Helaba

Focus on: SSAs & Financials
21 March 2024

Weekly Market Update

Primary market environment: The DAX closes above the 18,000 mark for the first time on Wednesday. In Japan, interest rates are raised for the first time since 2007. This means that interest rates there are also moving back into positive territory. As expected, the US Federal Reserve has left key interest rates at 5.25-5.50 %. The primary market remains favourable.

Primary market barometer

SSAs



5 issuers were active in the SSA primary market this week. Demand was again very strong for most issues. The EU accounted for the largest share of the weekly volume of EUR 12.75 bn, with EUR 7 bn. The upcoming Easter holidays are likely to dampen activity in the short term.

Covered Bonds



Only two issues were placed this week. However, they were very successful. As the inversion of the swap curve becomes more apparent, the current sweet spot of demand is shifting back towards the medium maturities of 5-7 years.

Senior Unsecured



As expected, issuance picked up sharply from the previous week, as issuers take advantage of the favourable market environment before the Easter break leads to less activity. The trend towards non-preferred issuance is noticeable. The new iTraxx S41 series was launched on Wednesday, which explains the jump in levels..

Risk trend indicator (heat map): Sustained improvement in mood

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,05	-0,02	0,48	1,34	2,51	3,42
European Union	-0,04	-0,10	0,10	0,41	0,90	2,84
Germany Covered	-0,04	0,01	-0,08	0,72	2,37	3,06
EU Covered	-0,05	-0,04	-0,11	0,16	1,50	2,90
Banks senior preferred	0,01	-0,06	-0,42	-0,38	-0,84	0,65
Banks senior bail-in (SNP)	0,02	0,01	-0,31	-0,45	-1,19	0,15
Banks subordinated	0,03	-0,02	-0,41	-0,30	-1,60	0,19
Supranational	-0,04	-0,05	0,14	0,43	1,06	2,99
Agencies	-0,06	-0,05	0,13	0,72	1,99	3,14
Sub-Sovereigns Germany	-0,02	0,00	0,10	0,22	0,84	0,80
Sub-Sovereigns	-0,04	-0,07	0,16	0,38	1,00	2,01

strong middle weak unchanged weak middle strong

spread widening* spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

In the short term, the colour scheme of our heat map is shifting further into the green. In the medium term, senior unsecured in particular has improved significantly.



SSAs

Euro SSAs continue to move sideways. However, there are signs of a bottoming out. Most new issues now appear to be well supported and a slight tightening of spreads can be seen, especially in the longer maturities.

The primary market was quiet at the start of the week. Tuesday saw a revival. The **EU** issued a green bond, the first since 2022 (under the NextGenerationEU framework), with a maturity of 25 years and a volume of EUR 7bn. The issue was more than 12 times oversubscribed. The **Instituto di Credito Oficial** (ICO) (EUR 500m, 7 years, WNG, green), guaranteed by the Spanish state, and the **Province of Québec** (EUR 2.25bn, 10 years) had books of EUR 3.9bn and EUR 2.9bn respectively. ICO's spread thigtened by 3 bps and Quebec's by 1 bps compared to guidance, with Quebec presumably preferring to optimise the size of the issue. On Wednesday, the **Flemish Community** followed with a double tranche (EUR 1.25bn, 10-year and EUR 1.25bn, 20-year sustainable) - both with a bid-to-cover ratio above 7 - and the **Free Hanseatic City of Bremen** (EUR 500m, 10-year, WNG). The latter reached its funding target for the Landesschatzanweisung with an order book of over EUR 600m. The final spread of MS+ 19bp was in line with the target. With the Fed meeting in the evening, issuers were cautious about further transactions.

Outlook: The Easter holidays and the approaching end of the quarter are likely to dampen primary market activity over the next two weeks. Fundamentally, conditions remain supportive and issuers are likely to continue to take advantage of opportunities as they arise.

€ SSAs issues week of 18 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	Quebec	Aa2 /AA-/AA-	2,250bn		27.03.2034	ms +46 bps		19.03.2024	3,900bn	ms +47 area
3,050%	ICO	Baa1 /A/A-	0,500bn		30.04.2031	SPGB+11	✓	19.03.2024	3,900bn	SPGB +17
3,250%	EU	Aaa /AA+/AAA	7,000bn		04.02.2050	ms +80 bps	✓	19.03.2024	86,500bn	ms +82 area
2,875%	Bremen	- /-/AAA	0,500bn		27.03.2034	ms +19 bps		20.03.2024	0,600bn	ms +19 area
3,125%	Flemish Community	- /-/AA	1,250bn		22.06.2034	OLO +32 Bp		20.03.2024	9,000bn	OLO +37 area
3,500%	Flemish Community	- /-/AA	1,250bn		22.06.2045	OLO +26 Bp	✓	20.03.2024	9,000bn	OLO +31 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Covered bond issuers were conspicuous by their absence on Monday. It was not until Tuesday that the first transactions took place. France's **Crédit Mutuel** (EUR 1.25bn, 6 years) and the Netherlands' **de Volksbank** (EUR 500m, 7 years, WNG) had no trouble filling their order books, which were significantly oversubscribed at EUR 2.3bn and EUR 1.8bn respectively. Spreads tightened by 9bps and 6bps over target, respectively. There were no issues on Wednesday, certainly due to the Fed meeting in the evening. The Fed meeting caused the placement volume to fall to its second lowest level of the year.
Nevertheless, a trend is emerging: with the swap curve clearly inverting (5y10y - 7.5 bp after +6 bp in January), the current sweet spot of demand is more in the medium maturity range of 5 to 7 years.

Outlook: The upcoming Easter holidays and school holidays in many European countries are likely to reduce activity in the primary market over the next two weeks.

€ Covered Bond issues week of 18 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%	de Volksbank N.V.	Aaa /-/AAA	0,500bn		26.03.2032	ms +32 bps		19.03.2024	1,750bn	ms +38 area
3,000%	Credit Mutuel Home Loan SFH	Aaa /AAA/AAA	1,250bn		28.10.2030	ms +31 bps		19.03.2024	2,300bn	ms +40 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

The primary market environment for senior unsecured bank bonds remains very constructive. As expected, issuance activity has picked up significantly compared to the previous week as **issuers take advantage of the favourable market environment** before the Easter break leads to less activity.

Market participants are still in risk-on mode; the widening of the iTraxx Financial spread from Tuesday to Wednesday is purely technical: a new iTraxx series is launched twice a year, on 20 March and 20 September. **The new S41 series was therefore launched on Wednesday.** Sweden's Swebank was added to the Financial (and therefore the Main) series, replacing the Dutch insurance group Aegon, which moved its headquarters to Bermuda and is therefore no longer eligible for the index. This reduces the number of insurance companies in the index, which comprises 30 issuers, to nine. The new composition of the portfolio improves the theoretical value of S41 in Senior Financial by 0.5 bp. Maturity extension (S40 = 20 December 2028, S41 = 20 June 2029) accounts for around 5 bp. The calculated roll S40/S41 in the Senior Financial is therefore 5.5 bp, which is also reflected in the change of the index spread.

There have been 11 senior unsecured transactions so far this week. The **trend towards non-preferred issuance** is striking: Eight of the transactions since Monday are in this tier. In addition to the increase in the non-preferred segment, capital issues (AT1, Tier 2) are also enjoying good demand. Credit investors are still looking for interesting investment alternatives, although swap activity (outstanding issues for new issues) has increased in the secondary market. The follow-on performance of most new issues is not as strong as it was a few weeks ago.

> „With the Fed meeting, investors went into reverse gear, looking to reduce the risk that had built up in their books in recent weeks and take profits, some of which were very attractive. Across all jurisdictions, everyone from fast money and ETFs to real money accounts is selling at the long end, especially in the 2024 new issues. Released capital is only partially reinvested at the short end or in floaters, if at all. A 180 degree turnaround from two weeks ago. While trading desks were still struggling to cope with the onslaught of investors, in recent days they have been on standby to absorb the latest wave."
>
> *Comment from the Helaba trading floor*

Outlook: As the central banks' decisions have been finalized now, there is more clarity for issuers and investors. However, the Easter holiday is just around the corner. Over the next few days, issuers are likely to take advantage of the benign market environment before the Easter holiday leads to a slowdown in transactions.

€ Senior Preferred issues week of 18 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,625%	Islandsbanki hf.	- /A3/BBB	0,300bn		27.03.2028	ms +185 bps		19.03.2024	1,700bn	ms +230 area
3m€ +40	OP Corporate Bank plc	Aa3 /-/AA-	0,500bn		28.03.2027	3m€ +40	✓	21.03.2024	2,500bn	3m€ +70/75
3,625%	Credit Mutuel Arkea	Aa3 /-/AA-	0,750bn		03.10.2033	ms +98 bps		21.03.2024	1,950bn	ms +130 area

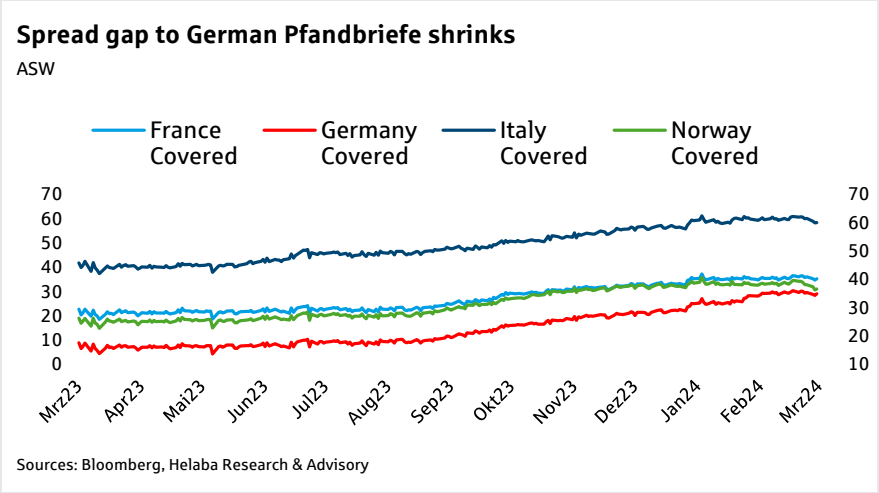
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 18 March 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,750%	Saxo Bank A/S	- /BBB-/-	0,150bn		25.03.2028	ms +275 bps		18.03.2024	0,725bn	ms +310 area
3m€ +65	Morgan Stanley	A1 /A-/A+	1,500bn		19.03.2026	ms +65 bps		18.03.2024	3,950bn	3m€ +95 area
3,790%	Morgan Stanley	A1 /A-/A+	1,500bn		21.03.2030	ms +100 bps		18.03.2024	3,750bn	ms +130 area
3,955%	Morgan Stanley	A1 /A-/A+	2,000bn		21.03.2035	ms +125 bps		18.03.2024	5,500bn	ms +160 area
3,761%	JPM Chase & Co	A1 /A-/AA-	2,000bn		21.03.2034	ms +105 bps		18.03.2024	6,200bn	ms +135 area
3,875%	Nykredit Realkredit A/S	- /BBB+/A	0,500bn		09.07.2029	ms +120 bps		19.03.2024	0,875bn	ms +145-150
4,500%	PKO Bank Polski SA	Baa3 /-/-	0,500bn		27.03.2028	ms +160 bps		20.03.2024	1,300bn	ms +200 area
4,250%	KBC Group N.V.	Baa1 /A-/A	0,500bn		28.11.2029	ms +130 bps		20.03.2024	0,850bn	ms + 155 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



The spread between German Pfandbriefe and covered bonds from other countries, especially Norway, has tightened significantly recently. What are the reasons for this? We believe it is due to a preference for covered bonds over German Pfandbriefe. This is probably due to the emergence of "new" investors in the covered bond market, attracted by the combination of the very high credit quality of these bonds and the now high yields. While German Pfandbriefe continue to have a very strong demand base in Germany, the large international issuers are attracting investors with a higher risk premium for a comparable rating/risk. In addition, the large covered bond issuers from other countries are likely to be less accessible to the "new investors" than, for example, a savings bank Pfandbrief. Furthermore, we cannot rule out the possibility that the convergence of spreads in the covered bond market is also due - albeit to a lesser extent - to the high volume of Pfandbrief issuance and the harmonisation of the European market through the Covered Bond Directive.

Short news

3/20 EBA updates list of institutions involved in the 2024 supervisory benchmarking exercise: The European Banking Authority (EBA) published an updated list of institutions, which have a reporting obligation for the purpose of the 2024 EU supervisory benchmarking exercise. The EBA will be conducting the 2024 benchmarking exercise on a sample of 110 institutions from 16 countries across the EU and the European Economic Area. The EBA runs this exercise leveraging on established data collection procedures and formats of regular supervisory reporting and assists Competent Authorities in assessing the quality of internal approaches used to calculate risk weighted exposure amounts.

3/20 BIS enables climate risk analysis using AI: The Bank for International Settlements (BIS) has announced the development of an AI application which enables analysis of climate-related risks in financial system. As reported by the Banker, Project Gaia aims to create a tool to search corporate climate-related disclosures and extract data, reducing the effort involved in climate assessments. (The Banker)

3/19 Enviromental Finance: Commission to delay review of GAR for banks: The European Commission is to postpone a review of the much-maligned Green Asset Ratio (GAR) reporting indicator for banks. According to Andrei Gurin, team leader of the European Commission's Sustainable Finance Unit, responsible for EU taxonomy and reporting, speaking on a webinar hosted by the European Banking Federation (EBF). "We should look at something like 2025 for a proper review" he said.

3/18 Reducing the reporting burden on banks: The European Central Bank (ECB) and the European Banking Authority (EBA) signed a Memorandum of Understanding to establish the Joint Bank Reporting Committee, with the

aim of harmonising and integrating statistical, supervisory and resolution data reporting in the banking industry. (**ECB press release**)

3/16 Moody's raises ratings of Landesbanken due to new bailout pot: The rating agency Moody's has upgraded the credit ratings of the major leading institutions in the German savings bank sector. The move relates to NordLB, Helaba, BayernLB, LBBW and DekaBank, according to announcements made on Saturday night. One of the reasons given for the upgrade was the reorganisation of the institutional protection scheme (IPS) of the public banking sector, which makes mutual support for the affiliated institutions even more likely in the event of a crisis. (**Bloomberg**)

3/15 TLTRO III voluntary repayment notice: redemption notice: According to the **ECB's repayment notice of 15.3.2024**, the total amount of TLTRO III funds that European banks will repay to the ECB on 27 March 24 is around EUR 251 billion. It consists of maturing funds of around EUR 215 billion and early repayments of amounts maturing between June 2024 and December 2024 of EUR 36 billion. The total amount of funds raised under the programme will therefore decrease from EUR 2.2 trillion in March 2022 to EUR 0.14 trillion at the end of March 2024. The programme therefore no longer plays a significant role in banks' funding plans.

3/14 Banks must tackle climate and environmental risks: Banks must identify, measure and manage climate-related and environmental risks. They can draw on growing examples of good practice to ensure they meet supervisory expectations by our end-2024 deadline, said European Central Bank (ECB) Supervisory Board Vice-Chair Frank Elderson at the EBF Executive Committee meeting. **(ECB)**

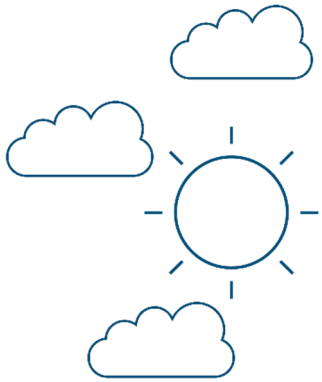
3/14 ECB to increase bank lending: The European Central Bank (ECB) has announced significant changes to its operational framework for implementing monetary policy, with the aim of increasing lending to commercial banks while reducing its extensive bond portfolio. As reported by the Banker, this decision follows years of the ECB injecting liquidity into the eurozone's banking system through bond buying, and reflects a broader trend among major central banks to reassess their liquidity provision and reduce the size of their balance sheets. (**The Banker**)

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

E-STOXX 600 Banks	185	1,48%	8,15%	iBoxx € Cov. Germany	28,7	-0,3	-0,6	iTraxx Senior Financial	58,6	0,2	-7,7
10Yr-Yield	2,44	0,08	0,00	iBoxx € Cov. Bonds	35,4	-0,7	-1,0	iBoxx € Supranational	31,8	-1,1	1,7
Swap 10J	2,71	0,09	-0,08	iBoxx € Banks PS	71,7	0,3	-10,2	iBoxx € Agencies	16,3	-0,9	0,9
iBoxx € Germany	-15,74	-1,45	6,39	iBoxx Banks NPS	92,4	3,2	-8,8	iBoxx € Sub-Sov. Germany	23,8	-0,3	1,8
iBoxx € EU	38,43	-1,94	1,50	iBoxx Banks Subordinated	152,7	4,0	-16,6	iBoxx € Sub-Sovereign	39,3	-1,2	1,9

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

Leisure tip for the weekend: Panarbora Nature Adventure Park, Waldbröl (NRW)



The Panarbora Nature Adventure Park in Waldbröl in the Bergisches Land region offers a special nature and sleep experience: visitors can spend the night in tree houses. Those with a head for heights can also spend the night in African huts, Asian yurts and South American stilt houses. And the next day, a walk along the 1.6 kilometre accessible treetop path with its 40 metre high observation tower is in order.

Find out more: **Nature Adventure Park**

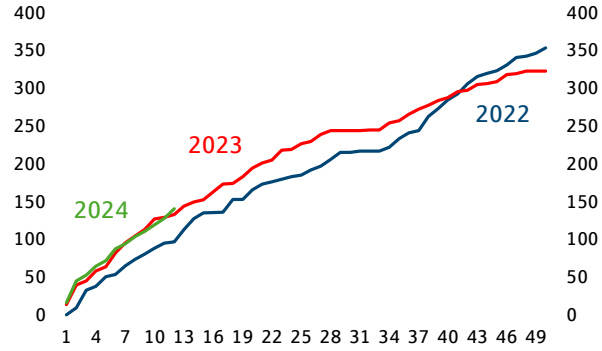
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: www.nrw-tourismus.de/ungewoehnlich-uebernachten#schlafenimbaumhaus

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

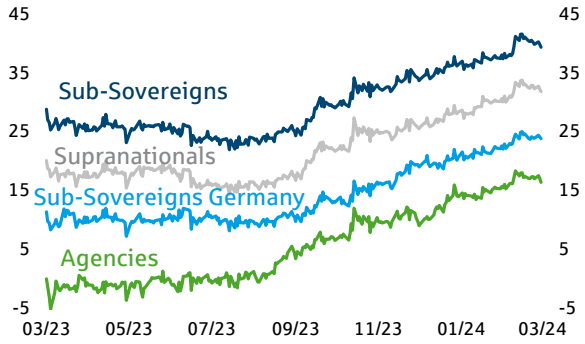
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

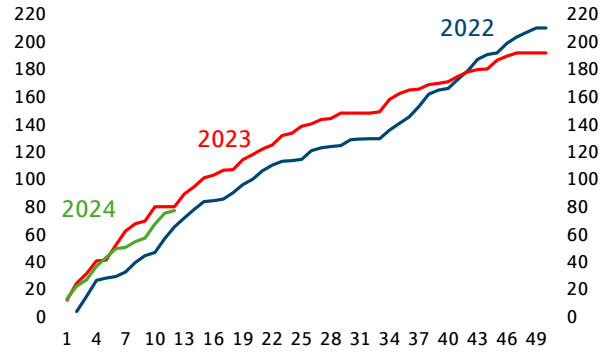
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

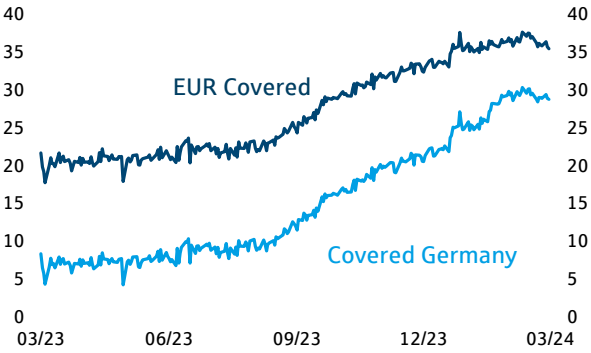
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

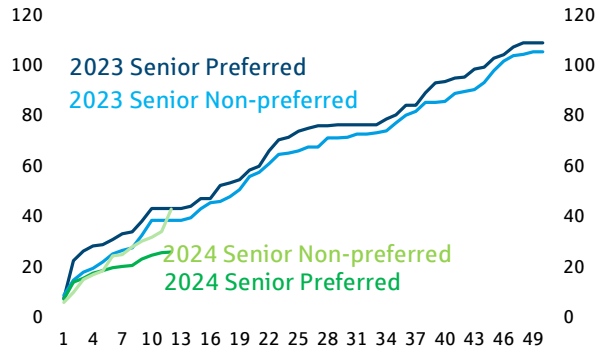
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

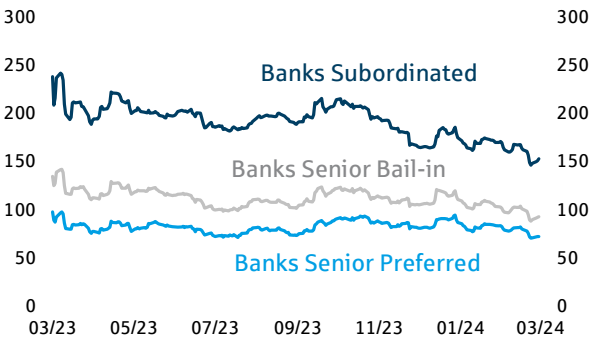
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

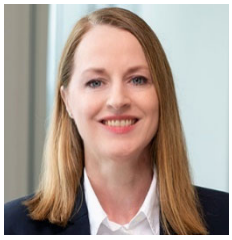
News from Research & Advisory

- → 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
- → 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

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