Helaba

Focus on: SSAs & Financials

9 March 2023

Weekly Market Update

Primary market environment: Given a constructive environment, primary markets - both in terms of number of transactions and issuance volume - are currently humming. Fed Chairman Powell has underpinned the need for further rate hikes. Due to inflationary pressures, the central bank is prepared to accelerate the pace of rate hikes if necessary.

Primary market barometer

SSAs



Issuers are making good use of the current constructive market environment, so that the momentum in the SSA segment is continuing. The offer is diverse. From the EU to agencies as well as sustainability and green bonds, there was something for everyone this week.

Covered Bonds



This week, the issue volume exceeded EUR 10 billion for the fifth time this year. The Canadian TD Bank, which was responsible for a dual tranche of EUR 5 billion, played a major role in this.

Senior Unsecured



At EUR 11 billion, the primary market was extremely active. At the same time, the market environment continues to be characterised by uncertainty and increased volatility. Based on the latest development of the iTraxx Senior Financial, a spread widening seems likely in the short term.

Risk trend indicator: Sentiment is steadily deteriorating

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,06	0,30	0,28	0,99	2,14	-0,40
European Union	0,02	0,11	0,03	0,55	2,72	2,67
Germany Covered	-0,01	0,17	0,16	0,21	0,82	1,07
EU Covered	0,00	0,06	0,04	0,10	0,68	0,80
Banks senior preferred	-0,02	0,18	0,41	-0,01	0,13	1,31
Banks senior bail-in (SNP)	0,01	0,10	0,56	-0,19	0,17	1,33
Banks subordinated	-0,01	0,02	0,45	-0,08	-0,05	1,30
Supranational	0,02	0,11	0,04	0,51	2,29	2,15
Agencies	-0,01	0,26	0,13	0,37	1,47	0,30
Sub-Sovereigns Germany	0,01	0,11	-0,06	-0,12	-0,32	-0,43
Sub-Sovereigns	0,02	0,20	0,08	0,18	0,83	0,72

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

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

The trend towards greater risk aversion on the part of investors, which has been observed for some time, is also reflected in the increasing red colouring of our risk trend indicator.



SSAs

As expected, activity in the SSA primary market continued this week. The Investitionsbank des Landes Brandenburg kicked off with a 7-year benchmark issue (EUR 500m, WNG), successfully taking advantage of the current constructive market environment. Brisk demand made it possible to narrow the initial spread requirement to 2 bps. The new issue premium of 1 bps was low. As usual, a lot of attention was also paid to the EU. The book of the EUR 6 billion, 11-year bond of EUR 54.5 billion was oversubscribed about 9 times. The spread was narrowed by 2 bps to MS+13 bps compared to the marketing. The Andalucìa region successfully placed a 10-year **sustainability bond** (EUR 600 million) at SPGB + 29 bps. Swedish Kommunin-vest issued a **green** 4-year benchmark (EUR 500 m), WNG. KfW, another German issuer, also entered the primary market stage. The EUR 5 billion bond with a 7-year maturity was easily sold with an oversubscribed order book of around 5.2 times. The final spread was 2 bps below the initial target at MS-8. BayernLabo's 12-year sub-benchmark issue also went through well, although it was not possible to narrow the initial spread compared to the target.

Outlook: More projects are already in the pipeline, so issuance activity will continue in the coming week. However, activity is likely to be limited to the first part of the week in view of the ECB interest rate decision due on Thursday.

€ SSAs issues week of 6 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	Investitionsbank des Landes Brandenburg	- /-/AAA	0,500bn		13.03.2030	ms +2 bps		06.03.2023	1,000bn	ms +3 area
3,250%	EU	Aaa /AA+/AAA	6,000bn		04.07.2034	ms +13 bps		07.03.2023	54,500bn	ms + 15 area
3,950%	Junta de Andalucía	Baa2 /BBB+/-	0,600bn		30.04.2033	SPGB +29 bp	✓	07.03.2023	1,000bn	SPGB +32 area
3,250%	Bayerische Landesbodenkreditanstalt	Aaa /-/-	0,250bn		15.03.2035	ms +11bps		08.03.2023	0,215bn	ms + 11 (+/-1) WPIR
3,375%	Kommuninvest I Sverige AB	Aaa /AAA/-	0,500bn		15.03.2027	ms -8 bps	✓	08.03.2023	4,000bn	ms - 4 area
3,125%	KFW	Aaa /AAA/AAA	5,000bn		07.06.2030	ms -8 bps		08.03.2023	25,800bn	ms - 6 area
3,750%	Communauté française de Belgique	A2 /-/-	0,700bn		22.06.2033	BGB +43 bp		09.03.2023	1,300bn	BGB +45 area
3,500%	Rheinland-Pfalz	/AAA/-	0,750bn		16.06.2025	n/a		09.03.2023	n/a	n/a

Sources: Bloomberg, Helaba DCM



Covered Bonds

Compared to the previous week, primary market activity in the covered bond segment was more dynamic right from the start. With CFF (8.5 years, EUR 1.75 billion) and Toronto Dominion Bank (TD Bank), two issuers were already active on Monday. TD Bank set a clear exclamation mark with a dual tranche. The 3-year issue was the largest ever publicly syndicated covered bond tranche on the European debt capital markets. The volume of this bond amounted to € 3.5 billion and recorded a strong order book of € 4.6 billion. The 7-year paper (€ 1.5 billion) was also successfully placed. After France and Germany, which together account for almost half of the covered issue volume since the beginning of the year, Canada now ranks third with € 7.75 billion. Another highlight was Landsbankinn's first euro-denominated issue, a EUR 300 million (no-grow) sub-benchmark. This was also the first Icelandic new issue to carry a premium covered bond label. Other issues such as those by

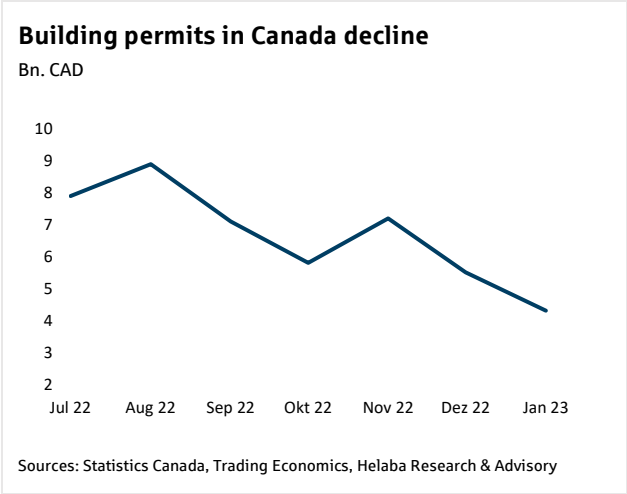
> *"The dual tranche issued at the beginning of the week by Toronto Dominion (3y MS+22/7y MS+40) with a total volume of EUR 5 billion clearly shows that Canadian bonds are currently very attractive in the covered bond universe. Above all, the follow-up performance of 3-4 bps. (3y) and 2 bps. (7y) shows that investors are primarily and secondarily positive. Overall, the picture remains constructive, supported by private demand away from continued central bank buying.""*
>
> *Comment from the Helaba trading floor*

RBI, Alands-banken, Mortgage Society of Finland, Nationwide Building Society or the 5-year covered by Westpac Securities went through relatively smoothly in a constructive market environment.

Outlook: In the short maturity segment, the flirtation of 2y swap rates with the 4% mark is fuelling the willingness to buy. There is currently no fundamental disruptive fire in sight, so the trend towards tighter swap valuations should continue. Moreover, covereds remain cheap compared to other asset classes (credits/SSAs/LSAs).

Chart of the week

According to Statistics Canada, the total value of building permits in Canada fell 4% to $9.8 billion in January 2023 from the previous month, following an upwardly revised 7.7% decline the month before. The residential construction sector contracted 6.6% to $6.1 billion in January as permits for multi-family homes fell 8.3%. The decline was most pronounced in British Columbia (-27.9 %), while single-family building projects fell by 4.4 %. Quebec (-13.5 %) contributed most to the latter decline. Meanwhile, the total value of non-residential building permits rose slightly by 0.7% to $3.7 billion in January, with gains in the commercial component (5.4%) offsetting losses in the industrial (-3.9%) and institutional (-5.9%) components. Currently, Canadian covered bonds have an average overcollateralisation of around 58% on the basis of 8 selected programmes, so that there is currently nothing standing in the way of new covered bond issuance. However, in view of the development described above, less cover assets could be available in the future and thus have an impact on new issuance activities.



According to **rating agency Fitch**, Canada's covered bond ratings proved resilient in 2022 despite falling housing prices, inflation and rising interest rates. All eight programmes rated by Fitch have maintained their original assigned ratings and continue to have a stable rating outlook. In addition, the agency stressed that the programmes consist of prime loans underwritten in accordance with B-20 guidelines. It said the overall characteristics of the collateral pool were very good, including that the loans had a current loan-to-value (LTV) ratio of less than 50% and delinquencies for all Canadian mortgages were at record lows (less than 0.20%).

€ Covered Bond issues week of 6 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	CFF	Aaa /AAA/-	1,750bn		16.09.2031	ms +26 bps		06.03.2023	2,500bn	ms +31area
3,879%	Toronto-Dominion Bank	Aaa /-/-	3,500bn		13.03.2026	ms +22 bps		06.03.2023	4,600bn	ms +25 area
3,715%	Toronto-Dominion Bank	Aaa /-/-	1,500bn		13.03.2030	ms +40 bps		06.03.2023	2,200bn	ms +43 area
3,875%	Bank of Åland Plc	- /AAA/-	0,250bn		16.03.2026	ms +22 bps		07.03.2023	0,410bn	ms+23 area
3,875%	Raiffeisen Bank International AG	Aa1/-/-	0,500bn		16.03.2026	ms +34 bps		07.03.2023	1,400bn	ms +40 area
3,625%	Nationwide Building Society	- /AAA/AAA	1,000bn		15.03.2028	ms +24 bps		08.03.2023	2,100bn	ms +28 area
3,625%	Mortgage Society of Finland	- /AAA/-	0,300bn		15.09.2028	ms +32 bps		08.03.2023	0,300bn	ms +32 area
3,750%	Westpac Securities NZ Limited, Ldn Branch	Aaa /-/AAA	0,750bn		20.04.2028	ms +44 bps		08.03.2023	2,250bn	ms +50 area
3,500%	CaFFiL	Aaa /AA+/-	0,750bn		16.03.2032	ms +27 bps		09.03.2023	0,985bn	ms +30 area
4,250%	Landsbankinn hf	- /A/-	0,300bn		16.03.2028	ms +90 bps		09.03.2023	0,325bn	ms +90 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

The senior unsecured segment continued to be influenced by inflation data and the associated interest rate fears, combined with high volatility. In his speech, Fed Chairman Powell underlined the necessity of further interest rate hikes. Due to inflationary pressures, the central bank was prepared to accelerate the pace of interest rate hikes if necessary.

On the secondary market, Italian preferred securities were able to escape quite well with an average widening of 1-2 bps. On the other hand, the risk premiums of Scandinavian and French financials widened strongly by 5-7 bps. In the case of non-preferred bonds (non-prefs), it was mainly bonds of German banks that fared worse with a spread increase of 8 bps.

The iTraxx Senior Financial has also been susceptible to fluctuations recently. After an interim high of around 90 points, it initially fell to around 83. In the meantime, the index is trading again at around 87. The recent higher interim low compared to the beginning of February increases the probability of a continuation of the spread widening trend in the short term.

On the primary market, the activity in preferred issues picked up compared to the previous week. Issuers who had recently been conspicuous by their absence on the primary market also made an appearance. Volksbank Wien, for example, ended its two-year absence from the market by issuing a green senior bond (EUR 500 million). Mediobanca was able to narrow the initial spread by 23 bps to MS+137 bps on the back of a EUR 1.3 billion book for its EUR 750 million 5NC4 SR Pref, although the picture clouded again somewhat in secondary trading (+3 bps). DNB Bank placed a 6NC5 SR pref bond in green. The green label certainly played a role in the spread development (MS+65 after originally MS+90). Hamburg Commercial Bank successfully placed a 2-year SR pref bond at MS+100, 20 bps below the marketing spread.

> *„Last week's new issues continue to perform well. Morgan Stanley's 6nc5 is now trading 12bps tighter to the reoffer. Credit Agricole's DualTranche also managed to hold its own at 3bps. (Fix 7y) and 2.5 bps. (FRN 2y) on the secondary market. This was joined last Friday by the new BFCM 4 ⅛03/13/29, which trades unchanged to 1bps further to the reoffer."*
>
> *Comment from the Helaba trading floor*

Non prefs were successfully placed by HSBC as a dual tranche (EUR 1.5 & 1.25 bn) with maturities until 2028 and 2032 at 2.1 and 2.4 times oversubscription rates, respectively. Much attention was paid to the 5NC4 Women-led **Social Bond** issued by NatWest. The issuer intends to use the net proceeds of the bonds to finance and/or refinance loans to businesses that are classified as women-led. The book was 2.8 times oversubscribed, with the final spread fixed at MS+120 after MS+145 bps in marketing.

Outlook: Although the bulk of the issuance this week went through relatively well, the impression is that the air is getting a little thinner and investor uncertainty is also increasing. Fastmoney accounts are still trying their luck with new issues.

€ Senior Preferred issues week of 6 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,750%	Mediobanca SpA	Baa1/BBB/BBB	0,750bn		14.03.2028	ms +137 bps		07.03.2023	1,300bn	ms + 160 area
4,000%	DNB Bank ASA	Aa2/AA-/-	1,000bn		14.03.2029	ms +65 bps	✓	07.03.2023	1,600bn	ms + 90 area
4,875%	Hamburg Commercial Bank AG	A3/-/-	0,750bn		17.03.2025	ms +100 bps		08.03.2023	1,500bn	ms + 125 area
4,750%	Volksbank Wien AG	A3/-/-	0,500bn		15.03.2027	ms +135 bps		08.03.2023	0,650bn	ms + 145 area
4,500%	ASB Bank Limited	A1/AA-/-	0,500bn		16.03.2027	ms +110 bps		08.03.2023	1,400bn	ms + 125/130 area
3m€63 Bp	Intesa Sanpaolo S.p.A.	Baa1/BBB/BBB	1,500bn		17.03.2025	ms +63 bps		09.03.2023	2,300bn	8500,000%

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 6 March 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,752%	HSBC Holdings PLC	A3 /A-/A+	1,500bn		10.03.2028	ms +120 bps		06.03.2023	3,100bn	ms + 145 area
4,787%	HSBC Holdings PLC	A3 /A-/A+	1,250bn		10.03.2032	ms +150 bps		06.03.2023	3,000bn	ms + 175 area
4,699%	NatWest Group Plc	A3 /BBB/A	0,500bn		14.03.2028	ms +120 bps	✓	07.03.2023	1,400bn	ms + 145 area
4,625%	UBS Group AG	- /A-/A+	1,500bn		17.03.2028	ms +115 bps		09.03.2023	3,600 Mrd.	ms + 140 area
4,750%	UBS Group AG	- /A-/A+	1,250bn		17.03.2032	ms +160 bps		09.03.2023	3,400bn	ms + 180 area

Sources: Bloomberg, Helaba DCM

Short news

8/3 Moodys: RMBS & Covered Bonds – Australia Poor housing affordability will remain an ongoing risk for home loan borrowers: Housing affordability for new Australian homebuyers, which worsened over 2022, will remain poor over 2023. Poor housing affordability increases the risk of delinquencies and defaults for new mortgages, which is credit negative for residential mortgage-backed securities (RMBS) and covered bonds backed by such loans.

3/7 Fitch Ratings: Climate-Policy Risk for Residential Homes: Discussion Paper - As climate policies in the housing sector become more vigorous, the agency expects climate protection and adaptation measures to target emission levels and the overall physical properties of individual buildings (e.g. insulation, heating, lighting). Fitch believes that energy efficiency is becoming an increasingly important consideration for borrowers in many countries when purchasing a home, both from an environmental perspective and in terms of the cost of living. Therefore, the agency is reviewing the relevance of energy performance certificate (EPC) data for calibrating ge-stresst sales assumptions of properties that serve as collateral for loans in RMBS transactions or in cover pools. Fitch believes that such adjustment would reflect the increasing impact of energy efficiency on residential property prices in different markets.

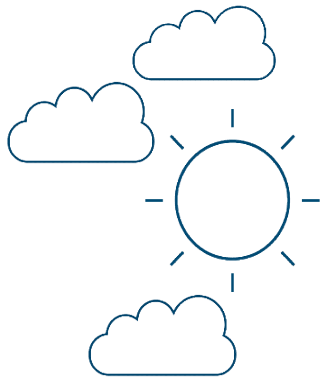
3/2 Fitch Ratings: Covered Bonds Protected Against Worsening Mortgage Outlook. Covered bonds will not directly suffer from projected asset performance deterioration in 2023, Fitch Ratings says. This is due to the dual recourse nature of the instrument, to the issuing bank and to the cover pool, their protection mechanism, comfortable buffers against issuer downgrade and ample over-collateralisation (OC).Fitch expects mortgage loans performance to deteriorate in 2023. This will not affect covered bond payments while the issuing bank is solvent, as it must meet its liabilities regardless of the cover assets' actual cash flows.

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

E-STOXX 600 Banks	168	0,40%	3,26%	iBoxx €Cov. Germany	7,5	0,6	1,7	iTraxx Senior Financial	85,2	-3,1	0,6
10Yr-Yield	2,6	-0,1	0,3	iBoxx €Cov. Bonds	20,2	0,6	1,2	iBoxx €Supranational	19,2	0,70	1,07
Swap 10J	3,2	-0,1	0,3	iBoxx €Banks PS	71,8	3,0	8,2	iBoxx €Agencies	3,1	2,05	1,42
iBoxx €Germany	-41,1	3,0	2,5	iBoxx Banks NPS	107,4	2,7	16,2	iBoxx €Sub-Sov. Germany	10,3	1,17	-0,17
iBoxx €EU	25,5	0,7	1,0	iBoxx Banks Subordinated	176,9	0,2	21,7	iBoxx €Sub-Sovereign	27,7	1,78	1,48

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

Leisure tip for the weekend: Railroad Museum in Bochum



The small exhibition "Railways in Bochum" shows excerpts from over 160 years of Bochum's railroad history. Mining town, car town, university town - but railroad town? Although the railroad has shaped the structures of the city for over 160 years, Bochum is not considered a railroad city.

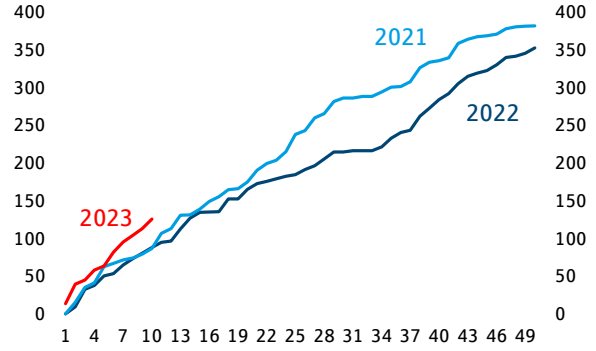
In addition, on weekends there is the possibility to take a ride in one of the historic trains on a trip through the Ruhr area. The wagons were built between 1920 and 1960 and let you experience what it meant to travel by train 70 years ago. What would you like? Fine fabric upholstery, squeaky imitation leather or orthopedic wooden benches – they offer something for everyone!
Further information:
Railroad Museum in Bochum

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

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

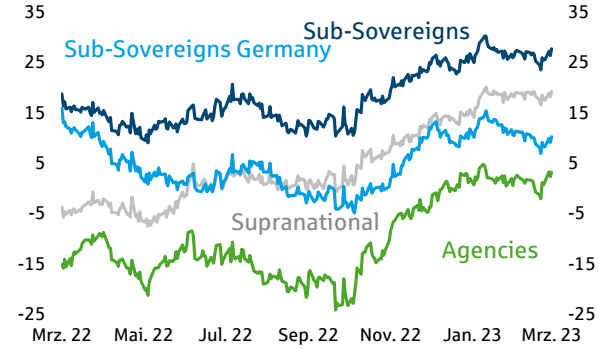
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

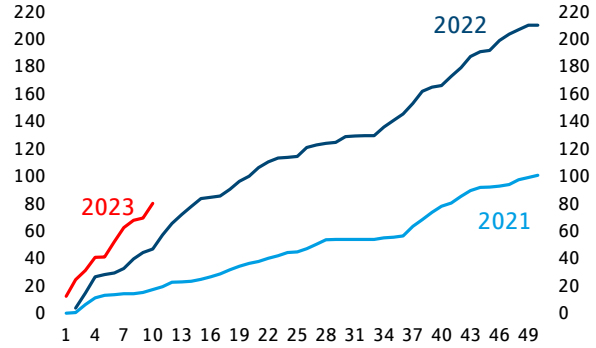
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

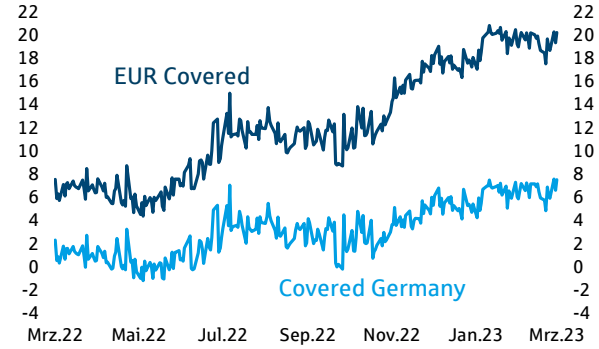
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

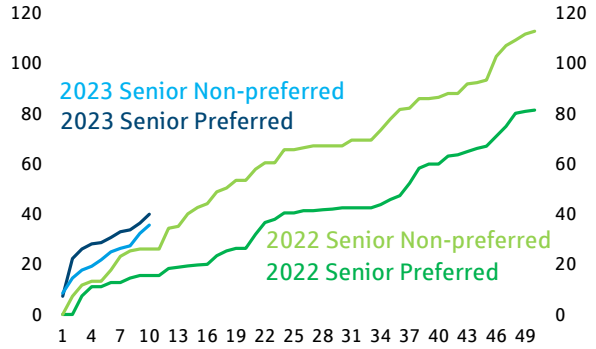
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

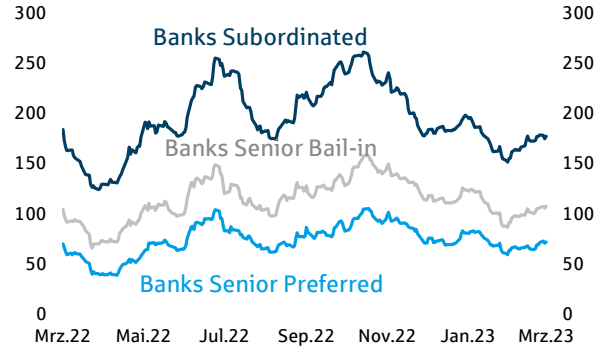
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

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