Helaba

Focus on: SSAs & Financials

22 June 2023

Weekly Market Update

Primary market environment: There is both light and shade in the primary markets. According to Fed Chairman Powell, there is still a long way to go to reach the 2% inflation target, a further 50bp hike by the end of the year is a good estimate. The SNB raised rates by 25bps to 1.75% today. The BoE announced a 50bp hike to 5%.

Primary market barometer

SSAs



From Tuesday onwards, the primary market picked up speed. The high proportion of ESG transactions was noticeable. Overall, most issues did well, but Cades stood out with an order book that was 4 times oversubscribed.

Covered Bonds



The covered bond segment was very busy on the primary market this week. The large number of new issues is proving increasingly challenging for some issuers. For the first time this year, a transaction already in progress had to be postponed.

Senior Unsecured



The primary market environment for senior unsecured bank bonds remains pleasingly robust. Investors' willingness to take on higher risks in exchange for attractive spreads was also exploited to an increasing extent by second-tier issuers this week. This pattern should continue for the time being.

Risk trend indicator: Confidence wanes

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,07	-0,06	0,25	0,38	1,27	-0,84
European Union	-0,02	0,01	0,11	0,07	1,91	1,67
Germany Covered	-0,05	-0,01	0,10	0,08	0,82	1,11
EU Covered	-0,02	0,00	0,04	0,05	0,78	1,05
Banks senior preferred	-0,01	-0,04	0,05	-0,59	-0,33	1,86
Banks senior bail-in (SNP)	0,00	-0,01	-0,15	-0,80	-0,50	1,66
Banks subordinated	0,01	0,05	-0,13	-0,83	-0,59	2,08
Supranational	-0,02	0,04	0,11	0,05	1,68	1,52
Agencies	-0,04	-0,03	0,04	0,02	1,13	-0,05
Sub-Sovereigns Germany	0,00	0,07	0,06	0,06	0,69	-0,42
Sub-Sovereigns	-0,01	0,02	0,04	-0,09	1,00	0,33

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 has been sending out positive signals recently. In the short term, however, the good mood has been somewhat dampened.

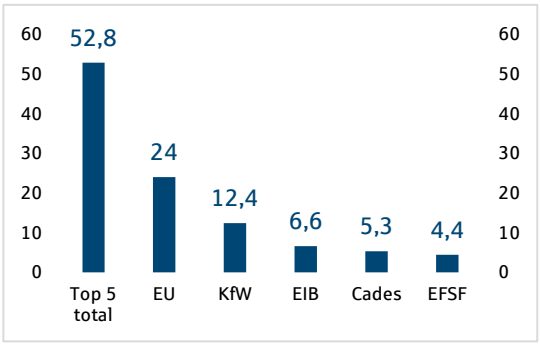
SSAs

The SSA segment was the most popular with investors this week. In most cases, order books were well above the targeted issue size. One reason for this may have been the conspicuously high proportion of ESG issues. Correspondingly, new SSA issues enjoyed a positive secondary market performance.

Primary market activity picked up from Tuesday onwards. With the possible exception of **CCCIF** (EUR 630m, 5 years), issuers were still cautious in view of the US holiday on Monday. **Bpifrance** was active with a 10-year green bond. The German state of **Baden-Württemberg** (EUR 600m (WNG), 10 years) and the Belgian **region of Wallonia** (EUR 700m, 15 years) also opted for a green issue.
The French state-owned agency **Cades**, whose mission is to finance and repay the debts of the social security system, successfully issued a social bond (EUR 3bn, 8 years). Other issuers this week were the **Portuguese Azores** (EUR 230m, 5 years), **Madrid** (EUR 600m, (WNG), 5 years) and **Sächsische Aufbaubank Förderbank** (EUR 250m, 10 years). No order book was published for the latter transaction - often a sign of insufficient demand.

Top 5 SSA issuers responsible for 53% of volume

%, rounded



Sources: Bloomberg, Helaba Research & Advisory

With this latest bond, Cades has increased its issuance volume this year to EUR 12 bn and ranks 4th in the SSA issuer ranking with a share of 5.3%. The chart shows that the top 5 SSA issuers alone account for around 53% of the total volume since the beginning of the year. .

Outlook: The environment is largely favourable. Recently, however, there has also been an increasing differentiation between issuers and maturities. On 28 June the EU is planning an investor call to present its financing plans for the second half of the year.

€ SSAs issues week of 19 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	CCCIF	Aa2 /-/AA	0,630bn		26.06.2028	FRTRs +41bp		19.06.2023	4,900bn	FRTRs +45 area
3,000%	Baden-Württemberg	Aaa /AA+/-	0,600bn		27.06.2033	ms -1 bps	✓	20.06.2023	4,900bn	ms + 2 area
3,125%	Bpifrance Financement	Aa2 /-/AA	1,000bn		25.05.2033	FRTR + 29 bp	✓	20.06.2023	17,800bn	FRTR + 34 area
3,362%	Madrid	Baa1 /A/BBB+	0,600bn		31.10.2028	SPGB +21 bp	✓	20.06.2023	2,600bn	SPGB +26 area
3,720%	Region of Azores	Ba1 /-/-	0,230bn		17.10.2028	PGB +85 bp		20.06.2023	0,225bn	PGB + 85 area
3,000%	CADES	Aa2 /AA/-	3,000bn		25.11.2031	FRTR +26 bp	✓	21.06.2023	11,600bn	FRTR +28 area
3,000%	Sächsische Aufbaubank - Förderbank	- /-/-	0,250bn		29.06.2033	ms +8 bps		21.06.2023	not disclosed	ms + 8 area
3,750%	Région Wallonne	A3 /-/-	0,700bn		22.04.2039	BGB + 44bp	✓	21.06.2023	1,100bn	BGB + 45 area
3,375%	Sagess	/AA-/	0,500bn		29.06.2030	OAT + 58 bp		22.06.2023	7,700bn	OAT + 68 area

Sources: Bloomberg, Helaba DCM

Covered Bonds

The primary market was already busy on Monday with three transactions: **CRH** printed a EUR 1bn covered issue with a 9-year maturity. With a book of over EUR 1.25 bn, the final spread was tightened by 2 bps to MS+31 bps versus the default. The order book for **Raiffeisen-Landesbank Steiermark's** EUR 500m 3-year (WNG) was even two times oversubscribed. The final spread was tightened by 3 bps to MS+27 bps compared with the marketing. **LBBW**'s dual tranche (EUR 500 m, 4.25 years / EUR 500 m, 10 years, both WNG) was similarly mixed. While the short-dated part, a Green Mortgage Pfandbrief, generated an order volume of EUR 650 million, which was well received by investors, the long-dated public sector Pfandbrief was only just below this at EUR 625 million.

On Tuesday, **Bank of New Zealand** (EUR 750 m, 5.5 years) - the first deal in around a year - **Hamburg Commercial Bank** (EUR 500 m (WNG), 4.6 years) and **Banco BPM** (EUR 750 m, 5 years) made good use of the remaining issuance window before the summer break. **Bausparkasse Schwäbisch-Hall** (BSH) (EUR 500 m (WNG), 10 years) also started the issuance process, but not with the desired end: . The issuer was the first this year to postpone an ongoing issue. Whether the long maturity, a target spread that was too low or the general oversupply of covered bonds (line utilisation by investors) was the main reason for this remains open. In any case, we rule out the absence of ECB purchases as an explanation. A combination of the above reasons seems more plausible to us. Finally, the Dutch **Aegon** managed to cross the finish line on Wednesday. The final spread (MS+32bp) on the EUR 500m (WNG) 7 year covered bond could not be narrowed compared to the marketing.

> *"It is clear that the secondary market is currently struggling to generate positive momentum. Although premiums remain high in the main, it is difficult to generate significant 'follow through' buying. As a result, spreads remain around reoffer levels, sometimes with initial support bids slightly above, sometimes slightly below. However, this does not help to sustainably compress spreads, regardless of market direction. Cash tends to come out second and gradually push the spread frame upwards. The question is when and what will break this trend. A slowdown in issuance would certainly help.*
>
> *Comment from the Helaba trading floor*

The **secondary market** would benefit from a reduction in issuance. Given the advanced stage of the year, this hope seems justified. For peripheral covered bonds, the constructive picture for the underlying government bonds (e.g. BTPs) is currently supportive. The yield pick-up in recently issued OBGs compared with BTPs seems to have been well received and, at least in this area, has led to some pleasing follow-through.

Outlook: Today was the last chance to issue with a value date in Q2. We expect issuance to slow in the coming days.

€ Covered Bond issues week of 19 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	LBBW	Aaa /-/-	0,500bn		27.09.2027	ms -1 bps	✓	19.06.2023	0,650bn	ms + 3 area
3,250%	LBBW	Aaa /-/-	0,500bn		27.06.2033	ms +19 bps		19.06.2023	0,620bn	ms + 19 area
3,750%	RLB Steiermark AG	Aaa /-/-	0,500bn		26.06.2026	ms +27 bps		19.06.2023	1,000bn	ms + 30 area
3,375%	Caisse de Refinancement de l'Habitat	Aaa /-/AAA	1,000bn		28.06.2032	ms +31 bps		19.06.2023	1,250bn	ms + 33 area
3,708%	Bank of New Zealand	Aaa /-/AAA	0,750bn		20.12.2028	ms +53 bps		20.06.2023	0,900bn	ms + 55 area
3,375%	Hamburg Commercial Bank AG	Aa1 /-/-	0,500bn		01.02.2028	ms +20 bps		20.06.2023	not disclosed	ms + 20 area
3,750%	Banco BPM S.p.A.	Aa3 /-/-	0,750bn		27.06.2028	ms +55 bps		20.06.2023	1,300bn	ms + 60 area
3,375%	Aegon Bank N.V.	- /AAA/-	0,500bn		28.06.2031	ms +32 bps		21.06.2023	0,700bn	ms + 32 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

The primary market environment for senior unsecured bank bonds continues to be very robust. So far this week, five bonds have been issued in EUR benchmark format. Investors' willingness to take on higher risks in return for attractive spreads was **also exploited by second-tier issuers**. Investors were rewarded with good secondary market performance.

Alpha Bank was thus the first Greek bank to return to the market after the banking turmoil in March, issuing a EUR 500 million preferred bond. Based on the impressive yield of 7% at 6-year maturity (6NC5), the order book reached a respectable oversubscription rate of 2.4x. **Nova Ljubljanska Banka** from Slovenia was even able to generate a 4 times oversubscribed order book with its 4NC3 preferred bond in the volume of EUR 500 million at a yield of 7.1%; the green format may have contributed to the lively interest of investors.

The momentum was used by **Česká Spořitelna**, which followed with a non-preferred bond - also in the volume of EUR 500 million with a 4-year maturity (4NC3); here, the order book was 2.6 times oversubscribed. Also worth mentioning is the new Tier 2 bond of Dutch **Achmea** with a maturity of 20.5NC10.5, which was likewise well received by investors.

With **SBAB Bank** and **SEB**, two well-established names from Sweden also appeared on the market, both with medium maturities and green structures, albeit at significantly more ambitious spread premiums. Spreads tightened noticeably on all new issues this week as a result.

> *"During the week, there were more and more signals that it was still too early to even think about an 'interest rate pause'. The markets were unimpressed and remained at high levels. Only this week the euphoria could be stopped somewhat, the responsible sourpuss is the uncertainty about the economic development in China. The iTraxx Senior Financial turned at its low of 87bps and is now trading back at 90bps."*
>
> *Comment from the Helaba trading floor*

Outlook: High maturities and strict bail-in capital requirements are driving primary market activity in senior unsecured bank bonds. However, the summer break is just around the corner. In the next week, though, the primary market environment for senior unsecured transactions is likely to **remain constructive**.

€ Senior Preferred issues week of 19 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
7,125%	Nova Ljubljanska banka d.d.	- /BBB/-	0,500bn		27.06.2027	ms +357 bps	✓	20.06.2023	2,000bn	7,875% area
6,875%	Alpha Bank SA	Ba3 /BB-/-	0,500bn		27.06.2029	ms +376 bps		20.06.2023	1,200bn	7,25% area
4,125%	SEB	Aa3 /A+/AA	1,000bn		29.06.2027	ms +80 bps	✓	21.06.2023	1,650bn	ms + 100 area

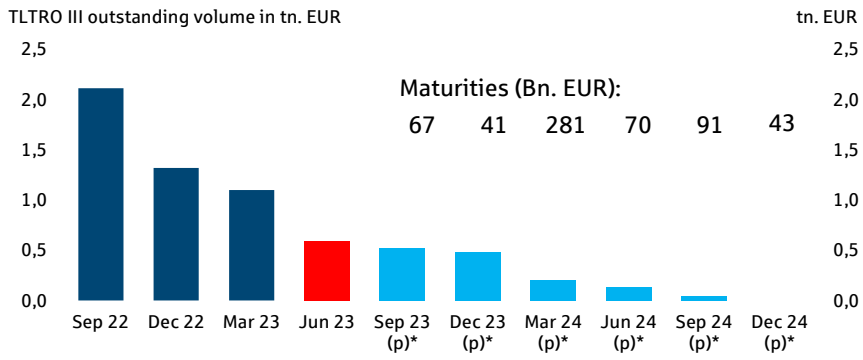
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 19 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,875%	SBAB Bank AB	Baa1 /BBB+/-	0,500bn		26.06.2026	ms +115 bps	✓	19.06.2023	0,745bn	ms + 130/135 bp
5,943%	Česká spořitelna, a.s.	- /A-/A	0,500bn		29.06.2027	ms +240 bps		21.06.2023	1,300bn	ms + 275 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



According to the ECB's **repayment notice** of 6/16/2023, the volume of TLTRO III loans European banks will return to the ECB as of 6/28/2023 **totals 506 bn EUR**. It comprises a maturing amount of 477 bn EUR and early repayments of amounts maturing between September 2023 and December 2024 of just under 30 bn EUR. The Governing Council had decided at its meeting on Oct. 27, 2022, to change the previously extremely attractive terms of the program; at the same time, the participating institutions were given the opportunity to return their borrowed amounts for the first time on Nov. 23, 2022, and thereafter **on a monthly basis**. **The total amount of funds raised under the program will thus decrease from 2.2 tn EUR in March 2022 to EUR 0.59 tn per end-of June 2023.** This is in line with our expectations (see **Market Weekly of Nov. 24, 2022**). Given the high level of excess liquidity held at the ECB, we assume that most banks will be able to reduce the funds without any significant burden on their liquidity ratios. The program is now unlikely to play a significant role for banks' refinancing plans any more, and the repayment notice had no noticeable impact on the money market either.

Short news

6/20 Moody's places ratings of 11 Austrian banks on review for upgrade: **Moody's Investors Service** has placed the deposit, issuer, and senior unsecured ratings of 11 Austrian banks and banking groups – where applicable – on review for upgrade. The review for upgrade reflects a potential change in Moody's assessment of the likelihood of the Government of Austria (Aa1 stable) providing support to banks or banking groups, which Moody's possibly or likely considers to be of systemic relevance. As the Austrian central government opted for exceptional measures related to an ailing institution in 2014 and 2015, thereby also voiding regional government deficiency guarantees, the rating agency has viewed the likelihood of government support to be 'low' for all Austrian banks since 2015, irrespective of their size or importance for the Austrian banking system.

6/20 Strong issuance of benchmark Pfandbriefe in the first five months of 2023: However, the mood on the capital market is now clouding over somewhat according to the results of the second **survey** conducted by the Association of German Pfandbrief Banks (vdp) among capital market experts from its member institutions ("vdp issuance climate"). Potential factors weighing on the issuance of both Pfandbriefe and unsecured bank bonds include the lack of growth in lending business and the announcement by the European Central Bank (ECB) that it will cease its reinvestments under the asset purchase programs. The outlook for the second half of 2023 thus remains subdued.

6/19 ECB prepares banks for tougher stress test result: The European Central Bank (ECB) has told banks that performed well in the first round of this year's stress test that the final results could be less positive, according to **Bloomberg**. As reported today with reference to insiders, the central bank hinted to the financial institutions that they would have to prepare for adjustments.

6/16 Early TLTRO III Repayments: According to the ECB's repayment notice of 6/16/2023, the repayment as of 6/28/2023 totals around 506 billion EUR. It comprises a maturing amount of around EUR 477 billion and early repayments of amounts maturing between September 2023 and December 2024 of just under EUR 30 billion. (see "Chart of the Week")

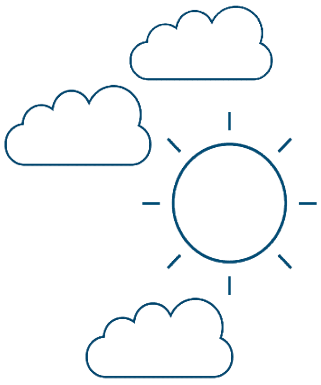
6/15 EBA report on LCR and NSFR implementation in the EU in the context of the TLTRO: The European Banking Authority (EBA) published today its third Report on the monitoring of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) implementation in the EU. This Report assesses the potential impact on LCR and NSFR levels of the upcoming central bank funding repayment (mainly repayments of the targeted longer-term refinancing operations - TLTRO) as well as of a potential scenario of higher liquidity risk, particularly affecting government bonds, derivatives and repo markets, in the context of a higher interest rate environment, inflation and recession risks.

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

E-STOXX 600 Banks	154	0,04%	3,49%	iBoxx € Cov. Germany	7,7	0,5	0,8	iTraxx Senior Financial	90,3	0,9	-7,4
10Yr-Yield	2,43	0,0	0,0	iBoxx € Cov. Bonds	21,3	0,4	0,8	iBoxx € Supranational	18,4	0,48	0,94
Swap 10J	3,04	0,0	-0,1	iBoxx € Banks PS	81,6	-0,7	0,6	iBoxx € Agencies	-1,0	-0,38	0,43
iBoxx € Germany	-46,69	-1,1	3,9	iBoxx Banks NPS	114,5	0,0	-5,5	iBoxx € Sub-Sov. Germany	10,2	1,19	0,78
iBoxx € EU	24,17	0,2	1,1	iBoxx Banks Subordinated	197,8	2,8	-7,7	iBoxx € Sub-Sovereign	25,3	0,22	0,05

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

Leisure tip for the weekend: Farbglashuette Lauscha (Thuringia)



ELIAS Glashütte-Farbglashuette Lauscha is one of the last commercial glassworks still open to the public. The craftsmanship of the young glassmakers and the fascination of the glowing glass never cease to amaze, astonish and inspire respect for this ancient craft.

More information:
Farbglashuette Lauscha

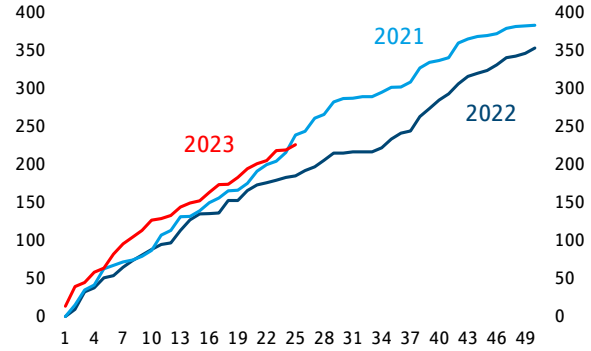
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

Source: https://www.farbglashuette-lauscha.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

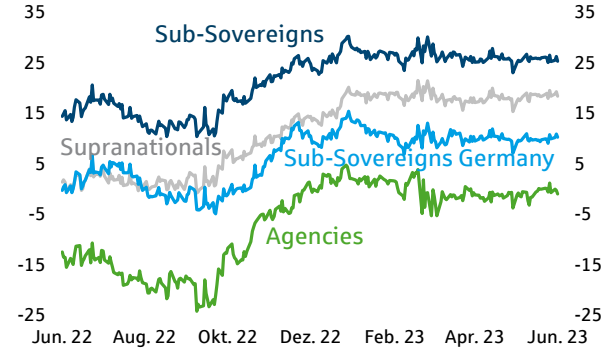
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

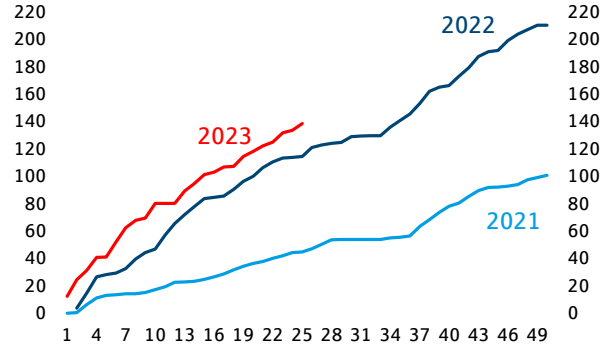
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

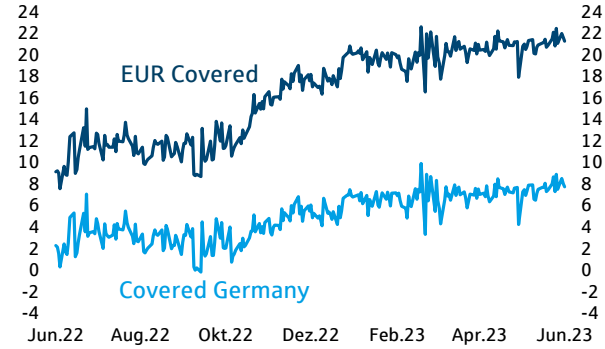
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

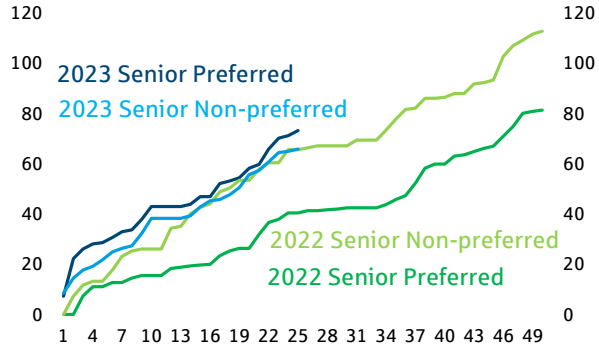
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

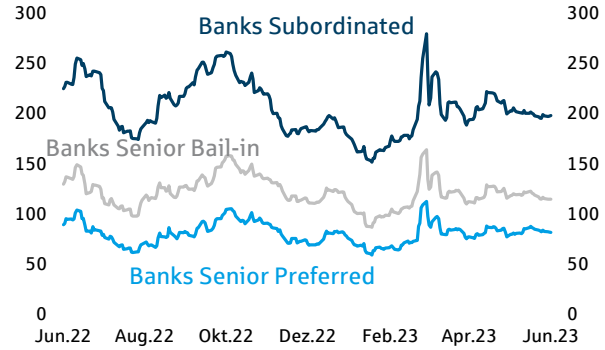
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

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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

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