Helaba

Focus on: SSAs & Financials

1 Febuary 2024

Weekly Market Update

Primary market environment: As expected, the US Federal Reserve left the key interest rate range unchanged at 5.25-5.50% and showed no signs of being in a hurry to change the key interest rate. The primary markets are currently in very good shape. Bonds with long maturities can also be issued without any problems for the most part.

Primary market barometer

SSAs



With an issue volume of EUR 71 billion, January was a very successful month. The most active issuer was KfW. The primary market remains in good shape and there is no end in sight to the brisk issuing activity for the time being.

Covered Bonds



Most order books are significantly oversubscribed and new issue premiums are trending downwards, emphasising the current good state of the primary market. Less regular issuers, such as the Australian NAB, are also pleased with the lavish order books, in this case over EUR 4bn.

Senior Unsecured



The current quarterly reporting season for banks means that primary market activity is relatively low. However, the transactions that have taken place show that the market environment is currently very favourable. More and more banks are reporting and therefore able to come back to the primary market again..

Risk trend indicator (heat map): Change in Sentiment only temporary?

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,05	-0,05	0,31	0,50	1,34	1,69
European Union	0,04	0,07	0,07	0,11	0,75	2,78
Germany Covered	0,05	0,07	0,40	0,91	2,37	3,27
EU Covered	0,04	0,02	0,20	0,51	1,63	3,18
Banks senior preferred	-0,01	-0,22	-0,37	-0,61	0,31	1,55
Banks senior bail-in (SNP)	0,01	-0,18	-0,46	-0,65	0,02	1,07
Banks subordinated	0,00	-0,15	-0,22	-1,00	-0,06	1,03
Supranational	0,04	0,07	0,13	0,27	0,91	2,84
Agencies	0,02	0,00	0,24	0,45	1,39	2,37
Sub-Sovereigns Germany	0,03	0,05	0,11	0,38	0,61	0,32
Sub-Sovereigns	0,03	0,05	0,10	0,34	0,87	1,64

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 showed a higher proportion of green last week. This temporary development already seems to be over again.



SSAs

As in the previous week, the SSA primary market only started with activities on Tuesday. The Walloon Region, NRW.Bank (EUR 1bn, 5 years) and the EIB (EUR 3bn, 15 years) made the start. The Belgian region even issued a dual tranche, consisting of a 6-year bond (EUR 700 million, OLO + 45 bp) and an increase in the social bond maturing in March 2043 (EUR 800 million, OLO + 43 bp). The 15-year term of the EIB bond was also a rarity; the last time the institution issued such a long-term bond was in 2021. All issues met with keen investor interest, with the EIB standing out with an order volume of EUR 45 billion. The state of Saxony-Anhalt (EUR 500 million, 30 years, WNG) and Joint Länder (EUR 1 billion, 7 years, WNG) also successfully utilised the ongoing constructive market environment. Investitionsbank Berlin (EUR 500 million, 5.25 years, WNG) was no less successful today with investor demand totalling EUR 960 million.

The largest issuer in January was KfW with an issue volume of EUR 12.35bn, spread over 5 tranches. It was followed by the EIB (EUR 10.15bn, 3 tranches), the EU (EUR 8bn, 2 tranches) and the EFSF (EUR 7bn, 2 tranches).

Outlook: Primary market activities are likely to continue in the coming weeks. The EFSF has already sent RfPs (Request for Proposal) to banks for an upcoming transaction. Further issues by federal states are expected.

€ SSAs issues week of 29 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%	EIB	Aaa /AAA/AAA	3,000bn		15.02.2039	ms +38 bps		30.01.2024	45,000bn	ms +40 area
2,625%	NRW.BANK	Aa1 /AA/AAA	1,000bn		06.02.2029	ms +8 bps		30.01.2024	2,800bn	ms +11 area
3,000%	Région Wallonne	A3 /-/-	0,700bn		06.12.2030	BGB +45 Bp	✓	30.01.2024	2,450bn	BGB +48 area
3,500%	Région Wallonne	A3 /-/-	0,800bn	✓	15.03.2043	BGB +43 bp	✓	30.01.2024	2,800bn	BGB +45 area
2,625%	Länder 64	- /-/AAA	1,000bn		07.02.2031	ms +12 bps		31.01.2024	1,450bn	ms +12 area
3,150%	Sachsen-Anhalt	Aa1 /-/AAA	0,500bn		06.02.2054	ms +71 bps		31.01.2024	1,650bn	ms +74 area
2,625%	Investitionsbank Berlin	- /-/AAA	0,500bn		08.05.2029	ms +10 bps		01.02.2024	0,960bn	ms + 11 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

As expected, the brisk issuing activity also continued in the covered bond segment this week. Almost every issue is currently generating impressive order books and has managed to significantly reduce the initial spread requirement in bookbuilding. It is particularly pleasing that there is also strong demand for longer maturities again. The required new issue premiums are also gradually dwindling. Arkea Arkea Home Loan SFH (Bmk, 10 years), Hypo NOE (EUR 500 million, 6 years, WNG) and National Australia Bank (NAB) (EUR 1.25 billion, 7 years) kicked off the primary market on Monday. NAB last issued a EUR benchmark in January 2023 and again opted for this early point in the year. Its books, which were bulging with EUR 4bn, proved it right. The final spread was set at MS +58 bps, which corresponds to a tightening of 8 bps compared to the marketing spread. It is not only the success of this transaction that emphasises that covered bonds are currently very popular. The oversubscription rates of the two parallel transactions were also impressive at 2.4 and 2.6 times respectively.

This was followed on Tuesday by Argenta Spaarbank with a ten-year green benchmark (EUR 750m) and Helaba with a public sector covered bond (EUR 1.25bn), also with a ten-year maturity. With the order book very well oversubscribed, pricing was 7 bps below guidance at MS+33 bps. The order books are characterised by low spread sensitivity and high granularity (Argenta >140, Helaba >80 investors involved). The lively activity on the primary market continued unabated on Wednesday. The offerings of Berlin Hyp (EUR 500m, 3 years, green, WNG) and Achmea Bank (EUR 500m, 10 years, WNG) also met with impressive demand, with order books of EUR 4bn and EUR 2.2bn respectively.
Belfius Bank today successfully issued a covered bond (EUR 500m) with a maturity of 7 years. With an order book of EUR 2.2bn, the final spread was MS+38bp, 8bp below marketing.

On the secondary market, the "spread laggards" will certainly attract the interest of one or two investors in a market environment that is expected to remain generally favourable. However, it remains to be seen whether this will be enough to improve performance.

Outlook: There are currently hardly any signs of weakness in the primary market. It can therefore be assumed that the brisk issuing activity will continue.

> „The increasing prospects of key interest rate cuts in the near future are fuelling the markets. Covered bonds are also benefiting from this. The positive interactions between the primary and secondary markets are continuing and are causing final new issue premiums to fall increasingly (compared to the start of the year). The attractive yield differential between financials/credits and covered bonds from an investor's perspective also does not yet appear to have been exhausted. In terms of geographical preferences, "off-core" continues to be favoured. Germany and Austria are still lagging somewhat behind the general trend, although a slight buying sentiment has also been observed here recently".
>
> *Comment from the Helaba trading floor*

€ Covered Bond issues week of 29 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%	HYPO NOE	Aa1 /-/-	0,500bn		05.02.2030	ms +51 bps		29.01.2024	1,300bn	ms + 57 area
3,072%	Arkéa Home Loans SFH	Aaa /AAA/AAA	1,000bn		07.02.2034	ms +45 bps		29.01.2024	2,380bn	ms + 53 area
3,146%	National Australia Bank	Aaa /-/AAA	1,250bn		05.02.2031	ms +58 bps		29.01.2024	4,000bn	ms + 66 area
3,125%	Argenta Spaarbank NV	- /AAA/-	0,750bn		06.02.2034	ms +58 bps	✓	30.01.2024	4,900bn	ms +68 area
2,875%	Helaba	Aaa /-/-	1,250bn		06.02.2034	ms +33 bps		30.01.2024	2,150bn	ms +40 area
3,000%	Achmea	- /AAA/-	0,500bn		07.02.2034	ms +47 bps		31.01.2024	2,850bn	ms +55 area
2,750%	Berlin Hyp AG	Aaa /-/-	0,500bn		07.05.2027	ms +14 bps	✓	31.01.2024	3,200bn	ms + 21 area
2,875%	Belfius Bank SA/NV	- /AAA/AAA	0,500bn		12.02.2031	ms +38 bps		01.02.2024	2,200bn	ms + 47 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

As expected, the primary market for senior unsecured bank bonds has cooled significantly in recent trading days. This is due to the ongoing quarterly reporting season for banks and the associated blackout period. However, the transactions that have been completed have been very successful, indicating a friendly market environment. Italy's Iccrea Banca's new EUR 0.5bn 5-year preferred bond was 7.5 times oversubscribed during the bookbuilding process. The spread narrowed by 45bp compared to the first indiation, and at reoffer was ms +180bp and thus close to the issuer curve. In the secondary market, the bond however continued to perform well.

> „Flows increased again, as is customary for the monthly rebalancing. In the medium maturity range (4-6y), real money accounts and ETF funds were increasingly seen as sellers. In contrast, shorter maturities, the latest floaters from the Landesbanken and Deutsche Bank, as well as lower-risk names such as those from Scandinavia and the Benelux countries, were in demand. In anticipation of the upcoming central bank meetings, the majority of investors will return to the sidelines."
>
> *Comment from the Helaba trading floor*

The quarterly bank results have been quite mixed so far. The **US banks** were able to report encouraging figures (see our **Weekly Market Updates from last week**). **SEB**, on the other hand, was much more cautious in its outlook for net interest income, but 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. This week, the Spanish banks **BBVA** and **Banco Santander** reported strong Q4 results and both expect profits to rise further in 2024. Today, however, French sector leader **BNP Paribas** surprised market participants with a 50% drop in profits compared to last year and a reduction in profit targets for this year and next. Among other things, revenues from insurance and asset management fell. **ING Group's** more cautious outlook was also negatively received today, while **Deutsche Bank's** outlook was upbeat and it announced further dividends and share buybacks. (For the outlook to 2024, see our publication **European Big Banks: Heading into 2024 with high risk buffers** of 10 January 2024)..

Reporting dates of selected banks

Issuer	Date	Issuer	Date
BAWAG GROUP AG	2/1	BANCA MONTE DEI PASCHI SIENA	2/6
DEUTSCHE BANK AG-REGISTERED	2/1	SVENSKA HANDELSBANKEN-A SH!	2/7
SPAREBANKEN VEST	2/1	BANCO BPM SPA	2/8
BNP PARIBAS	2/1	SPAREBANK 1 SR BANK ASA	2/8
ING GROEP NV	2/1	SOCIETE GENERALE SA	2/8
DANSKE BANK A/S	2/2	CREDIT AGRICOLE SA	2/8
UNICREDIT SPA	2/5	KBC GROUP NV	2/8
NORDEA BANK ABP	2/5	CREDIT SUISSE GROUP AG-REG	2/9
INTESA SANPAOLO	2/6	SPAREBANKEN SOR	2/9
UBS GROUP AG-REG	2/6	BPCE SA	2/9
UBS GROUP AG-REG	2/6		

Sources: Bloomberg, Helaba Research & Advisory

Outlook: European banks' funding needs will remain high in 2024, mainly due to long maturities and declining customer deposits (see our **Primary Market Update EUR Benchmark Bank Bonds** dated 9 January 2024). However, the current quarterly reporting season is at its peak. While many institutions are therefore in the blackout period, more and more banks have already submitted their reports and are able to take advantage of the favourable market environment for issuance.

€ Senior Preferred issues week of 29 January 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,733%	Iccrea Banca S.p.A.	- /BB/BB-	0,500bn		05.02.2029	ms +180 bps	✓	29.01.2024	3,750bn	ms + 225 area
3,250%	DekaBank	Aa2 /A/-	0,500bn		08.02.2029	ms +75 bps		30.01.2024	1,750bn	ms +105 area

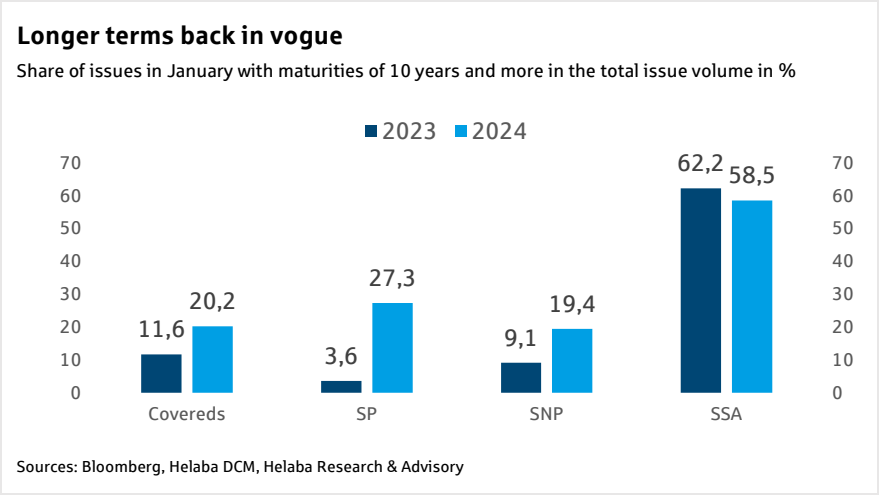
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 29 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 bps	LBBW	A2 /-/A-	1,500bn		09.11.2026	ms +70 bps	✓	01.02.2024	2,500bn	3mE + 100 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



The market for covered bonds is in very good shape, particularly in terms of investor commitment at the longer end of the curve. In contrast to the second half of 2023, issues with a term of 10 years can be issued very well again, as the examples of the Helaba and Argenta issues show. In this respect, it is not surprising that many issuers are currently taking advantage of the opportunity that presents itself, especially as we believe there is likely to be pent-up demand. The latent steepening tendencies of the yield curve also make long-term issues with the given spreads increasingly interesting and offer interesting absolute yields in perspective.

The percentage share of issues in January with maturities of 10 years and more in the total volume is significantly higher this year, with the exception of the SSA segment. In the case of SSAs, however, it should be noted that the absolute number of issues in this maturity band has risen significantly to 23 compared to 9 in the previous year.

Short news

1/31 International banking statistics and global liquidity indicators: The Bank for International Settlements (BIS) published the **BIS international banking statistics** and global liquidity indicators as of the end of September 2023. According to the figures, cross-border bank credit to advanced economies expanded.

1/29 Fitch Ratings: Excess Spread reduces for Italian Covered Bonds. According to the agency the excess spread available to Italian covered bond programmes (Obbligazioni Bancarie Garantite, OBG) is shrinking, particularly for programmes with a high proportion of unhedged fixed-rate assets originated at low interest rates and new issues with higher coupons, says Fitch Ratings. In 2023, the widening interest rate mismatch between assets and liabilities will increase the loss from asset-liability mismatch, resulting in a higher break-even over-collateralisation (OC) for any given timely payment rating level above the issuer's rating.

1/29 EBA on classification methodologies for exposures to ESG risks: The European Banking Authority (EBA) launched an **industry survey** to receive input from credit institutions on their methodologies to classify exposures to environmental, social, and governance (ESG) risks, as well as on the accessibility and availability of ESG data for this purpose. The deadline to respond to the industry survey is 29 March 2024.

1/29 Spanish banks' 2023 tax bill forecast to climb almost a quarter to €12Bn: Spain's largest lenders will pay almost a quarter more into state coffers for 2023 as the country's recently introduced bank tax and higher revenues boost government takings. The country's six largest lenders are expected to pay more than €12 billion in aggregate tax for 2023, an increase of 22.9% from 2022**, S&P Global Market Intelligence** reports.

1/26 Banks should check client sustainability despite due diligence carveout: Banks should be forced to check the environmental and human rights impacts of their clients, according to a draft EU statement seen by Euronews. Lawmakers and governments are set to push for further legislation to cover the financial sector after it was carved out from the Corporate Sustainability Due Diligence Directive. (**Finextra**)

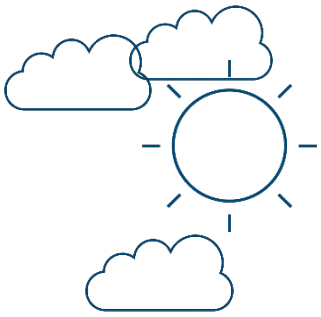
1/25 Conference on shortening the securities settlement cycle in the EU: The **European Commission** hosted a roundtable on accelerating the securities settlement cycles in the EU. Most major financial markets operate on a T+2 settlement cycle. With the growing digitalization of finance and international moves to accelerate cycles, there is growing momentum towards a shorter settlement cycle.

1/23 ECB report on risks of misalignment of banks' financing with the EU climate objectives: The ECB published a report focusing on the transition risks stemming from banks' credit portfolios. As a key takeaway from the **report**, risks in relation to the transition towards a decarbonised economy can have a significant effect on the credit portfolio of a financial institution. It is thus vital for financial institutions to assess the risks arising from the transition towards a decarbonised economy according to the report. (**blog network**)

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

E-STOXX 600 Banks	171	1,41%	1,22%	iBoxx € Cov. Germany	26,3	1,0	4,1	iTraxx Senior Financial	70,3	2,1	-4,0
10Yr-Yield	2,16	-0,17	0,15	iBoxx € Cov. Bonds	36,3	0,6	2,7	iBoxx € Supranational	29,0	0,9	1,9
Swap 10J	2,57	-0,16	0,13	iBoxx € Banks PS	77,3	-5,2	-12,0	iBoxx € Agencies	14,3	-0,1	2,2
iBoxx € Germany	-28,32	-1,55	3,59	iBoxx Banks NPS	101,3	-4,8	-19,4	iBoxx € Sub-Sov. Germany	21,9	1,2	2,6
iBoxx € EU	35,05	0,98	1,10	iBoxx Banks Subordinated	162,8	-5,6	-13,4	iBoxx € Sub-Sovereign	37,2	0,9	1,5

Leisure tip for the weekend: German Mining Museum Bochum



The German Mining Museum Bochum, founded in 1930, is a Leibniz Research Museum for Georesources and is dedicated to collecting, preserving, researching, exhibiting and communicating the material heritage of mining. We fulfil this mission above and below ground, locally in Bochum, regionally, nationally and internationally. Our credo is Disseminate knowledge - Experience mining. And we do it all under one roof.
Find out more: **Mining Museum**

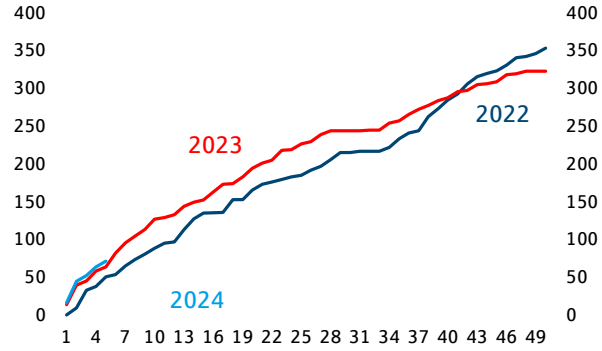
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: https://www.bergbaumuseum.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

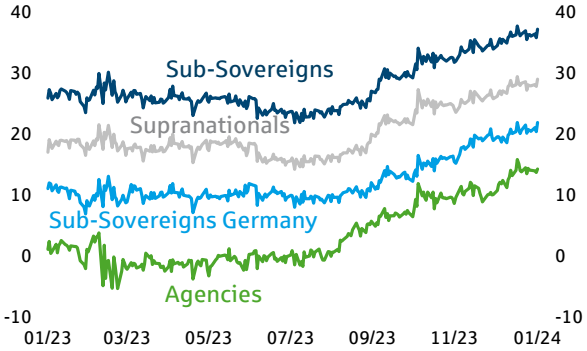
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

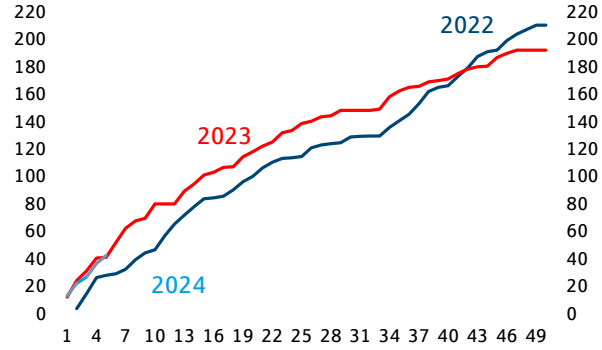
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

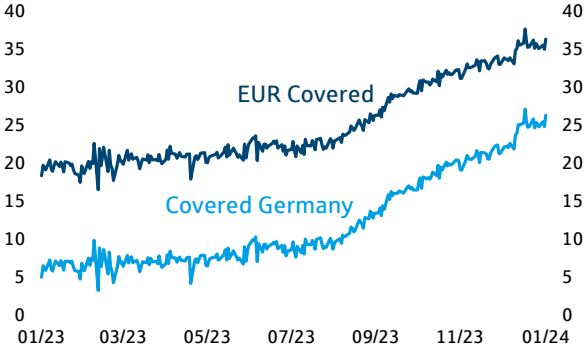
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

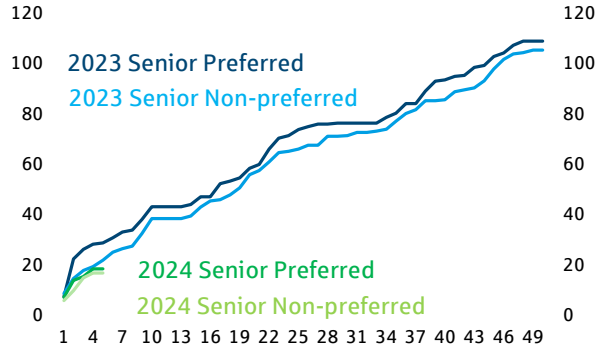
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

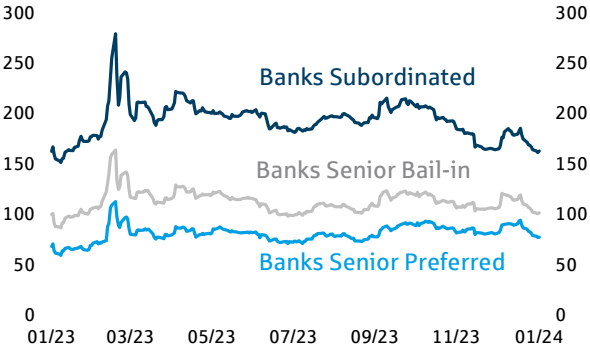
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

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- → Focus on: Credit - Primary market update bank bonds
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- → Focus on: Credit – European banks: The sharpening contours of ESG disclosure
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- → 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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