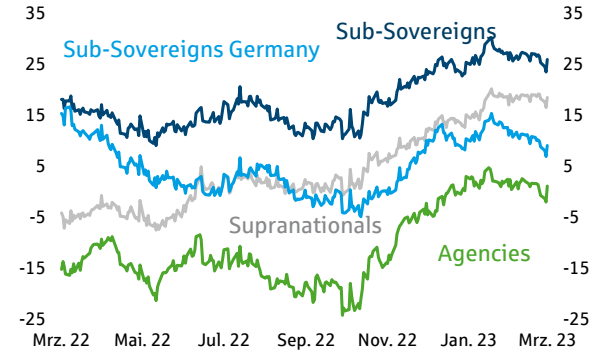
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

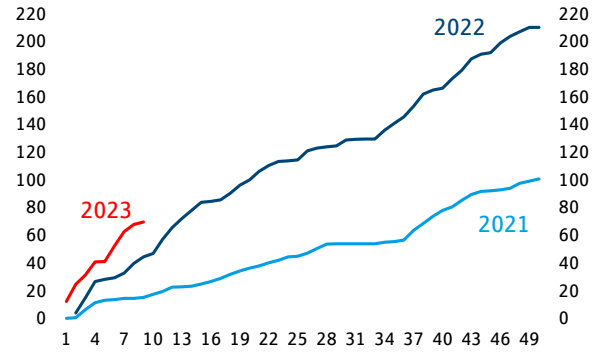
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

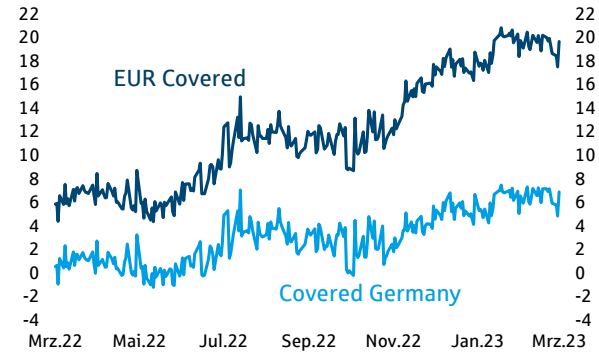
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

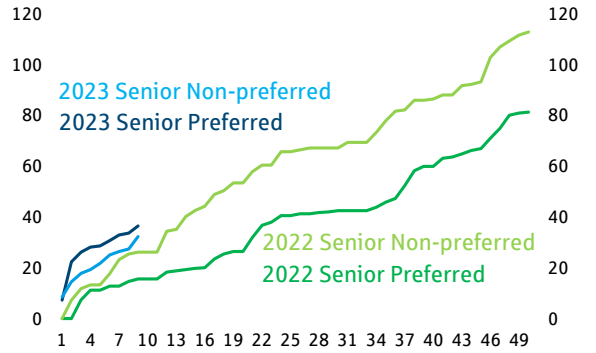
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

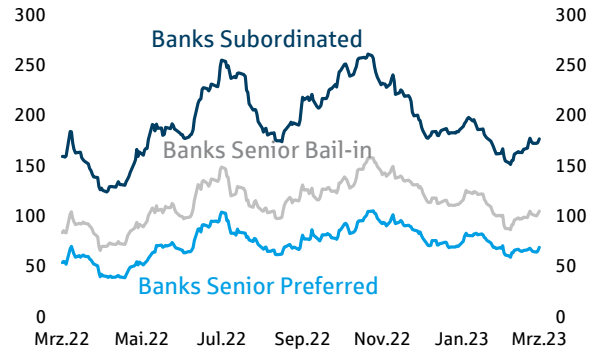
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

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