Helaba

Focus on: SSAs & Financials

9 June 2023

Weekly Market Update

Primary market environment: There continues to be huge new issuance activity in the primary markets. This is putting increasing pressure on the secondary markets. Recent sentiment indicators in the euro area have been largely disappointing. According to ECB Governing Council member Knot, inflation in the euro area could remain high for a long time.

Primary market barometer

SSAs



The majority of the large SSA names enjoyed good demand. Accordingly, pre-market activity in the segment is likely to continue, although there is a trend towards increased price sensitivity and some issuers are already "ahead" of their pro-rata funding plan.

Covered Bonds



The primary market continues to operate at high speed. Once again, there was good demand for 10-year covered issues, provided the right deal structure was used. Unicredit SpA and Credit Agricole Italia were the first Italian issuers in more than a year.

Senior Unsecured



The primary market for senior unsecured bank bonds remains extremely active. Recently, however, issuers have been making concessions regarding new issue premiums. Open market windows will be further tapped before the summer break and the next quarterly reporting season.

.

Risk trend indicator: Inconsistent picture

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,01	0,35	0,40	0,80	1,01	-0,86
European Union	-0,01	0,04	0,04	-0,10	1,99	1,77
Germany Covered	-0,03	0,13	0,02	0,12	1,02	1,08
EU Covered	-0,01	0,04	-0,01	0,05	0,86	0,99
Banks senior preferred	-0,04	0,10	-0,01	-0,50	0,76	2,06
Banks senior bail-in (SNP)	-0,04	-0,01	-0,19	-0,86	0,51	1,84
Banks subordinated	-0,02	-0,03	-0,38	-0,50	0,34	2,12
Supranational	-0,01	0,04	0,00	-0,11	1,94	1,52
Agencies	0,02	0,22	0,11	0,21	1,08	0,04
Sub-Sovereigns Germany	-0,01	-0,01	-0,08	-0,10	0,57	-0,49
Sub-Sovereigns	0,00	0,01	-0,06	-0,18	1,15	0,36

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 currently shows a mixed picture. While sentiment continues to improve in the very short term, there is no clear trend in the medium term.



SSAs

Once again, the SSA segment saw strong issuance this (shortened) week, led by the EU and KfW (EUR 5 bn tap). As usual, the EU was heavily oversubscribed, with the EUR 3 bn tap maturing in 2029 10.4 times oversubscribed and the EUR 4 bn tap maturing in 2042 11.2 times oversubscribed. Ile-de-France Mobilitès had a full order book and was ultimately 9 times oversubscribed for its EUR 500m green bond maturing in 2028. However, not every new issue attracts sufficient investor interest, as recently demonstrated by the EUR 500m issue of the Land of Berlin. Overall, there are now clear signs of a gradual saturation of the primary markets.

Outlook: We are gradually entering the round before the summer break. Saxony-Anhalt has completed a social bond roadshow and is expected to come to market next week. The state of Baden-Württemberg is informing investors about a green benchmark. Overall, many issuers in the SSA segment are already well "ahead of schedule", i.e. ahead of the pro-rata funding budget. The state of North Rhine-Westphalia, for example, has almost reached its funding target for the current year.

€ SSAs issues week of 5 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,625%	EU	Aaa /AA/AAA	5,000bn	✓	04.12.2029	ms -21 bps		11.10.2022	16,500bn	ms - 20 area
3,375%	EU	Aaa /AA/AAA	4,000bn	✓	04.11.2042	ms +52 bps		14.02.2023	51,000bn	ms + 54 area
2,875%	KFW	Aaa /AAA/AAA	5,000bn		29.05.2026	ms -28 bps		06.06.2023	14,500bn	ms - 27 area
3,700%	Ile-de-France Mobilités	Aa3 /-/A+	0,500bn		14.06.2038	FRTR + 45 bp	✓	07.06.2023	4,500bn	FRTR +48 area
3,000%	Berlin	Aa1 /-/AAA	0,500bn	✓	04.05.2028	ms -9 bps		07.06.2023	not disclosed	ms - 9 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Last week, 3 new issues were placed and this week, despite a holiday on Thursday, a total of 8. Commerzbank started with a dual tranche of 2.5 and 10 years. Both were able to tighten 2bp from guidance. However, demand was somewhat lower than we had expected. A high number of senior transactions at the same time may have contributed to this. In the end, the issuer had to accept a new issue premium of 6-7bps. Once again, 10-year maturities have shown that they can attract buyers if the deal is properly structured, which means that covered issuance in this area could continue to gain momentum.

> *"In the secondary market, the days of the "free lunch" are finally over! With the primary focus increasingly on longer maturities and generally generous NIPs, it was initially hoped that further momentum would be generated thereafter. Unfortunately, the opposite has been the case. At best, spreads are treading water at elevated levels. What is more, the transactions are far from complete; there is still plenty of free float that is difficult to sell. Admittedly, a certain degree of saturation in the market speaks in favour of this performance (too much material in too short a time). Moreover, the gradual withdrawal of the official purchase programmes (announced by the ECB) is not only a material problem, but also a subconscious psychological one for the market (especially the market makers)".*
>
> *Comment from the Helaba trading floor*

On Tuesday, Unicredit was the first Italian issuer to return to the primary market following the recent completion of the implementation of the new legal framework for the issuance of Italian OBGs (Obbligazioni Bancarie Garantite). The issuer's first issue after an absence of around 7 years was also the first covered issue from Italy for more than a year and attracted considerable attention. The covered dual tranche, with a 3-year and a 7-year soft bullet format, generated total issue proceeds of EUR 3 billion and was able to narrow the initial spread on both tranches by a remarkable 8 basis points due to strong investor demand. Unicredit's strong performance is likely to have paved the way for other Italian issuers to follow suit.

Natixis' sub-benchmark Pfandbrief issue, on the other hand, struggled, possibly due to pricing that was too expensive in the eyes of the market. The arrangers at Natixis Pfandbriefbank were unable to narrow the initial spread target of MS+3 bp or to publish an order book for the 2.5-year EUR 250 million (no grow) mortgage Pfandbrief issue.

Wednesday saw another OBG issuer, Credit Agricole Italia. The EUR 1bn 6-year covered issue was priced at MS+59bp versus MS+63bp in the market. Both Eika Boligkreditt (EUR 500 mn, WNG, 10 years) and Münchener Hypo (EUR 500 mn, WNG, 7 years, green) saw their final spreads pricing 2 bpsinside guidance. Although all of Wednesday's new issues were successful, order book dynamics and oversubscription were rather disappointing.

Outlook: After a quiet end to the week due to the holiday, primary market activity is likely to continue next week, especially with a number of projects already in the pipeline. Meanwhile, the upcoming central bank meetings are increasingly coming into focus.

€ Covered Bond issues week of 5 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	Commerzbank AG	Aaa /-/-	0,750bn		12.12.2025	ms -2 bps		05.06.2023	0,935bn	ms flat area
3,125%	Commerzbank AG	Aaa /-/-	0,750bn		13.06.2033	ms +20 bps		05.06.2023	0,900bn	ms + 22 area
3,375%	NATIXIS Pfandbriefbank AG	Aaa /-/-	0,250bn		15.12.2025	ms +3 bps		06.06.2023	not disclosed	ms + 3 area
3,375%	UniCredit S.p.A.	Aa3 /-/-	1,750bn		31.01.2027	ms +27 bps		06.06.2023	2,700bn	ms + 35 area
3,500%	UniCredit S.p.A.	Aa3 /-/-	1,250bn		31.07.2030	ms +57 bps		06.06.2023	2,100bn	ms + 65 area
3,250%	EIKA Boligkreditt AS	Aaa /-/-	0,500bn		14.06.2033	ms +35 bps		07.06.2023	0,800bn	ms + 37 area
3,500%	Credit Agricole Italia	Aa3 /-/-	1,000bn		15.01.2030	ms +59 bps		07.06.2023	1,300bn	ms + 62 area
3,000%	Münchener Hypothekenbank eG	Aaa /-/-	0,500bn		14.08.2030	ms +8 bps	✓	07.06.2023	0,620bn	ms + 10 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds continued to be very active. At the start of the week alone, the order books were opened for six senior unsecured transactions in EUR benchmark format, with a combined volume of EUR 5.35 billion. In the course of the week so far, the issuance volume totaled EUR 7.95 billion, despite the public holiday on Thursday. This compares with cumulative investor interest of EUR 14.9 billion. Of the 11 issues, six were on preferred rank. As many as four transactions were green bonds.

However, the high order books were partly achieved by noticeable **concessions in new issue premiums**. At the same time, the secondary market is coming under increasing pressure.

Outlook: High maturities and strict bail-in capital requirements are driving primary market activity in senior unsecured bank bonds. Friendly market windows are actively exploited by issuers, especially as the summer vacations begin in the Scandinavian countries at the end of June.

> *"The good sentiment opened the window for new issues. French issuers in particular took advantage of the opportunity. A rarity and surprise was the first green issue from the US banking sector, from Bank of America. Secondary performance was positive on average. Outperformer with a tightening of 11 bps to the ReOffer is the 34 non-preferred fixed to float bond of BPCE. Investor flows over the past 7 days continue to be well mixed."*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 5 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,250%	Banco Santander, S.A.	A2 /A+/A	1,000bn		12.06.2030	ms +125 bps		05.06.2023	1,700bn	ms + 150 area
3,875%	Belfius Bank SA/NV	A1 /A/-	0,750bn		12.06.2028	ms +90 bps	✓	05.06.2023	1,500bn	ms + 110/115 area
3m€ +45 Bp	SEB	Aa3 /A+/AA	1,250bn		13.06.2025	ms +45 bps		05.06.2023	1,800bn	3m€ + 60/65 area
3m€ +55 Bp	National Bank of Canada	A3 /BBB+/A+	0,500bn		13.06.2025	ms +55 bps		06.06.2023	0,575bn	3m€ +65 area
4,000%	OP Corporate Bank plc	Aa3 /AA-/-	0,650bn		13.06.2028	ms +93 bps		06.06.2023	0,900bn	ms + 110 area
5,375%	Cassa Centrale Raiffeisen	Baa2 /-/-	0,200bn		16.06.2028	ms +240 bps		07.06.2023	0,260bn	ms + 250 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 5 June 2023

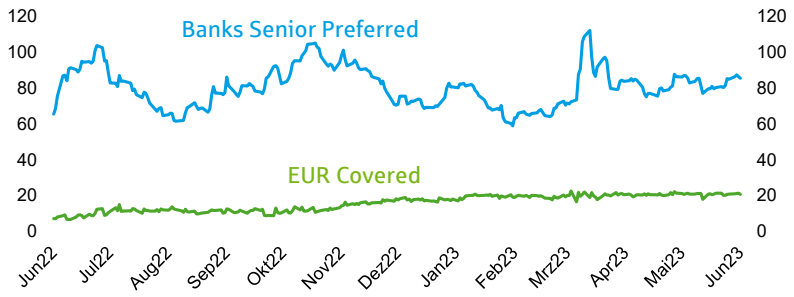
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,750%	BPCE SA	Baa1 /BBB+/A+	0,750bn		14.06.2034	ms +183 bps		05.06.2023	2,400bn	ms + 210 area
4,492%	Sumitomo Mitsui Financial Group	A1 /A-/-	0,600bn		12.06.2030	ms +150 bps		05.06.2023	1,300bn	ms + 170 area
4,134%	Bank of America Corporation	A2 /A-/AA-	1,000bn		12.06.2028	ms +105 bps	✓	05.06.2023	2,500bn	ms + 140 area
4,750%	Kutxabank, S.A.	Baa2 /-/BBB+	0,500bn		15.06.2027	ms +155 bps	✓	06.06.2023	0,650bn	ms + 170 area
6,000%	Banco BPM S.p.A.	Ba2 /-/BB+	0,750bn		14.06.2028	ms +280 bps	✓	07.06.2023	1,300bn	ms + 300 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

Spread differential between Covered and Senior Preferred wide

ASW



Sources: Refinitiv, Helaba Research & Advisory

The widening of the spread differential between Senior Preferred (SP) and Covered Bonds, which started in February, has continued recently. In our view, this is due to the huge number of SP primary market transactions. (The difference in issuance volumes between the two asset classes can also be seen graphically in the slope of the issuance curves in the bottom two charts on the left-hand side of page 6). On the basis of trend-following models, we believe that this trend is likely to continue.

Short news

6/5 Central banks successfully test 'quantum resistant' communications channel: A secure communication channel to protect financial data against future threats from quantum computers has been successfully established by the BIS Innovation Hub Eurosystem Centre, in concert with Banque de France and Deutsche Bundesbank. The BIS says the experiment acts as a blueprint for the financial system to build a complete chain of trust for central bank applications in the post-quantum world, **Finextra** reports.

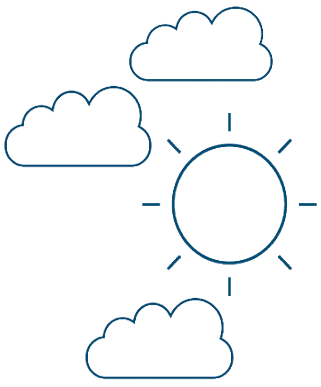
6/1 Responsible Banking - What does PRB mean for banks: The UNEP FI's Principles for Responsible Banking (PRB) aim to mobilize private finance to address the nature, climate, and pollution crises. Mete Feridun, Chair of the EMU Centre for Financial Regulation and Risk explores the requirements for signatory banks in a blog published by **Finextra**.

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

E-STOXX 600 Banks	152	3,46%	2,93%	iBoxx € Cov. Germany	7,3	0,2	-0,4	iTraxx Senior Financial	87,9	-2,2	-16,1
10Yr-Yield	2,4	0,2	0,2	iBoxx € Cov. Bonds	20,7	0,0	-0,7	iBoxx € Supranational	18,3	-0,57	-0,48
Swap 10J	3,0	0,1	0,1	iBoxx € Banks PS	85,5	0,1	-0,2	iBoxx € Agencies	0,0	1,67	1,05
iBoxx € Germany	-46,9	4,5	6,0	iBoxx Banks NPS	119,9	-2,1	-5,4	iBoxx € Sub-Sov. Germany	9,4	-0,62	-1,59
iBoxx € EU	24,3	-0,7	-0,1	iBoxx Banks Subordinated	199,5	-3,3	-17,2	iBoxx € Sub-Sovereign	25,8	-0,41	-1,00

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

Leisure tip for the weekend: Treetop path Bad Camberg



A 600 metre walk through the crowns of the Hintertaunus in Bad Camberg.

The path leads over ramps and stairs to a height of 28 metres with wonderful views.

More information:
Treetop walk Bad Camberg

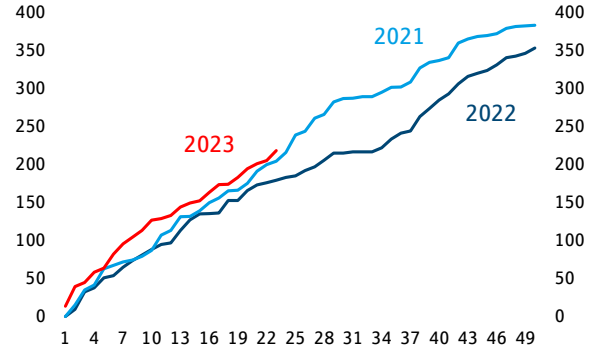
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.baumwipfelweg-bad-camberg.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

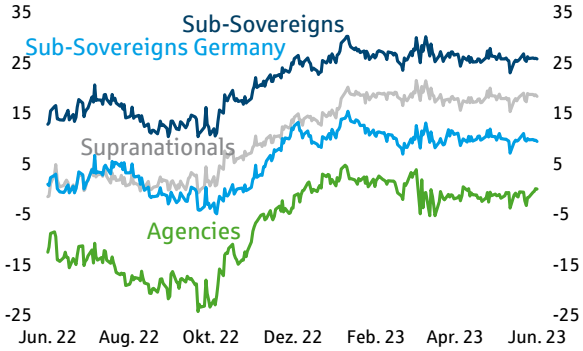
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

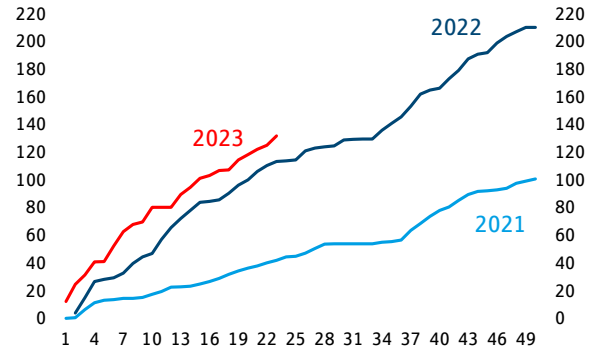
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

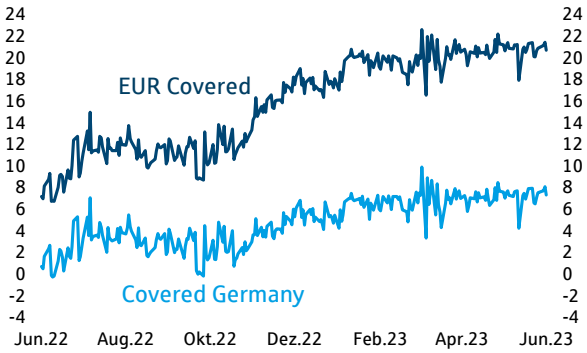
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

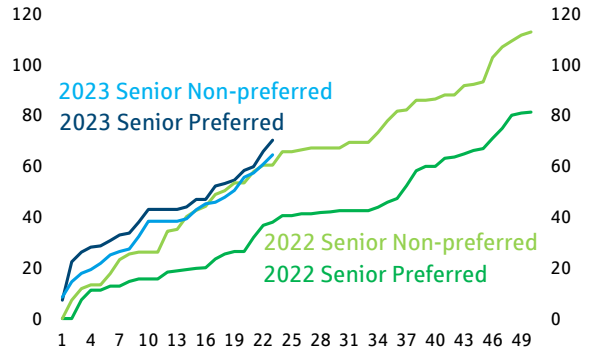
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

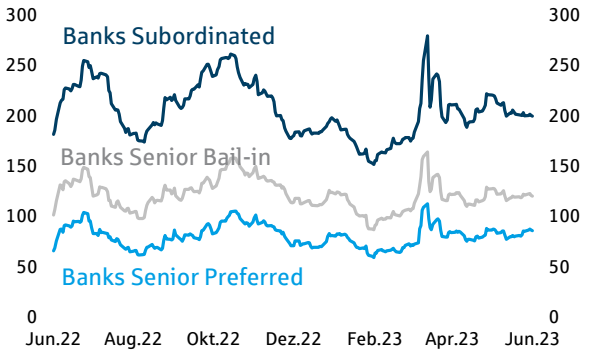
EUR benchmark issue volume cumulative by weeks, bn EUR



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:
Sabrina Miehs
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/