Helaba

Focus on: SSAs & Financials

11 May 2023

Weekly Market Update

Primary market environment: The primary market environment is largely favourable. According to Schnabel, the ECB is unlikely to cut rates before the end of the year. In the US, there has been no progress on the debt ceiling issue. US inflation eased slightly in April. Nevertheless, the level is still far too high and argues against interest rate cuts by the Fed in the short term.

Primary market barometer

SSAs



Despite favourable primary market conditions, issuers in the SSA segment have been cautious. Only the EU has been active this week. In our view, activity is unlikely to pick up in the coming days, especially as the issuance window is narrower than usual due to the holiday season.

Covered Bonds



As expected, issuance activity has picked up considerably this week. Sparkasse Pforzheim Calw's successful debut last week was followed by the Hanover and Hamburg savings banks. Overall, a large number of issuers took advantage of the favourable market conditions.

Senior Unsecured



This week saw an increase in primary market activity compared to the previous week. Negative sentiment towards the US banking market had little or no impact. Accordingly, we expect the market to remain receptive in the week ahead.

Risk trend indicator: Risk aversion continues

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,02	0,14	-0,08	-0,60	1,77	-1,52
European Union	-0,01	-0,09	0,21	-0,13	2,76	2,04
Germany Covered	-0,01	-0,02	0,14	0,04	1,14	1,18
EU Covered	0,00	-0,01	0,06	0,06	0,94	1,03
Banks senior preferred	0,01	0,25	0,09	0,88	0,93	1,93
Banks senior bail-in (SNP)	0,00	0,30	0,14	0,96	0,72	1,91
Banks subordinated	-0,01	0,23	0,22	1,17	0,67	2,34
Supranational	-0,01	-0,08	0,17	-0,08	2,43	1,83
Agencies	-0,01	0,03	0,04	-0,25	1,68	-0,19
Sub-Sovereigns Germany	0,00	-0,06	0,05	-0,05	0,55	-0,27
Sub-Sovereigns	0,00	-0,06	0,08	-0,06	1,43	0,55

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

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

Our Risk Trend Indicator again confirms the cautious stance that investors have been taking for some time. News such as the lack of progress on the US debt ceiling is likely to contribute to this..



SSAs

After a quiet start to the week, the primary market picked up pace, driven mainly by EU activity. A EUR 5bn 3-year issue was placed and the 2053 issue was increased by EUR 4bn. Together, the two transactions generated an order book of more than EUR 88bn and were heavily oversubscribed. In addition, issuers were reluctant to issue, which may also have been partly due to the smaller issuance windows caused by the holidays.

Outlook: The ESM (European Stability Mechanism) is in the pipeline, with requests for proposals (RfPs) having been issued. In addition, Dortmund has mandated an 8-year municipal bond (EUR 100m).

€ SSAs issues week of 8 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	EU	Aaa /AA+/AAA	5,000bn		05.10.2026	ms -27 bps		09.05.2023	29,000bn	ms - 25 area
3,000%	EU	Aaa /AA+/AAA	4,000bn		04.03.2053	ms +86 bps		24.01.2023	51,900bn	ms + 88 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Primary market conditions in the covered bond segment are generally good, as long as the price is right for investors. Short maturities remain in demand. Issuance activity picked up considerably from Tuesday. Unicredit (Munich) (4 years, EUR 750 m), Hamburger Sparkasse (5 years, EUR 500 m, WNG), CFF (6 years, EUR 1 bn) and Hypo Vorarlberg (4 years, EUR 500 m) were four issuers on stage. On Wednesday, Sparkasse Hannover (7 years, EUR 250m, WNG), SEB (2.5 years, EUR 1.75bn) and Deutsche Bank followed with a double tranche. The latter attracted a lot of attention. In addition to a 3.5 year, there was also a covered 10 year, EUR 500m each, no-grow. With a guidance of MS+26bp, the spread on the long tranche was well above what market participants had

> *"Swap spreads continue to tread water. Secondary activity is tepid and only picks up on days with increased primary activity. It seems pointless to point out the relative spread attractiveness that has been in place for months, especially as secondary impulses for a sustained tightening of spreads have so far failed to materialise. The widening gap between demand and official purchasing programmes is undoubtedly leaving its mark. The longstanding "no brainer" - buy primarily at spread "X" and sell over time at spread "Y" - is definitely over. This is certainly a turning point, to use the words of our Chancellor. The structure of the curve is playing its part and this does not appear to be changing in the medium term."*
>
> *Comment from the Helaba trading floor*

expected, so the order book climbed above the EUR 3bn mark and the reoffer spread was ultimately fixed at MS+20bp. Other issuers may well see this as a litmus test for comparable issues from their houses. We expect other Tier 1 issuers to selectively consider the long end for refinancing.

Bausparkasse Wüstenrot (AT) and Sparebank1 Boligkreditt's green covered issues today were 1.9x and 2.4x oversubscribed respectively.

Outlook: Overall, the primary market environment remains constructive. We expect the strong issuance activity to continue in the coming days.

€ Covered Bond issues week of 8 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	Hypo Vorarlberg Bank AG	Aaa /-/-	0,500bn		16.02.2028	ms +27 bps		09.05.2023	0,850bn	ms +31area
3,000%	UniCredit Bank AG	Aaa /-/-	0,750bn		17.05.2027	ms +7 bps		09.05.2023	0,770bn	ms +7 area
3,000%	Hamburger Sparkasse AG	Aaa /-/-	0,500bn		15.09.2028	ms +7 bps		09.05.2023	0,840bn	ms +10 area
3,125%	CFF	Aaa /AAA/AAA	1,000bn		17.05.2029	ms +27 bps		09.05.2023	1,110bn	ms +28 area
3,125%	Sparkasse Hannover	- /-/AAA	0,250bn		17.05.2030	ms +18 bps		10.05.2023	0,330bn	ms +18 area
3,250%	SEB	Aaa /-/-	1,750bn		04.11.2025	ms +5 bps		10.05.2023	2,000bn	ms +8 area
3,125%	Deutsche Bank AG	Aaa /-/-	0,500bn		19.10.2026	ms +5 bps		10.05.2023	1,500bn	ms +10 area
3,125%	Deutsche Bank AG	Aaa /-/-	0,500bn		19.05.2033	ms +20 bps		10.05.2023	2,600bn	ms +26 area
3,250%	Bausparkasse Wüstenrot AG	- /AAA/-	0,250bn		19.05.2027	ms +32 bps		11.05.2023	0,480bn	ms +35 area
3,000%	SpareBank 1Boligkreditt	Aaa /-/-	0,750bn		19.05.2030	ms +25 bps	✓	11.05.2023	1,850bn	ms +30 area
3,125%	Danske Mortgage Bank Plc	Aaa /-/-	0,500bn		12.012027	ms +12 bps	✓	11.05.2023	0,650bn	ms +12 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

Primary market activity in senior unsecured bonds was relatively low last week in view of the interest rate decisions. This week the picture is a little more mixed. Overall, senior issues - both preferred and non-preferred at post-Credit Suisse levels - were well received by the market. First, Caixa Bank (senior non-preferred) placed a social bond (EUR 1bn, 4NC3) and NatWest Group placed a EUR 1bn, 5.75NC4.75 fixed rate bond, both in benchmark format. However, as the news surrounding the US banking sector (see also Chart of the Week) was mostly negative, their performance in the secondary market was lacklustre. On Wednesday, Abanca Corporaciòn Bancaria (3NC2) and Islandsbanki HF (3 years, EUR 300m, WNG) each successfully took the stage with a senior preferred bond. We see it as a strength of the market that even smaller and less frequent issuers are able to refinance themselves at a reasonable size, provided they make the appropriate spread concessions.Today, Banca Commerciala Romana SA followed with a green EUR benchmark senior non-preferred (4NC3) and Credit Mutuel Arkea with a social bond (EUR 500m, senior preferred).

> *"Several US regional banks are back in the spotlight. New names continue to emerge among the smaller US financial institutions struggling with the current "banking crisis 2.0". Fears about the global banking system remain in the forefront of investors' minds. While equity markets in general are still holding up relatively well, the widening of the iTraxx Senior Financials confirms these concerns. "*
>
> *Comment from the Helaba trading floor*

The cash market also continues to trade in line with circumstances. With the latest widening of 1 to 2 bps, the average weekly widening in the preferred segment is 10 bps. The peripherals remained the underperformers with an average widening of 16bp. while Dutch bonds fared quite well with a widening of 2-3 bps. One rank lower, however, the picture is more balanced. Unclear central bank forecasts are keeping market participants on the sidelines as observers. Risky names such as Societe Generale, Banco Santander or Deutsche Bank have been swapped for bonds issued by major US banks or names generally considered safe havens such as ABN Amro.

Outlook: A number of issuance plans are still outstanding. As most banks have now reported their quarterly results, overall issuance should pick up.

€ Senior Preferred issues week of 8 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,500%	ABANCA Corporación Bancaria, S.A.	Baa3 /-/BBB-	0,500bn		18.05.2026	ms +225 bps		10.05.2023	0,950bn	ms + 240 area
7,375%	Íslandsbanki hf.	- /BBB/-	0,300bn		17.05.2026	ms +420 bps		10.05.2023	0,770bn	7,750% area
3,875%	Crédit Mutuel Arkéa	Aa3 /-/A	0,500bn		22.05.2028	ms +103 bps		11.05.2023	1,500bn	ms + 120-125 bp

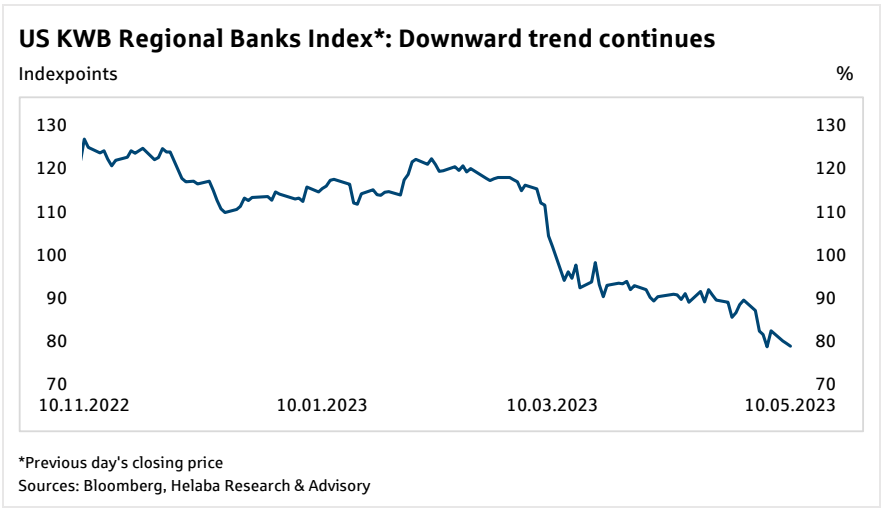
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 8 May 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,771%	NatWest Group Plc	A3 /BBB+/A	1,000bn		16.02.2029	ms +175 bps		09.05.2023	1,750bn	ms + 190/195 bp
4,625%	CaixaBank, S.A.	Baa3 /BBB/BBB+	1,000bn		16.05.2027	ms +150 bps	✓	09.05.2023	1,750bn	ms + 170 area
7,625%	Banca Comercială Română S.A.	Baa2 /-/BBB+	0,700bn		19.05.2027	ms +455 bps		11.05.2023	1,750bn	8-8,25% area

Sources: Bloomberg, Helaba DCM

Chart of the Week



Last weekend, First Republic became the third bank to be rescued by a takeover, this time by JP Morgan. The company's debt and preferred shares were not taken over. After Washington Mutual, which collapsed in 2008, First Republic is the second largest bank failure in US history. **A look at the KBW Regional Bank Index** illustrates the unbroken downward trend and sour sentiment in the sector. As the index has fallen below several technical support levels, such as the 61.8% Fibonacci retracement, we believe there is a relatively high probability that it will retest the March 2020 low of 55.12. All in all, this development illustrates the current environment in the US, which is dominated by negative news.

Short news

5.10 House prices in Germany continued to fall in the first quarter. The decline was 3.3% compared with the first quarter of 2002 and 2.3% compared with the previous quarter, according to the property price index of the **Verband deutscher Pfandbriefbanken (VDP)**. On both an annual and quarterly basis, these are the sharpest declines since the index began recording data in 2003. The entire property market has been in turmoil since mid-2010. This is particularly evident in property prices," said Jens Tolckmitt, Managing Director of the VDP, on Wednesday. "The many negative factors such as inflation, rising interest rates and uncertainty are leading to a price correction in all property classes."

5.5 Spanish 'windfall tax' takes a heavy toll: The **Financial Times** reported that CaixaB-ank said the special tax on big banks and energy companies had cost it €373 million. Ana Botín, chief executive of Santander, has called for any tax increases to be 'the same for all companies'. She has also argued that rising profits are a sign of a return to normal business conditions for banks.

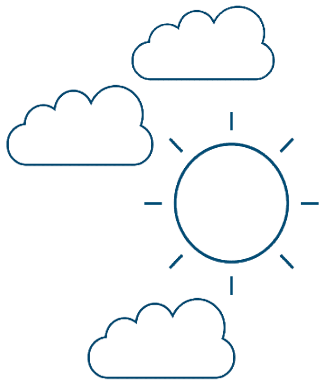
5.4 Central bank decisions on the APP: Along with its interest rate decisions, the ECB announced that it would accelerate the reduction of its balance sheet. The focus is on the approximately EUR 3.2 trillion of securities held under the Asset Purchase Programme (APP). The central bank plans to stop reinvesting completely from July. (**Capital**)

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

E-STOXX 600 Banks	148	1,30%	-0,58%	iBoxx € Cov. Germany	7,5	0,6	1,7	iTraxx Senior Financial	103,0	-0,3	5,4
10Yr-Yield	2,3	0,0	-0,1	iBoxx € Cov. Bonds	21,1	0,6	1,8	iBoxx € Supranational	18,3	0,13	2,67
Swap 10J	3,0	0,0	0,0	iBoxx € Banks PS	86,9	5,7	2,9	iBoxx € Agencies	-1,3	1,27	1,03
iBoxx € Germany	-52,5	2,3	-1,6	iBoxx Banks NPS	127,4	8,1	4,6	iBoxx € Sub-Sov. Germany	10,4	0,07	1,81
iBoxx € EU	23,8	-0,1	3,4	iBoxx Banks Subordinated	219,4	9,1	12,6	iBoxx € Sub-Sovereign	26,2	0,30	1,91

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

Leisure tip for the weekend: Ruhr Festival, Recklinghausen



The Ruhr Festival is one of the oldest, largest and most prestigious theatre festivals in Europe. During the annual festival season from 1 May to mid-June, Recklinghausen is transformed into an international cultural and theatre metropolis. International drama and dance theatre, co-productions with major German-speaking theatres, literature, outstanding productions by the New Circus and selected children's and youth theatre productions form the core of the contemporary programme.

Further information:
Ruhr Festival

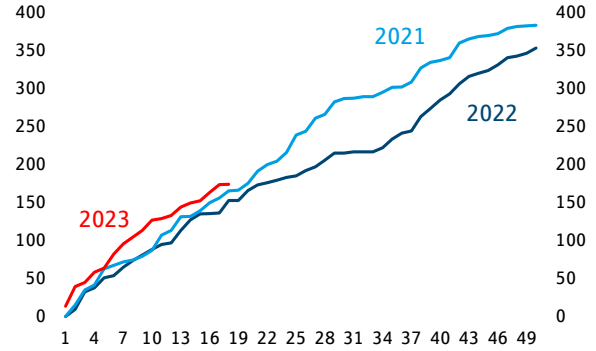
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.ruhrfestspiele .de/en

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

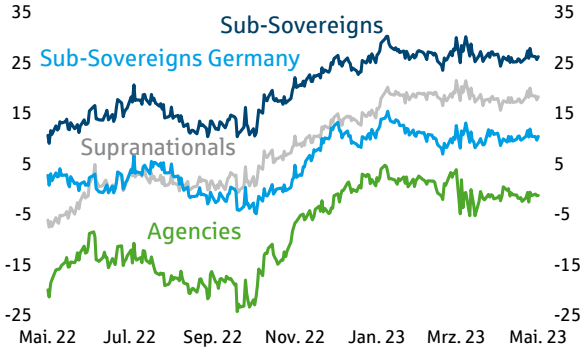
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

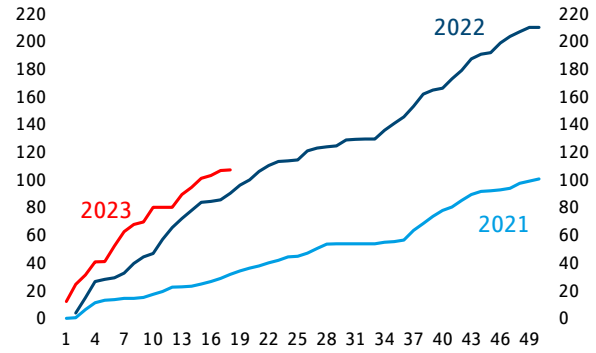
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

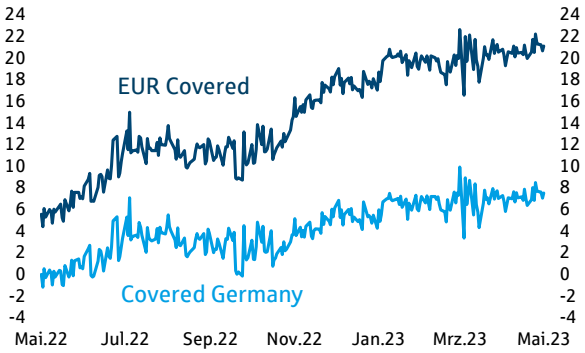
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

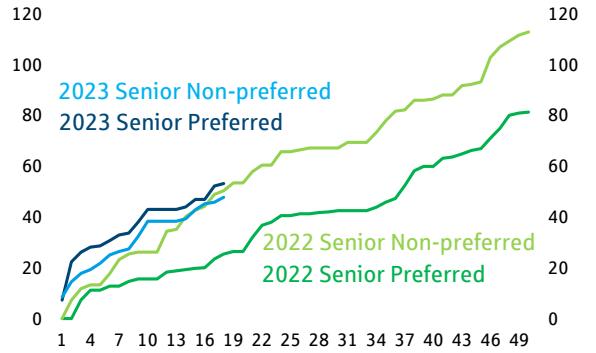
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

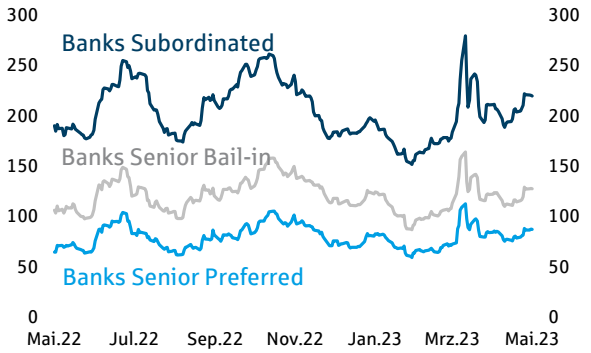
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → Video: Sustainable Finance – ICMA & Helaba Talk 2023
- → Focus on Credits: Primary market update EUR benchmark bank bonds Q1 2023"
- → Focus on Credits: EUR Corporate bonds: Primary market Q1 2023
- → Focus on Credits: European banks: Déjà vu in a crisis environment?
- → Focus on Credits: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference
- → European banks: An optimistic outlook for 2023
- → Focus on: Corporate Schuldschein: Burgeoning diversity creates new options for investors
- → Focus on: Primary Market update EUR Benchmark Bank Bonds Q4 2022
- → Focus on: Singaporean Covered Bonds - Top credit quality made in Asia
- → Markets and Trends 2023
- → Focus on credits - Basel III and the EU Council's position on the legislative package
- → Focus on: Sustainable Finance - The rendezvous clause

Team of authors



Sabrina Miehs, CESGA
Head of FI & SSA Research
Senior Advisor Sustainable Finance
T 069/91 32-48 90



Dr. Susanne Knips
Senior Credit Analyst
T 069/91 32-32 11



Christian Schmidt
Covered Bond & SSA Analyst
T 069/91 32-23 88

Publisher and editorial office

Helaba Research & Advisory

Editor:
Stefan Rausch
Corporate Research & Advisory

Responsible:
Dr. Gertrud R. Traud
Chefvolkswirtin/
Head of Research & Advisory

Neue Mainzer Str. 52-58
60311 Frankfurt am Main
T +49 69 / 91 32 – 20 24
Internet: www.helaba.com

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.

Here you can subscribe to our newsletter:
https://news.helaba.de/research/