Helaba

Focus on: SSAs & Financials
18 January 2024

Weekly Market Update

Primary market environment: Dwindling hopes of a rapid interest rate cut in the US weighed on sentiment. Tensions in the border region between Iran and Pakistan threatened to escalate. Despite this, the primary market remained very active, although the high volumes of the previous week were not matched.

Primary market barometer

SSAs



The primary market in the SSA segment continues to be very active, although the high issuance volumes of the previous week have not been repeated. Since Monday, three German states have taken to the stage. All had no problems with successful issuance.

Covered Bonds



Covered bond issuance has also been a success this week. Both spreads and new issue premiums were at high levels. Long maturities, such as Caffil's 10-year covered bond, are also back in demand.

Senior Unsecured



The primary market in this segment has been very active since the beginning of the year, albeit with a slight downward trend recently. In the next few days the major US banks will return after their quarterly releases, while in Europe the blackout period is beginning.

Risk trend indicator (heat map): Sentiment remains subdued

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,08	0,30	0,59	0,98	1,23	1,66
European Union	0,01	0,04	0,26	0,46	0,64	2,90
Germany Covered	0,01	0,30	0,66	1,16	2,34	3,45
EU Covered	0,02	0,18	0,39	0,70	1,58	3,26
Banks senior preferred	0,07	0,13	0,50	0,15	0,54	2,24
Banks senior bail-in (SNP)	0,07	0,04	0,43	-0,04	-0,02	1,77
Banks subordinated	0,06	0,03	0,40	-0,57	0,00	1,68
Supranational	0,01	0,08	0,27	0,59	0,79	2,91
Agencies	0,06	0,31	0,62	0,95	1,31	2,50
Sub-Sovereigns Germany	0,01	0,09	0,13	0,52	0,41	0,40
Sub-Sovereigns	0,02	0,11	0,27	0,66	0,61	1,68

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

The red colouring of our heat map has intensified. Volatility is likely to continue.



SSAs

The SSA primary market is less dynamic this week than last. A total of 10 bonds were issued with a total volume of more than EUR 7.8bn. Last week, the figure was already over EUR 20bn in the middle of the week and over EUR 28bn at the end.

On Monday, two transactions were completed with the State of Saxony-Anhalt and Rentenbank, with an increase (EUR 1bn) in the 2032 bond. Saxony-Anhalt's issue went smoothly and KfW also crossed the finish line with a total book of EUR 1.15bn. On Tuesday, the Japan Finance Organisation for Municipales (EUR 500m, 5 years, green) was twice oversubscribed with a final price of MS+34bp. The State of Berlin was very successful with a seven-year issue. With an order book of EUR 2.2bn, the issuer ultimately decided to issue EUR 1.5bn. The spread was MS+12 bp, unchanged from the guidance. The State of Hesse was active the week before with a EUR 1.5bn issue and followed up today with a four-year floater (EUR 500m, WNG).

Outlook: The primary market environment remains constructive and the SSA segment is expected to continue its generally brisk issuance activity. Next week's programme includes the next EU issue.

€ SSAs issues week of 15 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%	Sachsen-Anhalt	Aa1 /AA/AAA	0,750bn		23.01.2034	ms +15 bps		15.01.2024	0,835bn	ms + 15 area
2,750%	Landwirtschaftliche Rentenbank	Aaa /AAA/AAA	0,500bn	✓	16.02.2032	ms +10 bps		15.01.2024	not disclosed	ms + 10 area
2,875%	Japan Finance Org. for Municipalities	A1 /A+/-	0,500bn		23.01.2029	ms +34 bps	✓	16.01.2024	1,000bn	ms +36 area
2,875%	KfW	Aaa /AAA/AAA	1,000bn	✓	29.05.2026	ms -16 bps		16.01.2024	not disclosed	ms -16 area
2,625%	Berlin	Aa1 /AAA/AAA	1,500bn		24.01.2031	ms +12 bps		17.01.2024	2,200bn	ms+12 area
3,000%	British Columbia	Aaa /AA/AA+	1,250bn		24.07.2034	ms +44 bps		17.01.2024	1,800bn	ms +44 area
2,625%	Nordic Investment Bank	Aaa /AAA/-	0,500bn		24.01.2031	ms +6 bps		17.01.2024	1,150bn	ms +8 area
6m€-0 Bp	Hessen	- /AA+/-	0,500bn		25.01.2028	ms -7 bps		18.01.2024	not disclosed	6m€ -7 area
3,125%	OMERS Finance Trust	Aa1 /AA+/AAA	0,750bn		25.01.2029	ms +60 bps		18.01.2024	5,900bn	ms +65 area
3,375%	Communaute francaise de Belgique	A2 /-/-	0,600bn		22.06.2034	OLO +46		18.01.2024	1,100bn	OLO +48 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

As expected, the momentum in the primary covered bond market continued this week. Aalandsbanken led the way on Monday with a sub-benchmark (EUR 300m, 3.5 years) and Banca Popolare di Sondrio (EUR 500m, 5.5 years, WNG). The covered transaction generated an order book of more than EUR 900 million and was priced at MS+77bp after MS+80bp in the market.
Spread tightening was thus less than in the previous week's OBGs. Coverages at this spread level are attractive to many investors, so there was more international demand for OBGs than in the past. Another OBG transaction followed on Wednesday with Banco BPM. The six-year, EUR 750m covered bond was also priced at MS+77bp, 6bp tighter than the marketing.
Raiffeisenlandesbank Niederösterreich (EUR 500m, 3 years, WNG) was already successful with an issue on Tuesday. With the order book three times oversubscribed, the initial spread of MS+57bp was eventually narrowed to MS+50bp. However, this was not the end of the issuance round. Raiffeisenverband Salzburg (EUR 250m, 5 years) easily crossed the finishing line with demand totalling EUR 550m.

Of particular note was the transaction by Caffil, which was able to place over EUR 3bn in the order book for its 10-year issue at a spread of MS+47bp. Thanks to this strong bookbuilding, the issue spread was reduced by 7bp compared with the target.

All transactions were well oversubscribed, but current NIPs and spreads remain high at 8-12bp. The example of Caffil has shown that 10 year maturities can be well issued again.

> „There is a slightly constructive mood in the secondary market. This trend started in the middle of last week and is likely to continue for some time. Broker activity and market maker quotes tend to be dominated by the bid side. As a result, a large number of bonds, especially those issued since the beginning of the year, can boast a decent spread performance relative to swaps. On average, a tightening of 3 to 5 basis points can be observed".
>
> *Comment from the Helaba trading floor*

Our traders are slightly more positive about the mood in the **secondary market**. One reason for this is likely to be some easing of pressure from the primary market, which is still very active but not as concentrated as in the first two weeks of 2024. In addition, the new issue premiums on offer are helping to generate sufficient demand. All in all, current swap spreads have risen to multi-year highs. Conditions therefore appear sufficiently attractive. However, trading activity is by no means homogeneous and the overall picture of country and single name selection remains intact.
At a country level, German and Austrian equities are lagging somewhat, while French, Dutch and Italian equities are more dynamic. The emerging trend towards a structurally steeper curve should make the long end more attractive in the long term, regardless of whether the curve spreads out from the short end due to ongoing expectations of rate cuts or whether the long end remains under pressure from record levels of government agency/institutional borrowing. On the other hand, the unbroken trend towards tighter bund/swap spreads is more of a negative for swap-based valuations, with the yield gap to EGB benchmarks narrowing almost automatically.

Outlook: Further projects are already in the pipeline. Of particular note is the ship mortgage bond issued by Hamburg Commercial Bank (HCOB) (EUR 500m, 2 years, WNG), which is expected to be issued next week. The last German Ship Pfandbrief issue was in May 2022, also issued by HCOB.

€ Covered Bond issues week of 15 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Bank of Åland Plc	- /AAA/-	0,300bn		22.07.2027	ms +45 bps		15.01.2024	0,750bn	ms + 50 area
3,250%	Banca Popolare di Sondrio	- /-/AA	0,500bn		22.07.2029	ms +77 bps		15.01.2024	0,900bn	ms + 80 area
3,000%	RLB Niederösterreich-Wien AG	Aaa /-/-	0,500bn		23.09.2027	ms +50 bps		16.01.2024	1,150bn	ms +57 area
3,125%	Raiffeisenverband Salzburg	AAA /-/-	0,250bn		24.01.2029	ms +60 bps		17.01.2024	0,550bn	ms +65 area
3,375%	Banco BPM S.p.A.	Aa3 /-/-	0,750bn		24.01.2030	ms +77 bps		17.01.2024	1,500bn	ms +83 area
3,125%	CaFFiL	Aaa /AA+/AAA	1,000bn		24.11.2033	ms +47 bps		17.01.2024	2,650bn	ms +54 area
3,375%	Cajamar Caja Rural SCC	- /AA+/-	0,600bn		25.07.2029	ms +78 bps		18.01.2024	0,920bn	ms 80 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds remained quite active this week despite the **approaching quarterly reporting season** and the associated blackout period. However, compared to last week's very strong week, the number of transactions halved to 7 and the volume fell by 60% to EUR 6.5bn.

> „The issuance volume remains strong and the issuances are also performing better and better in the secondary market. Credit spreads are widening slightly due to the new issues and in the shadow of the weaker equity and interest rate markets. Against the backdrop of a very strong December performance, this is not a cause for concern so far, but rather a consolidation. On the secondary market, asset managers and insurers are acting as sellers to make room for new bonds. At the short end, there were good 2-way flows in large sizes. The fast money accounts are focussing on new issues and taking their profits quickly. New bonds are also in demand among ETF funds, but at the same time they are acting as sellers driven by sentiment due to the spread widening at the start of the year."
>
> *Comment from the Helaba trading floor*

6 of the new issues were non-preferred. The only senior preferred to be seen was **Crédit Agricole**, which raised EUR 1.5bn with a 10-year maturity. The transaction was priced at MS +115bp and ended with a sizeable order book of almost EUR 6bn. The non-preferred bonds were also successfully placed. The new 7-year **UniCredit** issue was relatively lightly oversubscribed at 1.5x, although the spread premium tightened significantly during the book-building process.

The **secondary market** performance of the new issues is **pleasingly strong** in the majority of cases. **Commerzbank's** 8-year non-preferred bond from last week stands out in particular. The new **UniCredit** bond was still somewhat caught up in negative market sentiment yesterday, but the spread also narrowed today.

Some **US banks have opened the reporting season** for Q4 2023 as usual. The results are quite varied, but the institutions' **net interest income remains high**. JP Morgan, for example, once again gave a surprisingly good outlook for net interest income in 2024. The quarterly results are burdened by special levies to the deposit insurance fund FDIC as a result of the bank rescues last year. (see our publication Major European banks: **Heading into 2024 with strong credit risk buffers** from 10 January 2024)

Outlook: The funding requirements of banks in Europe could be even greater in 2024 than in the record year of 2023, mainly due to high maturities and declining customer deposits (see our publication **Primary market update EUR benchmark bank bonds** from 9 January 2024). After the lively activity since the beginning of the year, however, the primary market for senior unsecured bonds is likely to become quieter in the coming weeks due to the quarterly reports and the associated blackout period.

Reporting dates of selected banks

Issuer	Date
SWEDBANK AB - A SHARES	1/24
BANKINTER SA	1/25
SKANDINAVISKA ENSKILDA BAN-A	1/25
SPAREBANKEN MORE-CAP CERT	1/25

Sources: Bloomberg, Helaba Research & Advisory

€ Senior Preferred issues week of 15 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%	Credit Agricole SA	Aa3 /A+/AA-	1,500bn		22.01.2034	ms +115 bps		15.01.2024	5,900bn	ms + 140/145 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

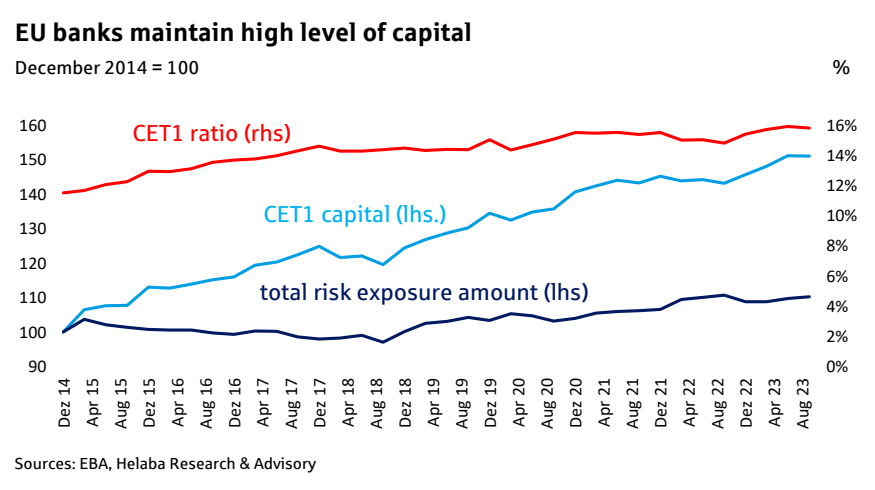
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 15 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%	Belfius Bank SA/NV	Baa2 /BBB+/-	0,500bn		22.01.2029	ms +130 bps		15.01.2024	2,900bn	ms + 165 area
4,300%	UniCredit S.p.A.	Baa3 /BBB-/BBB-	1,000bn		23.01.2030	ms +180 bps		16.01.2024	1,500bn	ms + 210 area
5,250%	Crelan SA/NV	Baa3 /-/-	0,750bn		23.01.2032	ms +275 bps	✓	16.01.2024	2,000bn	ms +300 area
3m€ +65	Helaba	A2 /-/A+	1,000bn		23.01.2026	ms +65 bps		16.01.2024	2,000bn	3m€ +90 area
3,527%	ANZ New Zealand (Int'l) Ltd.	A1 /AA-/A+	0,500bn		24.01.2028	ms +95 bps		16.01.2024	2,200bn	ms +125 area
3,875%	BPCE S.A.	A1 /A/A+	1,250bn		25.01.2036	ms +130 bps		16.01.2024	4,300bn	ms +160 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



The European Banking Authority (EBA) last Friday published its Q3 2023 quarterly **Risk Dashboard** (RDB) together with the Risk Assessment Questionnaire (RAQ). The publication also includes information on minimum requirement for own funds and eligible liabilities (MREL). EU/EEA's banks remained highly profitable, well capitalised and maintained robust liquidity. Banks expect the asset quality to deteriorate as higher interest rates affect borrowers. However, the problem loan ratios have recently been at a low level. (see also our publication Major **European banks: Heading into 2024 with strong credit risk buffers** from 10.1.2024)

Short news

1/17 ECB on Cyber resilience of financial infrastructures: "Our financial system is only as strong as its weakest link," says **European Central Bank** Executive Board member Piero Cipollone. In an environment of growing cyber threats, cybersecurity is a common good. "We must stay one step ahead of attackers, take a system-wide approach, and keep working together," he adds.

1/16 Allianz sees cyber attacks as the biggest risk: According to the Allianz Risk Barometer, cyber attacks could become a top global risk in 2024. (See also our publication **Major European banks: Heading into 2024 with strong credit risk buffers**)

1/15 Fund managers urge European regulators to mirror US move to T+1: Asset managers have warned of a "major and serious risk" to European capital markets if regulators do not copy the US and cut settlement cycles to one day, the **Financial Times** reports. According to the European Fund and Asset Management Association (EFAMA), there is "a compelling case" for the EU to move to T+1. A timely transition to T+1 in the EU should be done in lockstep with the UK to avoid further settlement misalignment.

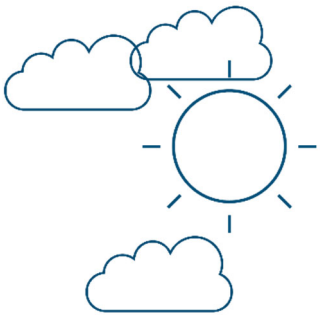
1/15 Scope 3 emissions a 'best guess' for financial services: Scope 3 emissions disclosure is becoming a regulatory requirement, but financial services firms are struggling with reporting and are concerned they are at risk of unintentional greenwashing. According to a survey seen by **The Banker**, fewer than half of financial services organizations are "confident" they can accurately report on Scope 3 emissions while more than two-thirds feel Scope 3 reporting is a "best-guess" measurement.

1/12 EBA reveals ruling that prompted BNP to rejig capital: The EU's banking watchdog said that millions of euros of capital used by BNP Paribas in its safety buffers were ineligible and must be removed. As reported by **Reuters**, the European Banking Authority (EBA) said the complexity of discos could hamper how a bank is wound down in a crisis and must be replaced by a simpler, more readily available form of capital that complies with EU rules.

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

E-STOXX 600 Banks	164	-4,09%	-2,27%	iBoxx € Cov. Germany	25,5	1,5	4,9	iTraxx Senior Financial	72,6	4,0	4,0
10Yr-Yield	2,27	0,06	0,30	iBoxx € Cov. Bonds	36,0	0,9	3,5	iBoxx € Supranational	28,3	0,2	2,6
Swap 10J	2,69	0,03	0,26	iBoxx € Banks PS	93,9	3,6	13,1	iBoxx € Agencies	15,1	2,2	5,4
iBoxx € Germany	-26,02	3,89	8,95	iBoxx Banks NPS	119,2	2,2	14,1	iBoxx € Sub-Sov. Germany	20,8	0,8	1,4
iBoxx € EU	34,44	-0,16	3,20	iBoxx Banks Subordinated	185,3	3,0	20,0	iBoxx € Sub-Sovereign	36,7	0,7	2,6

Leisure tip for the weekend: Iberg stalactite cave and museum



The famous Iberg dripstone cave is millions of years old. Since 1874 it has been one of the most visited sights in the Harz, attracting visitors from near and far. Its rare formations make it a unique show cave and of particular interest to scientists from all over the world.

You can experience the cave on a guided tour. This is included in the price. Closed or in-depth geological tours and walks can also be booked.

Find out more: **Cave Experience Center**

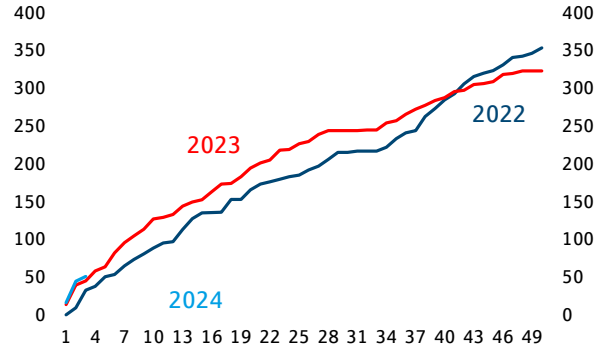
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.hoehlen-erlebnis-zentrum.de/start/en

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

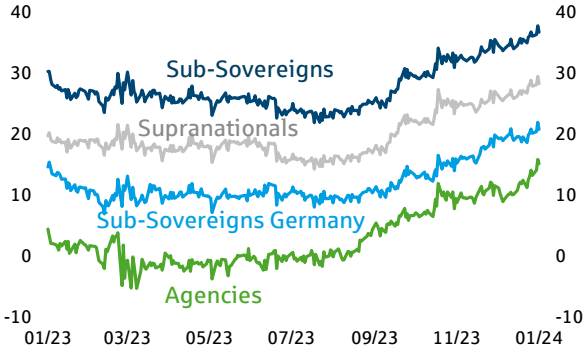
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

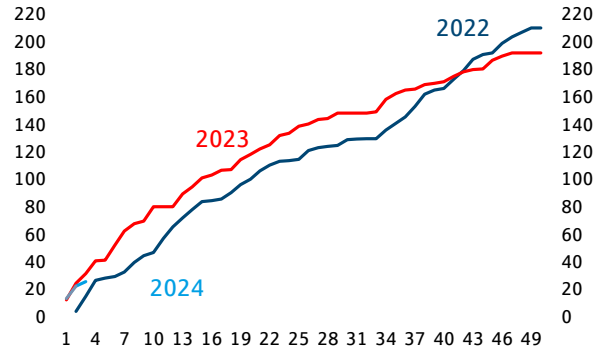
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

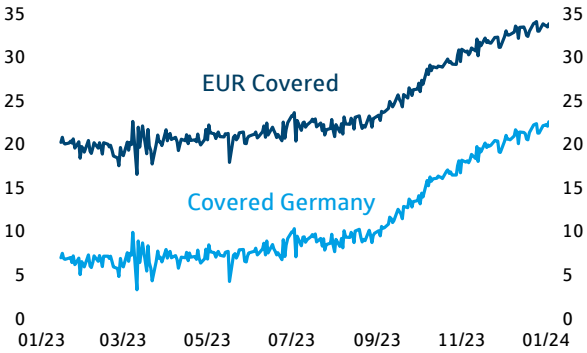
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

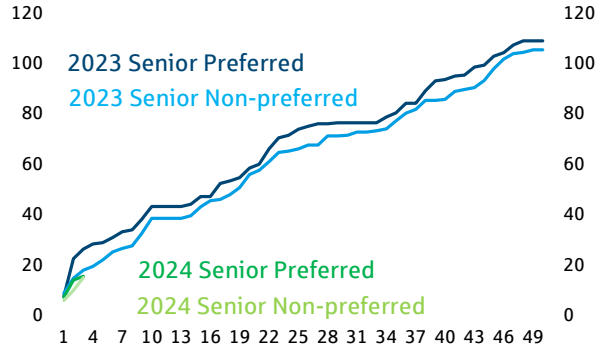
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

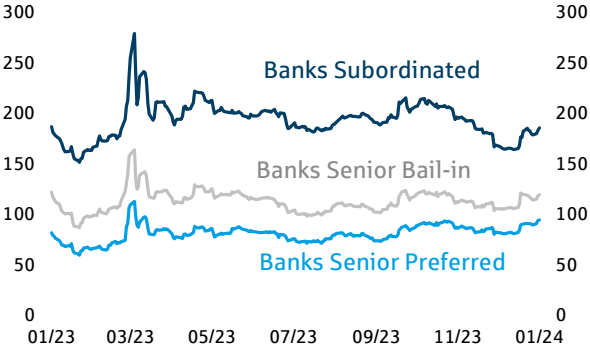
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

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