Helaba

Focus on: SSAs & Financials

14 March 2024

Weekly Market Update

Primary market environment: The DAX exceeds 18,000 points for the first time. The ECB maintains its system of excess liquidity; the spread between the deposit rate and the main refinancing rate will fall from 50 bp to 15 bp in September. The US Federal Reserve is playing for time with interest rate cuts. The environment in the primary markets remains favourable.

Primary market barometer

SSAs



The primary market in the SSA segment was relatively active this week, with most issues attracting very good demand. Investors had a wide range of maturities and jurisdictions to choose from.

Covered Bonds



The primary market for covered bonds remains constructive, so it is not surprising that issuers are taking advantage of the opportunities before the Easter holidays. Overall, non-core eurozone issues are attracting particularly strong interest.

Senior Unsecured



Despite the extremely favourable market environment, primary market activity in the unsecured segment is subdued. Issuers are concentrating on the covered segment. The FED meeting next week will also have a dampening effect. Transaction volumes should then pick up again before the Easter break.

Risk trend indicator (heat map): Significant improvement in sentiment on a weekly basis

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,08	0,15	0,65	1,35	2,79	3,63
European Union	0,02	-0,08	0,20	0,60	0,98	3,09
Germany Covered	0,02	-0,16	0,03	0,88	2,36	3,04
EU Covered	0,00	-0,16	0,00	0,32	1,52	2,90
Banks senior preferred	-0,12	-0,32	-0,42	-0,31	-0,62	0,49
Banks senior bail-in (SNP)	-0,14	-0,35	-0,47	-0,43	-1,38	-0,05
Banks subordinated	-0,13	-0,33	-0,43	-0,30	-1,28	-0,10
Supranational	0,02	-0,09	0,22	0,57	1,08	3,11
Agencies	0,02	-0,09	0,22	0,81	2,06	3,46
Sub-Sovereigns Germany	0,01	-0,07	0,13	0,28	0,80	0,76
Sub-Sovereigns	0,01	-0,10	0,25	0,53	1,08	2,07

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

Once again, the colour scheme has changed significantly over the course of the week. Our heat map shows significant improvement in all segments. Given the recent volatility, this is only a snapshot in time.



SSAs

This week the **Junta de Andalucia** (EUR 750m) opened the primary market with a 10-year **sustainable bond**, the **ESM** (EUR 2bn, 5 years, WNG), the Auckland Council (EUR 600m, 10 years, green) and the **state of Lower Saxony** (EUR 1bn, 8 years). The order books of Andalusia and ESM were very full at EUR 2.4 billion and EUR 10 billion respectively, while **Lower Saxony** only had a sufficient volume of EUR 1.1 billion. This was the first syndicated transaction for the ESM this year. The size of the issue means that one third of this year's funding target has already been achieved. Due to the large number of data releases this week, the ESM opted for an intraday execution. This approach has proven successful in the past. The **Asian Development Bank** (ADB) (EUR 1bn, 3 years, WNG), which was priced at MS - 2bp unchanged from the marketing, and the EUR 250m increase in **BNG Bank's** September 2038 went smoothly on Tuesday. The **state of Baden-Württemberg** completed the range of transactions on the same day with a EUR 250m 5-year FRN. In the middle of the week, the **State of North Rhine-Westphalia** (EUR 1bn, 30 years, WNG) and **Sächsische Aufbaubank** (EUR 250m, 7 years, WNG) were also active in the primary market on Wednesday. While the NRW issue was 3.5 times oversubscribed, the Aufbaubank's order book was ultimately below target. The success of NRW shows that high coupon products are in high demand.

Outlook: The next EU syndicated issue is scheduled for next week. Other states are also likely to sound out an issue.

€ SSAs issues week of 11 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,625%	ESM	Aaa /AAA/AAA	2,000bn		18.09.2029	ms +6 bps		11.03.2024	10,500bn	ms + 8 area
2,625%	Niedersachsen	- /-/AAA	1,000bn		18.03.2032	ms +14 bps		11.03.2024	1,100bn	ms + 14 area
3,400%	Junta de Andalucía	Baa2 /BBB+/-	0,750bn		30.04.2034	ms +27 bps	✓	11.03.2024	2,400bn	SPGB + 31bps
3,450%	Ile de France Mobilites	Aa3 /-/A+	1,000bn		25.06.2049	FRTR +34 Bp	✓	11.03.2024	9,500bn	FRTR +38 area
3,000%	Auckland Council	Aa2 /AA/-	0,600bn		18.03.2034	ms +50 bps	✓	11.03.2024	0,800bn	ms + 50 area
6m€ + 0 Bp	Baden-Württemberg	Aaa /AA+/-	0,250bn		19.03.2029	6m€ + 0 Bp		12.03.2024	not disclosed	6m€ +0
2,800%	Asian Development Bank	Aaa /AAA/AAA	1,000bn		19.03.2027	ms -2 bps		12.03.2024	1,300bn	ms - 2 area
3,500%	BNG	Aaa /AAA/AAA	0,500bn	✓	27.09.2038	ms +52 bps		12.03.2024	0,660bn	ms + 53 area
2,750%	Sächsische Aufbaubank - Förderbank	- /-/-	0,250bn		20.03.2031	ms +18 bps		13.03.2024	0,160bn	ms + 18 area
3,000%	NRW	Aa1 /AA/AAA	1,000bn		20.03.2054	ms +74 bps		13.03.2024	3,300bn	ms + 76 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Compared to the previous week, there has been more issuance and the momentum is remarkable. There are currently no new issue premiums to be paid. However, average oversubscriptions are extremely high. The Korean **KHFC** issue (EUR 500m, WNG), mandated the previous week, was very successfully completed on Monday with a bookbuilding of over EUR 1.5bn. Also at the beginning of the week, **Caffil**'s social covered bond (EUR 500m, WNG) crossed the finish line with a bookbuilding of EUR 2.9bn. The same was true of the **Santander UK** issue (EUR 1.5bn, 5 years). In the end, the order book exceeded EUR 5bn. Overall, there was very strong demand for covered bonds from issuers outside the eurozone, which allowed tight pricing. **Eika Boligkreditt** (EUR 500m, 5 years, WNG) also took advantage of the favourable market conditions on Tuesday, with the order book oversubscribed 6.8 times. At MS +28bp, the final spread was 9bp tighter than the fixed rate. On Wednesday, **VUB Banka** (EUR 500m, 7 years, WNG) and **DKB** (EUR 500m, 12 years, Social, WNG) successfully completed two more issues with bid-to-cover ratios of 5 and 2 respectively. Spreads tightened by 15bp and 6bp respectively compared to guidance. In the case of DKB, it is worth noting that there was hardly any premium to be paid for the long maturity compared with 10-year maturities. Today, **Sparkasse Dortmund** with the first sub-benchmark (EUR 250m, 7 years, WNG), **BPER Banca** (EUR 500m, 7 years short), **Stadshypothek** (EUR 750m, 5 years) and **Caisse de Refinancement de l'Habitat SA** (CRH) (EUR 1.75bn, 7 years) successfully completed this week's offering.

Secondary market prices continue to be strongly influenced by monetary policy. Demand for non-core covered bonds remains strong and the general trend towards tighter spreads for peripheral bonds continues.

Outlook: Strong issuance is expected to continue, although we are not aware of any new mandates to date.

€ Covered Bond issues week of 11 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	CaFFiL	Aaa /AA+/AAA	0,500bn		19.03.2036	ms +45 bps	✓	11.03.2024	2,800bn	ms + 53 area
3,000%	Santander UK plc	Aaa /AAA/AAA	1,500bn		12.03.2029	ms +40 bps		11.03.2024	4,900bn	ms + 47 area
3,124%	Korea Housing Finance Corporation	Aaa /AAA/-	0,500bn		18.03.2029	ms +48 bps	✓	11.03.2024	2,800bn	ms + 60 area
2,875%	EIKA Boligkreditt AS	Aaa /-/-	0,500bn		19.03.2029	ms +28 bps		12.03.2024	3,400bn	ms + 37 area
2,875%	Deutsche Kreditbank AG	Aaa /-/-	0,500bn		21.03.2036	ms +36 bps	✓	13.03.2024	1,000bn	ms + 42 area
3,250%	Vseobecna Uverova Banka	Aa1 /-/-	0,500bn		20.03.2031	ms +70 bps		13.03.2024	2,500bn	ms + 85 area
3,250%	BPER Banca S.p.A.	Aa3 /-/-	0,500bn		22.01.2031	ms +62 bps		14.03.2024	4,400bn	ms 75 area
3,000%	Sparkasse Dortmund	- /-/AAA	0,250bn		21.03.2031	ms +45 bps		14.03.2024	0,650bn	ms +52 area
2,875%	Stadshypotek AB	Aaa /-/-	0,750bn		21.03.2029	ms +26 bps		14.03.2024	1,950bn	ms +32 area
2,875%	Caisse de Refinancement de l'Habitat	Aaa /-/AAA	1,750bn		25.03.2031	ms +33 bps		14.03.2024	3,700bn	ms +42 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

The market environment remains very supportive and spreads have continued to tighten significantly in recent days. Credit curves have also flattened further in the current risk-on mode. Spreads tightened across all regions, with German bonds outperforming and making up for some of the underperformance of previous weeks. Good results from Deutsche Pfandbriefbank and LBBW should have contributed to the positive sentiment.

The primary market has been subdued so far this week despite the favourable environment. Market activity is currently focused more on the covered segment. The Fed meeting next week is also having a dampening effect. Since Monday we have only seen three transactions, all in non-preferred format. As expected, the transactions were very well received by the market, with spreads tightening significantly during the bookbuilding and further good performance in the subsequent secondary trading. Finland's Nordea Bank was active with a EUR 1bn 10-year benchmark. The issue spread tightened by 30bp to ms +105bp at the close of the book and demand was very solid at EUR 2.6bn. Italy's Mediobanca launched a EUR 500m long 5-year issue at ms +130bp, which also attracted over EUR 2bn of demand. The maturity spectrum was rounded off by a EUR 750m 3-year issue from Virgin Money UK, which attracted an impressive EUR 8bn orderbook and was tightened by 50bp to ms +120bp during the bookbuilding.

> „Credit sentiment remains strong! The markets are not letting anything spoil their mood at the moment, so much so that all economic data (US non-farm payrolls, US CPI) with potential headwinds for spreads are being completely ignored and equity indices have continued to climb to new highs. Volatility on the interest rate side remains high, reflecting the level of nervousness. Central banks have been sounding mostly dovish lately, which means that the first rate cut is expected in the summer - usually in June - and will further fuel the rally that has been going on for weeks. The iTraxx indices are at contract lows on the eve of the series changeover and are also trading strongly supported by positive market sentiment. Investor flows have been below average despite the strong spread movement, as real money has been very cautious in light of the ECB meeting, Powell's Congressional testimony and the US jobs data."
>
> *Comment from the Helaba trading floor*

Outlook: Next week's FED meeting may again dampen primary market activity in the unsecured segment. Thereafter, the number of transactions is likely to pick up noticeably given the high volume of maturities this year, before the Easter holiday brings a dip in activity.

€ Senior Preferred issues week of 11 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 11 March 2024

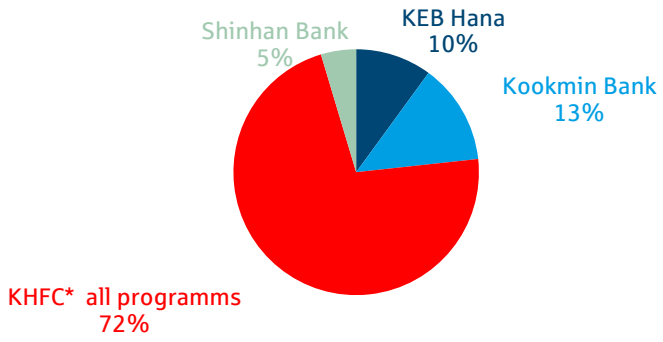
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,625%	Nordea Bank Abp	A3 /A/AA-	1,000bn		15.03.2034	ms +105 bps		11.03.2024	2,600bn	ms + 135 area
3,875%	Mediobanca SpA	Baa3 /BBB-/BBB-	0,500bn		04.07.2029	ms +130 bps		12.03.2024	2,100bn	ms + 160/165 area
4,000%	Virgin Money UK	Baa1 /BBB-/BBB+	0,750bn		18.03.2027	ms +120 bps		13.03.2024	8,000bn	ms + 170 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

KHFC sets standards

Market share based on outstanding covered bonds as of 12.03.2024, in %



Sources: Bloomberg, Helaba Research & Advisory

The Korean covered bond market is very small, accounting for less than 1% of the global EUR volume outstanding (2022). However, activity is growing. Shinhan Bank, for example, expanded the issuer base with its debut EUR issue on 22 January 2024. Korea Housing Finance (KHFC) continues to dominate the market with a market share of 72% of outstanding covered bonds and was back on the primary market this week. KEB Hana and Kookmin Bank together account for around a quarter of covered bonds outstanding. As Shinhan Bank has launched a covered bond programme with a volume of up to USD 5bn, we expect the bank to gradually increase its previously small market share of 5% following its successful debut in the EUR benchmark format. The Korean programmes are characterised by very low average weighted non-indexed loan-to-value ratios of between 40% (Shinhan) and 57% (Kookmin). The nominal excess cover ratios are very adequate, ranging from around 28% in the lowest case to 278% (as of 31 January 2024) in the highest case.

More information on APAC covered bonds is available in our publication: **APAC Covered Bonds: "Popular securities, limited supply.**

Short news

3/13 Bank climate group to report capital markets emissions: A U.N.-backed banking climate coalition on Wednesday released updated guidance for members requiring them to disclose more about how they plan to cut carbon emissions, including from their capital markets activities. The Net-Zero Banking Alliance, whose members oversee $74 trillion in capital, said the guidelines will also require data disclosure on transition planning and climate-related advocacy by the banks, notes Reuters.

3/13 Fitch Ratings: Portuguese Covered Bonds benefit from CVB Directive: Fitch Ratings has upgraded Portuguese covered bonds because of their enhanced liquidity protection following their conversion to the Obrigacoes Cobertas (ObC) framework that implements the EU Covered Bonds Directive in Portugal. This, coupled with the sovereign upgrade to 'A-' and the upgrades of most issuers, supported higher covered bonds ratings in Portugal in 2023, ranging from 'AA-' to 'AAA'.

3/13 Energy Performance Building Directive: On Tuesday, the Parliament adopted plans already agreed with the Council to help reduce energy consumption and greenhouse gas emissions from buildings. The directive still needs to be formally approved by the Council of Ministers before it can come into force. The requirements, which still need to be transposed into national law, include that all new buildings should be zero-emission by 2030. For new buildings occupied or owned by public authorities, this should apply from 2028. For residential buildings, Member States must take appropriate measures to reduce average primary energy used by at least 16% by 2030 and by at least 20-22% by 2035. In addition, Member States must renovate 16% of the non-residential buildings with the worst energy performance by 2030 and 26% by 2033 and ensure that they meet minimum energy performance requirements. Where technically and economically feasible, Member States must progressively install solar panels in public and non-residential buildings, depending on their size, and in all new residential buildings by 2030.

3/11 ECB Governing Council leaning towards keeping reserve requirement at 1%: According to a Bloomberg report, the Governing Council of the ECB is apparently leaning towards not changing the amount of the minimum reserve that banks deposit with it without interest for the time being. The report cites insiders with knowledge of the matter. This would mean that a potential hit to the currently buoyant interest income of euro banks would be off the table for the time being.

3/11 French banks hopeful of lending income recovery after 2023 slump according to S&P Global Market Intelligence: According to S&P Global Market Intelligence, net interest income (NII) headwinds that prevented BNP Paribas, Crédit Agricole and Société Générale from profiting from higher rates are expected to ease. "For 2024, we expect revenues to increase by more than 5%, largely thanks to the strong rebound in NII in France", said SocGen CFO Claire Dumas.

3/11 Capital market union - Eurogroup president confident of CMU agreement: Eurogroup President Paschal Donohoe said he's sure European finance chiefs will reach an agreement on a roadmap to take the bloc toward a capital markets union (CMU). "I'm very confident today that we will get a plan agreed," he told Bloomberg on Monday. There are repeated calls for a CMU, particularly to finance the climate transition.

3/8 ECB paper on public guarantees and evidence from the COVID-19 crisis: A new ECB paper shows that public guaranteed loans (PGL) increase credit availability improving real effects, but private banks' incentives imply that weaker banks shift riskier corporate loans to taxpayers. It exploits credit register data during the COVID-19 shock in Spain, and a stylized model guides the empirics.

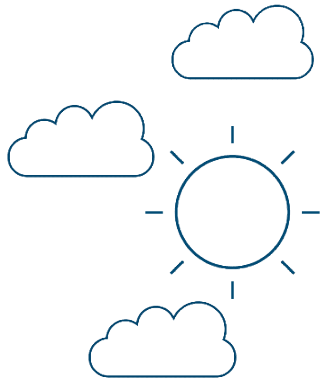
3/8 BIS revises assessment framework for global systemically important banks**:** The Basel Committee on Banking Supervision of the Bank for International Settlements (BIS) has issued a public consultation on potential measures to address "window-dressing" behaviour by some banks in the context of the framework for global systemically important banks (G-SIB). Such regulatory arbitrage behaviour seeks to temporarily reduce banks' perceived systemic footprint around the reference dates used for the reporting and public disclosure of the G-SIB scores.

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

E-STOXX 600 Banks	182	2,25%	8,22%	iBoxx € Cov. Germany	29,0	-1,1	0,3	iTraxx Senior Financial	58,4	-4,0	-9,8
10Yr-Yield	2,36	0,02	0,01	iBoxx € Cov. Bonds	36,2	-1,3	0,0	iBoxx € Supranational	32,8	-0,9	2,8
Swap 10J	2,62	0,00	-0,07	iBoxx € Banks PS	71,5	-10,3	-12,6	iBoxx € Agencies	17,2	-0,7	2,0
iBoxx € Germany	-14,29	2,44	9,97	iBoxx Banks NPS	89,2	-14,0	-17,0	iBoxx € Sub-Sov. Germany	24,1	-0,9	2,1
iBoxx € EU	40,37	-0,99	3,35	iBoxx Banks Subordinated	148,7	-18,6	-23,1	iBoxx € Sub-Sovereign	40,5	-1,0	2,8

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

Leisure tip for the weekend: El Dorado the western town, Templin (Brandenburg)



Just outside Berlin lies a veritable Eldorado for families with children: The Western town of Templin lies in the middle of the forest on the shores of Lake Röddelin, about 70 kilometres from Berlin. Little Indians, cowboys and squaws can live out their dreams in this El Dorado of saloons, ranches and Indian villages. Stunt shows simulate bandit attacks, Indian raids and bounty hunts. If you feel like it, you can paddle across “Lake Silver” or try your hand at the Morse transmitter. The highlight for the little ones will be the gold pond, where you can sift real gold nuggets.

Find out more: **El Dorado**

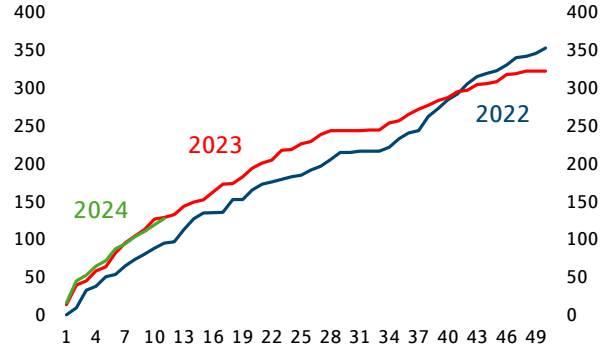
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Sources: www.stadtlandtour.de/www.eldorado-templin.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

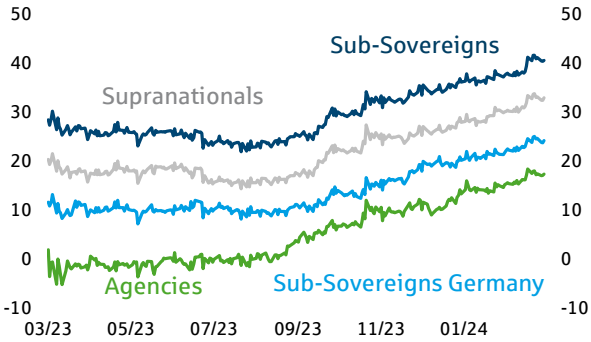
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

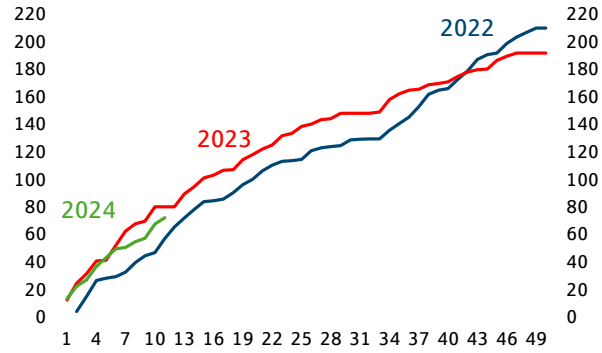
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

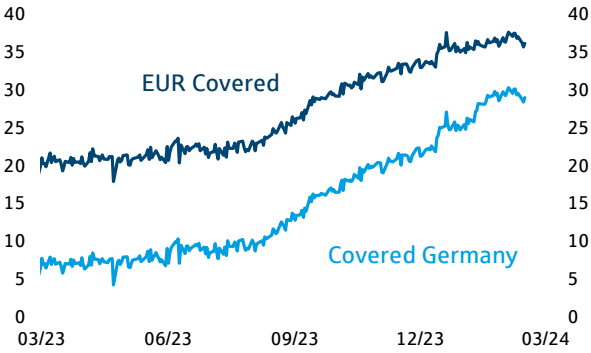
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

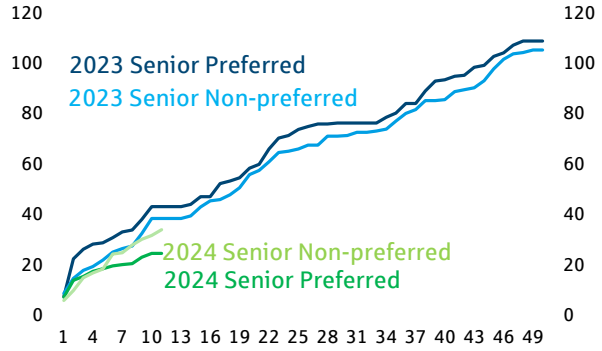
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

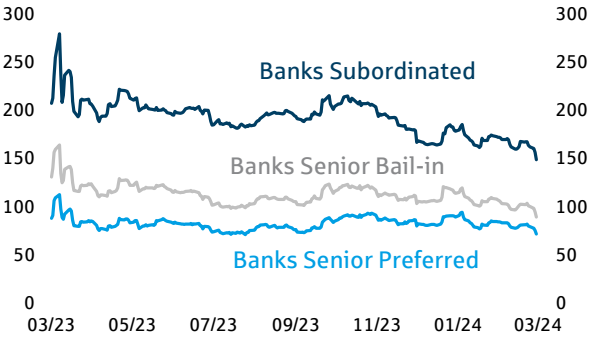
EUR benchmark issue volume cumulative by weeks, bn EUR



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 – Primary market update Schuldschein
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