Helaba

Focus on: SSAs & Financials

11 January 2024

Weekly Market Update

Primary market environment: Issuers are wasting no time in making the most of a receptive market environment. The year will be dominated by elections and geopolitical tensions are likely to continue. Sentiment has however brightened recently following last week's worse-than-expected inflation data from France and Germany.

Primary market barometer

SSAs



The primary market is extremely active in the SSA segment. The volume achieved in the first two weeks of this year exceeded the already very strong previous year by a further 13%. Heavyweights such as the EIB, CADES and AFD contributed to this, the EU and some German Länder were also active.

Covered Bonds



A large number of covered bond transactions have also been successfully placed. Longer maturities in particular are once again popular with investors. Following the general widening of spreads in recent months, supply and demand are again well balanced.

Senior Unsecured



Issuers in the senior unsecured segment are also wasting no time in meeting their extensive funding needs this year due to high maturities. This Friday marks the start of the reporting season for US banks, with the associated blackout periods providing an additional incentive to tap the capital markets ahead of time.

Risk trend indicator (heat map): Investors remain cautious

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0.09	0.12	0.17	0.67	1.08	1.44
European Union	0.05	0.06	0.11	0.45	0.94	2.94
Germany Covered	0.13	0.20	0.28	0.93	2.28	3.17
EU Covered	0.10	0.12	0.14	0.57	1.61	3.07
Banks senior preferred	0.00	0.15	0.17	0.09	0.32	2.16
Banks senior bail-in (SNP)	-0.02	0.07	0.19	-0.08	-0.22	1.81
Banks subordinated	-0.03	0.24	0.07	-0.54	-0.26	1.86
Supranational	0.06	0.09	0.10	0.52	1.07	2.86
Agencies	0.10	0.09	0.08	0.64	1.21	2.18
Sub-Sovereigns Germany	0.05	0.03	0.05	0.45	0.53	0.29
Sub-Sovereigns	0.05	0.05	0.06	0.58	0.82	1.61

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

Market conditions remain volatile. Investors demand attractive spread premiums, but then they act.



SSAs

The SSA primary market is currently extremely robust. A total of EUR 33.7bn of SSA bonds have been issued since the beginning of the week, with 15 transactions and order books full to bursting, reaching a volume of more than EUR 130bn. At EUR 44bn, year-to-date issuance is up a further 13% on the strong first two weeks of last year and 4.8 times higher than the first two weeks of 2021.

As previously announced, heavyweights such as EIB, CADES and AFD issued in large volumes. **EIB** and **CADES** alone raised EUR 10bn on Tuesday, while the **EFSF** issued EUR 7bn on Monday. The dominant role of these institutions is reflected in the high oversubscription rates as investors seek to secure allocations. The **EU** also raised around EUR 4.6bn in an auction on Monday.

German states are also among the issuers: The **State of Hesse** successfully placed a EUR 1.5bn 10-year issue at a spread of MS +15bp, representing a new issue premium of just 1bp. **North Rhine-Westphalia** followed with a EUR 1bn 49-year issue. **Baden-Württemberg** issued a EUR 600m 3.5 year floater.

Outlook: The primary market environment remains constructive and issuance in the SSA segment is expected to remain buoyant. The next EU issue is scheduled for the week of 22 January..

€ SSAs issues week of 8 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.125%	EU	Aaa /AA+/AAA	2.263bn	✓	05.12.2028	Auction		08.01.2024	2.432bn	Auction
3.250%	EU	Aaa /AA+/AAA	2.336bn	✓	04.07.2034	Auction		08.01.2024	2.510bn	Auction
2.750%	Hessen	- /AA+/-	1.500bn		10.01.2034	ms +15 bps		08.01.2024	1.750bn	ms + 15 area
2.724%	EFSF	AAA /AA/AA-	5.000bn		16.07.2029	ms +11 bps		08.01.2004	23.800bn	ms + 13 area
3.375%	EFSF	AAA /AA/AA-	2.000bn		30.08.2038	ms +28 bps		23.08.2023	8.400bn	ms + 30 area
2.750%	EIB	Aaa /AAA/AAA	6.000bn		16.01.2034	ms +18 bps	✓	09.01.2024	42.500bn	ms + 20 area
3.400%	NRW	Aa1 /AA/AAA	1.000bn	✓	07.03.2073	ms +101 bps		09.01.2024	3.200bn	ms + 103 area
2.750%	CADES	Aa2 /AA/-	4.000bn		25.02.2029	ms +29 bps	✓	09.01.2024	20.000bn	FRTR +31 area
3.000%	Agence France de Developpement	- /AA/AA-	2.000bn		17.01.2034	FRTR +42 Bp		10.01.2024	4.500bn	FRTR +44 area
2.750%	Municipality Finance Plc	Aa1 /AA+/-	1.000bn		02.02.2034	ms +24 bps		10.01.2024	2.100bn	ms +26 area
2.625%	Export Development Canada	Aaa /AAA/-	2.250bn		18.01.2029	ms +11 bps		10.01.2024	4.250bn	ms +12 area
3.200%	International Development Association	Aaa /AAA/	1.750bn		18.01.2044	ms +61 bps	✓	10.01.2024	1.800bn	ms +62 area
2.875%	SFIL	Aa2 /AA-/AA	1.250bn		22.01.2031	FRTR +43 Bp		11.01.2024	1.500bn	FRTR +45 area
3.125%	Agence France Locale	Aa3 /AA-/-	0.750bn		20.03.2034	FRTR +49		11.01.2024	1.000bn	FRTR +50 area
6m€+0 Bp	Baden-Württemberg	Aaa /AA+/-	0.600bn		22.07.2027	ms -8 bps		11.01.2024	not disclosed	6m€ -8 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

As expected, the primary market for covered bonds is extremely lively in the second week of January. The shift towards longer maturities from the previous week has been confirmed in recent days. Transactons are easily possible in the range between 3 and 10 years, with medium maturities of around 5 years being particularly successful. With attractive new issue premiums, more difficult transactions were also well received by the market this week.

Among others, **Mediobanca** issued the first Obbligazioni Bancarie Garantite (OBG) in 2024, a bond with a volume of EUR 750 million and a 4-year term that was successfully placed at MS + 65 bp. **BPCE** followed up last week's senior non-preferred dual tranche directly with another dual tranche and issued two Obligations de Financement de l'Habitat. The EUR 1bn 3-year tranche was issued at MS + 25 bp (NIP 1 bp) and the EUR 1.5bn 7-year tranche at MS + 47 bp (NIP 7 bp).

SaarLB issued the first 10-year Pfandbrief in benchmark format in 2024. The public sector Pfandbrief with a volume of EUR 500 million and a term of 10 years was very well received by the market at a level of MS +46 bp (final book EUR 1.1 billion at reoffer).

The flurry of issuance by Austrian issuers in the covered bond segment continues unabated this week. After Erste Bank and UniCredit Bank Austria opened the market for Austrian issuers last week, two cooperative institutions followed suit this week - **RLB Vorarlberg** and **RLB Tirol** from the neighbouring federal state. Both issues were well received by investors. **Oberbank**, based in Upper Austria, already held the record for the longest domestic covered bond issue of the year last calendar year (OBERBK 3 ¼ 08/23/30 - AT0000A32S78). After a 7.5-year issue last year, it went one better yesterday and issued an 8-year sub-benchmark mortgage Pfandbrief.

> *" Current new issue premiums of 8-15bp are certainly a drag on secondary market valuations. It hardly helps that almost all primary market transactions so far this year have seen decent bookbuilds, followed by a slight tightening. This is currently not enough to halt the widening trend that began last year. In particular, the aforementioned vintage bonds with coupons that are no longer marketable are still lagging behind. The re-pricing along individual issuer curves is therefore continuing. However, it is also true that overall trading appears to be quite orderly, with no major distortions. All in all, the market is adjusting to the new spread reality."*
>
> *Comment from the Helaba trading floor*

Outlook: Full issuance schedules and favourable market conditions suggest that the strong issuance activity will continue in the coming days. After the widening of spreads in recent months, which in our view was mainly driven by excess supply following the end of the ECB's asset purchase programmes, supply and demand now seem to have found a good balance. Maturities over 5 years are attracting particularly strong investor interest.

€ Covered Bond issues week of 8 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.250%	Mediobanca SpA	- /-/AA	0.750bn		30.11.2028	ms +65 bps		08.01.2024	1.300bn	ms + 70 area
2.875%	Bayerische Landesbank	Aaa /-/-	0.750bn		15.07.2030	ms +29 bps		08.01.2024	1.590bn	ms + 34 area
2.875%	BPCE SFH	Aaa /AAA/-	1.000bn		15.01.2027	ms +25 bps		08.01.2024	2.000bn	ms + 30 area
3.000%	BPCE SFH	Aaa /AAA/-	1.500bn		15.01.2031	ms +47 bps		08.01.2024	2.750bn	ms + 52 area
3.250%	Deutsche Pfandbriefbank AG	Aa1 /-/-	0.500bn		15.01.2027	ms +58 bps		09.01.2024	1.200bn	ms + 60 area
3.125%	RLB Vorarlberg	Aaa /-/-	0.300bn		17.01.2028	ms +51 bps		09.01.2024	0.730bn	ms + 56 area
2.875%	Bausparkasse Schwäbisch Hall	Aaa /-/-	0.500bn		16.01.2029	ms +33 bps	✓	09.01.2024	1.800bn	ms + 37 area
3.125%	RLB Tirol	Aaa /-/-	0.500bn		17.01.2029	ms +56 bps		10.01.2024	0.750bn	ms +60 area
3.000%	LB Saar	- /-/AAA	0.500bn		17.01.2034	ms +46 bps		10.01.2024	1.150bn	ms +52 area
3.500%	Credit Agricole Italia	Aa3 /-/-	0.500bn		15.07.2033	ms +90 bps	✓	10.01.2024	3.500bn	ms +105/110 Bp
3.000%	OP Mortgage Bank	Aaa /-/-	1.000bn		17.07.2031	ms +42 bps		10.01.2024	2.450bn	ms +50 area
3.125%	Oberbank	- /AAA/-	0.250bn		19.01.2032	ms +60 bps		11.01.2024	0.250bn	ms +67 area
3.000%	Sparkasse Pforzheim Calw	- /-/AAA	0.500bn		22.01.2031	ms +45 bps		11.01.2024	0.610bn	ms +45 area
3.250%	Credito Emiliano SpA	Aa3 /-/AA	0.500bn		18.04.2029	ms +67 bps	✓	11.01.2024	1.700bn	ms +75 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

There has also been a flurry of senior unsecured bank bond issuance. After the start of the year last week was dominated by top issuers, this week all sizes are represented. Noteworthy are the long maturities in some cases, e.g. 10 years in the **BBVA** and **BFCM** deals, both of which were 3.5 times oversubscribed. **Česká spořitelna's** order book was 4.1 times oversubscribed for a EUR 0.5 bn non-preferred bond. However, it offered a high spread premium for this, although it narrowed this considerably during the bookbuilding process. It was in good company in terms of tightening during the transaction; most of this week's issues saw relatively high spread tightening during the order book phase. The new 7-year non-preferred bond (7NC6), printed at MS + 210, closed 16bp tighter in the secondary market.

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, long maturities and declining customer deposits will ensure high refinancing needs for issuers. Due to seasonal factors, a large part of this will be placed in the first few weeks. In addition, the reporting season, and therefore the blackout period, is about to start again. The first US banks report tomorrow. We therefore expect primary market activity in this segment to continue over the next few days.

> „The new year has already got off to a flying start with a wave of new issues. Equity markets are trading nervously below their highs, while interest rates are very volatile and the rate cuts priced in by market participants are uncertain given the current data situation. The iTraxx indices went into reverse at the beginning of the year before gaining 5bp in the last two trading days. The cash register is also nervous about new issues and has widened significantly. The main drivers were the market weakness at the beginning of the year and the large amount of new issuance, which put pressure on outstanding bonds."
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 8 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%	BBVA	A3 /A/A-	1.000bn		15.01.2034	ms +135 bps		08.01.2024	3.500bn	ms + 160 area
3.750%	BFCM	Aa3 /A+/AA-	1.000bn		03.02.2034	ms +125 bps		08.01.2024	3.500bn	ms+155/160
3.212%	Assicurazioni Generali S.p.A.	Baa1 /-/A	0.500bn		15.01.2029	ms +65 bps	✓	08.01.2004	0.575bn	ms + 80 area
3.547%	Assicurazioni Generali S.p.A.	Baa1 /-/A	0.750bn		15.01.2034	ms +95 bps	✓	08.01.2004	0.800bn	ms + 110 area
3m€+65	Deutsche Bank AG	A3 /BBB+/BBB+	1.000bn		15.01.2026	ms +65 bps		08.01.2004	2.400bn	3m€+95 area
3.750%	Deutsche Bank AG	A3 /BBB+/BBB+	1.000bn		15.01.2030	ms +125 bps		08.01.2004	1.900bn	ms + 165 area
3.750%	Santander Consumer Bank AS	A3 /-/A	1.000bn		17.01.2029	ms +120 bps		09.01.2024	2.100bn	ms + 150 area
3m€+60	ABN AMRO Bank NV	A /A1/A+	1.250bn		15.01.2027	ms +60 bps		09.01.2024	3.100bn	3m€+95 area
3.750%	Länsförsäkringar Bank AB (publ)	A1 /A/-	0.500bn		17.01.2029	ms +125 bps		10.01.2024	0.900bn	ms +145/150 Bp
3m€+50 Bp	Societe Generale SA	A1 /A/A	2.000bn		19.01.2026	ms +50 bps		11.01.2024	3.000bn	3m€ +75 area

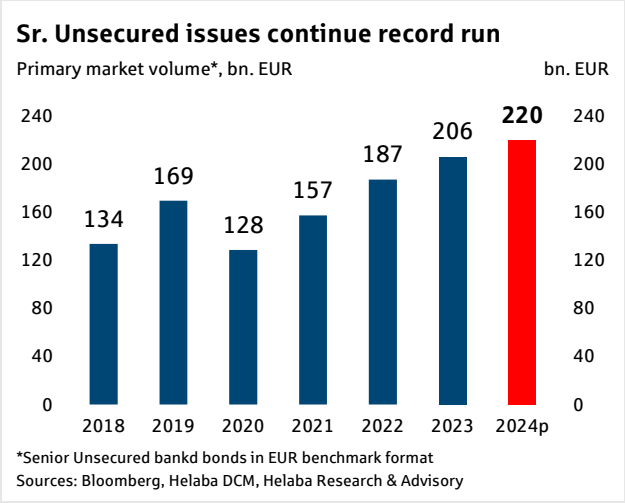
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 8 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4.824%	Česká spořitelna, a.s.	- /A-/A	0.500bn		15.01.2030	ms +225 bps		08.01.2024	2.050bn	ms + 275 area
3.875%	ABN AMRO Bank NV	Baa1 /BBB/A	1.000bn		15.01.2032	ms +140 bps		09.01.2024	3.800bn	ms + 175 area
3m€+55 Bp	CCDJ	A1 /A-/AA-	1.000bn		17.01.2026	ms +55 bps		10.01.2024	2.450bn	3m€+80 area
4.875%	Banco BPM	Baa3 /BB+/BB+	0.750bn		01.07.2030	ms +235 bps	✓	10.01.2024	3.000bn	ms +270 area
4.625%	Commerzbank AG	Baa2 /BBB-/-	0.750bn		17.01.2031	ms +210 bps		10.01.2024	8.250bn	ms +240 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



According to our survey, the primary market for senior unsecured EUR benchmark bank bonds reached a record volume of around EUR 206bn in 2023 as a whole. The main drivers were high maturities and increasing competition for client deposits in a rising interest rate environment.

We expect issuance to increase again to around EUR 220 bn in 2024. A further increase in maturities is likely to remain the main driver. In addition, customer deposits will decline as higher interest rates make investment alternatives more attractive. At the same time, regulatory requirements will continue to drive senior non-preferred issuance. In the case of fixed-to-floating bonds, maturities in 2025 are also likely to be relevant, as the bonds can be called before they lose their eligibility for the regulatory minimum capital ratio MREL one year before maturity. The liquidity provided by the ECB is decreasing, but the high level of TLTRO refinancing from 2023 will not be repeated, especially as we believe that the programme has been used mainly for the attractive conditions rather than to refinance core business activities. The more restrained lending should have a slightly offsetting effect on primary market activity. In the volatile market environment, which remains crisis-ridden, getting the timing right remains a challenge; open market windows will be actively used, even at higher spread levels. (see our **Primary Market Update** from 11 January 2023)

Short news

1/10 Fitch Updates Covered Bonds Refinancing Spread Level Assumptions: Fitch Ratings has republished its „**Covered Bonds Refinancing Spread Level Assumptions - Supplementary Data File**“ with updated spread assumptions for Greek and Slovakian cover assets, following the rating actions on the two sovereign ratings in December 2023.Fitch upgraded Greece's Long-Term Foreign-Currency (LT FC) Issuer Default Rating (IDR) to 'BBB-' from 'BB+' on 01 December 2023, and upgraded Slovakia's LT FC IDR to 'A-' from 'A' on 08 December 2023. This supplementary data file replaces the previous one dated 9 October 2023.

Good to know: Maturity mismatches arising between cover pool cash flows and covered bond payments are a key feature of covered bond programmes. Asset sales are expected to be a source of liquidity to bridge any potential gaps arising from this. In order to determine a stressed asset sales price, Fitch discounts asset cash flows with an interest rate equal to its stressed interest rate increased by the refinancing spread level (RSL). The objective of this is to cover the liquidity risk of the assets to be sold and a profit margin demanded by potential buyers.

1/9 Korean Shinhan Bank plans covered bond debut: Shinhan Bank plans to issue a EUR benchmark covered bond for the first time. The paper is in green format. This makes the bank the fourth covered bond issuer from the country. (Bloomberg)

1/9 The EBA finds Italian waiver for covered bonds justified: The Bank of Italy had notified EBA of its decision to introduce a partial waiver of Article 129 (1)(c) of the Capital Requirements Regulation (CRR), which specifies that covered bonds eligible for risk weight preferential treatment can be collateralised by exposures to credit institutions (up to a certain amount) that qualify for credit quality step 1 and 2 (i.e. carry ratings from AAA to A-). This requirement may be partly waived by a Competent Authority, after consulting the EBA, if significant potential concentration problems in the Member States concerned can be documented. The partial waiver allows for exposures to institutions that qualify for credit quality step 3 (are rated BBB+ to BBB-) in the form of

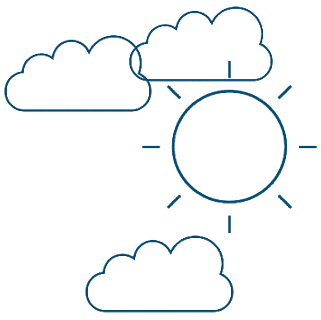
derivatives to be included in the cover assets. The EBA is of the opinion that Italy has a significant potential concentration problem stemming from the application of the CQS1-CQS2 requirement and, therefore, the partial waiver is adequately justified. . (**EBA press rlease**)

1/8 Rules to boost cybersecurity of the EU institutions enter into force: The new Cybersecurity Regulation laying down measures for a high common level of cybersecurity within the EU entered into force. As **announced by the European Commission**, it lays down measures for the establishment of an internal cybersecurity risk management, governance, and control framework for each Union entity.

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

E-STOXX 600 Banks	171	1.17%	2.62%	iBoxx €Cov. Germany	23.9	1.7	2.6	iTraxx Senior Financial	68.6	-5.6	-4.4
10Yr-Yield	2.21	0.20	0.04	iBoxx €Cov. Bonds	35.1	1.5	1.8	iBoxx €Supranational	28.0	0.9	1.5
Swap 10J	2.66	0.22	0.01	iBoxx €Banks PS	90.3	1.1	4.3	iBoxx €Agencies	12.9	0.8	1.1
iBoxx €Germany	-29.91	2.01	3.41	iBoxx Banks NPS	116.9	-3.8	5.8	iBoxx €Sub-Sov. Germany	20.0	0.7	0.9
iBoxx €EU	34.60	0.65	1.99	iBoxx Banks Subordinated	182.3	6.1	3.5	iBoxx €Sub-Sovereign	36.0	0.3	0.9

Leisure tip for the weekend: "Bonn on ice in Bonn" (NRW)



Strap on your skates and hit the ice: the skating rink in Bonn's Stadtgarten offers fun for the whole family until 14 January. If you haven't had enough fun on the indoor ice rink, try an exciting game of curling. There will be skating lessons for beginners and plenty of mulled wine and other treats. Skates can be hired.
Sun. 10-21, Fri.-Sat. 10-22 h

Find out more: **Bonn on Ice**

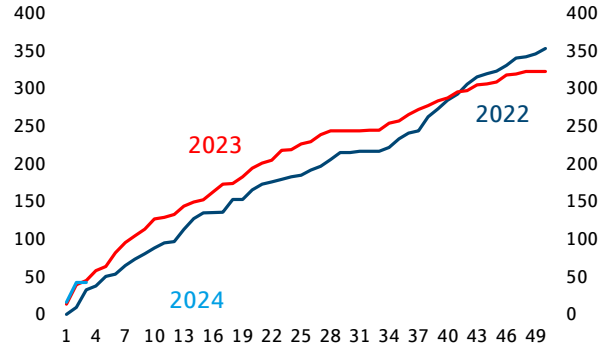
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.bonnonice.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

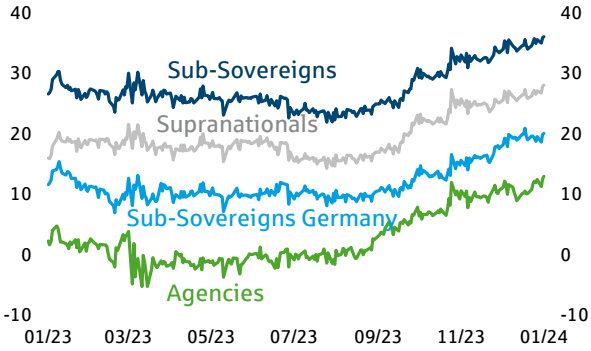
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

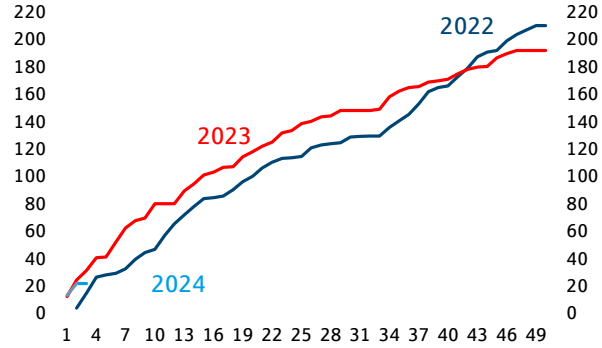
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

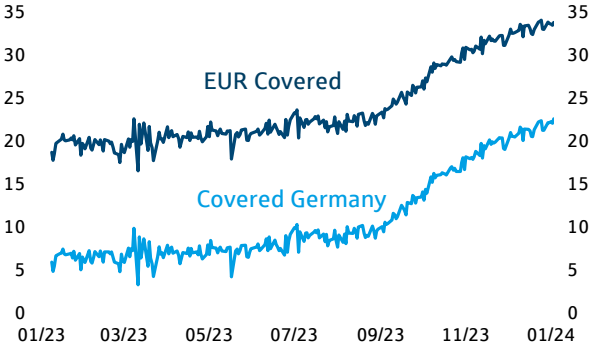
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

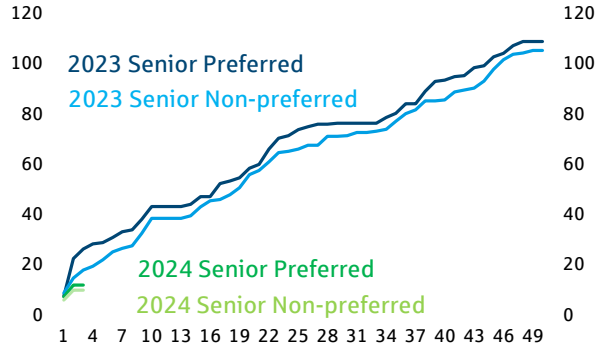
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

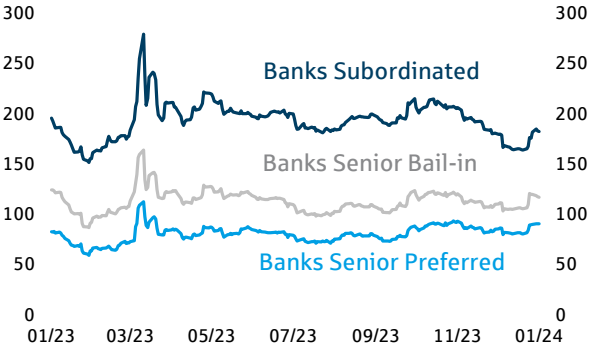
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

News from Research & Advisory

- → Focus on: Credit - Primary market update bank bonds
- → Focus on: Credit – Primary market update corporate bonds
- → Focus on: Credit – Primary market update Schuldschein
- → Focus on: Credit – European banks: The sharpening contours of ESG disclosure
- → Markets & Trends 2024 – Global economy in a transition game
- → FOCUS on Credit: ESG ratings: Relevance, regulation and responses
- → Video: Sustainable Finance – ICMA & Helaba Talk 2023
- → Focus on Credit: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference

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