Helaba

Focus on: SSAs & Financials

30 November 2023

Weekly Market Update

Primary market environment: According to the US Beige Book, economic activity has slowed, the outlook has deteriorated and demand for labour has fallen. The Fed (Mester) sees progress in the fight against inflation. Activity in the primary markets is gradually coming to a halt.

Primary market barometer

SSAs



In the SSA segment, only the state of Schleswig-Holstein saw an tap this week. Despite this unique feature, the success of this transaction was probably only manageable.

Covered Bonds



The primary market for EUR covered bonds is already quiet in the run-up to Christmas. There were no new issues this week. Instead, it can be assumed that preparations are already underway for what is likely to be a very active start to 2024.

Senior Unsecured



The approaching year-end is clearly felt in the primary market for senior unsecured bank bonds either. There have been 5 transactions so far this week, although the volume has only reached EUR 2.1bn. The market environment remains constructive, but activity is likely to remain low until the end of the year.

Risk trend indicator (heat map): Positive trend in bank bonds continues

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,06	-0,14	0,09	0,40	1,65	1,30
European Union	-0,02	-0,01	0,08	0,78	1,19	2,80
Germany Covered	0,00	0,08	0,34	1,35	2,04	2,86
EU Covered	0,00	0,04	0,16	0,82	1,40	2,61
Banks senior preferred	-0,06	-0,08	-0,21	0,21	0,06	1,82
Banks senior bail-in (SNP)	-0,06	-0,07	-0,30	0,07	-0,57	1,51
Banks subordinated	-0,04	-0,08	-0,38	-0,16	-0,10	1,78
Supranational	-0,01	0,01	0,14	0,81	1,25	2,66
Agencies	-0,02	-0,01	0,11	0,84	1,38	1,80
Sub-Sovereigns Germany	0,00	0,02	0,17	0,45	0,49	-0,22
Sub-Sovereigns	0,00	0,01	0,15	0,78	0,85	1,13

strong middle weak unchanged weak middle strong

spread widening* spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

Our heat map shows that the positive sentiment for bank bonds continues. However, the picture remains mixed for covered bonds and SSAs.



SSAs

Primary market activity in the SSA segment continued to cool in line with the winter weather conditions. The issuance calendar remained quiet on Monday. On Tuesday, the tap of the EUR 250m November 2028 bond from the state of Schleswig-Holstein was probably only partially successful due to a non-communicated order book and an unchanged spread to marketing (MS+ 2bp). The previous week's increase in IB Berlin's March 2033 issue at MS + 15bp was 2.7x oversubscribed.

Outlook: Officially there are no outstanding mandates. Overall, issuers are likely to have finalised their issuance plans for 2023 and are already looking ahead to next year.

€ SSAs issues week of 27 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,625%	Schleswig-Holstein	- /-/AAA	0,250bn	✓	17.11.2028	ms +2 bps		28.11.2023	not disclosed	ms + 2 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Primary market activity in this segment is also likely to be largely complete for this year. There were no new issues this week. The picture is unlikely to change much next week. Rather, issuers are likely to be exploring the possibilities of an early start next year. On average for 2022 and 2023, just under 20% of the total annual volume has been issued in January. In line with this pattern, we expect issuance to be strong at the start of the year.

> *"The overall picture in the secondary market is somewhat more constructive than it was a few weeks ago. With the general decline in inflation rates, there has even been talk of 'victory over inflation' (see Waller, FED). This has fuelled speculation on both sides of the Atlantic about massive interest rate cuts in 2024, which in turn has been constructive for the covered bond segment, which will be hit hard by spreads in 2023. "*
>
> *Comment from the Helaba trading floor*

According to our traders, spreads in the secondary market seem to have widened too much. However, we are now starting to see more aggressive pricing from intermediaries than we have seen recently. In particular, bids are again tending to be placed more towards the market centre. If yield curves continue to steepen, longer maturities are likely to become more attractive again. However, this is unlikely to be seen until early 2024, when longer-dated projects will definitely be back on the agenda. Despite the slightly more positive overall picture, the outlook for spreads needs to be viewed with caution; a return to the levels of 2-3 years ago is unlikely given the lack of central bank support.

Outlook: While it cannot be ruled out that one or two issuers will come to the primary market next week, the likelihood is low.

€ Covered Bond issues week of 27 November 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 Unsecured

The approaching end of the year is felt in the primary market for senior unsecured bank bonds either. So far this week there have been another five transactions in EUR benchmark format, albeit some from less frequent issuers - such as Banca Transilvania - and with weaker ratings. The relatively low issuance volumes fit into the picture, with the total transaction size being just EUR 2.1bn.

This week, the senior benchmark segment was predominantly used in senior preferred format. We saw a total of 4 preferred transactions with a total volume of EUR 1.6m. Hamburg Commercial Bank AG, Mediobanca SpA, Piraeus Bank S.A and a tap from Landesbank Berlin were placed. With a book 1.6 times oversubscribed, the latter was able to place EUR 100 million of the November 2028 issue at a spread of MS + 95 bp. In the senior non-preferred segment, only Banca Transilvania came to market with a EUR 500m 5NC4 at 7.750% IPT.

> „Flows increased again, as usual for the monthly rebalancing. In the medium maturity range (5-7 years), real money accounts and ETF funds were increasingly seen as sellers. Shorter maturities, recently issued floaters and lower-risk names such as those from Scandinavia or the Benelux countries were in demand. However, as the year draws to a close, the focus is on reducing risk, with the investor mix shifting from balanced to more sellers."
>
> *Comment from the Helaba trading floor*

Outlook: The market environment in this segment remains constructive. However, the approaching end of the year is clearly noticeable and activity is slowing down. In particular, pre-financing transactions may once again play a role.

€ Senior Preferred issues week of 27 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%	Landesbank Berlin	Aa3 /-/-	0,100bn	✓	21.11.2028	ms +95 bps		28.11.2023	0,162bn	ms + 95 (#)
6,875%	Piraeus Bank S.A.	B1 /B/-	0,500bn		05.12.2028	ms +380 bps		28.11.2023	1,600bn	7.125% area
4,375%	Mediobanca SpA	Baa1 /BBB/BBB	0,500bn		01.02.2030	ms +140 bps		28.11.2023	1,800bn	ms + 170 area
3m€+160 Bp	Hamburg Commercial Bank AG	A3 /-/-	0,500bn		05.12.2025	ms +160 bps		28.11.2023	0,560bn	3m€+170 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 27 November 2023

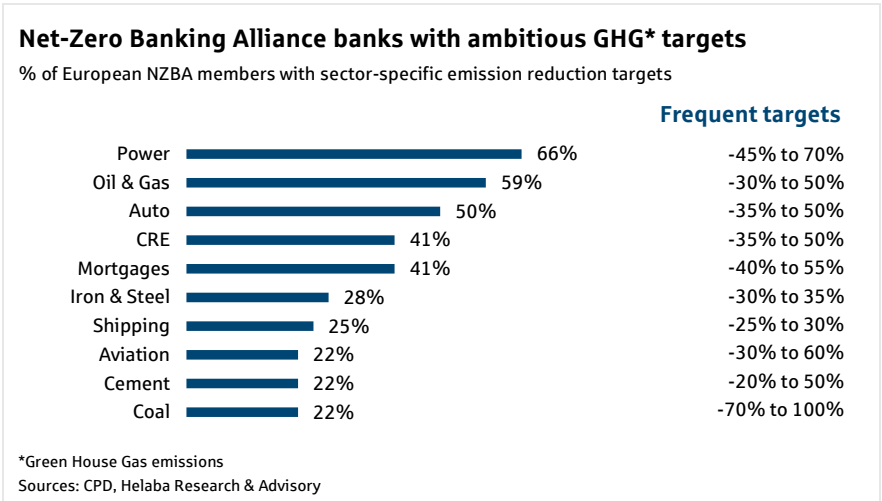
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
7,250%	Banca Transilvania	- /-/BB	0,500bn		07.12.2027	ms +425 bps	✓	29.11.2023	1,500bn	7,75% area

Sources: Bloomberg, Helaba DCM

Chart of the Week

Net-Zero Banking Alliance banks with ambitious GHG* targets

% of European NZBA members with sector-specific emission reduction targets



*Green House Gas emissions

Sources: CPD, Helaba Research & Advisory

With the opening of COP28 in Dubai this week, climate change targets are once again in the spotlight. The banking sector has an important role to play in financing the transition to a more sustainable economy. This is increasingly reflected in the strategy and governance of major capital market banks, and the **disclosure of sustainability issues by the institutions is also becoming more transparent**.

With the first publication of the full **Green Asset Ratio (GAR)** for the year 2023, the replacement of the Task Force on Climate Related Financial Disclosures (TCFD) by the **International Sustainability Standards Board (ISSB)** and the ongoing implementation of the **Corporate and Sustainability Reporting Directive (CSRD)**, key milestones on the road to greater transparency and disclosure on ESG issues in the banking sector are on the horizon at the turn of the year. In our study **"European Banks: The sharpening contours of ESG disclosure"**, published this week, we take a closer look at these developments. In particular, we look at how institutions are responding to increasing transparency demands from regulators and market participants. Many large listed institutions are members of the **Net-Zero Banking Alliance (NZBA)**. Convened by the United Nations in 2021, the NZBA is a group of leading banks committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050. NZBA participants are committed to disclosing their emissions, as well as their actions and progress to reduce them.



Short news

11/29 EY study on companies' preparedness for IFRS climate reporting standard: Companies globally are making progress with their climate disclosures, both in terms of the number of businesses reporting on climate-related factors and the quality of the reporting, according to a new study released by global professional services firm EY, although significant work remains to prepare for reporting against the new sustainability disclosure standards released by the IFRS Foundation's International Sustainable Standards Board (ISSB). (**ESGtoday**)

11/29 BIS and disclosure of climate-related financial risks: The Basel Committee on Banking Supervision issued a **public consultation paper** on a Pillar 3 disclosure framework for climate-related financial risks. The Committee is analysing how a Pillar 3 disclosure framework for climate-related financial risks would further its mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability, and the potential design of such a framework.

11/28 Tightening in perceived financing conditions: The latest **survey by the European Central Bank** shows that firms' turnover continued to recover in the second and third quarters of 2023, despite high labor, interest, and production costs. Financing needs were unchanged, while the availability of external funds fell and financing conditions tightened.

11/27 S&P Global Ratings has upgraded the ratings of the Icelandic covered bond programmes. S&P has upgraded the covered bond programmes of Islandsbanki hf, Landsbankinn hf and Arion Bank hf and the related issues from 'A' to 'A+'. The outlook for these three programmes has also been changed from positive to stable. The rating actions follow the action taken for Iceland on 10 November 2023. In line with the criteria for covered bonds, the agency upgraded the ratings of the covered bonds from the issuer ratings (ICR) of the respective banks. The agency took into account the fact that the issuers are located in a country with an effective resolution regime, as well as the potential support provided by the legal framework and the portfolio of assets collateralising the bonds.

11/27 Demand for credit remains weak, need for investment remains: "Companies have recently been financing their investments heavily from their own funds, while demand for credit has remained weak. The banks' credit supply remains reliable, but reflects the increased risks," says Heiner Herkenhoff, Managing Director of the **Association of German Banks** (BdB).

11/27 ECB rating agency puts weight on protection mechanisms: According to Reuters, Scope, Europe's first European Central Bank (ECB)-approved credit ratings agency, promises to put more weight on the euro zone's improved ability to navigate crises although it has concerns about Italy and France and warns the Dutch election result could trouble its coveted triple-A grade. (**Bloomberg**)

11/27 ECB to look at pandemic bond reinvestments soon: European Central Bank (ECB) officials may soon revisit their €1.7 trillion pandemic bond portfolio and reconsider how long they will replace maturing securities, **Bloomberg** reports. While several officials have said they're in favor of discussing an earlier start to the roll-off of the so-called PEPP program, Lagarde had remained more cautious on the issue.

11/23 Deutsche Bundesbank published financial stability report 2023: The macro-financial environment is characterised by the turnaround in interest rates and increased uncertainty. So far, the German financial system has coped well with the rise in interest rates over the past year, although the effects have not yet fully materialised. The structural change in the economy is also likely to further increase credit risks.

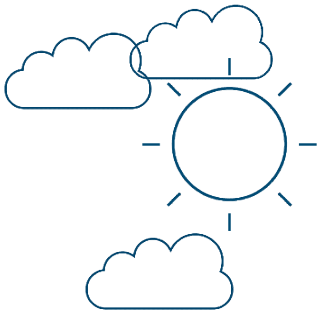
11/23 Slovenia moves ahead on new tax on banks, companies: Slovenia's government approved a tax on banks and higher levies on companies to help fund reconstruction following the country's worst natural disaster in three decades. The new legislation aims to impose a 0.2% tax on total banking assets, **Bloomberg** writes.

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

E-STOXX 600 Banks	162	1,14%	6,37%	iBoxx € Cov. Germany	20,3	0,4	2,3	iTraxx Senior Financial	77,2	-1,7	-18,5
10Yr-Yield	2,43	-0,14	-0,33	iBoxx € Cov. Bonds	32,3	0,4	1,5	iBoxx € Supranational	24,7	0,1	0,7
Swap 10J	2,93	-0,11	-0,32	iBoxx € Banks PS	83,5	-2,9	-7,8	iBoxx € Agencies	9,3	-0,2	0,0
iBoxx € Germany	-36,79	-2,23	0,50	iBoxx Banks NPS	109,1	-3,7	-12,4	iBoxx € Sub-Sov. Germany	16,4	0,2	2,3
iBoxx € EU	30,98	-0,20	0,04	iBoxx Banks Subordinated	189,0	-4,7	-20,0	iBoxx € Sub-Sovereign	32,5	0,2	1,0

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

Leisure tip for the weekend: Christmas Market of Michelbach



The Christmas Market of Michelstadt scores with its homogenous concept. About 100 wooden cabins are festively decorated with twigs and chains of lights.

The special highlights are the life-sized wooden figures all over the market. They also serve as guide signs and are build by students oft the resident college for wooden constructions.
The Christmas Market is opened from 1 December to 23 December 2023.

Find out more: **Christmas Market**

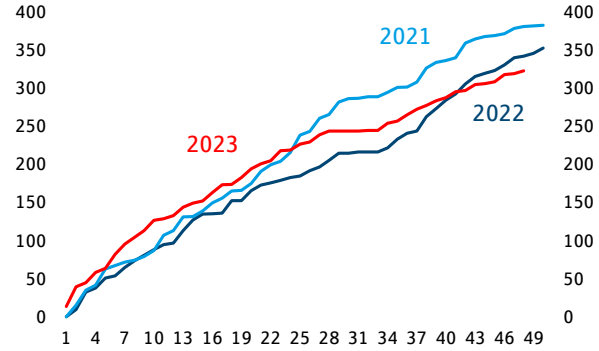
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https:// michelstaedter-weihnachtsmarkt.de/en

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

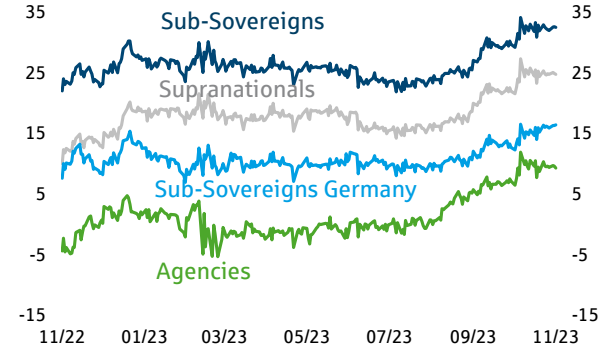
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

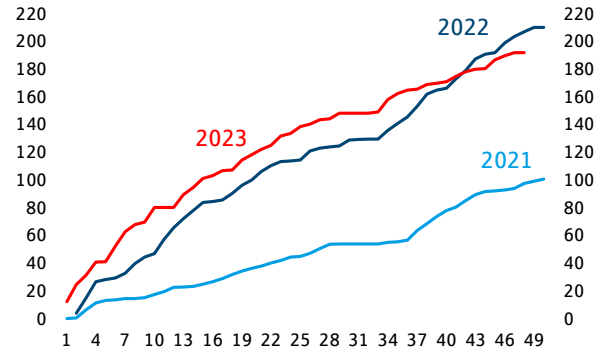
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

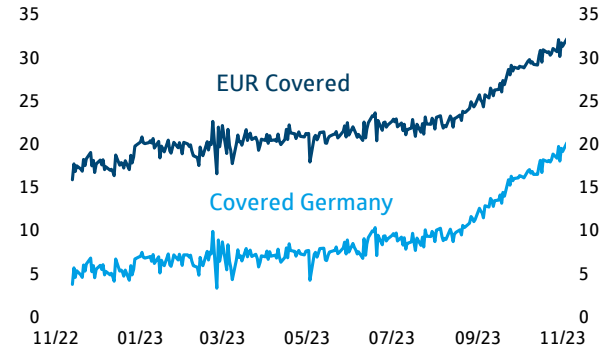
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

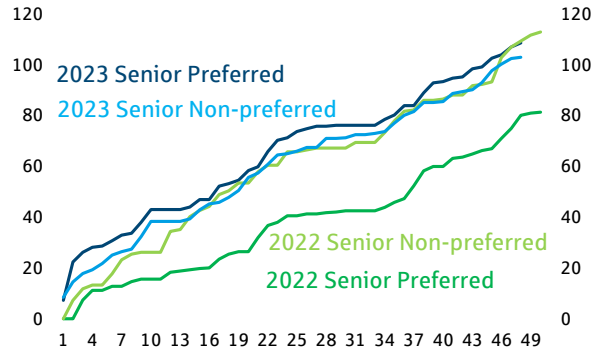
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

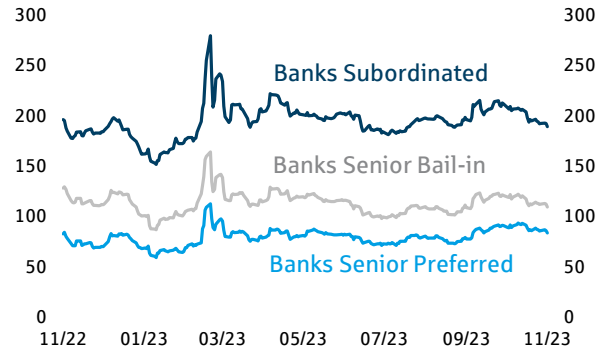
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

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