Helaba

Focus on: SSAs & Financials

7 March 2024

Weekly Market Update

Primary market environment: The DAX is treading water after recent record highs. As expected, the ECB left interest rates unchanged today. In the US, Fed Chairman Jerome Powell is concerned that cutting rates too soon could jeopardise progress on inflation. According to the US Beige Book, the economy has picked up slightly. The primary market environment remains supportive.

Primary market barometer

SSAs



The backdrop has changed little recently. Due to today's ECB meeting, primary market activity focused on the first half of the week. Notable was the rise in the 2054 bond issued by the Federal Republic of Germany with an order book of EUR 74bn.

Covered Bonds



Canada's Toronto-Dominion Bank made a clear statement in the primary market with a EUR 5.5bn issue and an order book of EUR 11bn. However, the week's other issues also saw strong demand.

Senior Unsecured



Unsurprisingly, activity remained relatively low this week due to the ECB meeting. Next week's Fed meeting is likely to have a further dampening effect before the primary market picks up noticeably in this area.

Risk trend indicator (heat map): Pessimists have the upper hand

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,02	0,23	0,60	1,08	1,64	3,85
European Union	0,03	0,24	0,24	0,58	1,13	3,31
Germany Covered	0,03	0,09	0,33	0,97	2,61	3,33
EU Covered	0,02	0,11	0,12	0,41	1,78	3,16
Banks senior preferred	0,01	0,13	-0,08	-0,19	0,40	0,67
Banks senior bail-in (SNP)	0,02	0,13	-0,17	-0,28	-0,12	0,21
Banks subordinated	0,00	0,16	-0,12	-0,27	-0,19	-0,05
Supranational	0,05	0,23	0,27	0,58	1,27	3,30
Agencies	0,03	0,21	0,33	0,68	1,73	3,76
Sub-Sovereigns Germany	0,04	0,13	0,18	0,36	0,96	0,74
Sub-Sovereigns	0,05	0,30	0,30	0,54	1,24	2,13

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

The fluctuations in the colour scheme of our heat map continue. Temporary improvements have been short-lived and the current shift into the red zone indicates a moderate widening of spreads.

SSAs

The situation in the SSA segment has changed little of late. The hoped-for bottoming out of secondary spreads has once again failed to materialise and €-denominations fell a further basis point against swaps over the course of the week. Although the general wave of supply continues to ease, there is still a lack of follow-on buying in the secondary market to clear the now full trading books in the long term.

By far the largest transaction of the week was the EUR 6bn increase in the 2054 **Bund of the Federal Republic of Germany** (final order book: EUR 74bn). Also successful on Tuesday were the **Free State of Saxony** with a 6-year issue (EUR 500m, WNG) and Polish bank Gospodarstwa Krajowego with a benchmark dual tranche (EUR 1bn, 8 years, EUR 1bn, 15 years). One day later, the **State of Berlin** took advantage of favourable market conditions to increase the size of its May 2028 bond and place a new 30-year state bond (EUR 1.25bn). The long tranche with a spread of MS +72bp was particularly sought after by investors.

Outlook: The outlook remains cautious, but we expect further offerings next week. The main focus is likely to be on the ESM, which has already issued RFPs (Request for Propo-sals) for upcoming transactions. The next EU syndicated issue is scheduled for 18-22 March.

€ SSAs issues week of 4 March 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	- /AAA/-	0,500bn		12.03.2030	ms +8 bps		05.03.2024	0,575bn	ms + 8 area
4,034%	Bank Gospodarstwa Krajowego	A2 /-/A-	1,000bn		13.03.2032	ms +150 bps		06.03.2024	2,400bn	ms +160bp area
4,375%	Bank Gospodarstwa Krajowego	A2 /-/A-	1,000bn		13.03.2039	ms +185 bps		06.03.2024	2,400bn	ms +205bp area
3,000%	Berlin	Aa1 /-/AAA	0,500bn		04.05.2028	ms -9 bps		26.04.2023	0,430bn	ms - 9 area
3,000%	Berlin	Aa1 /AAA/AAA	1,250bn		13.03.2054	ms +72 bps		06.03.2024	1,900bn	ms + 73 area

Sources: Bloomberg, Helaba DCM

Covered Bonds

Italy's **Crédit Agricole** (CA) and **Canada's Toronto-Dominion Bank** (TD) opened the primary covered bond market on Monday. CA's EUR 1bn issue was in high demand despite its long 12-year tenor and was ultimately 3.4 times oversubscribed. The high spread of MS +85bp may have played a role. TD issued the largest covered euro benchmark bond since the financial crisis with a volume of EUR 5.5bn, divided into one floating rate and two fixed rate tranches. The bookbuilding was also historic at over EUR 11 billion. The 5-year fixed-rate bond started at MS +51 bp and the 10-year bond at MS +63 bp. The spreads were finally set at MS +43 bp and MS +56 bp respectively. This was followed on Tuesday by three more successful issues from **BayernLB** (EUR 500m, 4 years, WNG), **DNB Boligkreditt** (EUR 1.25bn, 5 years) and Austria's **Erste Bank** (EUR 1bn, 10 years short). In the case of Erste Bank, the issuer was able to reduce the original spread target from MS +60bp to MS +55bp due to low spread-sensitive demand. Banks and asset managers contributed significantly to the success of the transaction, ensuring a granular and internationally diversified order book. **Commerzbank** was another issuer to opt for a long

> „The dynamic demand for primary and secondary covered bonds continues unabated. In some cases, the order books for new issues are reaching levels that we have not seen for a long time. Driven primarily by international investors, many new issues are being launched with a NIP of zero. The "party" then continues with a performance of up to 8 basis points in the days following pricing. In view of this dynamic, it is also increasingly possible to conquer the territory beyond the 10-year mark (Soc Gen 02/36, BPCE 02/36, CARPP 03/36), although in the case of the latter bond it should be noted that there is currently strong demand for paper from the periphery. Bonds from Canada and the Scandinavian region are also very popular these Days".
>
> *Comment from the Helaba trading floor*

10-year tenor on Wednesday. With a bookbuilding of EUR 1.85bn, the benchmark (EUR 1bn) was priced 6bp tighter than the marketing at MS + 38bp.

Outlook: Korea Housing Finance Corporation (KHFC), a Korean issuer (see also our publication "**APAC Covered Bonds: Popular securities, limited supply**"), is in the starting blocks with a 3-5 year social covered bond. We also assume that other issuers will want to take advantage of the constructive environment in view of the recent issuing successes.

€ Covered Bond issues week of 4 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3mE + 42 bp	Toronto-Dominion Bank	Aaa /-/AAA	2,000bn		16.02.2027	ms +35 bps		04.03.2024	4,250bn	3mE + 42 area
3,191%	Toronto-Dominion Bank	Aaa /-/AAA	2,500bn		16.02.2029	ms +43 bps		04.03.2024	5,000bn	ms + 51 area
3,247%	Toronto-Dominion Bank	Aaa /-/AAA	1,000bn		16.02.2034	ms +56 bps		04.03.2024	1,900bn	ms + 63 area
3,500%	Credit Agricole Italia	Aa3 /-/-	1,000bn		11.03.2036	ms +85 bps		04.03.2024	4,600bn	ms + 90 area
2,875%	Bayerische Landesbank	Aaa /-/-	0,500bn		13.11.2028	ms +22 bps		05.03.2024	1,000bn	ms + 28 area
3,125%	Erste Group Bank AG	Aaa /-/-	1,000bn		12.12.2033	ms +55 bps		05.03.2024	1,700bn	ms +60 area
2,875%	DNB Boligkreditt AS	Aaa /AAA/-	1,250bn		12.03.2029	ms +27 bps		05.03.2024	3,600bn	ms + 34 area
3,000%	Commerzbank AG	Aaa //	1,000bn		13.03.2034	ms +38 bps		06.03.2024	2,300bn	ms + 44 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

Issuance in the senior unsecured segment was relatively modest this week, hardly surprising given the wait-and-see attitude ahead of today's ECB meeting. In the senior preferred segment, there were two EUR 500m issues - from **SR-Bank** and **Commerzbank**. The maturities were slightly shorter than in previous weeks at 5 and 3 years. The transactions were 3 and 4 times oversubscribed respectively.

In the senior non-preferred segment, a total of EUR 1.5bn was issued. Of particular note was **Banco Sabadell's** EUR 500m 6.5NC5.5 Green SNP. The order book for this transaction was almost 10 times oversubscribed. The spread tightened by almost 40bps during the bookbuilding. The spread tightened further in the subsequent secondary market.

> „Following the monthly rebalancing before the ECB meeting, 7-day flows could hardly be more mixed. While we saw constructive flows across the maturity spectrum until the end of last week, most market participants have moved to the sidelines since the beginning of this week. Selling has continued to increase in percentage terms. Real money is mainly selling medium to long maturities. Fast money accounts are trying to grab a few cents in the short maturities with the rising futures. The few purchases have come mainly from retail desks in correspondingly small sizes, preferably in 1,000 denomination bonds."
>
> *Comment from the Helaba trading floor*

Outlook: Next week's FED meeting is likely to have a further dampening effect on issuance. However, the following two weeks should see a pick-up in activity, given the high volume of maturities this year, before the Easter holiday brings activity back down.

€ Senior Preferred issues week of 4 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,625%	SR-Bank	Aa3 /-/-	0,500bn		12.03.2029	ms +90 bps		04.03.2024	1,500bn	Ms +120 area
3m€ +70 bps	Commerzbank AG	A1 /BBB+/-	0,500bn		12.03.2027	ms +70 bps		05.03.2024	2,000bn	3m€ + 100 bp area

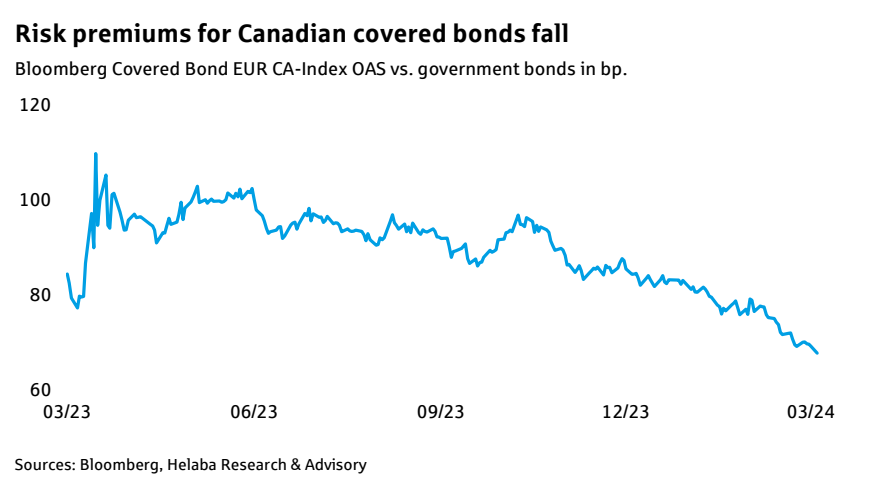
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 4 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3m€ + 45 bp	National Bank of Canada	A3 /BBB+/A+	1,000bn		06.03.2026	ms +45 bps		04.03.2024	1,850bn	3m€+65 area
4,250%	Banco de Sabadell SA	- /BBB-/BBB-	0,500bn		13.09.2030	ms +160 bps	✓	04.03.2024	4,600bn	ms + 200 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



Canada's Toronto-Dominion Bank (TD) launched the first issues of the year in this jurisdiction. The strong interest in the issue shows that investors have been waiting for such an offering. The chart shows that since March 2023, the risk premium on Canadian covered bonds over Treasuries has fallen from around 110bp to just under 69bp, in line with the tightening of the Bund swap spread, and is thus only around one basis point above the low reached in May 2022. Overall, this is broadly in line with the market for such bonds. Nevertheless, the spreads are attractive for investors: average yields of 3.32% can be achieved in the triple-A segment and 3.54% in the short window of 1 to 2 years.

Short news

3/5 German Banking Association on AI in banks: Artificial intelligence (AI) is revolutionising our world and has already established itself as an indispensable tool in numerous sectors, the **Association of German Banks** (BdB) points out. AI is used in all areas of the value chain, from research and development to production and service, and its importance is also becoming increasingly visible in the financial sector. Hence, what structural impact will AI have on the financial sector? Read more (DE)

3/4 Spanish Banking Association on digitalisation and inclusion: "The limits of digitisation are related to connectivity and digital skills, which the European authorities are committed to addressing. But they are not alone. For example, the banking sector is spending significant resources on both financial education and improving the digital literacy of all kinds of groups. Each at their own pace, as in the case of the elderly, to ensure that the objective is achieved: to unite and not to separate", says José Luis Martínez Campuzano, spokesperson for the **Spanish Banking Association** (AEB).

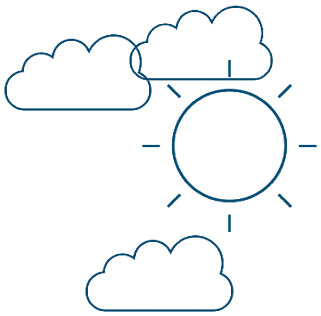
3/1 ESRB on market liquidity of interest rate swaps: This **European Systemic Risk Board** (ESRB) paper examines market liquidity in interest rate swaps (IRS) before and during the global tightening of monetary policy. IRS constitute the single largest derivatives segment globally. Banks and Pension Funds extensively rely on IRS to hedge interest rate risk. Hence, providing an understanding of this market and the drivers of market liquidity is a key research question in the current market context.

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

E-STOXX 600 Banks	178	2,06%	6,23%	iBoxx € Cov. Germany	30,1	0,9	2,8	iTraxx Senior Financial	62,4	-2,6	-9,3
10Yr-Yield	2,33	-0,13	0,03	iBoxx € Cov. Bonds	37,5	1,2	1,4	iBoxx € Supranational	33,7	2,7	3,6
Swap 10J	2,62	-0,17	-0,09	iBoxx € Banks PS	81,7	3,3	-1,8	iBoxx € Agencies	17,9	1,8	3,3
iBoxx € Germany	-16,73	3,62	9,45	iBoxx Banks NPS	103,2	3,8	-4,9	iBoxx € Sub-Sov. Germany	25,0	2,1	3,4
iBoxx € EU	41,36	3,25	3,86	iBoxx Banks Subordinated	167,3	6,7	-5,6	iBoxx € Sub-Sovereign	41,5	3,3	3,9

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

Leisure tip for the weekend: Sneaker exhibition, NRW Forum, Düsseldorf



Today there is a real hype around sneakers, which is the focus of the main part of the exhibition. There are collaborations with stars and artists, international brands and designers such as Salehe Bembury, Ruohan Wang and Virgil Abloh. The sneakers are collected worldwide and can cost thousands of euros. As well as futuristic designs, the final section of the exhibition will feature sneakers with innovative technologies such as self-lacing or 3D printing.

Find out more: **Sneaker exhibition**

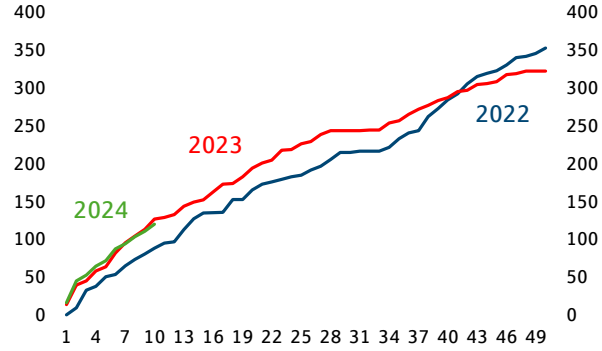
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Sources: www.nrw-forum.de/en/exhibitions/sneaker

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

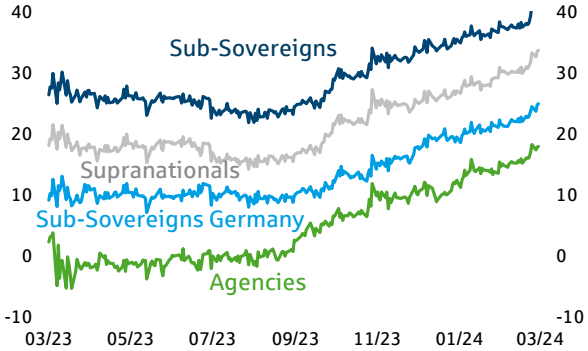
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

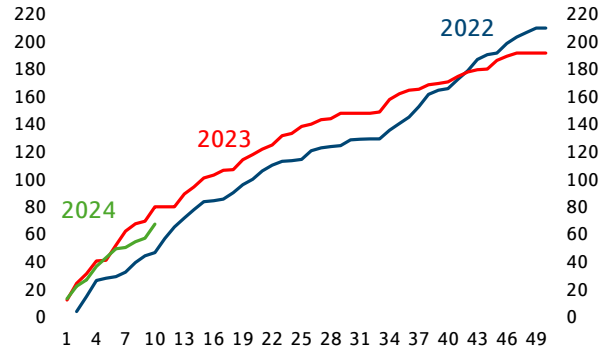
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

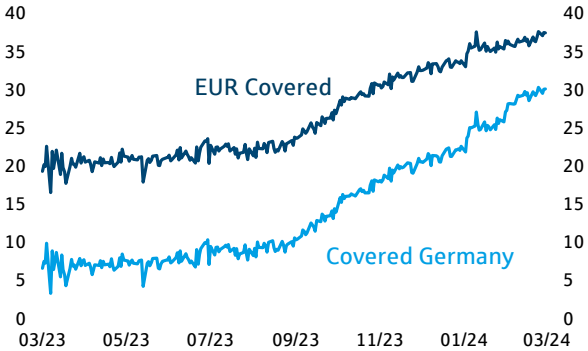
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

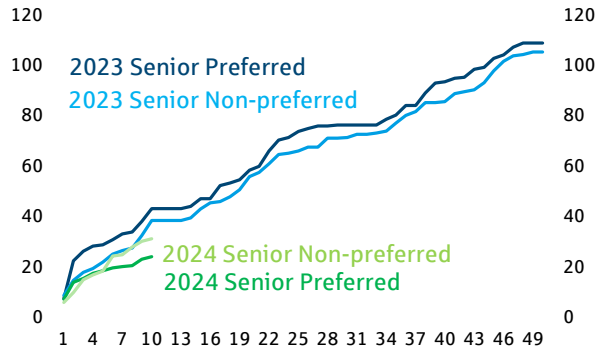
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

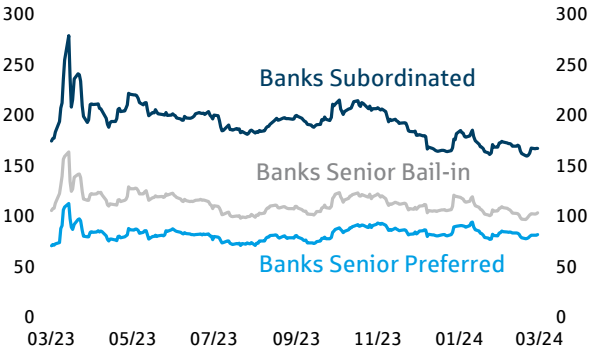
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

News from Research & Advisory

- → Focus on Covered Bonds: APAC Covered Bonds: "Popular securities, limited supply"
- → Focus on Credit – MayorEuropean Banks: Heading into 2024 with strong credit risk buffers
- → Focus on: Credit - Primary market update bank bonds
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