Helaba

Focus on: SSAs & Financials

25 January 2024

Weekly Market Update

Primary market environment: The DAX's peak remains in sight. In the US, the Fed is taking steps to prevent abuse of the Bank Term Funding Programme. As expected, the ECB left interest rates unchanged at its meeting today. The primary market remained very active. The large number of long-dated issues was notable, and most of these crossed the finish line.

Primary market barometer

SSAs



With a cumulative order book of EUR 160bn, the EU dwarfed all other issues this week. The strength of the primary market was also reflected in the other issues, most of which were very successful.

Covered Bonds



Issues in the covered bond segment continue to perform very well and new issue premiums are gradually falling. This week has also shown that long maturities are also attracting great interest from investors. Shinhan Bank, a Korean issuer with a EUR benchmark, was also active.

Senior Unsecured



The current quarterly reporting season for banks means that primary market activity is lower, although the market remains receptive.

Risk trend indicator (heat map): Picture brightens

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,01	-0,07	0,54	0,74	1,53	1,81
European Union	-0,02	-0,11	0,06	0,24	0,63	2,74
Germany Covered	-0,03	-0,16	0,32	0,87	2,22	3,22
EU Covered	-0,02	-0,14	0,14	0,47	1,48	3,12
Banks senior preferred	-0,05	-0,43	0,05	-0,28	0,50	1,90
Banks senior bail-in (SNP)	-0,04	-0,39	0,00	-0,44	0,08	1,40
Banks subordinated	-0,03	-0,34	0,08	-0,87	-0,04	1,28
Supranational	-0,02	-0,11	0,07	0,38	0,76	2,76
Agencies	-0,01	-0,17	0,41	0,62	1,44	2,40
Sub-Sovereigns Germany	-0,02	-0,06	0,00	0,42	0,43	0,29
Sub-Sovereigns	-0,03	-0,12	0,07	0,44	0,72	1,52

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

Our heat map has recently shifted significantly towards the green. Whether this is a sustainable development remains to be seen.



SSAs

The SSA primary market took a break on Monday before the **EU** took centre stage on Tuesday with the issuance of a dual tranche. The December 2030 was taped by EUR 3bn and the March 2053 by EUR 5bn. Order books exploded, reaching a cumulative total of EUR 160bn. Final spreads tighended by 3bp and 2bp respectively. **Ile de France** (10 years, Sustainable), **Province of Ontario** (10 years) and **KommuneKredit** (EUR 500 million, 15 years, WNG) also had no problems filling their order books. The **Land of Bremen** (EUR 750m, 8 years, WNG) had a slightly more difficult time, but eventually crossed the finishing line with a book of EUR 810m.

Outlook: The primary market environment remains constructive and the overall momentum in the SSA segment is likely to continue. Several projects are already in the pipeline for the coming weeks, including further sovereign issues.

€ SSAs issues week of 22 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 /AAA/AAA	2,203bn	✓	04.12.2030	Auction		23.10.2023	2,696bn	Auction
3,000%	EU	Aaa /AA+/AAA	5,000bn	✓	04.03.2053	ms +86 bps		24.01.2023	51,900bn	ms + 88 area
2,750%	Bremen	- /-/AAA	0,750bn		31.01.2032	ms +13 bps		24.01.2024	0,810bn	ms + 13 area
3,100%	Ontario	Aa3 /A+/AA-	1,250bn		31.01.2034	ms +44 bps		24.01.2024	2,900bn	ms + 45 area
3,200%	Region Ile de France	Aa2 /-/AA	0,800bn		25.05.2034	FRTR +36	✓	24.01.2024	2,350bn	FRTRs + 39 area
3,125%	KommuneKredit	Aaa /AAA/-	0,500bn		24.11.2038	ms +45 bps		24.01.2024	1,000bn	ms +47 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

The brisk issuance activity in the covered bond segment continues unabated. On Monday, **Oldenburgische Landesbank** (OLB) (EUR 500m, 8 years, WNG), **Credit Mutuel Home Loan SFH** (BMK, 7 years) and **Korea's Shinhan Bank** (EUR 500m, 3 years, WNG, green) opened the primary market. CM Home Loan stood out with an order book of over EUR 2.8bn and a spread tightening of 8bp over target. The new issue premium of only 2bp also underlines the success of the issue. The other two transactions also had impressive order books of EUR 1.25bn for OLB and EUR 1.75bn for Shinhan. According to the bank, the green covered bonds are the first of their kind in Korea.

The effects of the turmoil in the Red Sea have reached the covered bond market. On the one hand, they are increasing the cost of ships and insurance, and on the other, they are making it more difficult for shipowners to borrow. **Hamburg Commercial Bank** felt this when it issued a two-year Pfandbrief backed by ship loans. The final pricing of MS+73bp was 23bp higher than SocGen's 12-year covered bond. The transaction was very lucrative for investors, as evidenced by the huge bookbuilding of over EUR 4bn for the EUR 500m issue.

SocGen's transaction, a dual tranche, also included a 3-year covered bond. **Rabobank** and **MüHyp** (EUR 500m, WNG, green) both opted for long maturities of 10 years, which were also very well placed. The books were well

> „The trend of tightening covered bond swap spreads that has prevailed over the past two weeks remains intact. The increasingly full issue pipeline and narrowing NIPs cannot (for the time being) stop this trend. There is clearly a positive interaction between the primary market (high participation in bookbuilding even with significantly tighter re-offer levels) and the secondary market (good follow through of the new bonds averaging 3 bp - spreads of 1 to 10 bp). Both sides are feeding off each other, creating constructive momentum and leading to lower levels compared to the starting point at the end of 2023/beginning of 2024. The fact that the trend is by no means homogeneous and that individual consideration is absolutely necessary can be summed up by the key word "selection".".
>
> *Comment from the Helaba trading floor*

oversubscribed at just around EUR 3bn each and the final spreads tightened by 6bp and 7bp respectively compared with the marketing.
Nordea Mortgage Bank Plc's three-year EUR covered bond floater also attracted strong investor interest, achieving a final price of €3+20bp (start €3+25bp) with an order book of over €3bn.

Outlook: The current momentum in the covered bond segment is likely to continue. The successful issuance of long-dated covered bonds should encourage other issuers to follow suit.

€ Covered Bond issues week of 22 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%	Oldenburgische Landesbank AG	Aa1 /-/-	0,500bn		29.01.2032	ms +59 bps		22.01.2024	1,300bn	ms + 65 area
3,000%	Credit Mutuel Home Loan SFH	Aaa /AAA/AAA	1,500bn		03.02.2031	ms +40 bps		22.01.2024	2,600bn	ms + 48 area
3,320%	Shinhan Bank	Aaa /-/AAA	0,500bn		29.01.2027	ms +54 bps	✓	22.01.2024	2,000bn	ms + 62 area
3,625%	Hamburg Commercial Bank AG	Aa3 /-/-	0,500bn		30.01.2026	ms +73 bps		23.01.2024	4,000bn	ms + 83 area
3,000%	Societe General SFH	Aaa /-/AAA	1,250bn		01.02.2027	ms +20 bps		23.01.2024	3,500bn	ms + 27 area
3,125%	Societe General SFH	Aaa /-/AAA	1,000bn		01.02.2036	ms +50 bps		23.01.2024	2,300bn	ms + 57 area
3,064%	Rabobank	Aaa /-/-	1,500bn		01.02.2034	ms +37 bps		23.01.2024	3,000bn	ms + 43 area
3,000%	Münchener Hypothekenbank eG	Aaa /-/-	0,500bn		01.02.2034	ms +34 bps	✓	24.01.2024	2,900bn	ms + 41 area
3m€ +20 bps	Nordea Mortgage Bank Plc	Aaa /-/-	0,750bn		31.01.2027	ms +20 bps		24.01.2024	3,700bn	3m€ + 25 area
3,000%	Nordea Mortgage Bank Plc	Aaa /-/-	1,000bn		31.01.2031	ms +35 bps		24.01.2024	1,800bn	ms + 41 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds has become noticeably **quieter due to the current reporting season** and the associated blackout periods. Some second-tier issuers and companies that report relatively late are taking advantage of the receptive market environment for transactions. In total, the volume of new EUR benchmark issuance so far this week has reached EUR 4.1bn. This brings the total since 1 January to EUR 34.1 bn, well below the EUR 47.4 bn seen in the first four weeks of last year. After last week's clear predominance of non-preferred bonds, this week's issuance is evenly split between preferred and non-preferred bonds.

With the exception of the Rabobank transaction, the week was dominated by relatively small deals, with the total volume of EUR 4.1bn spread across 7 new issues. While the new Rabobank issue has a maturity of 10.5 years, the preferred maturities ranged between 2 and 5 years, shorter than in the early weeks of 2024.

> „In the primary market, issuance in the senior segment continued to decline. On Monday, Rabobank successfully launched a 10.5 year non-preferred. This new issue was also able to tighten by 3-4bp on the secondary side. Overall, the performance of this year's new issues remains strong. In particular, those with maturities beyond 2031 have already tightened by around 15bp on average. However, the performance of recent floaters is also impressive with an average tightening of 7bp. The outperformer is Deutsche Bank's 2-year preferred floater with a tightening of 11bp. Investors continue to focus on the primary market."
>
> *Comment from the Helaba trading floor*

The high oversubscriptions in this week's transactions are striking. Examples include Erste & Steiermark Bank at 7.3 times and Ibercaja Banco at 9.8 times. The initial spread indication for both was very attractive, so the bid spreads were significantly lower but still quite attractive, as can be seen from the good secondary market performance.

After US banks kicked off the Q4 reporting season two weeks ago, Swedbank and SEB from Sweden, among others, followed suit this week. The results were mixed, but the banks' net interest income remained strong. JP Morgan, for example, once again gave a surprisingly good outlook for net interest income in 2024, while SEB was much

more cautious in its outlook for net interest income, but quite optimistic about commission income if interest rates fall again. The first major loan defaults had to be absorbed in isolated cases. The burden of bank levies remains high.

Reporting dates of selected banks

Issuer	Date	Issuer	Date
BBVA	1/30	DEUTSCHE BANK	2/1
DNB BANK	1/31	SPAREBANKEN VEST	2/1
BANCO SANTANDER	1/31	BNP PARIBAS	2/1
RAIFFEISEN BANK INTERNATIONA	1/31	ING GROEP	2/1
BAWAG GROUP	2/1	DANSKE BANK	2/2

Sources: Bloomberg, Helaba Research & Advisory

Outlook: The refinancing needs of European banks will remain high in 2024. This is mainly due to long maturities and declining customer deposits. However, due to the ongoing publication of quarterly reports and the associated blackout period, activity in the primary market for senior unsecured bonds is likely to be relatively low in the coming weeks.

€ Senior Preferred issues week of 22 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,875%	Erste & Steier. Bank („E. B. Croatia")	- /-/A-	0,400bn		31.01.2028	ms +220 bps	✓	22.01.2024	3,000bn	ms + 280/290 area
4,500%	National Bank of Greece S.A.	Ba1 /-/-	0,600bn		29.01.2029	ms +0 bps		22.01.2024	2,200bn	5,000%
4,375%	Ibercaja Banco, S.A.	Baa2 /-/BBB-	0,500bn		30.07.2028	ms +165 bps	✓	23.01.2024	4,900bn	ms + 210 area
5,000%	OTP Bank Nyrt.	Baa3 /-/-	0,600bn		31.01.2028	ms +230 bps		23.01.2024	1,300bn	ms + 260 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 22 January 2024

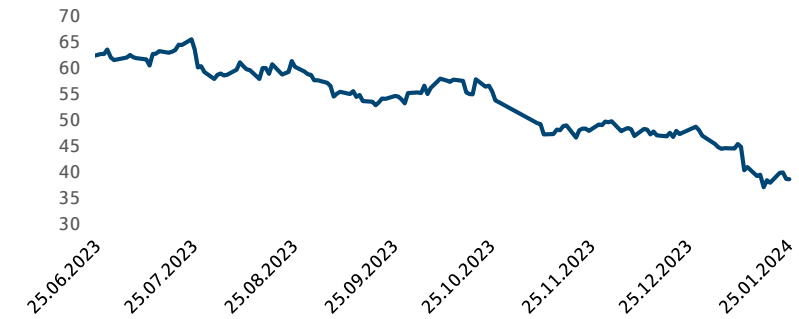
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3m€ +70 Bp	Canadian Imperial Bank of Commerce	A2 /A-/AA-	0,500bn		29.01.2027	ms +70 bps	✓	22.01.2024	2,400bn	3m€ +100
3,750%	Rabobank	A3 /A-/A+	1,000bn		26.07.2034	ms +115 bps		22.01.2024	6,500bn	ms + 150 area
3m€ +57 bps	Bayerische Landesbank	A2 /-/A-	0,500bn		31.01.2026	ms +57 bps		24.01.2024	2,400bn	3m€ + 85 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

Bund Swap-Spread: Is the tightening trend over?

ASW in bps



Sources: Bloomberg, Helaba Research & Advisory

The trend towards tighter bund/swap spreads that has prevailed for some time is still intact, although there are signs that the momentum is slowing, especially as the main tightening move is well underway. This could lead to an easing in swap-based valuations as yield spreads over European government bonds have gradually tightened. In this situation, covered bond exposure and its sometimes significant spread premiums are very attractive to investors, as the example of HCOB shows. Conversely, this could lead market participants to believe that the widening trend in covered bonds versus swaps (as an inverse function of the tightening of bund/swap spreads) also appears to be maturing.

However, the correlation between bund/swap spreads and swap-based valuations of covered bonds is only one aspect of the explanation for the sharp widening of spreads over the past year. Structural issues such as oversupply coupled with the unwinding of quantitative easing or a lack of market liquidity, to name but a few, have certainly played their part.



Short news

1/24 Green Asset Ratio: Europe's banks are asking investors not to pay too much attention to a new green metric due to be published in in the coming weeks. Denisa Avermaete, senior policy adviser for sustainable finance at the European Banking Federation (EBF), says the number will "be a single digit number and probably lower than 7%." In a fresh analysis seen by **Bloomberg**, the EBF warns against taking the figure at face value. The ratio is based on only a portion of each balance sheet. (On the Green Asset Ratio and other recent transparency regulations on ESG, see also our publication **"The sharpening contours of ESG disclosure"** from 30 November 2023)

1/23 New Covered Bond Label-Member: The Covered Bond Label Foundation (**CBLF**) is pleased to announce that Banca Popolare di Sondrio S.p.A. has joined the Covered Bond Label, which now counts a total of 139 issuers and 175 cover pools in 24 jurisdictions.

1/23 BaFin increasingly focuses on IT risks: From BaFin's perspective, cyber attacks or IT breakdowns are one of the biggest risks for the financial sector. These disruptions do not even have to occur at banks or insurers themselves. Sudden problems at service providers commissioned by them can also affect the entire system. This is according to the **report "Risks in the focus of BaFin 2024"**.

1/23 Euro Bank lending survey **results – Q4 2023:** Credit standards for firms tightened moderately further with more tightening expected in early 2024, according to the results of the bank lending survey by the European Central Bank (ECB). Loan demand by firms and households continued to decline substantially, but less steeply.

1/22 S&P Global Market Intelligence: Italian bank profits to outperform European rivals in 2024: Banks in Italy are likely to surpass their European peers in terms of profitability in 2024, S&P Global Market Intelligence reports. The weighted average return on average common equity for rated Italian banks is expected to hit roughly 14% for the year, according to Mirko Sanna, lead analyst for financial institutions at **S&P Global Ratings**.

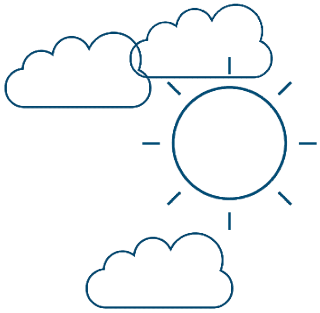
1/19 EU tells banks to put capital at center of transition plans: European bank regulators are preparing a set of ESG rules that focus squarely on capital adequacy, amid persistent evidence that the industry is failing to address growing risks from climate change. The authority has previously recommended that banks integrate ESG into risk management. The industry has until April 18 to respond, **Bloomberg** says.

1/18 The EBA consults on Guidelines on the management of ESG risks: The European Banking Authority (EBA) launched a **public consultation** on draft Guidelines on the management of Environmental, Social and Governance (ESG) risks. The draft Guidelines set out requirements for institutions for the identification, measurement, management and monitoring of ESG risks, including through plans aimed at addressing the risks arising from the transition towards an EU climate-neutral economy. The consultation runs until 18 April 2024.

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

E-STOXX 600 Banks	168	2,87%	-0,50%	iBoxx € Cov. Germany	25,3	-0,1	3,0	iTraxx Senior Financial	68,2	-4,4	0,9
10Yr-Yield	2,34	0,06	0,44	iBoxx € Cov. Bonds	35,7	-0,3	1,6	iBoxx € Supranational	28,1	-0,2	0,8
Swap 10J	2,73	0,04	0,35	iBoxx € Banks PS	82,5	-11,5	0,9	iBoxx € Agencies	14,4	-0,7	3,9
iBoxx € Germany	-26,77	-0,75	8,16	iBoxx Banks NPS	106,2	-13,0	-0,3	iBoxx € Sub-Sov. Germany	20,7	0,0	-0,1
iBoxx € EU	34,08	-0,36	0,97	iBoxx Banks Subordinated	168,3	-17,0	3,5	iBoxx € Sub-Sovereign	36,3	-0,4	0,8

Leisure tip for the weekend: Torchlight hike in Vogelsberg



When the winter nights are long and dark, you can go on a torch hike in the Vogelsberg. With someone who knows the area and a bright torch in hand, this adventure is great fun!
Take the Hoherodskopf tour for example: on a starry night you can look out over the fields into the Wetterau and see the Frankfurt skyline! Torchlight walks are available on request. The Hoherodskopf Information Centre can arrange them.
Find out more: **Torchlight hike**

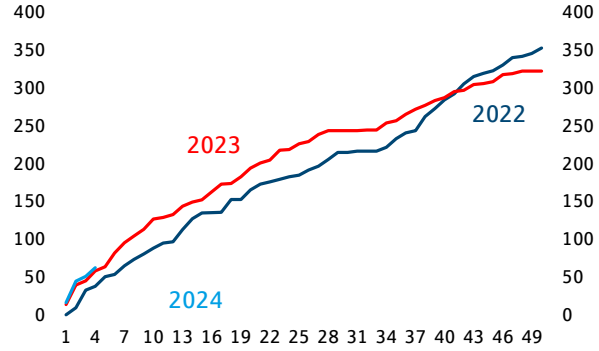
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.ffh.de/www.vogelsberg-touristik.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

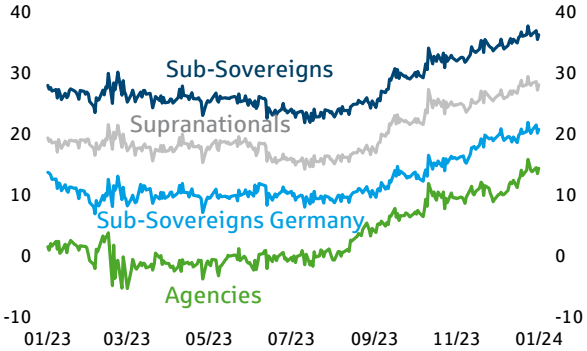
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

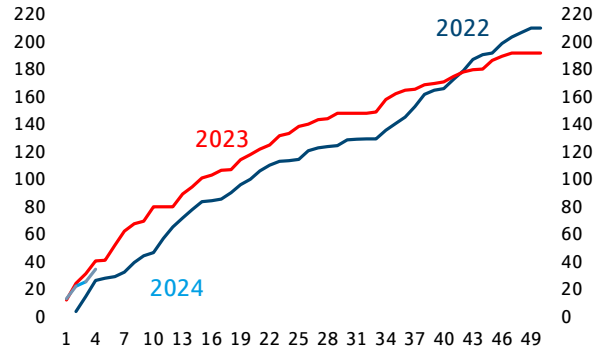
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

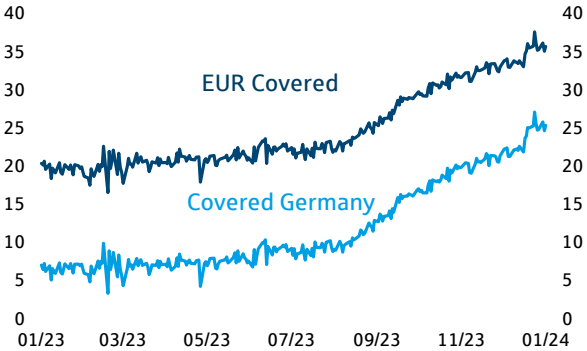
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

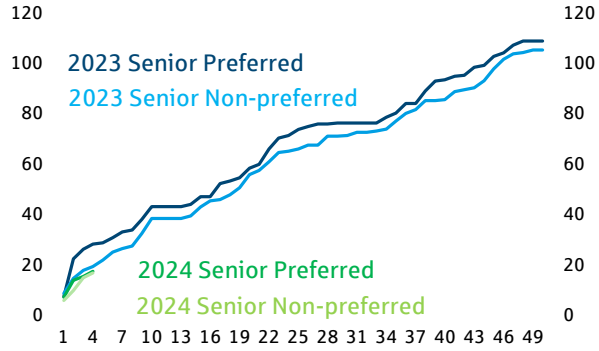
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

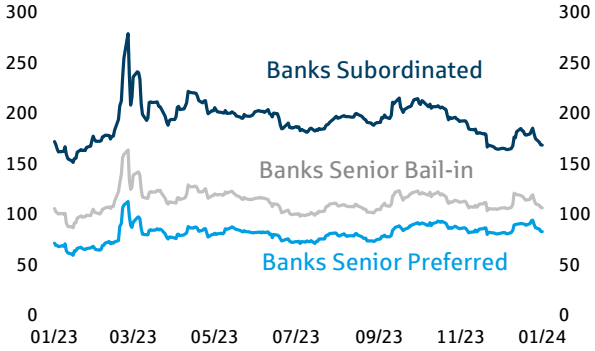
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

News from Research & Advisory

- → Focus on Credit – MayorEuropean Banks: Heading into 2024 with strong credit risk buffers
- → 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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