Helaba

Focus on: SSAs & Financials

9 November 2023

Weekly Market Update

Primary market environment: Geopolitical uncertainties continue to play a role. In this context, the Fed's Cook warned of economic strains. Other Fed members do not believe that the fight against inflation is over. Activity in the primary markets, particularly in the covered bond segment, has increased significantly.

Primary market barometer

SSAs



Compared to the previous week, the SSA segment has picked up since Monday. Spreads are still under pressure, however, so it is fitting that issues from the State of Thuringia and the Austrian Kontrollbank only achieved modest issuance results.

Covered Bonds



The constructive environment prompted a surprisingly large number of issuers to become active in the primary covered bond market this week. A total of 9 issues with a volume of EUR 6.25 billion were placed. Sparebanken Vest Boligkreditt AS stood out with a book oversubscription of around 3 times.

Senior Unsecured



The primary market for senior unsecured bank bonds has continued to pick up. The market environment is quite constructive, especially as the reporting season, and therefore the blackout period, has largely come to an end. A few more transactions are expected before the window slowly closes towards the end of the year.

Risk trend indicator (heat map): Minimal brightening on the horizon

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,04	0,19	0,49	0,70	1,82	0,95
European Union	0,04	0,22	0,36	1,02	1,47	2,90
Germany Covered	0,00	0,03	0,30	1,11	1,92	2,57
EU Covered	-0,01	-0,01	0,17	0,67	1,41	2,36
Banks senior preferred	0,01	0,11	0,27	0,56	-0,28	2,76
Banks senior bail-in (SNP)	-0,01	0,03	0,10	0,45	-0,85	2,23
Banks subordinated	0,00	-0,02	0,04	0,41	-0,70	2,60
Supranational	0,04	0,19	0,27	0,88	1,58	2,68
Agencies	-0,02	0,17	0,36	0,97	1,91	1,88
Sub-Sovereigns Germany	0,03	0,09	0,09	0,35	0,85	-0,23
Sub-Sovereigns	0,04	0,15	0,24	0,82	1,14	1,24

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

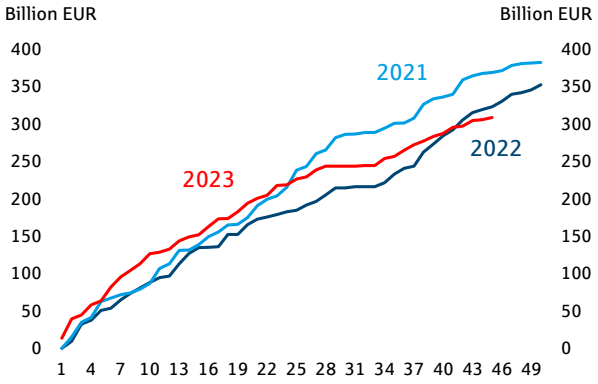
Warning signals have dominated our heat map in recent weeks. These have abated somewhat in the short term. The overall picture remains fraught.

SSAs

The primary market in the SSA segment was opened this week by the State of Thuringia. Only a modest amount of issuance was achieved for the state treasury bond (EUR 500 million, 5 years). Agence France Locale (AFL) (tap 3/2030, EUR 250m, WNG), Österreichische Kontrollbank (OKB) (EUR 500m, 5 years, sustainability, WNG) and Hungarian Eximbank (EUR 1bn, 5.5 years) followed in the middle of the week. AFL's offer attracted sufficient demand (book > EUR 300 million), which was not the case for OKB. According to Bloomberg, despite the ESG label, the order book was only EUR 365 million. This result was probably due to pricing. The final spread of the OKB bond was MS +2bps. Today, the State of Bremen increased its June 2028 FRN by EUR 400m (WNG). This brings the new outstanding volume to EUR 650m.

Outlook: The last syndicated EU issue is due next week. Looking ahead to next year, the market expects SSA issuers to be very active with high volumes. Spreads are likely to remain under pressure or widen further.

SSA issue volume in 2023* below previous years



*as of 11/9/2023
Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Our regular readers will be familiar with the adjacent chart on page 7 of our publication. SSA issuance this year is now lower than last year and the difference is even more pronounced in 2021. In our view, the decline compared to the "Corona years" is due to the lack of additional funding needs. Without the European Union's Next Generation Recovery Programme (the programme totals EUR 750 bn - its largest spending instrument, the Recovery and Resilience Facility (ARF), accounts for EUR 672.5 bn), the decline would have been even more pronounced. So far this year, around EUR 44 billion of bonds have been issued under the programme. The financing needs of the federal states in 2023 via the primary market amount to around EUR 34 bn, slightly above the previous year's figure of around EUR 32 bn. Compared to 2020 and 2021 and their special programmes - when borrowing amounted to EUR 84 bn and EUR 55 bn respectively - a clear downward trend can be observed. The debt limit enshrined in Germany's constitution, which prohibits new government borrowing regardless of the state of the economy, is likely to contribute to this.

Issuers are currently becoming more active again. This may not just be due to the approaching end of the year. However, it seems that no issuer wants to rush into something like a very long maturity. In this respect, a "wait and see" approach is prevailing, especially with regard to further data developments.

€ SSAs issues week of 6 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Thüringen	- /-/AAA	0,500 bn		15.11.2028	ms -2 Bp		07.11.2023	not disclosed	ms -2
3,125%	Oesterreichische Kontrollbank AG	Aa1 /AA+/-	0,500 bn		15.11.2028	ms +2 Bp	✓	08.11.2023	not disclosed	ms + 2 area
3,000%	Agence France Local	Aa3 /AA-/-	0,250 bn	✓	20.03.2030	ms +2 Bp		08.11.2023	0,300 bn	FRTRs + 52 area
6,000%	Hungarian Export-Import Bank Private Limited Company	- /BBB-/BBB	1,000 bn		16.05.2029	ms +2 Bp		08.11.2023	3,000 bn	ms + 325 area
3m€+0 Bp	Bremen	- /-/AAA	0,400 bn	✓	07.06.2028	ms +2 Bp		09.11.2023	0,400 bn	3m€ +0 area

Sources: Bloomberg, Helaba DCM

Covered Bonds

Primary market transactions in the covered bond segment are also possible on a Monday, as demonstrated by three deals at the beginning of the week. Deutsche Bank successfully issued a 5-year benchmark (EUR 500m, WNG). The order book was 2.4 times oversubscribed and the issue was priced at MS+26bps versus MS+30bps in the marketing. Erste Group Bank AG generated demand of more than EUR 1bn for a 5.5 year covered bond. The final spread narrowed by 2 bps to MS+40 bps. Given the size of the issue and the pricing chosen, the overall transaction was somewhat more difficult. From Finland, OP Mortgage Bank (EUR 1bn, 3.25 years) completed the issuance round at the beginning of the week. The shortest maturity on the day was reflected in a spread that was 5bps tighter than the marketing.

Three more issuers followed on Tuesday: DNB Boligkreditt (EUR 1.25bn, 5 years), DZ Hyp (EUR 500m, 3.7 years) and Hypo Oberösterreich (EUR 250m, 4 years, green, WNG). All went well, with DZ Bank - the sixth deal this year - and DNB Boligkreditt each thightening their spreads by 4bps over the market, and the books were 2.5 and 1.7 times oversubscribed respectively. For DNB, this was the first deal since May 2021 and only the fifth transaction by a Norwegian issuer this year. As a result, it is likely that investors still had free credit lines available. Hypo Oberösterreich's spread remained unchanged in the end.

Primary activity continued on Wednesday. ING-Diba (EUR 1bn, 4.25 years, Green), OMA Savings Bank (EUR 500m, 5 years, WNG) and Sparebanken Vest Boligkreditt AS (EUR 500m, 5 years, WNG) took the stage. Sparebanken stood out with around 3x oversubscription of the order book and the spread narrowing by 5bp to a final MS+34bp is also worth mentioning.

Overall, two "success factors" emerged: the new issue premiums offered and the maturities selected. The new issue premiums ranged from 5 to 10 bps, while the maturities ranged from 3.25 to 5.5 years (average 4.5 years).

> *"The primary market is now taking over. The pent-up project pipeline is moving forward and a large number of new issues have been coming to the market each day so far this week. High new issue premiums in the range of 5-10bps are required to place the transactions with any degree of success. Maturities up to 5 years continue to be the main focus. Overall, swap spreads are trading slightly wider.. "*
>
> *Comment from the Helaba trading floor*

Outlook: The primary market is constructive at present. Although we expected a rebound in November, the momentum this week has been somewhat surprising. The momentum is likely to continue next week.

€ Covered Bond issues week of 6 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	Deutsche Bank AG	Aaa /-/-	0,500 bn		13.03.2029	ms +26 Bp		06.11.2023	1,200 bn	ms + 30 area
3,375%	OP Mortgage Bank	Aaa /AAA/-	1,000 bn		15.02.2027	ms +23 Bp		06.11.2023	1,500 bn	ms + 28 area
3,500%	Erste Group Bank AG	Aaa /-/-	0,750 bn		14.05.2029	ms +40 Bp		06.11.2023	1,000 bn	ms + 42 area
3,625%	Oberösterreichische Landesbank AG (HYPO Oberösterreich)	- /AA+/-	0,250 bn		31.03.2028	ms +50 Bp	✓	07.11.2023	0,335 bn	ms + 50 area
3,250%	DZ HYP AG	Aaa /AAA/-	0,500 bn		30.07.2027	ms +16 Bp		07.11.2023	1,318 bn	ms + 20 area
3,375%	DNB Boligkreditt AS	Aaa /AAA/-	1,250 bn		14.11.2028	ms +30 Bp		07.11.2023	2,050 bn	ms + 34 area
3,375%	Sparebanken Vest Boligkreditt	Aaa /-/-	0,500 bn		15.11.2028	ms +34 Bp		08.11.2023	1,540 bn	ms + 39 area
3,250%	ING-DiBa AG	Aaa /-/AAA	1,000 bn		15.02.2028	ms +22 Bp	✓	08.11.2023	1,300 bn	ms + 24 area
3,500%	Oma Saastopankki Oyj	- /AAA/-	0,500 bn		15.01.2029	ms +49 Bp		08.11.2023	0,600 bn	ms + 50 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

The primary market for senior unsecured bank bonds continued to pick up. The number of transactions in EUR benchmark format rose from 5 in the previous week to 7 so far this week. Issuers only had to offer **comparatively low NIPs** to successfully place the issues. Strong credit quality and shorter maturities continue to be in higher demand. Good quarterly results from the institutions, which once again underline the fact that the sector is in very solid shape (see chart of the week), contribute to the favourable market environment..

A number of heavyweights came to the market with issuances this week. On Monday, BNP Paribas issued EUR 1.5bn with a 9-year maturity, JP Morgan Chase EUR 2bn with an 8-year maturity and Bank of Ireland Group EUR 0.75bn with a 6-year maturity - all three issues in non-preferred rank. Swedbank completed the round-up with a EUR 1bn 5-year preferred, followed on Tuesday by UniCredit with EUR 0.75bn, also with preferred rank. Today we see Intesa Sanpaolo and NIBC Bank with shorter maturities.

> „Investor interest remains largely focused on the cash side. Due to the lively primary market, real money accounts mostly acted as sellers of older bonds in favour of newer ones. Fast money accounts also participated in the new issues, but in some cases suffered losses. The less frequent buy requests were concentrated in maturities of up to 5 years; longer maturities were priced aggressively by traders, with some trades being executed well below mid-price..“
>
> *Comment from the Helaba trading floor*

Outlook: The market environment is quite constructive, especially as the reporting season and therefore the blackout period is largely over. **A few more transactions can be expected** before the window slowly closes towards the **end of the year**. However, the houses have already done a lot of issuance so far this year, and in some cases have already pre-financed.

€ Senior Preferred issues week of 6 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,125%	Swedbank AB	Aa3 /A+/AA	1,000 bn		13.11.2028	ms +105 Bp		06.11.2023	1,950 bn	ms + 130 area
4,600%	UniCredit S.p.A.	Baa1 /BBB/BBB	0,750 bn		14.02.2030	ms +150 Bp	✓	07.11.2023	1,150 bn	ms + 180 area
3m€+80 Bp	Intesa Sanpaolo S.p.A.	Baa1 /BBB/BBB	1,750 bn		16.11.2025	ms +80 Bp		09.11.2023	2,300 bn	3m€ +100 area

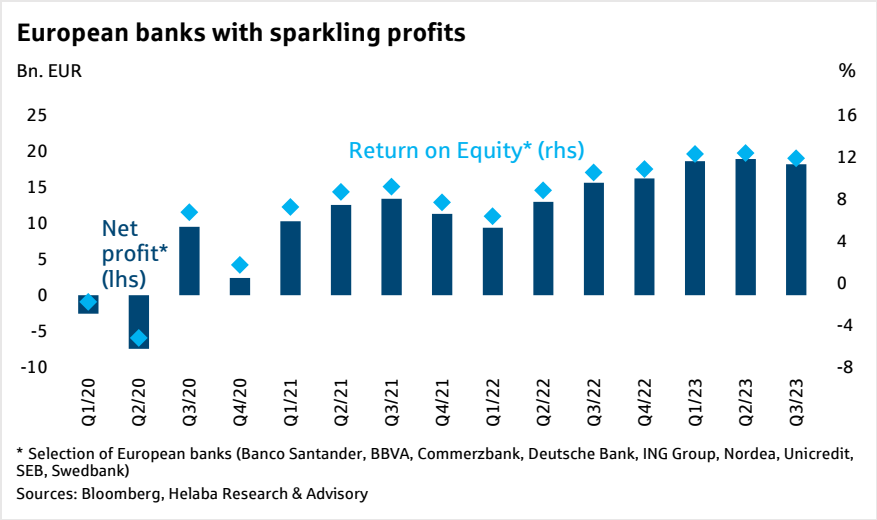
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 6 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,750%	BNP Paribas SA	Baa1 /A-/A+	1,500 bn		13.11.2032	ms +160 Bp		06.11.2023	2,250 bn	ms + 185 area
4,625%	Bank of Ireland Group plc	A3 /BBB/BBB+	0,750 bn		13.11.2029	ms +155 Bp	✓	06.11.2023	3,100 bn	ms + 190 area
4,457%	JPM Chase & Co	A2 /A-/AA-	2,000 bn		13.11.2031	ms +130 Bp		06.11.2023	3,550 bn	ms + 155 area
6,000%	NIBC Bank N.V.	- /BBB-/BBB	0,500 bn		16.11.2028	ms +300 Bp		09.11.2023	1,200 bn	ms + 325 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



European banks continued to post **high profits in the third quarter of 2023**, although the strong growth of previous quarters began to stabilise. For a selection of the large institutions we monitor, the overall result was even slightly lower than in the second quarter of 2023, which was driven by individual banks. Société Générale, for example, recorded impairments on goodwill and deferred tax assets, while BNP Paribas reported comparatively weak fixed income and currency revenues and a surprisingly sharp rise in costs. At the same time, most banks increased their **provisioning for credit losses**, although the **overall level remained low**. Aggregate net interest income of our sample of banks rose slightly by 3% qoq in Q3 2023, and was around 30% higher than in Q3 2022. In our view, **interest income is likely to plateau in 2024** at the latest. From a bondholder perspective, the continued support of capital ratios by strong earnings is encouraging, even as many institutions continue their share buyback programmes. The quarterly reporting season has once again underlined that the sector is **in very solid shape**. (see also our **Economic and Capital Markets Outlook to 2024**, published earlier today)

Short news

11/9 New Covered Bond Label member: **The Covered Bond Label Foundation** (CBLF) is glad to announce that a new Italian issuer has joined the community. The decision of **Banco di Desio e della Brianza SpA** makes the Label numbers currently count a total of 134 issuers and 176 cover pools in 24 jurisdictions.

11/9 Bi-annual SRB reporting note to Eurogroup: The Single Resolution Board (SRB) published its **bi-annual reporting note** to Eurogroup. The note aims to report on SRB's views on CMDI; the lessons learned from the recent crisis cases and liquidity in resolution; the resolvability progress of SRB banks; progress made on the resolvability of less significant institutions, and SRB Fund activities.

11/9 EU banks take a conservative approach to market risk: As the EU's fundamental review of the trading book 2025 implementation deadline nears, banks are adopting a conservative market risk stance under the Basel III framework. According to **The Banker**, lenders are opting for the standardized approach to calculate their capital requirements, avoiding the more complex and resource-intensive internal model approach, even if the standard approach leads to a higher capital charge.

11/9 Bank of Spain warns of risks of extending bank windfall tax: Any potential extension of the current Spanish windfall tax on banks should take into account the preservation of financial stability and correct transmission of monetary policy, Bank of Spain Governor Pablo Hernandez de Cos said as heard by **Reuters**.

11/8 CDP to align reporting platform with European Sustainability Reporting Standards, and more…: Climate research provider and environmental disclosure platform CDP and the European Financial Reporting Advisory Group (EFRAG) announced today the launch of a new agreement which will see CDP maximize the alignment of its

disclosure system with the EU's recently adopted European Sustainability Reporting Standards (ESRS), which underpins the EU's upcoming Corporate Sustainable Reporting Directive (CSRD).
According to CDP and EFRAG, the new collaboration aims to accelerate the market uptake of the ESRS, helping companies to prepare for the new reporting requirements, and supporting market readiness for the new environmental reporting system. (**ESGtoday**)

11/7 The bank's path toward climate goals: This **report** provides an overall description of the banking industry's common path towards climate goals. It is primarily based on a survey conducted by the Swedish Bankers' Association (SBA) to provide examples of the climate work among its members.

11/7 UBS chair on risks of 'shadow' banking: The next financial crisis is likely to be in the "shadow" non-bank lending sector, **UBS chair Colm Kelleher** has warned, saying that the growth of lightly regulated private markets since the 2008 crisis is a "real cause for concern".

11/6 A conversation with Andrea Enria: The new episode of the Single Resolution Board (SRB) **podcast** in 5 features Andrea Enria, Chairman of the Supervisory Board of the European Central Bank (ECB). He shares his experience as the main banking supervisor in Europe, some reflections on the lessons learned from the global pandemic and recent banking crises, and thoughts on areas of cooperation between the ECB and the SRB.

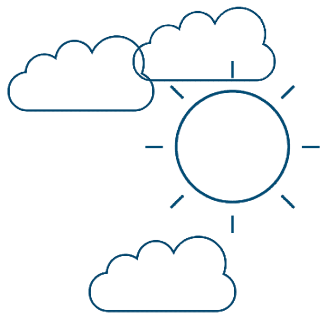
11/2 SNB moves CBDC into production on SIX digital exchange: The Swiss National Bank (SNB) is to issue its first real wholesale central bank digital currency (CBDC) for tests with six commercial banks operating on the distributed ledger platform of SIX Digital Exchange. The pilot, called Helvetia Phase III, marks the first time the central bank has moved from test environments into production. (**Finextra**)

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

E-STOXX 600 Banks	156	1,96%	-4,52%	iBoxx € Cov. Germany	17,9	-0,2	1,6	iTraxx Senior Financial	87,8	-8,0	-8,0
10Yr-Yield	2,61	-0,15	-0,11	iBoxx € Cov. Bonds	30,3	-0,6	1,2	iBoxx € Supranational	25,2	1,2	2,0
Swap 10J	3,11	-0,14	-0,18	iBoxx € Banks PS	92,3	0,9	6,8	iBoxx € Agencies	9,6	0,3	2,6
iBoxx € Germany	-35,22	2,08	6,56	iBoxx Banks NPS	120,6	-1,0	3,7	iBoxx € Sub-Sov. Germany	15,1	1,0	0,5
iBoxx € EU	32,92	1,98	3,78	iBoxx Banks Subordinated	206,4	-2,7	2,7	iBoxx € Sub-Sovereign	32,4	0,9	1,9

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

Leisure tip for the weekend: Schffersgrund Border Museum, Thuringia



The Schifflersgrund Border Museum was opened on 3 October 1991 as the first border museum on the former inner-German border between the states of Hesse and Thuringia.

It deals with the history of the border area, focusing on the Wanfried Agreement and the death of Heinz-Josef Große. Special features include the original border fence and numerous original technical exhibits.
Find out more: **Border Museum**

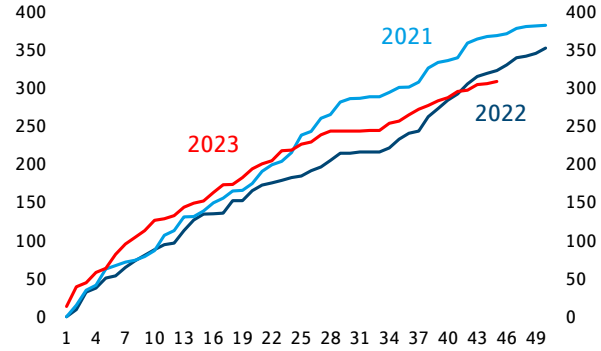
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https:/www.museen.thueringen.de/museum/DE-MUS-442513

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

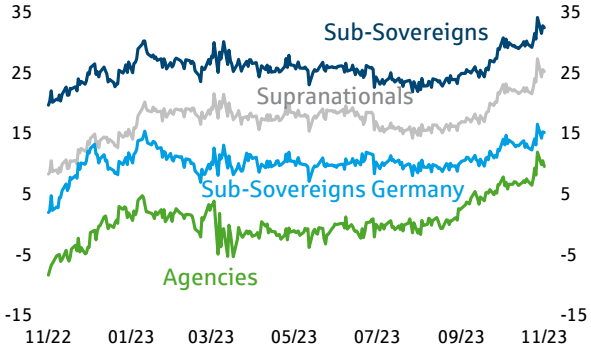
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

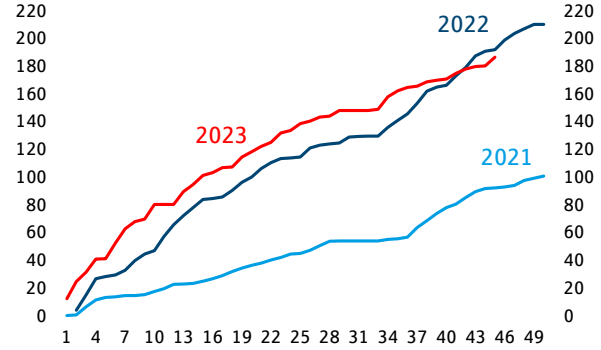
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

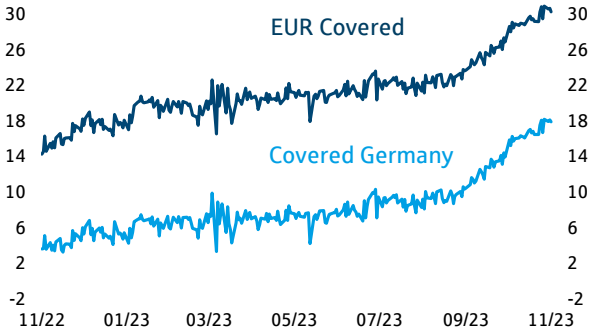
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

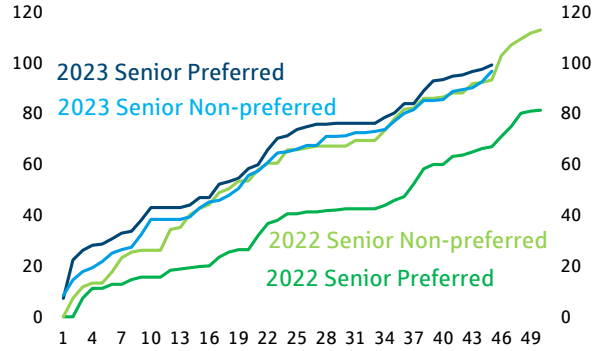
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

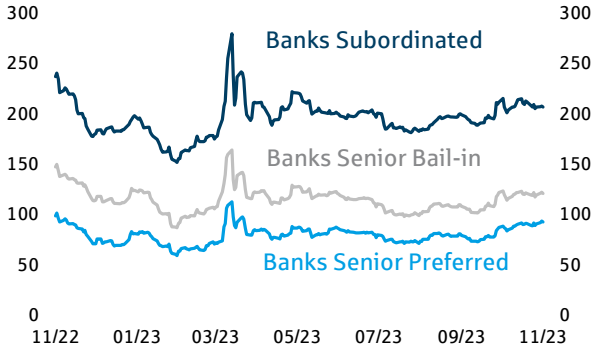
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

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