Helaba

Focus on: SSAs & Financials

24 August 2023

Weekly Market Update

Primary market environment: Rising economic concerns in both Germany and Europe have been the dominant market drivers of late. The likelihood of further ECB rate hikes has diminished, which has boosted bond markets. Credit spreads were mixed.

Primary market barometer

SSAs



The SSA segment finally came out of the primary summer break this week. Issuances from major issuers KfW, NRW.BANK, EFSF and BNG were well received. We expect this sentiment to continue and anticipate further issues.

Covered Bonds



The German early movers of the previous week were followed by a number of covered bond issuers from around the world. They took advantage of the attractiveness of the asset class after the summer break. We expect the issuance climate to remain positive in the week ahead.

Senior Unsecured



The blackout periods due to the end of the quarterly reporting season are still having an impact, but issuers are also starting to return to the market in this segment after the summer break. We expect primary market activity to pick up noticeably in the coming weeks..

Risk trend indicator: Sentiment on the rise

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,06	-0,07	0,05	0,33	2,34	-0,35
European Union	-0,02	0,03	0,09	-0,24	1,60	1,71
Germany Covered	-0,10	-0,09	0,04	0,35	1,04	1,32
EU Covered	-0,05	-0,05	0,01	0,15	0,91	1,32
Banks senior preferred	0,00	0,10	0,34	0,01	0,49	1,98
Banks senior bail-in (SNP)	0,00	0,11	0,33	-0,26	-0,15	1,64
Banks subordinated	0,03	0,18	0,22	-0,08	0,10	2,30
Supranational	-0,03	-0,01	0,02	-0,16	1,53	1,48
Agencies	-0,07	-0,08	0,06	0,29	2,06	0,31
Sub-Sovereigns Germany	-0,01	-0,03	-0,05	-0,02	0,71	-0,69
Sub-Sovereigns	-0,01	0,01	0,00	-0,16	1,12	0,18

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

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

The sentiment for SSAs and covered bonds is increasingly positive. The red tint on the Risk Trend Indicator has disappeared. Senior unsecured investors continue to be relatively risk averse..

SSAs

As expected, SSA issuance has picked up this week. Order books are smaller than in the pre-summer months. Nevertheless, significant volumes can be achieved. The five issuers sold bonds with maturities of 3, 5, 7, 10 and 15 years and a total issue size of EUR 9.6 bn. In the EFSF transaction, investors showed much more interest in the longer 15-year tranche on Wednesday. This was probably due to the fact that the 5-year tranche offered by NRW.BANK at the same time was attractively priced. The financial spreads of this week's issues (with the exception of the shorter ESFS tranche) narrowed by one to two basis points compared to the marketing.

Outlook: We expect investor sentiment to continue to attract more issuers to the market next week.

€ SSAs issues week of 21 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.125%	KFW	Aaa /AAA/AAA	4.000 Mrd.		10.10.2028	ms -13 Bp		22.08.2023	7.250 Mrd.	ms - 12 area
3.250%	BNG	Aaa /AAA/AAA	1.000 Mrd.		29.08.2033	ms +11Bp	✓	22.08.2023	1.500 Mrd.	ms + 12 area
2.750%	EFSF	AAA /AA/AA-	1.000 Mrd.	✓	17.08.2026	ms -20 Bp		23.08.2023	2.200 Mrd.	ms - 20 area
3.375%	EFSF	AAA /AA/AA-	2.000 Mrd.		30.08.2038	ms +28 Bp		23.08.2023	8.400 Mrd.	ms +30 area
3.375%	Swedish Export Credit Corporation	Aa1/AA+/-	0.600 Mrd.		30.08.2030	ms +22 Bp		23.08.2023	0.860 Mrd.	ms +23 area
3.125%	NRW.Bank	Aa1/AA/AAA	1.000 Mrd.		30.08.2028	ms -5 Bp		23.08.2023	1.940 Mrd.	ms - 3 area

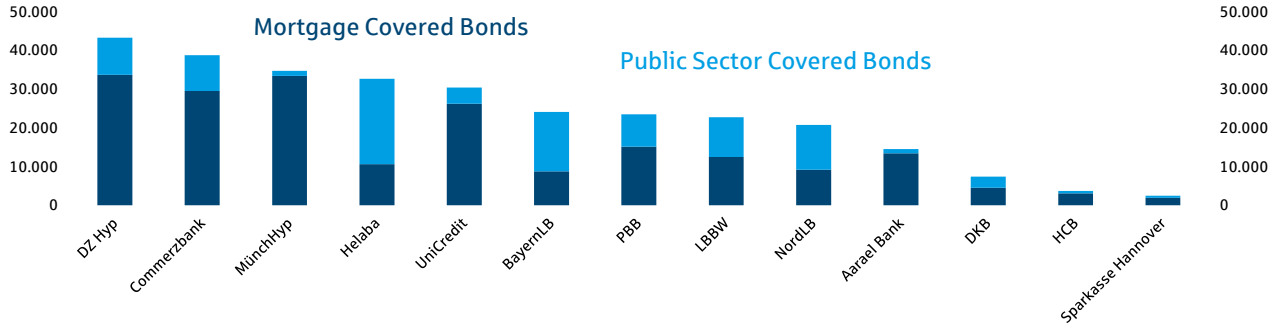
Sources: Bloomberg, Helaba DCM

Covered Bonds

After DZ Hyp, Germany's largest Pfandbrief issuer, made its debut after the summer break last week, two more large Pfandbrief houses, Commerzbank and Helaba, followed suit this week, both with 5-year paper. They were joined by eight covered bond issuers from Australia, Slovakia, Denmark, the UK, France, Austria and Sweden, bringing the volume of new issues this year up by EUR 9 bn to around EUR 158 bn. The smaller Slovak issuers, however, suffered from the large supply and recorded lower bid-to-cover ratios.

3 of the top 5 Pfandbrief issuers back from the summer break

Pfandbrief volume by issuer of mortgage AND public sector covered bonds and Pfandbrief type, in EUR million*.



*30.06.2023
Sources: vdp, Helaba Research & Advisory

For Pfandbriefe with a limited issue size of EUR 500 million, the premium over the secondary market curve was most recently around 3 basis points (bp); for this week's issues, which tended to be larger in size, it was closer to 5 bp (HESLAN 3 ⅜ 01/20/28) and 6 bp (CMZB 3 ⅜ 08/28). Despite this slight upward trend, we continue to view the market as very receptive. The asset class is attractive and offers reasonable pick-ups compared to the SSA segment.

> *"The new pricing points are naturally putting some selling pressure on the old bonds, either through swaps into new issues or through continued selling pressure at the longer end. In particular, Dutch covered bonds in the 10-15 year range have been under pressure in recent days. Finally, we continue to see a steepening of credit curves, which is also offsetting part of the inverse yield curve."*
>
> *Comment from the Helaba trading floor*

Outlook: We expect to see more issuers to be in the pipeline for next week, taking advantage of the constructive market environment.

€ Covered Bond issues week of 21 August 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 /-/-	1250 Mrd.		28.08.2028	ms +14 Bp		21.08.2023	2.010 Mrd.	ms +16 area
3.768%	Commonwealth Bank of Australia	Aaa /-/AAA	1500 Mrd.		31.08.2027	ms +35 Bp		21.08.2023	2.450 Mrd.	ms +40 area
3.875%	Slovenská sporiteľňa	Aaa /-/-	0.500 Mrd.		30.09.2027	ms +53 Bp		22.08.2023	0.650 Mrd.	ms +55 area
3.375%	Helaba	Aaa /-/AAA	1000 Mrd.		20.012028	ms +6 Bp		22.08.2023	1297 Mrd.	ms +10 area
3.500%	Danske Mortgage Bank Plc	Aaa /-/-	1000 Mrd.		29.012029	ms +26 Bp		22.08.2023	1350 Mrd.	ms +29 area
3.750%	Clydesdale Bank PLC	AAA /-/Aaa	0.500 Mrd.		22.08.2028	ms +50 Bp		22.08.2023	1400 Mrd.	ms +55 area
3.500%	Nordea Mortgage Bank Plc	Aaa /-/-	1000 Mrd.		31.08.2026	ms +5 Bp	✓	23.08.2023	2.000 Mrd.	ms +10 area
3.875%	Všeobecná úverova banka, a.s.	Aa1/-/-	0.500 Mrd.		05.09.2028	ms +73 Bp		24.08.2023	0.880 Mrd.	ms +75 area
3.625%	HYPO NOE	Aa1/-/-	0.500 Mrd.		02.03.2026	ms +18 Bp		24.08.2023	0.985 Mrd.	ms +21area
3.375%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1250 Mrd.		04.09.2028	ms +24 Bp		24.08.2023	1900 Mrd.	ms +28 area

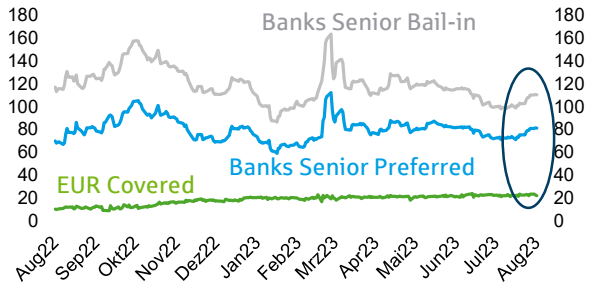
Sources: Bloomberg, Helaba DCM

Chart of the Week

Seit Juli weiteten sich die Sekundärmarktspreads bei den Senior Unsecured-Anleihen deutlich aus, während die Risikoaufschläge im Covered Bond Segment bislang relativ stabil blieben. Aus unserem Handelsraum hören wir, dass Anleger aus dem „Real Money"-Segment immer mehr dazu tendieren, Bonds (womöglich mit niedrigen Kupons) zu verkaufen, vermutlich um Platz für Neuemissionen (mit den aktuell attraktiven höheren Kupons) zu schaffen. Davon profitieren sowohl Covered Bonds als auch die Neuemissionen, die diese Woche im Senior Unsecured-Segment nach der Sommerpause auf dem erwachten Primärmarkt erscheinen. Zuletzt zeigte sich eine gewisse Stabilisierung.

Senior Unsecured: Trend towards bond sales

Iboxx Indizes in bp.



Sources: Refinitiv, Helaba Research & Advisory

Senior Unsecured

In the senior unsecured segment, primary market activity is relatively subdued for the time being, which we attribute in part to the blackout periods that still exist in some cases due to the recent quarterly reporting season. The focus is on longer maturities. The Italian market leader, Intesa, issued a dual preferred tranche with maturities of 4 and 8 years, generating an order book of an impressive EUR 4.5 bn for a total placement volume of EUR 2.25 bn. Japan's Mizuho Financial Group issued a 7-year non-preferred bond amounting to 0.75 bn EUR that was 2.3 times oversubscribed.

> *"The summer lull in the markets is slowly coming to an end and new issue activity is picking up. However, investor activity remains below average with flows well balanced. Spread widening is nevertheless supporting activity on the money side. Real money is increasingly tending to sell bonds. ETF funds are also selling as they experience outflows. Both, retail and private banking are acting as buyers, while fast money accounts are awakening to new activity as the primary market picks up."*
>
> *Comment from the Helaba trading floor*

Outlook: High maturities continue to dominate primary market activity in the senior unsecured segment. Many banks have already made good progress in issuing bail-in capital to meet regulatory requirements, allowing them to issue cheaper preferred bonds. Medium and longer maturities look relatively attractive. We expect primary market activity to pick up in the coming weeks, although timing will remain a challange given the upcoming central bank decisions and volatile markets.

€ Senior Preferred issues week of 21 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4.375%	Intesa Sanpaolo S.p.A.	Baa1/BBB/BBB	0.750 Mrd.		29.08.2027	ms +105 Bp		22.08.2023	1.250 Mrd.	ms + 125 area
5.125%	Intesa Sanpaolo S.p.A.	Baa1/BBB/BBB	1.500 Mrd.		29.08.2031	ms +200 Bp		22.08.2023	3.250 Mrd.	ms +220 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 21 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4.608%	Mizuho Financial Group, Inc.	A1/-/A-	0.750 Mrd.		28.08.2030	ms +135 Bp	✓	22.08.2023	1.700 Mrd.	ms +165 area

Sources: Bloomberg, Helaba DCM

Short news

8/23 vdp sees upturn in new mortgage business: The Association of German Pfandbrief Banks (vdp) sees light at the end of the tunnel despite persistently weak demand for property loans. "The total volume of all residential and commercial real estate loans has now risen slightly for the second quarter in a row," said vdp managing director Jens Tolckmitt. (**finanzen.net**)

8/22 Bond issuance at record levels: Banks around the world are issuing bonds at an all-time high. Financial firms around the world have issued USD 2 trillion (EUR 1.84 trillion) of bonds this year - at a record pace. USD (EUR 1.84 trillion) of bonds this year - at a record pace. (**Bloomberg**)

8/21 S&P downgrades several US banks: S&P Global Ratings has downgraded the credit ratings of several US banks. This was reported today by the news agency Bloomberg. The move comes two weeks after Moody's Investors Service downgraded a number of US institutions. (**Bloomberg**)

8/21 Share buybacks: Europe's banks buy back shares on a large scale. Italy's Unicredit is spending 5.57 billion euros, the Netherlands' ING around 3.55 billion euros and France's BNP Paribas 3.4 billion euros. These are the sums with, which Europe's financial institutions have bought back since 2021, according to an analysis by **Handelsblatt**. Britain's HSBC bought back shares for around 4.6 billion euros over the same period, while Spain's Santander bought back 3.61 billion euros.

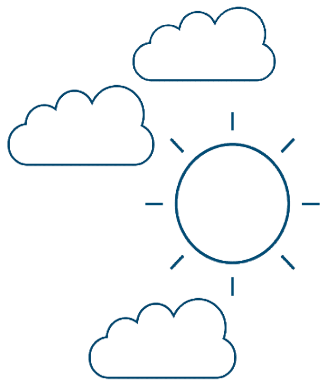
8/18 ESG performance improves terms: Consulting firm Oliver Wyman surveyed banks on the importance of ESG in lending. Two out of three banks said they would improve their lending conditions if their ESG performance was positive. (**Börsen-Zeitung**)

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

E-STOXX 600 Banks	156	-0,78%	-4,30%	iBoxx € Cov. Germany	8,8	-0,7	-0,4	iTraxx Senior Financial	85,0	1,1	4,4
10Yr-Yield	2,52	-0,12	0,06	iBoxx € Cov. Bonds	21,8	-0,8	-0,4	iBoxx € Supranational	15,8	0,0	0,0
Swap 10J	3,11	-0,13	0,03	iBoxx € Banks PS	81,0	1,8	7,9	iBoxx € Agencies	-0,2	-1,0	-0,2
iBoxx € Germany	-46,93	-1,16	-0,61	iBoxx Banks NPS	110,5	2,5	10,0	iBoxx € Sub-Sov. Germany	9,3	-0,3	-0,9
iBoxx € EU	20,12	0,29	0,87	iBoxx Banks Subordinated	197,1	8,3	10,6	iBoxx € Sub-Sovereign	23,7	0,2	-0,1

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

Leisure tip for the weekend: Schwielowsee / Lakeside resort Caputh (Dahme-Spreewald district)



"Schwielowsee is cosy, sunny and has the good-naturedness of all broad natures," said Fontane, describing the lake close to Potsdam. Covering almost 60 square kilometres, it is the largest natural lake in Brandenburg. It not only has two beautiful bathing areas, but also excellent water quality. The lakeside resort of Caputh is a dream. On the white sandy beach, under large palm trees and with a fantastic view over the lake, you can feel the Caribbean. At the cocktail and champagne bar on the pier, right on the water, you can enjoy the romantic sunset with a drink.
More information: **Lakeside resort Caputh**

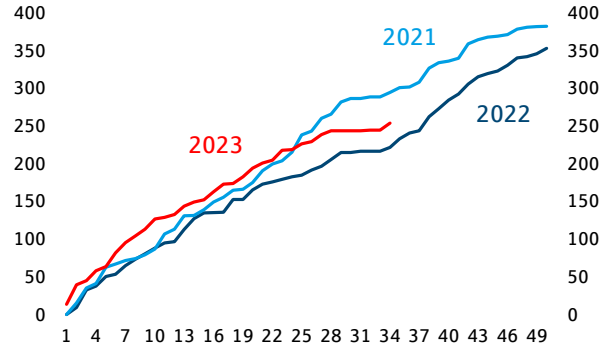
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.reiseland-brandenburg.de/

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

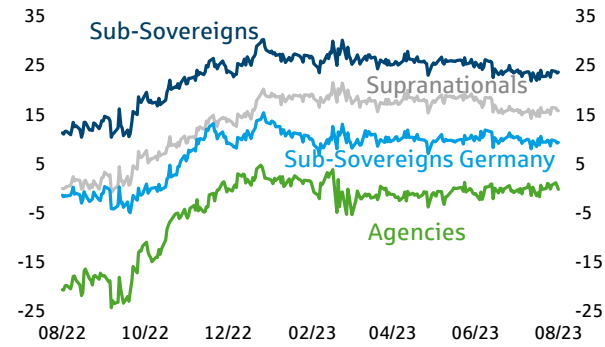
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

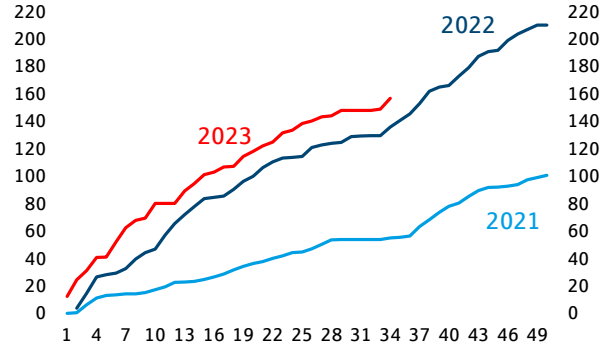
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

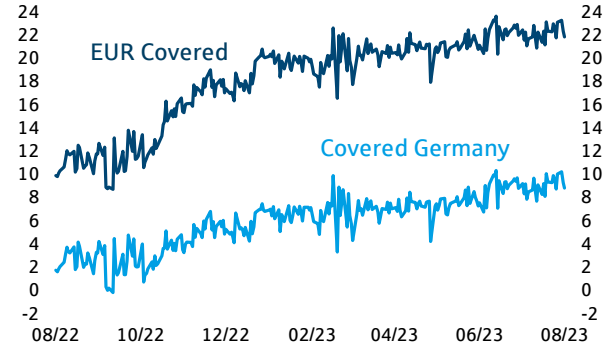
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

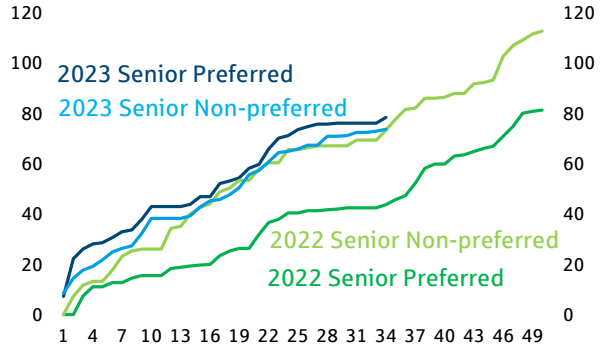
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

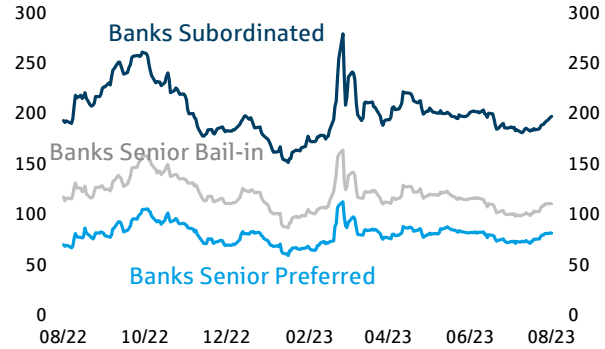
EUR benchmark issue volume cumulative by weeks, bn EUR



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

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/