Helaba

Focus on: SSAs & Financials

31 August 2023

Weekly Market Update

Primary market environment: In Germany, the fall in inflation was less than expected. With regard to the EMU inflation rate, interest rate concerns remain with regard to the ECB. Primary market sentiment remains constructive overall, although there has been a slight deterioration in cover in the short term.

Primary market barometer

SSAs



Compared to the previous week, issuance activity in the SSA segment was relatively low this week. Although this is only a snapshot in time, we believe that issuers are tending to have less need for liquidity.

Covered Bonds



The triple-tranche issue from TD Bank in Canada was well received. This also applied to the exotic part, a covered bond floater. Volksbank Wien and MüHyp had more difficulty filling their order books.

Senior Unsecured



Issuers have taken advantage of the favourable market environment this week and investors are particularly keen to buy newly issued non-preferred bonds. Medium and long maturities in particular have been in demand. This pattern is likely to continue next week.

Risk trend indicator: Short-term improvement in sentiment co

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,01	0,04	-0,08	0,04	2,31	-0,37
European Union	-0,03	0,03	0,06	-0,33	1,45	1,74
Germany Covered	-0,10	0,02	0,01	0,19	0,81	1,33
EU Covered	-0,05	0,03	0,01	0,09	0,81	1,37
Banks senior preferred	-0,02	-0,07	0,26	-0,29	0,30	1,88
Banks senior bail-in (SNP)	-0,02	-0,05	0,30	-0,40	-0,44	1,57
Banks subordinated	-0,01	0,02	0,34	-0,08	-0,09	2,32
Supranational	-0,05	0,01	0,02	-0,26	1,34	1,51
Agencies	-0,04	0,02	-0,01	0,05	1,89	0,37
Sub-Sovereigns Germany	-0,03	0,01	-0,01	-0,02	0,63	-0,60
Sub-Sovereigns	-0,03	0,01	0,02	-0,20	0,99	0,26

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

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

The improvement in sentiment continues in the short term. The risk trend indicator for senior unsecured debt, which was still in red territory, has recently been further reduced...



SSAs

Issuing activity in the SSA segment was modest this week. The EU successfully raised two bonds of EUR 1.118 bn each. The EUR 500m **green** bond from Swedish **Kommuninvest** met with strong investor demand and was 2.6x oversubscribed at a low new issue premium of 1bp.

Outlook: As far as we know, there are no issues in the pipeline for next week. We therefore expect primary market activity to be rather low in the near term. An EU transaction in the 7-year maturity segment is expected in the week of 11 September.

€ SSAs issues week of 28 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	EU	Aaa /AA+/AAA	1,118 Mrd.	✓	05.10.2026	Auction		28.08.2023	1,750 Mrd.	Auction
0,450%	EU	Aaa /AA+/AAA	1,118 Mrd.	✓	04.07.2041	Auction		28.08.2023	1,490 Mrd.	Auction
3,240%	Kommuninvest I Sverige AB	Aaa /AAA/-	0,500 Mrd.		08.12.2027	ms -8 Bp	✓	29.08.2023	1,300 Mrd.	ms - 6 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

In the primary market, there is increasing differentiation between issuers. Volksbank Wien, for example, was unable to achieve all of its objectives in placing a benchmark that was limited to EUR 500 million from the outset. Thanks to the support of the JLMs involved, the issue exceeded the target volume (EUR 530 million in the end) by a hair's breadth. The final spread (MS +37) did not change compared to the the marketing, the new issue premium was 9 bps. Münchener Hyp's 3-year Pfandbrief issue was comparable. In this transaction, too, the final spread (MS +3) was in line with the marketing. In the end, the "hurdle" (EUR 500 million) was cleared with a book of EUR 545 million, thanks to a EUR 125 million JLM share. Canada's Toronto-Dominion Bank, on the other hand, enjoyed strong market demand for its triple-covered bond tranche (3y fixed/3y FRN/8y fixed) with a total volume of EUR 3.25bn.

Overall, we noticed three features this week: On the one hand, issuers were only able to tighten their initial spreads by 1-2bps during the bookbuilding process due to the enormous issuance pressure (last week spread tightening of up to 5bps was possible). At the same time, the required new issue premiums gradually increased. In addition, the bookbuilding process was delayed and order books were updated with increasing delay. The vast majority of issues are still running smoothly, but some saturation tendencies are clearly visible after the huge post-holiday issue volumes.

Looking at secondary market spreads, there has been an increasing differentiation of spreads across jurisdictions and issuers as the ECB's purchase programmes have come to an end (see also the chart of the week).

> *"As the primary market picks up, the secondary market is also gaining momentum. Turnover has been picking up strongly since last week. At the moment, bid price enquiries clearly predominate, reinforced by swaps from existing old bonds into new issues, in some cases at good premiums. This pressure is causing spreads to widen by several basis points, especially in the >5 year maturity range. Credit curves continue to steepen, with the new Toronto Dominion Bank in particular setting a new price point in the 8 year range."*
>
> *Comment from the Helaba trading floor*

Outlook: As August draws to a close, we expect September to be a busy month. With the upcoming ECBC events and conference days in Munich around the 13th and 14th of September, issuers are likely to try to take advantage of the windows before and after.

€ Covered Bond issues week of 28 August 2023

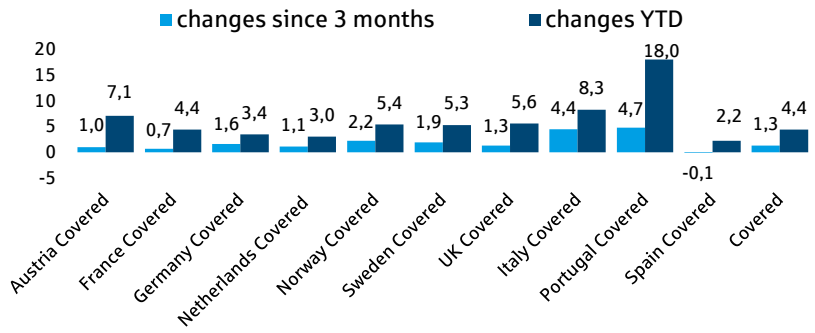
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,625%	Volksbank Wien AG	Aaa /-/-	0,500 Mrd.		06.03.2028	ms +37 Bp		29.08.2023	0,534 Mrd.	ms + 37 area
3,765%	Toronto-Dominion Bank	Aaa /-/AAA	1,500 Mrd.		08.09.2026	ms +28 Bp		29.08.2023	1,800 Mrd.	ms + 30 area
3m€+36bp	Toronto-Dominion Bank	Aaa /-/AAA	0,750 Mrd.		08.09.2026	ms +36 Bp		29.08.2023	0,925 Mrd.	3m€ 38 bp
3,666%	Toronto-Dominion Bank	Aaa /-/AAA	1,000 Mrd.		08.09.2031	ms +52 Bp		29.08.2023	1,250 Mrd.	ms + 54 area
3,500%	Münchener Hypothekenbank eG	Aaa /-/-	0,500 Mrd.		28.08.2026	ms +3 Bp		30.08.2023	0,570 Mrd.	ms + 3 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

Spread differentiation increasingly visible

ASW in Bp.



Sources: Refinitiv, Helaba Research & Advisory

Since the end of the ECB programmes, spread differentiation between countries has become more pronounced.
Portugal stands out with a spread differential of 18 bps since the beginning of the year. When assessing the widening, however, it should be borne in mind that there have only been two issues so far this year, one by Banco Santander Totta on 12 April and the other by Banco BPI on 27 June, which may distort the picture. Spreads in Italy and Austria also widened more than average. Issuers from the Alpine republic have issued around EUR 13.5bn of covered bonds so far this year, which is around 2.5 times as much as in 2020 and 2021. In addition to the general widening of spreads in the covered bond segment, the size of the issue volume also has an impact on spread development.

Senior Unsecured

Issuers have made good use of the **friendly market environment** so far this week. Since Monday, they have placed seven senior unsecured EUR benchmark bonds for a total of EUR 5.0 billion, attracting orders worth EUR 10.2 billion. Investors were particularly active in the newly issued non-preferred bonds: EUR

> *"Despite Monday's UK bank holiday, investor activity is picking up again. The summer doldrums are over. Both real money and ETF funds are taking advantage of the cheap levels created by the recent rallies to buy attractive yields. The 'monthly rebalancing' of the past few days supports this development. Investors are also focusing on the latest new issues, in particular last week's 8-year Intesa, which is currently trading 13 bps tighter versus re-offer. With this week's new issues from Swedbank and Caixabank, the primary market has continued to run, which should also give the secondary market further momentum."*
>
> *Comment from the Helaba trading floor*

3.25 billion was successfully issued in five transactions. However, issuers in the preferred segment were **also able to cope with weaker credit ratings**: Banca Monte dei Paschi, with a single B rating, issued a EUR 500 million 4-year preferred, which was 1.4 times oversubscribed, albeit at a significant spread level. Maturities of the new issues ranged from 3 to 7 years..

Outlook: In the primary market for senior unsecured bank bonds, long maturities remain a dominant factor. Many institutions have already made good progress against their issuance plans, but pre-funding is already gaining in importance given the benign market environment. **We expect primary market activity to remain fairly buoyant** in the coming weeks, although timing remains challenging given the upcoming central bank decisions and volatile markets. The US Labour Day holiday on Monday is unlikely to dampen activity significantly..

€ Senior Preferred issues week of 28 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,250%	CaixaBank, S.A.	Baa1 /A-/A-	1,250 Mrd.		06.09.2030	ms +120 Bp		29.08.2023	2,550 Mrd.	ms + 150 area
6,750%	Banca Monte dei Paschi di Siena S.p.A	B1 /-/B+	0,500 Mrd.		05.09.2027	6,750%		29.08.2023	0,700 Mrd.	6,875% area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 28 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,466%	Swedbank AB	Baa1 /A-/AA-	0,500 Mrd.		05.09.2030	ms +135 Bp	✓	29.08.2023	0,855 Mrd.	ms + 150 area
4,375%	Nordea Bank Abp	A3 /A/AA-	1,000 Mrd.		06.09.2026	ms +68 Bp		30.08.2023	1,850 Mrd.	ms + 90 area
5,737%	Ceska Sporitelna	- /A-/A	0,500 Mrd.		08.03.2028	ms +235 Bp	✓	30.08.2023	1,400 Mrd.	ms + 270 area
5,500%	Banco de Sabadell SA	- /BB+/BBB-	0,750 Mrd.		08.09.2029	ms +240 Bp		30.08.2023	1,900 Mrd.	ms + 265 area
5,125%	Sydbank A/S	A1 /-/-	0,500 Mrd.		06.09.2028	ms +185 Bp	✓	30.08.2023	0,730 Mrd.	ms + 200 area

Sources: Bloomberg, Helaba DCM

Short news

8/31 Quarterly banking reports: UBS posts record net profit of USD 29 bn in Q2 2023. This includes negative goodwill (and thus positive profit contribution) of USD 29 bn from the Credit Suisse acquisition.

8/31 vdp publishes comprehensive database of "Round Table Covered Bond Legislation: **The Association of German Pfandbrief Banks** (vdp) is now offering the public free access to the comprehensive database of the "Round Table Covered Bond Legislation". Investors, experts, rating agencies, analysts and other interested parties can now access comprehensive information on covered bond legislation in Europe free of charge.

8/31 Leveraged finance business collapses: According to a study by Houlihan Lokey, the mid-market leveraged finance market in Germany recorded only 48 transactions in the first half of the year. This falls far behind the two previous record years. (**Börsen-Zeitung**)

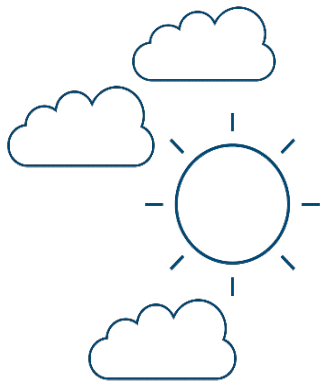
8/25 Fitch Ratings Publishes Exposure Draft of Covered Bonds Rating Criteria: Fitch has published exposure drafts for a proposed revision of its Covered Bonds Rating Criteria, its Covered Bonds European CRE MVD Assumptions – Supplementary Data File and its Covered Bonds Refinancing Spread Level Assumptions – Supplementary Data File. The proposed changes of the criteria focus on the treatment for liquid assets. We plan to consider as eligible all high-quality liquid assets (HQLAs) level 1 and 2A under the Basel Liquidity Coverage Ratio. This would be irrespective of the covered bonds' rating, except when the programme's liquid assets are concentrated in domestic government debt. Fitch does not expect any impact on the covered bond ratings. Market participants can provide feedback until 25.9.

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

E-STOXX 600 Banks	159	2,17%	-0,13%	iBoxx € Cov. Germany	8,7	-0,1	0,2	iTraxx Senior Financial	79,7	-5,3	-2,3
10Yr-Yield	2,54	0,02	0,03	iBoxx € Cov. Bonds	22,0	0,1	0,3	iBoxx € Supranational	15,5	-0,3	0,2
Swap 10J	3,12	0,00	-0,01	iBoxx € Banks PS	78,9	-2,1	6,2	iBoxx € Agencies	0,0	0,1	-0,1
iBoxx € Germany	-45,92	1,01	-0,31	iBoxx Banks NPS	108,3	-2,2	8,8	iBoxx € Sub-Sov. Germany	9,0	-0,4	-0,3
iBoxx € EU	20,27	0,15	0,83	iBoxx Banks Subordinated	196,8	-0,3	14,6	iBoxx € Sub-Sovereign	23,3	-0,4	0,1

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

Leisure tip for the weekend: Lake Aartal



Hesse's second largest lake area offers something for everyone, whether on, at or in the water (sailing, surfing, fishing, swimming) or on the 7.5 km circular trail (inline skating, walking or jogging). The bathing area with sandy beach and sunbathing lawn invites you to swim and relax.
Whether on foot or by bike, discover the beautiful surroundings of the Aartalsee with its wooded valleys and hills on one of the many walking and cycling routes, such as the Aartalsee-Panoramaweg.

More information: **Lake Aartal**

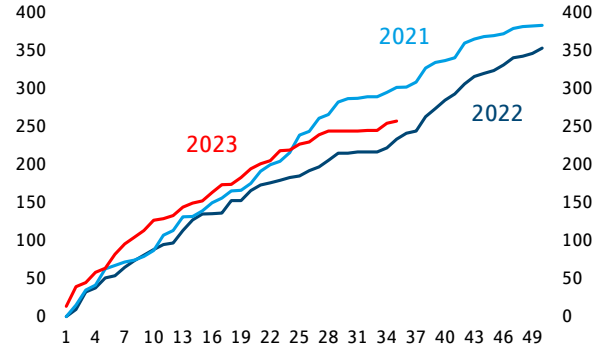
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.bischoffen.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

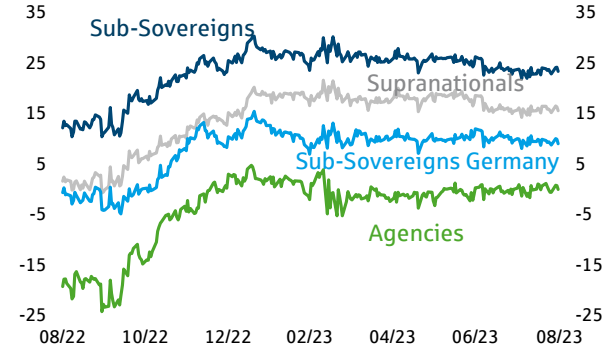
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

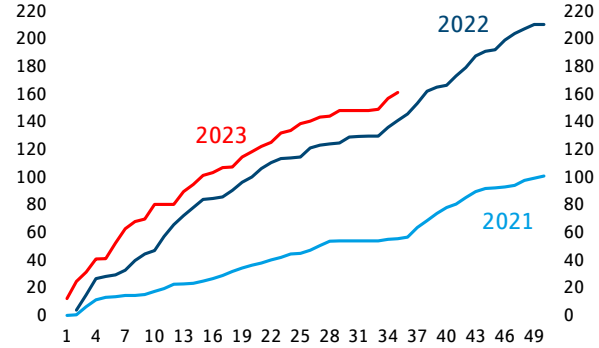
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

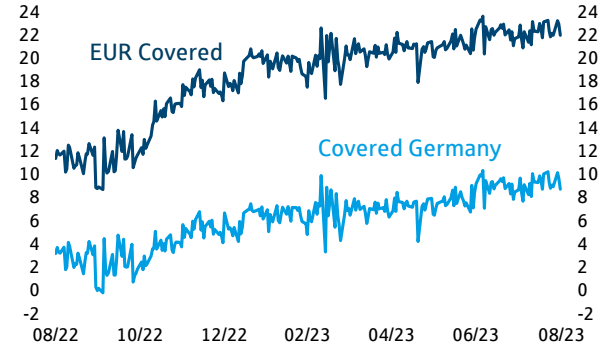
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

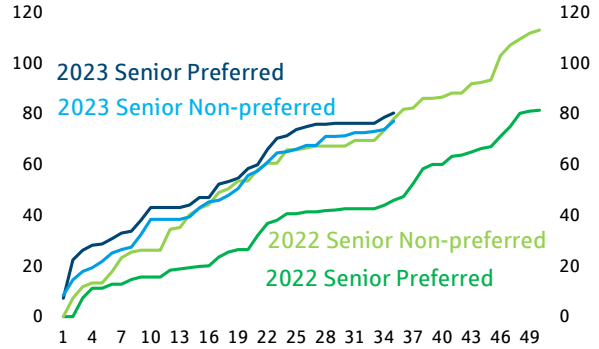
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

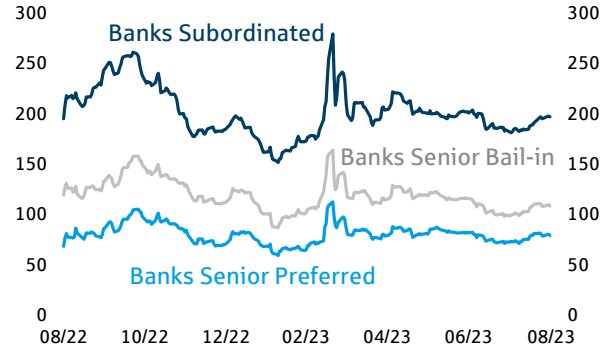
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → Fokus
- → 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/