Helaba

Focus on: SSAs & Financials

20 July 2023

Weekly Market Update

Primary market environment: Primary markets are in a summer mood, with little to report this week. Interest rate expectations for the European Central Bank are subdued, partly due to dovish comments from central bank officials. Expectations for the US Federal Reserve have also fallen.

Primary market barometer

SSAs



In the SSA segment, the summer break seems to have begun. There were no primary market transactions this week. The coming weeks are likely to be similar.

Covered Bonds



Société Générale (two tranches) and RBC were two issuers in the primary market. Both transactions were very well received by investors, even though the issuers had to offer an attractive premium. We expect the coming weeks to be relatively quiet due to the summer holidays.

Senior Unsecured



In this segment, too, the summer break is now clearly apparent. Only one sub-benchmark issuance from the periphery was observed this week. The quarterly reporting season and the associated blackout periods at banks are also causing little activity..

Risk trend indicator: Volatility persists

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,03	-0,05	-0,03	0,38	1,75	-0,35
European Union	0,00	0,04	-0,43	-0,30	1,31	1,45
Germany Covered	0,00	0,02	0,23	0,31	0,77	1,29
EU Covered	0,00	0,02	0,09	0,14	0,73	1,20
Banks senior preferred	-0,04	-0,11	-0,30	-0,14	-0,27	1,76
Banks senior bail-in (SNP)	-0,05	-0,14	-0,39	-0,35	-0,55	1,43
Banks subordinated	-0,04	-0,08	-0,20	-0,28	-0,93	2,01
Supranational	0,00	0,04	-0,25	-0,15	1,27	1,31
Agencies	-0,05	0,00	0,06	0,18	1,28	0,25
Sub-Sovereigns Germany	0,00	0,06	0,02	0,03	0,48	-0,60
Sub-Sovereigns	-0,01	0,07	-0,12	-0,12	0,60	0,16

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

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

In the case of our Risk Trend Indicator, the recent predominantly positive signals are already weakening. In our view, the volatility shows how difficult it is to identify clear trends at the moment.



SSAs

The summer break was already clearly evident in the SSA segment. There was no primary market activity this week.

Outlook: The primary market is likely to remain quiet over the next few weeks. Nevertheless, it is conceivable that issuers will come forward if a favourable issuance constellation emerges. However, we do not expect any significant revival until the end of August.

€ SSAs issues week of 17 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

☼☼☼ Summer holidays! The Weekly Market Update is also taking a break.
The next issue will be published on 17.08.2023 ☼☼☼



Covered Bonds

Société Générale SFH opened the primary market this week with a benchmark dual tranche. While the shorter-dated 3-year covered bond was 2.3 times oversubscribed, the longer-dated 7-year was slightly less oversubscribed at 2.0 times. Final spreads tightened by 5bps (MS+8 / MS+29bps) for both compared to marketing. Royal Bank of Canada (RBC) followed with a 5-year benchmark on Tuesday. The final volume of EUR 1.5bn generated an order book of over EUR 2bn. The final spread of MS+34bps was 4bps tighter than the marketing. The last time a Canadian issuer was active prior to RBC was on 23 May. Canadian issuance since the beginning of the year stands at a respectable EUR 14.55 bn.

> „For covered bonds, it remains a buyer's market for the time being, both in the secondary and primary markets. In an attempt to generate turnover, the buy side is setting the tone on terms (i.e. spreads). The ongoing supply backlog and position-rich trading books continue to have an impact. Demand is strong at the short end of the curve and the bottleneck, i.e. the inverted yield curve inflection points, are being pushed further out, i.e. over 3 years. In the general evaluation of the asset class, the "fair value" is used as an active price point of any yield curve office (Lfz.) and/or issuer/jurisdiction, especially in the pricing of primary market transactions, in order to derive new price points."
>
> *Comment from the Helaba trading floor*

Outlook: Summer holidays have started in many countries. This has already had an impact on the primary market. We expect primary business to pick up towards the end of August. In particular, the "new start" promises to be exciting, especially as issuers could expect a holiday-related drop in demand, leading to lower premiums compared to recent issues.

€ Covered Bond issues week of 17 July 2023

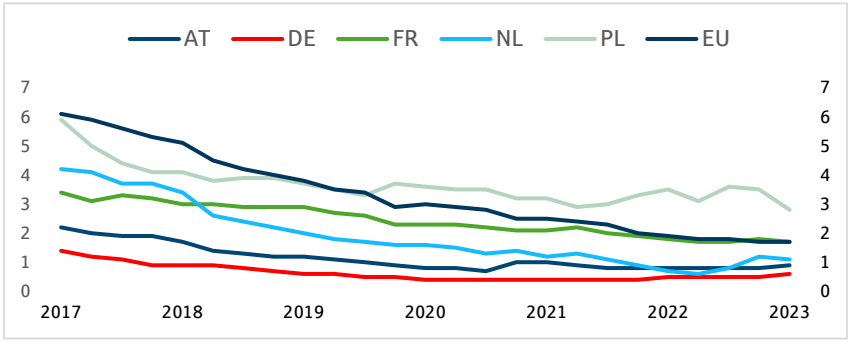
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,625%	Societe Generale SFH	Aaa /-/AAA	1,250bn		31.07.2026	ms +8 bps		17.07.2023	2,750bn	ms + 13 area
3,375%	Societe Generale SFH	Aaa /-/AAA	1,250bn		31.07.2030	ms +29 bps		17.07.2023	2,350bn	ms + 34 area
3,500%	Royal Bank of Canada	Aaa /-/AAA	1,500bn		25.07.2028	ms +34 bps		18.07.2023	2,000bn	ms + 38 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

NPLs: More positive than expected

%



Sources: EBA: Helaba Research & Advisory

A glimmer of hope! A little-noticed statistic from the European Banking Authority (EBA) shows the share of non-performing real estate loans at banks on a quarterly basis ("non-performing exposures to real estate activities"). At 1.7%, the European average was little changed from the previous quarter, although many observers had expected an increase. German banks are well below the average at 0.7%, and the increase of 0.1 percentage points is negligible. In countries such as France or the Netherlands, there was a small decline, and in Poland an even larger one.

Senior Unsecured

The summer break is now clearly noticeable in this segment as well. In addition, the blackout periods associated with the publication of quarterly reports are having a dampening effect on banks' primary market activities. Only the Bank of Cyprus issued a sub-benchmark bond in the preferred rank and achieved a 2.7 times oversubscribed order book based on a relatively attractive spread.

At the end of last week, the major US banks started the reporting season for Q2 2023, followed this week by the market-leading Scandinavian banks, among others. Overall, the sector can once again boast relatively solid credit ratings. Net interest income continues to rise and loan losses remain low, even if the picture in the USA was somewhat more mixed than in Europe. In particular, the advisory business with mergers and acquisitions weakened, which had a comparatively strong impact on Citigroup and Goldman Sachs, the latter also had to take extensive write-downs.

Next week, the quarterly reporting season for banks really gets going. The focus is likely to be on net interest income, credit quality, new lending business and margins.

Reporting dates of selected banks

Issuer	Date	Issuer	Date
DANSKE BANK A/S	7/21	CREDIT SUISSE GROUP AG-REG	7/27
UNICREDIT BANK AG	7/25	BARCLAYS PLC	7/27
OP CORPORATE BANK PLC	7/25	BNP PARIBAS	7/27
UNICREDIT SPA	7/26	STANDARD CHARTERED PLC	7/28
LLOYDS BANKING GROUP PLC	7/26	BANCO BILBAO VIZCAYA ARGENTA	7/28
BANCO SANTANDER SA	7/26	NATWEST GROUP PLC	7/28
DEUTSCHE BANK AG-REGISTERED	7/26	INTESA SANPAOLO	7/28

Sources: Bloomberg, Helaba Research & Advisory

Outlook: Due to summer time and quarterly reporting, primary market activity is expected to be low in the next three weeks. High maturities and strict bail-in capital requirements will continue to drive primary market activity this year.

> *"Meanwhile, US banks have kicked off the reporting season and for the most part have been able to shine. Despite softening economic data from China, markets continue to trade at elevated levels. The iTraxx EUR Financials Senior dipped below 80bp at the end of last week. Cash indices ares not only able to keep up with this movement, but also to exceed it. Bonds in the non pref segment have benefited particularly strongly, with an average tightening of 10bps on a weekly basis. Once again Italian financials were the outperformers with a tightening of 17bp. Recent new issuances also performed very well in secondary trading, tightening by up to 10bp on the day of issue."*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 17 July 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
7,375%	Bank of Cyprus	Ba3 /BB-/-	0,350bn		25.07.2028	ms +408 bps		18.07.2023	0,950bn	7,750% area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 17 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

Short news

7/19 S&P: Rising Rates Test Covered Bonds Asset Performance. European banks will continue to issue significant amounts of wholesale debt in 2023 and 2024, with a further increase in covered bonds issuance as they seek to optimize funding costs, said S&P Global Ratings in a report (Covered Bonds Outlook Midyear 2023: Rising Interest Rates Will Test Asset Performance) published yesterday.

7/18 The EBA is collecting institution's data on environmental, social and governance risks to set up a monitoring system: The European Banking Authority (EBA) published the Decision on an **ad hoc data collection of institutions' ESG data**. The Decision will provide competent authorities and the EBA with the necessary data and tools to fulfil their monitoring functions and ESG-related mandates by collecting the information that is already available to institutions as part of their Pillar 3 disclosure obligations with respect to ESG risks.

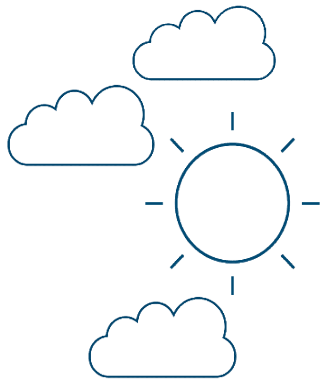
7/17 EBA notes a decrease in EU banks' asset encumbrance ratio during 2022: The European Banking Authority (EBA) published its annual **asset encumbrance Report**. The Report highlights that banks have limited the use of central bank funding in 2022. As a result, the overall encumbrance ratio decreased by 3.3 percentage points in 2022 to 25.8%.

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

E-STOXX 600 Banks	160	1,79%	4,13%	iBoxx € Cov. Germany	9,4	0,0	1,6	iTraxx Senior Financial	79,3	-0,2	-11,0
10Yr-Yield	2,40	-0,15	-0,03	iBoxx € Cov. Bonds	22,6	0,1	1,3	iBoxx € Supranational	15,9	-0,3	-2,5
Swap 10J	3,01	-0,16	-0,03	iBoxx € Banks PS	73,1	-2,5	-8,5	iBoxx € Agencies	-0,5	-0,5	0,4
iBoxx € Germany	-46,76	-0,31	-0,07	iBoxx Banks NPS	100,6	-4,6	-14,0	iBoxx € Sub-Sov. Germany	10,5	0,3	0,2
iBoxx € EU	18,99	-0,20	-5,18	iBoxx Banks Subordinated	185,8	-2,7	-12,1	iBoxx € Sub-Sovereign	23,9	0,0	-1,4

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

Leisure tip for the weekend: Bad Homburg Summer



An absolute highlight is the Bad Homburg Summer Weeks, with dozens of free events - theatre, classical music, rock, jazz and pop, a huge flea market and children's activities. In the Kurpark, in the city centre and in the districts. The festival closes with a traditional performance by the Johann Strauss Orchestra Wiesbaden and a spectacular fireworks display. Bad Homburger Sommer Bad Homburg v.d. Höhe takes place from 14.07.2023 to 05.08.2023.

More information: **Bad Homburg Summer**

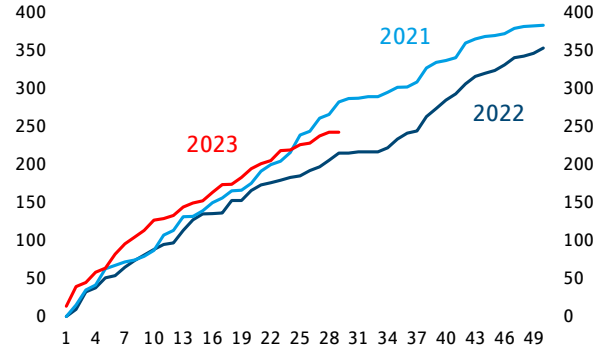
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

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

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

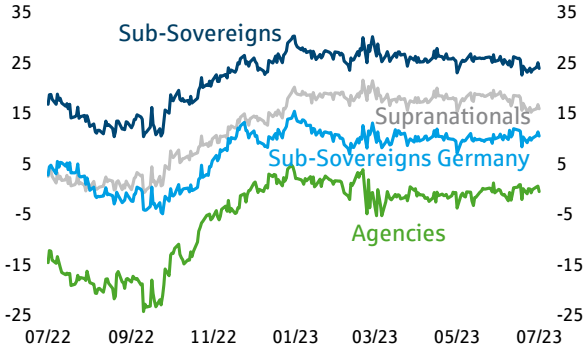
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

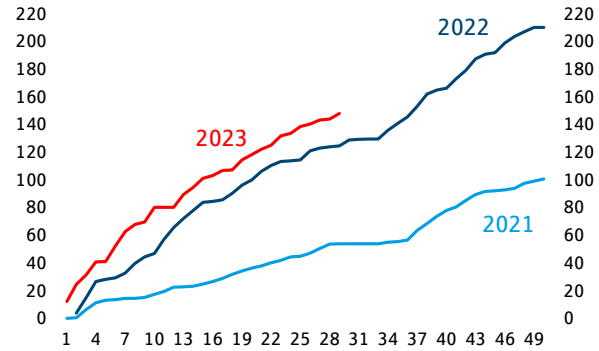
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

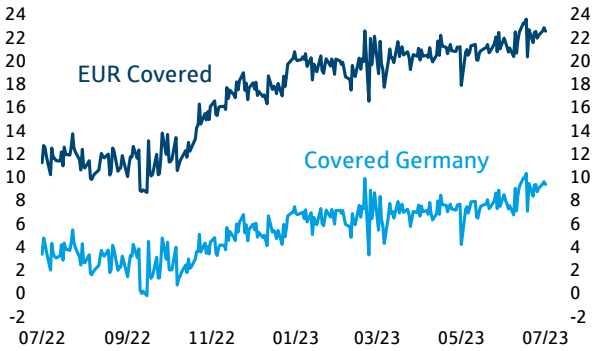
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

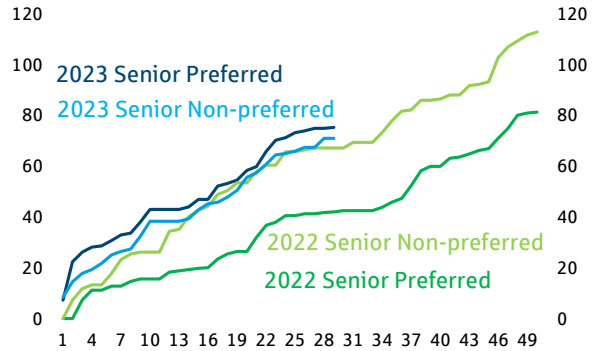
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

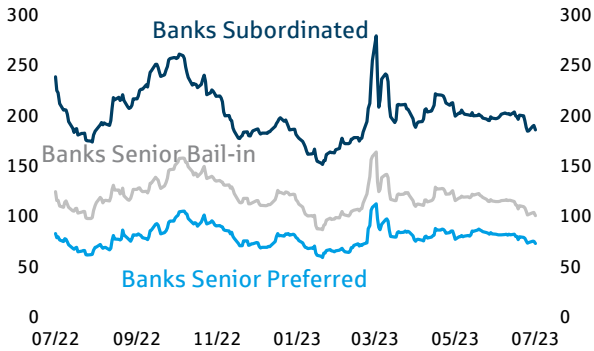
EUR benchmark issue volume cumulative by weeks, bn EUR



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

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