Helaba

Focus on: SSAs & Financials
6 July 2023

Weekly Market Update

Primary market environment: Primary markets have had an unexpectedly active start to the second half of the year. Bundesbank chief Nagel does not yet see the end of ECB tightening. The majority of Fed members are in favour of at least two more rate hikes this year. They remain very attentive to the development of inflation.

Primary market barometer

SSAs



This week's SSA issuance was generally well received, with the EFSF and EIB issues oversubscribed significantly. However, the start of the summer holidays in many places may slow activity somewhat in the near term.

Covered Bonds



Despite the approach of the summer break, the primary market remains active. Almost all transactions were successful and generated good order books. Transactions were mainly led by banks and asset managers.

Senior Unsecured



Activity in the primary market for senior unsecured bank bonds is significantly lower this week than in the weeks before due to the summer break and the upcoming quarterly reporting season. However, the market continues to be encouragingly receptive, and transactions are readily executable.

Risk trend indicator: Differentiated picture between the asset class

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,03	0,20	0,02	0,32	2,08	-0,65
European Union	-0,03	0,10	-0,21	0,09	1,89	1,49
Germany Covered	0,03	0,29	0,32	0,55	1,24	1,29
EU Covered	0,01	0,12	0,14	0,24	0,94	1,16
Banks senior preferred	-0,05	-0,07	-0,28	-0,19	-0,62	1,83
Banks senior bail-in (SNP)	-0,06	-0,16	-0,33	-0,38	-0,87	1,62
Banks subordinated	-0,05	-0,06	-0,03	-0,21	-1,04	2,18
Supranational	-0,01	0,12	-0,03	0,20	1,79	1,39
Agencies	0,02	0,21	0,09	0,25	1,46	0,08
Sub-Sovereigns Germany	-0,01	0,04	0,12	0,15	0,74	-0,52
Sub-Sovereigns	-0,01	0,08	-0,01	0,07	0,98	0,22

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

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

The recent volatility in our Risk Trend Indicator continues. Overall, positive and negative signals are balanced. The positive sentiment towards senior unsecured bank bonds continues.



SSAs

The SSA segment was opened this week by the **EFSF** and the **Ville de Paris** (VDP). The EFSF issued a EUR 3 billion bond with a maturity of 10 July 2030. The VDP placed a EUR 300m bond (WNG) with a maturity of 20 years in sustainability format at OAT+29bp. On Tuesday, the **European Investment Bank** (EIB) also took the stage with a 10-year benchmark (EUR 5bn) and shone with an order book of EUR 41bn. The final spread was set at MS+4bp, 2bp tighter than the marketing. It is quite possible that the success of the issues earlier in the week encouraged other issuers to become active in the primary market. The **State of Berlin** issued an 8-year benchmark and today **Investitionsbank Berlin** issued a 7-year bond of the same size.

Outlook: There should still be several projects in the pipeline. However, the momentum in the primary market may slow down somewhat as the summer holidays begin in many places.

€ SSAs issues week of 3 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	EFSF	AAA /AA/AA	3,000bn		10.07.2030	ms -2 bps		03.07.2023	5,400bn	ms + 0 area
3,500%	Ville de Paris	- /AA/AA-	0,300bn		10.07.2043	OAT + 29 bp	✓	03.07.2023	0,800bn	OAT + 32 area
3,000%	EIB	Aaa /AAA/AAA	5,000bn		15.07.2033	ms +4 bps		04.07.2023	41,000bn	ms + 6 area
3,000%	Berlin	Aa1 /-/AAA	0,500bn		11.07.2031	ms -1 bps		05.07.2023	0,500bn	ms - 1 area
3,125%	Investitionsbank Berlin	/ - / AAA	0,500bn		12.07.2030	ms -2 bps		06.07.2023		ms + 2 area

Sources: Bloomberg, Helaba DCM

⟶ Note on our own behalf: Our next Weekly will be published on Friday 14.07.2023 ⟵



Covered Bonds

BayernLB started the week and the second half of the year on Monday with a EUR 500m benchmark (WNG). The 3-year issue was priced at a final spread of MS+2bp, 3bp tighter than at marketing, as the order book was twice oversubscribed. On Tuesday, French **Crédit Agricole Public Sector SCF** followed with a 3-year bond. The size of the issue was capped at EUR 500m from the outset. The final spread was MS+13 bps versus MS+18 bps in the marketing. The issue was 4 times oversubscribed. **ANZ New Zealand** (EUR 500m, WNG) also chose the same maturity and was able to generate demand of over EUR 3.2bn. The success of the 3-year issues demonstrates the appeal of short maturities to investors.

The Italian **ICCREA Banca** issued a 5.5 year covered bond. The issue was only 1.27 times oversubscribed. Since 7 June, Italian covered bonds with a volume of EUR 6.5 bn have been issued. **RLB-Oberösterreich**'s 4-year covered Benchmark (EUR 500 m, WNG) also met with strong demand and was 2.6 times oversubscribed. The final pricing at MS+36 bps was 4 bps tighter than the initial offer. The issuance merry-go-round continued on Thursday**. Deutsche Pfandbriefbank** took advantage of the receptive primary market to issue a 3-year benchmark (EUR 500m, WNG).

> *"Currently, an old new player is filling the recent gap in demand - both primary and secondary: bank treasuries! Together with a few international asset managers, they are currently absorbing the pent-up supply overhang at elevated swap levels, with a traditional focus on short and medium maturities. As a result, last week's spread erosion is temporarily losing some momentum. Attentive observers note a remarkable follow-up performance for the transactions issued this week by Balaba (3y) and ACASCF (3y) of about 4 and 5 bp respectively. Trading books should be pleased."*
>
> *Comment from the Helaba trading floor*

Our trader commentary (above) points to the old new players - bank treasuries. Their impetus is quite different from that of the recently ended programme purchases (and thus the market psychological effect on secondary spreads): In contrast to the programme purchases, the current buyers are not pursuing any overarching goals, but

rather an economic motivation, some of it opportunistic. Whether this will lead to a sustained tightening is questionable. Given the ongoing macro uncertainties, spreads are likely to move sideways, especially as long as the yield curve dynamics and a fairly entrenched absolute yield range (2.20%-2.50%) persist.

Outlook: This week has shown that the primary market remains receptive, although issuers are facing higher new issue premiums. Overall, activity is likely to continue in the short term, following the recent pattern of primary buying and secondary selling. The start of the summer holidays in many countries is likely to have a dampening effect later on.

€ Covered Bond issues week of 3 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	Bayerische Landesbank	Aaa /-/-	0,500bn		11.01.2027	ms +2 bps		03.07.2023	2,038bn	ms + 5 area
3,750%	Credit Agricole Public Sector SCF	Aaa /AAA/-	0,500bn		13.07.2026	ms +13 bps		04.07.2023	3,000bn	ms + 18 area
3,875%	Iccrea Banca S.p.A.	Aa3 /-/-	0,500bn		12.01.2029	ms +68 bps		04.07.2023	0,635bn	ms + 70 area
3,951%	ANZ New Zealand (Int'l) Ltd., London Branch	Aaa /-/AAA	0,500bn		17.07.2026	ms +32 bps		05.07.2023	3,200bn	ms + 40 area
3,625%	RLB Oberösterreich AG	Aaa /-/-	0,500bn		13.12.2027	ms +36 bps		05.07.2023	0,000bn	ms + 40 area
3,625%	Deutsche Pfandbrief AG	Aa1 /- / -	0,500 Mrd.		13.10.2026	ms + 14 Bp		06.07.2023	1,090 Mrd.	ms + 16 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

Activity in the primary market for senior unsecured bank bonds has recently significantly decreased compared with the strong weeks of the past. Given the onset of summer vacations in many parts of Europe and the upcoming publication of quarterly reports, this is no surprise. At the end of next week, U.S. banks such as JP Morgan Chase, Citigroup and Wells Fargo open the reporting season for Q2 2023. Nevertheless, **some issuers are taking advantage of the favorable market window** in the primary market, and the transactions can be executed well.

Since the beginning of this week, **NordLB** showed up in the market with a EUR 500 million preferred bond and **Piraeus Bank** with a EUR 400 million preferred bond. NordLB's new paper is a green bond. Both transactions were successfully executed.

Outlook: The primary market for senior unsecured bank bonds continues to be **encouragingly receptive**, even if activity will be lower in the coming weeks due to the summer vacations and the upcoming quarterly reporting season. High maturities and strict bail-in capital requirements remain fundamental drivers of primary market activity this year..

> *"Good results of the annual stress test at U.S. banks created a positive underlying sentiment in the banking sector. The iTraxx EUR Senior Financials was able to tighten from its high of 93.5 bps on June 28 to 83.5 bps on July 3 and is currently trading at 87.5 bps. Its cross-sector counterpart is lagging behind with a tightening of 6 bps (high to low) and is currently trading at 76.5 bps. This euphoric underlying sentiment also is visible in the cash segment. Regarding non-preferreds, especially the periphery, but also German and French paper tightened 10 to 11 bps and are thus outperformers within the rank."*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 3 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,875%	NORD/LB	A3 /-/A-	0,500bn		11.07.2028	ms +160 bps	✓	03.07.2023	0,775bn	ms + 175 area
7,375%	Piraeus Bank	B1 / B /-	0,500 bn		13.07.2028	7,250%		06.07.2023	0,900 Mrd.	7,375%

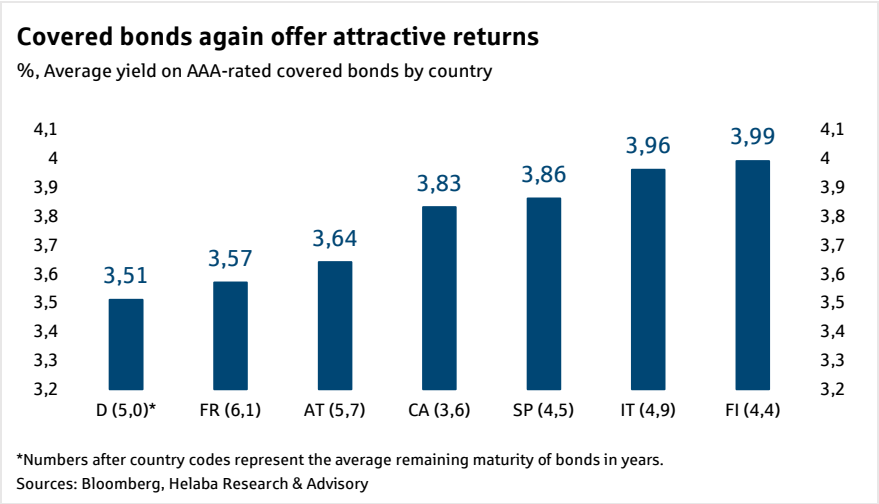
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 3 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

Chart of the Week



Thanks to the turnaround in interest rates, low-risk investments such as covered bonds can offer attractive yields. There are differences between countries and maturity bands. Given the current inverted yield curve, the short end is particularly en vogue. At 51%, the majority of issues in the first half of the year were in the 4-5-year maturity range. German Pfandbriefe yield on average 3.98% in the 1-2 year range and 3.76% in the 2-3 year range. The 5-7 year yield is 3.35% and the 7-10 year yield is 3.27%. Yield premiums over Bunds range from around 61-76 bp.

Short news

07/05 Moody's adjusts refinancing risk assumptions for Czech covered bonds and raises Timely Payment Indicator for UniCredit Bank Czech Republic and Slovakia – Mortgage Covered Bonds. Moody's Investors Service (Moody's) has lowered its refinancing margin assumptions for Czech covered bond programmes due to the credit-positive development of the Czech covered bond market. Over the last decade, the market has more than doubled in size and covered bonds have become increasingly important as a funding source for Czech mortgages. In addition, Moody's has raised its Timely Payment Indicator (TPI) for UniCredit Bank Czech Republic and Slovakia – Mortgage Covered Bonds to Probable from Improbable.

7/3 SRB Annual Report for 2022: The Single Resolution Board (SRB) published its **Annual Report for 2022**. The publication details the work of SRB and highlights the progress made in making Europe's banking sector more stable by ensuring all SRB's banks are resolvable. The report will be officially presented at the European Parliament's ECON committee later this month.

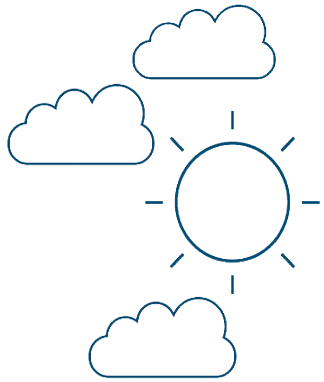
6/29 S&P Global Market Intelligence - European banks show ample capital buffers as Basel III reforms near conclusion: Europe's banks hold ample capital buffers with 18 months to go until the implementation of the final post-global financial crisis rules. This boosts their core capital ratios well above minimum requirements, **S&P Global Market Intelligence** data shows.

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

E-STOXX 600 Banks	156	2,62%	2,28%	iBoxx € Cov. Germany	10,3	3,2	2,2	iTraxx Senior Financial	85,4	-4,6	-2,1
10Yr-Yield	2,48	0,17	0,04	iBoxx € Cov. Bonds	23,6	2,9	2,2	iBoxx € Supranational	18,1	1,6	-0,6
Swap 10J	3,10	0,15	0,03	iBoxx € Banks PS	79,9	-1,3	-6,5	iBoxx € Agencies	0,9	3,1	0,8
iBoxx € Germany	-45,74	4,48	0,54	iBoxx Banks NPS	110,6	-4,9	-10,0	iBoxx € Sub-Sov. Germany	11,5	1,1	1,8
iBoxx € EU	21,82	1,40	-2,98	iBoxx Banks Subordinated	198,7	-3,0	-1,5	iBoxx € Sub-Sovereign	25,6	1,4	-0,3

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

Leisure tip for the weekend: Schwante Castle Estate (Brandenburg)



Schlossgut Schwante is a special place. Surrounded by the fields, ditches and forests of the Oberhavelland region, the baroque Schwante Castle lies 25 km north-west of Berlin and yet in another world.

The Schwante Castle Estate is dedicated to creating a vibrant place for art, nature and enjoyment. The centrepiece is the ten-hectare sculpture park, the restaurant in the brick house and the farm shop.

More information:
Schlossgut Schwante

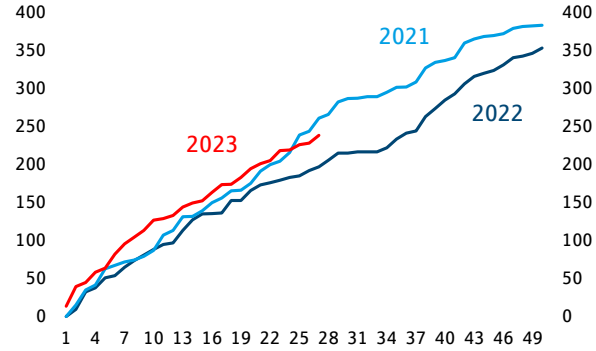
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.schlossgut-schwante.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

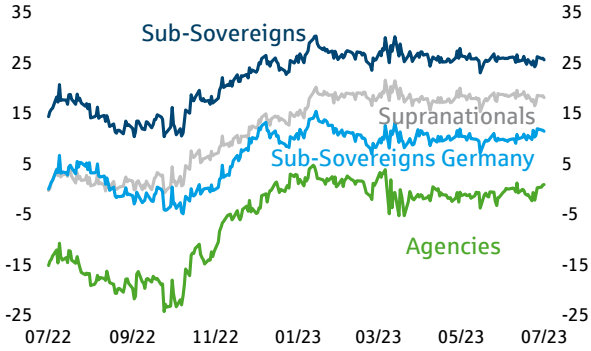
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

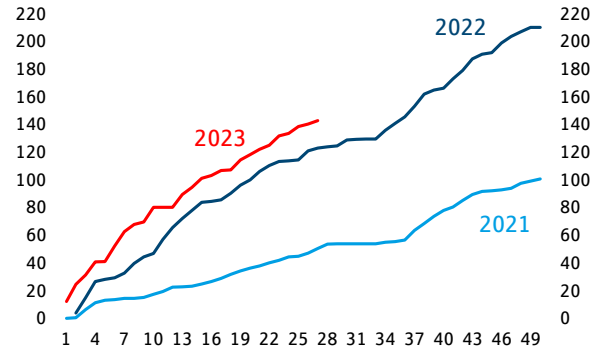
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

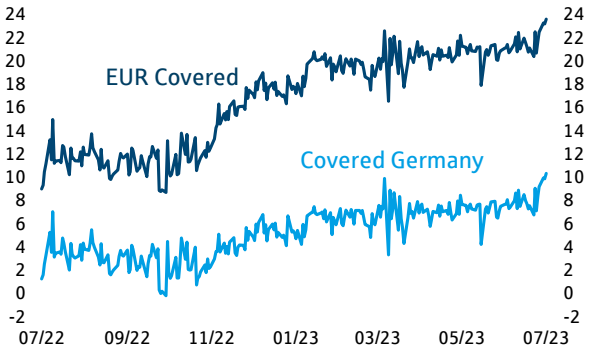
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

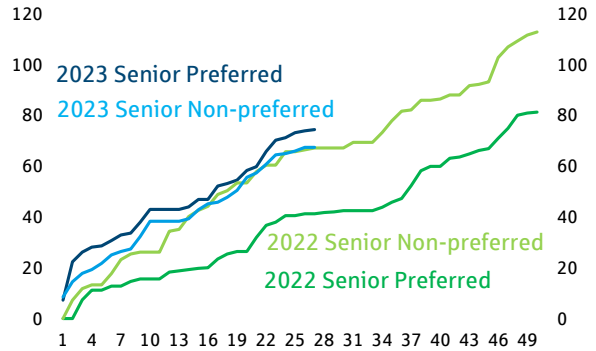
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

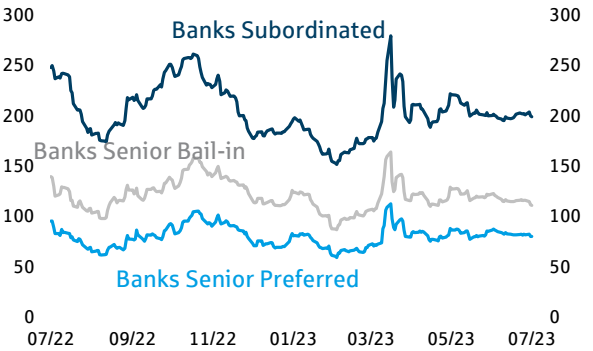
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → Focus on Credits: EUR Corporate bonds: Primary market Q2 2023
- → Video: Sustainable Finance – ICMA & Helaba Talk 2023
- → 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 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/