Helaba

Focus on: SSAs & Financials

4 January 2024

Weekly Market Update

Primary market environment: Incidents in the Red Sea, the attack in Iran with numerous deaths and injuries and the worsening situation in Israel are weighing on market sentiment. In addition, there is talk of possibly over-exaggerated expectations of interest rate cuts.

Primary market barometer

SSAs



The SSA segment got off to a good start with ample volumes and high demand. However, as was the case at the end of last year, state emissions show that pricing and the pricing process play a key role.

Covered Bonds



Strong start in the covered bond segment: 14 bonds for a total of EUR 13.25bn in 3 days. No less than 5 banks have tested and successfully implemented the 7-year maturity. Issue premiums are generally high and peaked at 10 bp.

Senior Unsecured



Issuers are wasting no time in starting the year with a flurry of new issues. As usual, some heavyweights are the first to raise capital. Transactions reach sizeable volumes. However, rising tensions in the Middle East weigh on sentiment towards the middle of the week and secondary market performance remains weak.

Risk trend indicator (heat map): Predominantly in risk-off mode

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0.08	0.19	0.20	0.69	0.90	1.23
European Union	0.07	0.07	0.15	0.38	0.96	3.01
Germany Covered	0.01	-0.02	0.18	0.81	2.12	2.94
EU Covered	-0.01	-0.03	0.08	0.48	1.51	2.88
Banks senior preferred	0.15	0.20	0.13	0.02	0.20	2.03
Banks senior bail-in (SNP)	0.23	0.28	0.24	-0.09	-0.25	1.82
Banks subordinated	0.13	0.15	-0.23	-0.74	-0.47	1.65
Supranational	0.04	0.01	0.13	0.41	1.08	2.84
Agencies	0.08	0.18	0.12	0.59	1.01	2.06
Sub-Sovereigns Germany	-0.01	-0.06	0.11	0.36	0.55	0.29
Sub-Sovereigns	0.05	0.03	0.12	0.49	0.84	1.63

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

The market environment is challenging. Many investors and traders are de-risking in light of the news.



SSAs

The SSA segment started the year with a colourful bouquet of 9 bonds. German issuers led the field in terms of number of issues and - mainly due to KfW's coveted EUR 9bn dual tranche - in absolute terms, with the states of Lower Saxony and Mecklenburg-Western Pomerania, as well as KfW and Landwirtschaftliche Rentenbank (tap). The Netherlands was joined by Neder-landse Watershapsbank and BNG with sustainable and social bonds, flanked by the Asian Development Bank (Green Bond) and KfW. Development Bank (green bond) and the Council of Europe Development Bank. The 10-year maturities were a factor in the range of maturities offered, but overall all transactions sold well to very well. Only the State of Mecklenburg-Western Pomerania's 8-year issue struggled with an initial guidance (marketing spread) of 11bp but ultimately managed to complete the transaction solidly.

Outlook: The primary market environment is constructive. Given the high funding volumes announced by SSA issuers (e.g. EIB EUR 60 bn, CADES EUR 20 bn, AFD EUR 8-9 bn), we expect strong issuance activity next week. The EFSF has invited banks to submit RfPs for an upcoming transaction. The next EU issue is scheduled for the week of 22 January.

€ SSAs issues week of 2 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2.625%	Niedersachsen	- /-/AAA	1.000bn		09.01.2034	ms +15 bps		02.01.2024	1.550bn	ms + 15 area
2.375%	KFW	Aaa /AAA/-	6.000bn		05.08.2027	ms -5 bps		03.01.2024	19.500bn	ms -3 area
2.625%	KFW	Aaa /AAA/-	3.000bn		10.01.2034	ms +13 bps		03.01.2024	27.000bn	ms +15 area
2.550%	Asian Development Bank	Aaa /AAA/AAA	1.250bn		10.01.2031	ms +12 bps	✓	03.01.2024	2.000bn	ms +13 area
2.625%	Nederlandse Watershapsbank	Aaa /AAA/-	1.250bn		10.01.2034	ms +26 bps	✓	03.01.2024	1.850bn	ms +27 area
2.750%	BNG	Aaa /AAA/AAA	1.250bn		11.01.2034	ms +26 bps	✓	04.01.2024	1.500bn	ms + 27 area
2.550%	Mecklenburg-Vorpommern	- /-/AAA	0.500bn		12.01.2032	ms +11 bps		04.01.2024	0.800bn	ms + 11 area
t.b.d.	Council of Europe Development Bank	Aa1 /AAA/AA+	1.500bn		11.01.2034	ms +20 bps		04.01.2024	2.700bn	ms +22 area
0.000%	Landwirtschaftliche Rentenbank	Aaa /AAA/AAA	0.500bn	✓	13.12.2028	ms -1 bps		04.01.2024	0.510bn	ms - 1 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

As expected, the Covered Bond market has entered the usual seasonal primary market phase at full speed. The high number of 14 transactions so far, including 4 dual tranches, is certainly not surprising. The focus of the projects has also shifted up the yield curve, with 7 years dominating the market. The two French issuers, Credit Agricole Home Loan SFH and CRH, have shown that 10-year maturities are once again a good option. The results to date are certainly constructive (order book volumes, final results and, finally, the first quotes on the secondary market). An outlier was the Aareal Bank benchmark with a long 4-year maturity, which

> *"In the secondary market, there are occasional swaps from "old" to "new". However, this does not lead to major distortions. Combined with a subsequent performance of new issues of up to 2 basis points, new and old bonds tend to converge on both sides. Turnover is, however, rather moderate. In the coming days and weeks, the market will continue to work its way through the primary market, setting the first reliable price points for the rest of the year."*
>
> *Comment from the Helaba trading floor*

struggled somewhat. A lower limit framework among investors certainly plays a role here. There is also much to suggest a continuing trend towards selective investment behaviour, not only at country level but also in terms of individual names.

EUR 2.5bn of the total EUR 13.25bn of new issuance in the first week of the year came from three green bonds, with Credit Agricole Home Loans SFH's EUR 1.25bn 10-year tranche being the largest. UniCredit Bank Austria

achieved the highest oversubscription rate of 3.3 times with its EUR 750 million green bond at a bid spread of 47 bp (guidance: 55 bp). NORD/LB issued the first green Pfandbrief of the year (EUR 500 million). The bond generated demand of around EUR 850 million with a final spread of 38 bp (guidance: 42 bp).

Outlook: After the first series of major issuers entered the primary market this short week, other well-known issuers will do the same next week. By then, all market participants will have returned from the Christmas holidays and trading volumes are likely to pick up again.

€ Covered Bond issues week of 2 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2.750%	LBBW	Aaa /-/-	0.750bn		12.03.2031	ms +30 bps		02.01.2024	1.250bn	ms + 35 area
2.750%	Commerzbank AG	Aaa /-/-	1.000bn		11.01.2027	ms +23 bps		02.01.2024	1.690bn	ms + 27 area
2.750%	Commerzbank AG	Aaa /-/-	1.000bn		09.01.2031	ms +38 bps		02.01.2024	1.440bn	ms + 42 area
2.875%	Erste Group Bank AG	Aaa /-/-	1.000bn		09.01.2031	ms +50 bps		02.01.2024	2.000bn	ms + 57 area
2.750%	DZ HYP AG	Aaa /Aaa/-	0.750bn		28.02.2031	ms +33 bps		03.01.2024	1.140bn	ms +37 area
2.875%	UniCredit Bank Austria AG	Aaa /-/-	0.750bn		10.11.2028	ms +47 bps	✓	03.01.2024	2.450bn	ms +55 area
2.750%	Credit Agricole Home Loan SFH SA	Aaa /AAA/AAA	1.250bn		12.01.2029	ms +30 bps		03.01.2024	1.650bn	ms +35 area
2.875%	Credit Agricole Home Loan SFH SA	Aaa /AAA/AAA	1.250bn		12.01.2034	ms +50 bps	✓	03.01.2024	1.900bn	ms +55 area
2.875%	Aareal Bank AG	Aaa /-/-	0.500bn		10.05.2028	ms +52 bps		03.01.2024	0.500bn	ms +52 area
2.625%	ING Bank N.V.	Aaa /AAA/AAA	1.250bn		10.01.2028	ms +25 bps		03.01.2024	1.400bn	ms +30 area
2.750%	ING Bank N.V.	Aaa /AAA/AAA	1.250bn		10.01.2032	ms +39 bps		03.01.2024	1.700bn	ms +45 area
t.b.d.	NORD/LB	Aa1 /-/-	0.500bn		13.01.2031	ms +38 bps	✓	04.01.2024	0.850bn	ms + 42 area
t.b.d.	Caisse de Refinancement de l'Habitat	Aaa /-/AAA	1.250bn		12.01.2029	ms +36 bps		04.01.2024	2.400bn	ms + 42 area
t.b.d.	Caisse de Refinancement de l'Habitat	Aaa /-/AAA	0.750bn		12.01.2034	ms +49 bps		04.01.2024	1.350bn	ms + 55 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

Issuers are wasting no time in starting the year with a flurry of new issues. As usual, some heavyweights are the first to tap fresh capital. Transactions are reaching very sizeable volumes. High initial price indications are shown to ensure execution. Bid spreads are pleasingly tighter in some cases, but secondary market performance is weak as market sentiment deteriorated towards the middle of the week. Noteworthy are the relatively long maturities, which are being rewarded by investors against the backdrop of the current interest rate peak.

Banco Santander raised an impressive EUR 5.4bn on the first trading day. It split the transaction into three tranches with four, six and ten-year maturities and a preferred ranking. BPCE issued EUR 3.25bn in a dual non-preferred tranche, of which EUR 1.85bn had a maturity of 11 years. Other names that have entered the primary market so far this week include top names such as BNP Paribas, UBS Group and Barclays. The total volume of EUR 12.75 billion was split into EUR 7.0 billion preferred and EUR 5.75 billion non-preferred.

> „Secondary market performance was underwhelming. Issuers' outstanding bonds widened by 7-10bp on Wednesday alone. French non-preferred bonds traded +12 bp yesterday. US HoldCo bonds were the underperformer with +15bp. Secondary trading remains quiet overall, with many investors still on holiday. The strong year-end performance is doing the rest and cash is consolidating overall. Selective purchases of 2024 new issues are being priced extremely aggressively by dealers to reduce risk."
>
> *Comment from the Helaba trading floor*

Outlook: After a record year in 2023 with a primary market volume of around EUR 206bn in senior unsecured bonds, no slowdown is expected in 2024. In particular, high maturities and declining customer deposits will ensure high funding needs for issuers. Due to seasonal factors, a large proportion of the issuance will be placed in the first few weeks, so we expect high activity to continue in the coming days.

€ Senior Preferred issues week of 2 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.750%	Banco Santander, S.A.	A2 /A+/A	1.500bn		09.01.2034	ms +130 bps		02.01.2024	2.600bn	ms + 155 area
3.500%	Banco Santander, S.A.	A2 /A+/A	1.250bn		09.01.2028	ms +95 bps		02.01.2024	1.600bn	ms + 115 area
3.500%	Banco Santander, S.A.	A2 /A+/A	1.000bn		09.01.2030	ms +115 bps		02.01.2024	1.200bn	ms + 135 area
t.b.d.	Banco de Sabadell SA	- /BB+/BBB-	0.750bn		15.01.2030	ms +160 bps		04.01.2024	2.600bn	ms + 185 area
t.b.d.	NatWest Markets Plc	A1 /A-/A+	1.750bn		09.01.2026	ms +60 bps		04.01.2024	2.700bn	3m€ + 90 area
t.b.d.	NatWest Markets Plc	A1 /A-/A+	0.750bn		09.01.2029	ms +120 bps		04.01.2024	2.100bn	ms + 145 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 2 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.875%	Danske Bank A/S	Baa2 /BBB+/A+	0.750bn		09.01.2031	ms +142 bps		02.01.2024	1.250bn	ms + 165 area
4.042%	BNP Paribas SA	Baa1 /A-/A+	0.750bn		10.01.2032	ms +160 bps		03.01.2024	not disclosed	ms +170/175
4.125%	UBS AG	A3 /A-/A	1.250bn		09.06.2033	ms +175 bps		03.01.2024	4.000bn	ms +205 area
4.506%	Barclays PLC	Baa1 /BBB+/A	1.000bn		31.01.2033	ms +205 bps		03.01.2024	2.600bn	ms +225 area
3.875%	BPCE S.A.	Baa1 /BBB+/A	1.000bn		11.01.2029	ms +145 bps		03.01.2024	1.400bn	ms +160 area
4.250%	BPCE S.A.	Baa1 /BBB+/A	1.000bn		11.01.2035	ms +185 bps		03.01.2024	1.850bn	ms +200 area

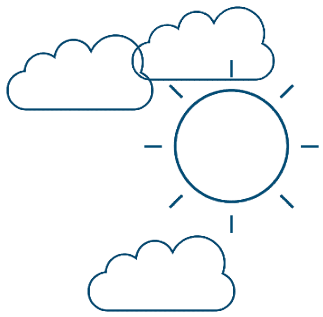
Sources: Bloomberg, Helaba DCM

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

E-STOXX 600 Banks	169	-0.32%	0.78%	iBoxx €Cov. Germany	22.3	-0.1	1.7	iTraxx Senior Financial	74.2	7.0	-2.2
10Yr-Yield	2.02	0.12	-0.20	iBoxx €Cov. Bonds	33.6	-0.5	1.1	iBoxx €Supranational	27.1	-0.2	1.8
Swap 10J	2.44	0.06	-0.25	iBoxx €Banks PS	89.3	7.8	6.9	iBoxx €Agencies	12.1	1.6	1.9
iBoxx €Germany	-31.92	3.01	4.06	iBoxx Banks NPS	120.8	14.3	14.2	iBoxx €Sub-Sov. Germany	19.3	-1.6	1.5
iBoxx €EU	33.96	0.85	2.73	iBoxx Banks Subordinated	176.2	11.4	-4.0	iBoxx €Sub-Sovereign	35.7	0.1	2.0

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

Leisure tip for the weekend: The Mathematikum, Giessen (Hesse)



The Mathematikum in Giessen ist the world's first mathematical science center.

More than 170 exhibits open a new door to mathematics. Visitors of all ages and educational Backgraounds experiment: they solve puzzles, build bridges, stand in a giant soap bubble, see themselves infinite times in a mirror and much more.

Find out more: **The Mathematikum**

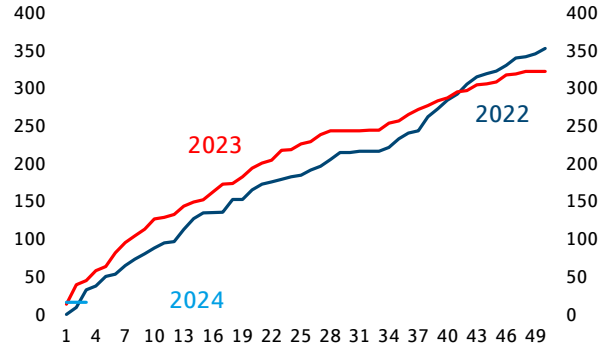
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.mathematikum.de/en/mathematikum

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

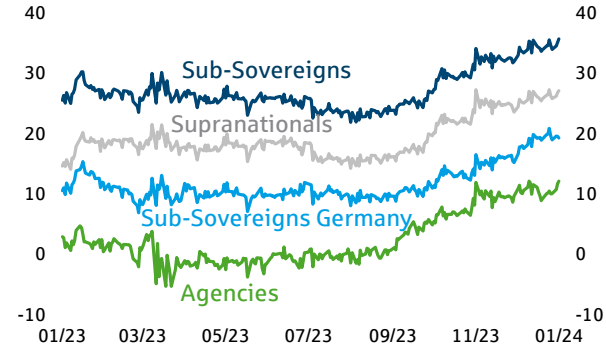
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

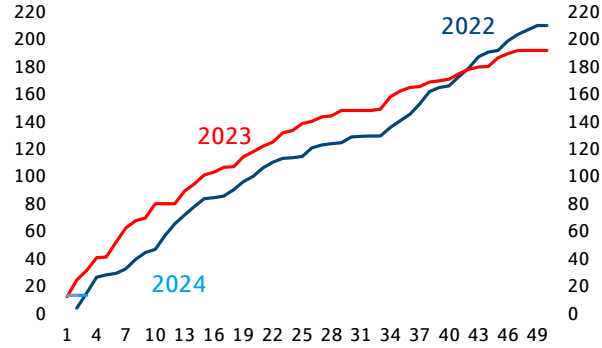
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

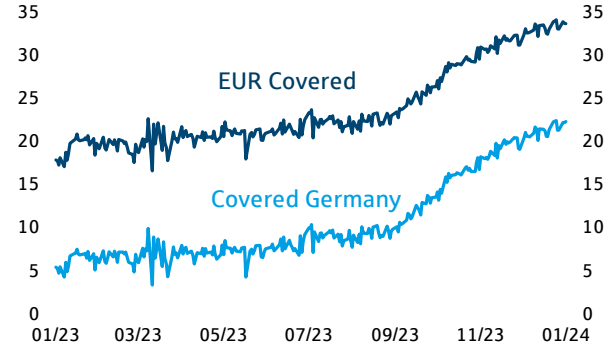
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

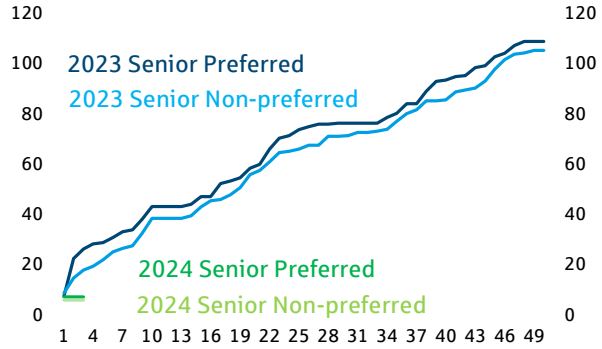
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

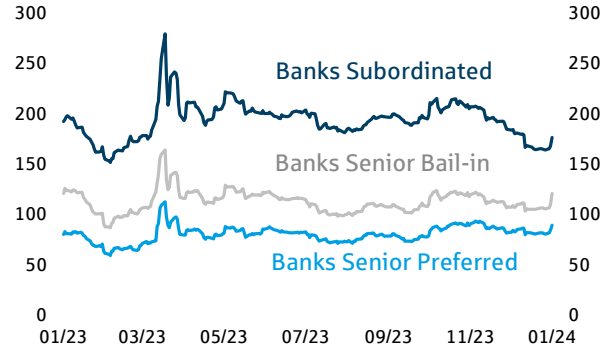
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

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