Helaba

Focus on: SSAs & Financials

14 July 2023

Weekly Market Update

Primary market environment: Primary market issuance slowed this week. The summer break is becoming increasingly noticeable. Fed officials Daly and Waller argue for two more rate hikes this year. China's central government sees no risk of deflation in the second half of the year.

Primary market barometer

SSAs



The majority of the issuances in the SSA segment were again well received. The EU order book was 18 times oversubscribed. However, the summer holidays are likely to increasingly limit activity.

Covered Bonds



The two new issuances this week went very well. Aareal Bank's benchmark stood out with a 6x oversubscribed order book. In terms of maturities, the 3 year range remains the sweet spot. With the start of the summer break, primary market activity is likely to be lower in the coming weeks.

Senior Unsecured



Despite both summer time and the start of the quarterly reporting season, four new issuances in EUR benchmark format have hit the market so far this week. The blackout period however is likely to keep activity low, even though the market remains receptive.

Risk trend indicator: Traffic light turns green

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,07	-0,03	-0,17	0,14	1,88	-0,52
European Union	-0,01	-0,16	-0,50	-0,35	1,22	1,39
Germany Covered	-0,04	0,05	0,14	0,28	0,57	1,26
EU Covered	-0,02	0,02	0,04	0,12	0,61	1,16
Banks senior preferred	-0,10	-0,15	-0,34	-0,07	-0,44	1,71
Banks senior bail-in (SNP)	-0,11	-0,18	-0,39	-0,24	-0,80	1,46
Banks subordinated	-0,11	-0,23	-0,22	-0,08	-1,18	1,98
Supranational	-0,02	-0,11	-0,30	-0,19	1,13	1,26
Agencies	-0,04	0,02	-0,07	0,06	1,10	0,15
Sub-Sovereigns Germany	0,00	0,00	0,00	0,00	0,33	-0,58
Sub-Sovereigns	-0,01	-0,05	-0,21	-0,18	0,40	0,14

strong middle weak unchanged weak middle strong

spread widening spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

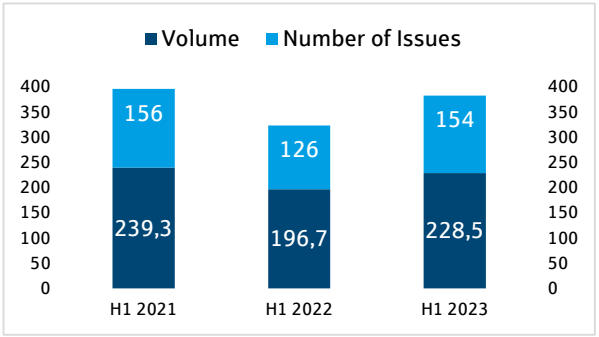
The positive signals clearly predominate in our Risk Trend Indicator. The recent positive sentiment for senior unsecured bank bonds has strengthened further.

SSAs

The SSA segment opened on Tuesday with an EU issue - the 2052 (2.5%) was topped up. The order book was oversubscribed by more than 18 times at over EUR 70bn. The limited size of the issue from the outset certainly contributed to the very high oversubscription. However, the issue also showed that there is demand at the long end of the curve, provided the issuer can compensate for the inversion of the curve. At the same time, the state of Baden-Württemberg entered the market with a 6-year floater (EUR 500m, no grow, local currency), which was well received. On Thursday, the State of Brandenburg placed a 10-year benchmark (EUR 500 m, WNG). The bid-to-cover ratio was good at 2 and the final spread of MS+1 bp was in line with the target.

SSAs: Values already above previous year's level

EUR bn / Number of Benchmark-Issues



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Shortly after the end of the first half, we would like to take stock: In the first half of 2023, 154 deals were issued with a volume of around EUR 228bn. The figures for the same period last year (EUR 126/196.7bn) were exceeded, but the comparable figures for 2021 (EUR 156/239.3bn) were just missed. Some issuers are already well advanced with their full-year funding plans. KfW, for example, has already raised EUR 54bn in the first half of the year, almost two-thirds of its annual funding target. In our view, it will therefore be difficult to beat the 2021 result (EUR 382 bn) in the current year.

Outlook: In our view, the primary market will gradually become quieter due to the summer holidays.

€ SSAs issues week of 10 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,500%	EU	Aaa /AA/AAA	0,500bn	✓	04.10.2052	ms +66 bps		07.12.2022	10,000bn	ms + 68 area
6m€ +0 Bp	Baden-Württemberg	Aaa /AA+/-	0,500bn		19.07.2029	ms -15 bps		11.07.2023	not disclosed	6m€ -15 area
3,000%	Brandenburg	Aaa /-/-	0,500bn		20.07.2033	ms +1 bps		13.07.2023	1,000bn	ms + 1 area

Sources: Bloomberg, Helaba DCM

Covered Bonds

Aareal Bank entered the primary market on Tuesday with a EUR 500 million (WNG) covered bond. For its third issue this year, the issuer chose a 3-year tenor, which had already been very successful the previous week. The issue hit the sweet spot of demand. Once the re-offer spread was set, the order book doubled again to EUR 3bn by the close of the book. The bond was priced at a final spread of MS+13bps, 3bps tighter than at marketing. The new issue premium was 10 bps. On Wednesday, Landesbank Berlin followed with a sub-benchmark (EUR 250m, WNG, 4 years). This issue was also successful, with the final spread fixed at MS+10bps, 3bps tighter than the benchmark.

> „Swap spread valuations continue to drift sideways on moderate secondary turnover. For now, the balance of sustainable supply and opportunistic demand seems to be in place. With 10-year Bund yields having broken through resistance at 2.50% (currently 2.61% for February 33 and 2.64% for the new August 33 Bund) and with outright levels at short maturities also elevated, the demand side seems to be getting a bit bolder again. The short maturities in particular are once again the sweet spot!“
>
> *Comment from the Helaba trading floor*

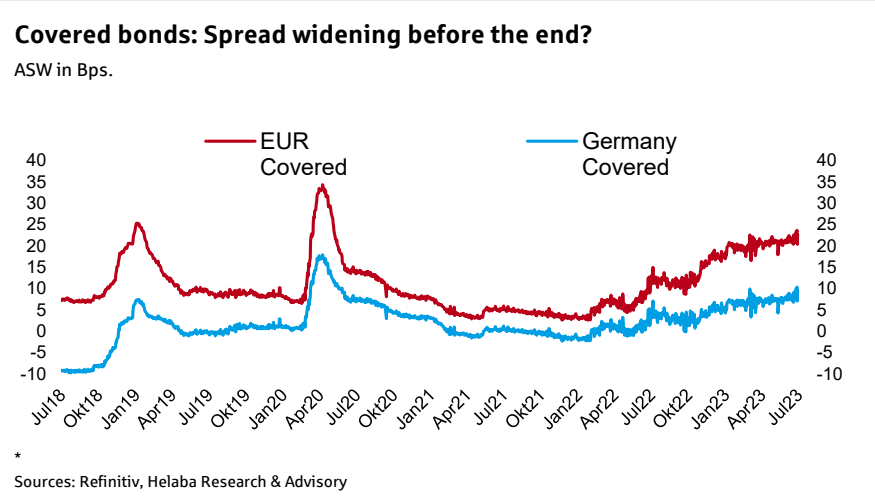
Outlook: The primary market continued to be receptive recently, especially in the short maturities. Given the summer break, issuance is expected to be rather low in the coming weeks. There are currently no mandates for next week.

€ Covered Bond issues week of 10 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,875%	Aareal Bank AG	Aaa /-/-	0,500bn		18.05.2026	ms +13 bps		11.07.2023	3,000bn	ms + 16 area
3,500%	Landesbank Berlin	Aaa /-/-	0,250bn		19.04.2028	ms +10 bps		12.07.2023	0,480bn	ms + 13 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



With the start of ECB tightening in early 2022, spreads started to reassess and widen steadily. The lack of demand from the ECB and the resulting demand gap appears to be currently being filled by banks (Treasuries and trading books). The question of whether the end of spread widening has been reached at current levels cannot be answered conclusively. In our view, there is still some room to the upside. A higher than expected primary market supply in the second half of the year could contribute to spread widening. However, with the widening so far, a large part of the repricing should be completed.

Senior Unsecured

This week, three issuers took advantage of the favourable market environment to offer senior unsecured bank bonds in EUR benchmark format: Spain's **CaixaBank** issued a dual tranche with 6 and 10-year maturities of EUR 1 bn and EUR 0.5 bn, respectively, Norway's **DNB Bank** placed EUR 1 bn with a 5-year maturity and Canada's **Toronto-Dominion Bank** came to the market with a volume of EUR 1 bn and a 2-year maturity.

The **volume of new issuance**, all of which is non-preferred, **totalled EUR 3.5 billion**, which we consider quite respectable in view of the quarterly reporting season and the summer season. Long-dated transactions also did well, with the order books for shorter maturities seeing noticeably more demand.
DNB Bank reported its **Q2 2023 results** on Wednesday - ahead of the US banks, which start the reporting season today - and surprised with a profit of NOK 9.5 billion. The increase in net interest income continued and net fee and commission income was also extremely strong. Next week, the Scandinavian banks Nordea, SEB and Swedbank will publish their results. Attention is likely to focus on the development of net interest income, credit quality, new lending business and margins.

Reporting dates of selected banks

Issuer	Date	Issuer	Date
NORDEA BANK ABP	7/17	GOLDMAN SACHS GROUP INC	7/19
BANK OF AMERICA CORP	7/18	BAWAG GROUP AG	7/19
SKANDINAVISKA ENSKILDA BAN-A	7/18	SVENSKA HANDELSBANKEN-A SHS	7/19
SWEDBANK AB - A SHARES	7/18	BANKINTER SA	7/20

Sources: Bloomberg, Helaba Research & Advisory

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.

> *"Despite high temperatures, the markets are still active and the classic summer slump is not yet in sight. The central banks are preparing their next interest rate steps for the end of July and perhaps also in September and the stock markets are reacting more nervously at their still high levels. Today, the US banks JP Morgan, Citigroup and Wells Fargo start the reporting season, and it will become clear how the Fed's interest rate hikes will affect the economy and what impact this will have on bank balance sheets. Yields have been falling again recently, while the iTraxx indices have been able to quickly narrow to new lows."*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 10 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

€ Senior Non-preferred issues week of 10 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,000%	CaixaBank, S.A.	Baa3 /BBB/BBB+	1,000bn		19.07.2029	ms +165 bps		11.07.2023	2,400bn	ms + 190 area
5,125%	CaixaBank, S.A.	Baa3 /BBB/BBB+	0,500bn		19.07.2034	ms +195 bps		11.07.2023	0,790bn	ms + 195 bp
4,500%	DNB Bank ASA	A3 /A/-	1,000bn		19.07.2028	ms +100 bps	✓	12.07.2023	2,100bn	ms + 125 area
3m€ +45 Bp	Toronto-Dominion Bank	A1 /A/AA-	1,000bn		21.07.2025	ms +45 bps		12.07.2023	1,550bn	3m€+60 area

Sources: Bloomberg, Helaba DCM

Short news

7/13 EBA published its Q1 2023 quarterly Risk Dashboard (RDB): The EU/EEA banking sector shows rising profitability according to the **report**. The publication presents the results of the European Banking Authority (EBA's) latest risk assessment questionnaire (RAQ), which was conducted among 85 banks in spring this year. It also includes information on minimum requirement for own funds and eligible liabilities (MREL). Banks' profitability continued to increase, and their capital, funding and liquidity ratios remain strong.

7/11 Supervisors of banks are making progress in the fight against financial crime: The **European Banking Authority (EBA)** published the findings from its 2022 review of competent authorities' approaches to tackling money laundering and terrorist financing (ML/TF) risks in the banking sector. For this Report, the EBA staff assessed 12 competent authorities from nine Member States.

7/10 IFRS to Take Over Responsibilities of the TCFD: The IFRS Foundation's **International Sustainability Standards Board (ISSB)** will take over responsibility for monitoring progress of companies' climate-related disclosures from the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) as of next year, following a request from the FSB. The transfer of responsibilities marks a significant step in the ongoing consolidation of sustainability reporting standards, following the **publication last month** of the ISSB's global standards for sustainability and climate reporting.

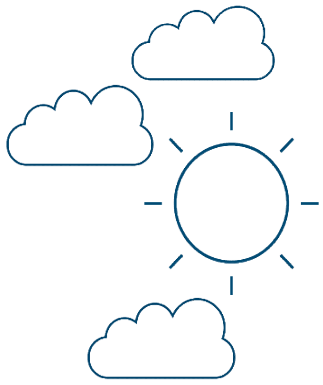
7/7 ESG – EC presents 2023 Strategic Foresight Report: The European Commission (EC) presented the 2023 Strategic Foresight **Report**, which analyses how to put 'sustainability and people's wellbeing at the heart of Europe's Open Strategic Autonomy' and suggests ten concrete actions to achieve this aim. Read more

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

E-STOXX 600 Banks	159	4,42%	3,95%	iBoxx € Cov. Germany	8,8	1,7	-0,1	iTraxx Senior Financial	80,3	-9,3	-10,0
10Yr-Yield	2,47	-0,16	-0,04	iBoxx € Cov. Bonds	22,0	1,6	-0,5	iBoxx € Supranational	15,2	-0,3	-4,3
Swap 10J	3,08	-0,17	-0,01	iBoxx € Banks PS	73,3	-3,3	-10,3	iBoxx € Agencies	-0,8	1,3	-2,0
iBoxx € Germany	-47,74	-0,18	-4,26	iBoxx Banks NPS	101,3	-6,0	-15,2	iBoxx € Sub-Sov. Germany	9,7	1,4	-1,1
iBoxx € EU	18,14	-1,17	-7,30	iBoxx Banks Subordinated	184,6	-11,7	-14,2	iBoxx € Sub-Sovereign	23,1	0,6	-3,4

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

Leisure tip for the weekend: Museum Folkwang (Essen)



The Folkwang idea, coined by Karl Ernst Osthaus at the beginning of the 20th century, comprises three central guidelines: the dialogue between the arts and cultures, the museum as a place of exchange and cultural education, and the unity of art and life.
Conscious of its own museum and collection history, the Museum Folkwang carries this idea into the present and the future.

More information:
Museum Folkwang

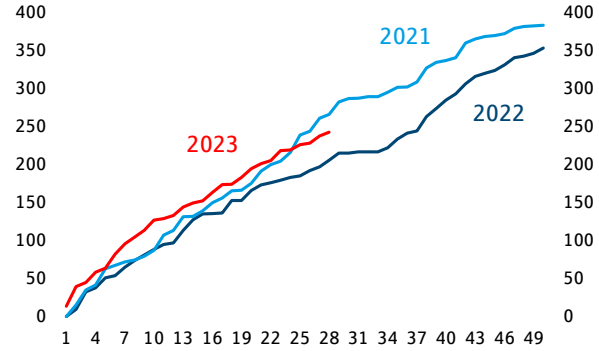
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.museum-folkwang.de/

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

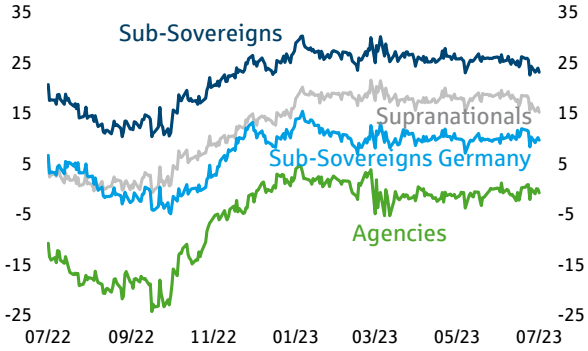
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

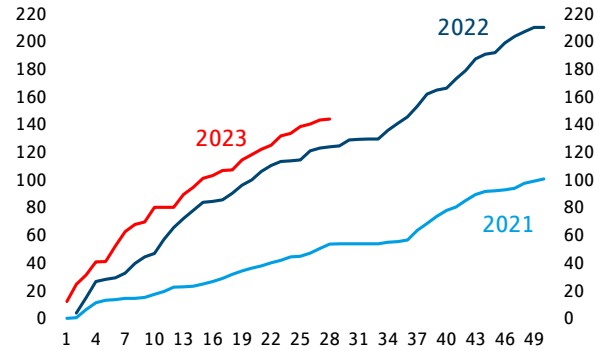
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

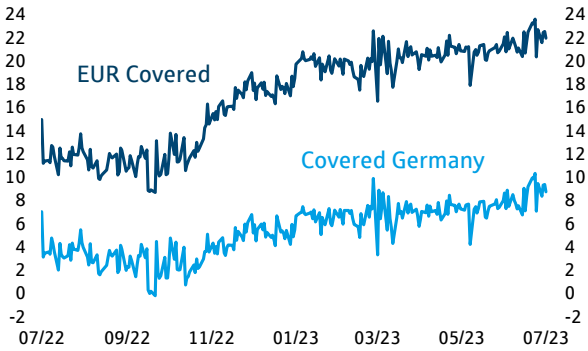
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

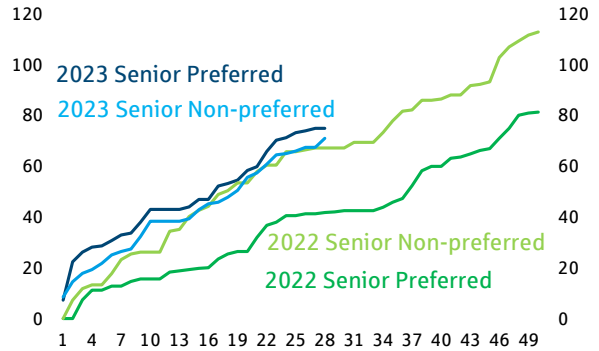
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

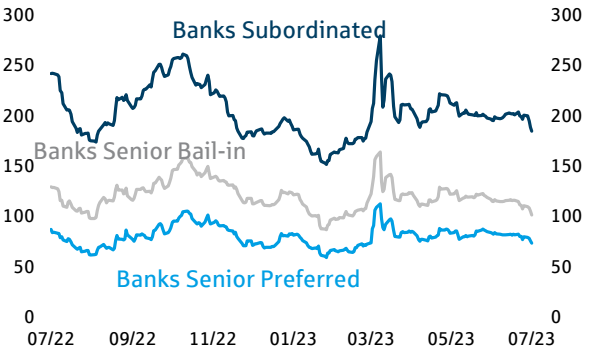
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → Focus on Credits: Primary market update EUR benchmark bank bonds H1 2023
- → 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/