Helaba

Focus on: SSAs & Financials

4 April 2024

Weekly Market Update

Primary market environment: Equity markets continue to celebrate and gold continues to hit new record highs. According to Fed Chairman Powell, rate cuts will only be possible when there is more confidence that inflation is falling. The overall constructive primary market will be affected by the Easter holidays in the short term, but should pick up again next week.

Primary market barometer

SSAs



The SSA primary market is still on Easter break. Only one issue from Saarland was seen. However, activity is expected to pick up next week as many participants are expected to return to the market.

Covered Bonds



Only two issues were printed in the covered bond market this week. Both were oversubscribed. We believe that the pipeline for the coming weeks is already well filled and that the primary market will soon pick up again.

Senior Unsecured



The subdued activity due to the Easter break is also evident in the senior unsecured segment. Only three non-preferred benchmark issues have been offered so far this week. However, we expect to see significantly more issuers using the window for transactions next week.

Risk trend indicator (heat map): The mood swings continue

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,00	0,07	0,08	0,99	2,47	3,48
European Union	-0,01	0,05	-0,08	0,38	1,18	2,91
Germany Covered	-0,04	-0,03	-0,21	0,47	2,27	3,00
EU Covered	-0,06	-0,05	-0,31	-0,05	1,40	2,85
Banks senior preferred	-0,05	-0,04	-0,41	-0,77	-0,42	1,21
Banks senior bail-in (SNP)	-0,05	-0,05	-0,39	-0,86	-0,90	0,56
Banks subordinated	-0,06	-0,05	-0,38	-0,73	-1,18	0,47
Supranational	-0,02	0,01	-0,08	0,39	1,24	2,96
Agencies	-0,03	0,17	0,14	0,72	2,32	3,25
Sub-Sovereigns Germany	-0,04	-0,03	-0,05	0,26	0,81	0,97
Sub-Sovereigns	-0,04	0,02	-0,07	0,40	1,19	2,19

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 continues to be a colourful affair, with green once again dominating in the short term. However, due to the volatility, a clear trend is not yet apparent.



SSAs

Trading in the Euro-SSA segment remains very quiet. The EU curve remains under supply pressure and is trading at its highest level since the end of last year. No issues were seen in the primary market on Tuesday. On Wednesday, **Saarland** woke up the primary market from its post-Easter lull with a 7-year benchmark (EUR 500m, WNG). The issue was well received and the order book exceeded the target volume after only one hour. Due to some spread sensitivity, the re-offer spread was left unchanged at the original spread target of MS +14bp. There were no further issues.

The **outlook** remains cautious, but we expect higher supply next week, which should put further pressure on spreads.

€ SSAs issues week of 1 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	Saarland	- /-/AAA	0,500bn		10.04.2031	ms +14 bps		03.04.2024	0,780bn	ms +14 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

After the absence of primary market transactions in the previous week, business picked up after the Easter holidays. Whether this is due to the return of the primary market or the start of the new quarter remains to be seen, but both are likely to be factors.

CA Home Loan SFH kicked things off on Tuesday with a 'short' 9-year benchmark. The French covered bond issuer printed EUR 1.25bn and the book was almost 1.8x oversubscribed. With a final spread of MS +34bp, the premium of French covered bonds over German Pfandbriefe continues to tighten. The trend towards very low new issue premiums is also continuing. Crédit Agricole, for example, was able to issue at no significant premium to the relevant secondary curve. On Wednesday, the **Mortgage Society of Finland** followed with a sub-benchmark (EUR 300m, 5 years), rounding off the week's offering. Again, investor interest significantly exceeded the size of the issue, allowing the issuer to offer attractive pricing.

Outlook: The primary market is expected to pick up noticeably next week, with most issuance concentrated in the run-up to the ECB rate decision. Equitable Bank has already mandated a covered - its first in social format.

> „German Pfandbriefe are still not high on the agenda for foreign investors. At the start of the week, French bonds were in demand, as were Canadian bonds (notably TD securities, both fixed and floating rate, all maturing in 2024). The current steepening of yield curves should support demand for longer maturities if this trend proves to be sustainable. This should ultimately lead to a renaissance of maturities beyond the current 12 years by investors (particularly in the insurance universe)."
>
> *Comment from the Helaba trading floor*

Helaba would like to draw your attention to the upcoming pan-European Non Deal Related Roadshow (NDR) of Maybank Singapore Limited, for which Helaba has been mandated as Arranger.
From 15 to 19 April, Helaba will accompany the issuer on its roadshow and present the new Covered Bond Programme.

€ Covered Bond issues week of 1 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1,250bn		11.12.2032	ms +34 bps		02.04.2024	2,200bn	ms +42 area
3,125%	Mortgage Society of Finland	- /AAA/-	0,300bn		10.04.2029	ms +43 bps		03.04.2024	0,875bn	ms +50 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

The **subdued activity due to the Easter break** is also evident in the senior unsecured segment. Only three non-preferred benchmark issues have been offered so far this week. However, the market environment remains very constructive, as evidenced by the strong spread tightening in both bookbuilding and secondary trading.

Danske Bank and Irish **Permanent TSB Group** were active on Wednesday with 3 and 6 year maturities respectively. The order book for Danske Bank's floating-rate bond quickly rose to over EUR 2bn, demonstrating the strong demand for short-dated floaters (for more on the rising share of floaters, see our **Q1 2024 Primary Market Update** published yesterday). Today, the **Bank of Montreal** follows with a 3-year non-preferred bond, also with a floating rate.

Outlook: The Easter holidays are largely over, but quarterly reporting and the associated blackout period are just around the corner: US banks open the reporting season on Friday next week. We therefore expect **significantly more issuers using this window for transactions next week**. European banks' funding needs will remain high in 2024. The main reasons for this are long maturities and declining customer deposits (see also our **Primary market update on EUR benchmark bank bonds** published on 3 April 2024).

> „The cash market in both the preferred and non-preferred segments is trading almost unchanged week-on-week, holding its ground at tight levels. It will be exciting to see how things continue after the Easter break and with an increase in primary market activity. The new bonds, along with the new price points, will show whether the strength in the cash market is sustainable or whether it has only lasted this long due to a lack of new issuance. Investor flows were below average due to the short week."
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 1 April 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 1 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,250%	Permanent TSB Group Holdings p.l.c.	Baa2 /-/BBB-	0,500bn		10.07.2030	ms +160 bps	✓	03.04.2024	2,600bn	ms +195 area
3m€+65 Bp	Danske Bank A/S	Baa2 /BBB+/A+	1,000bn		10.04.2027	ms +65 bps		03.04.2024	2,700bn	3m€ +95 area
3m€ +47 Bp	Bank of Montreal	A2 /A-/AA-	1,000bn		12.04.2027	3m€ +47		04.04.2024	1,750bn	3m€ +75/80

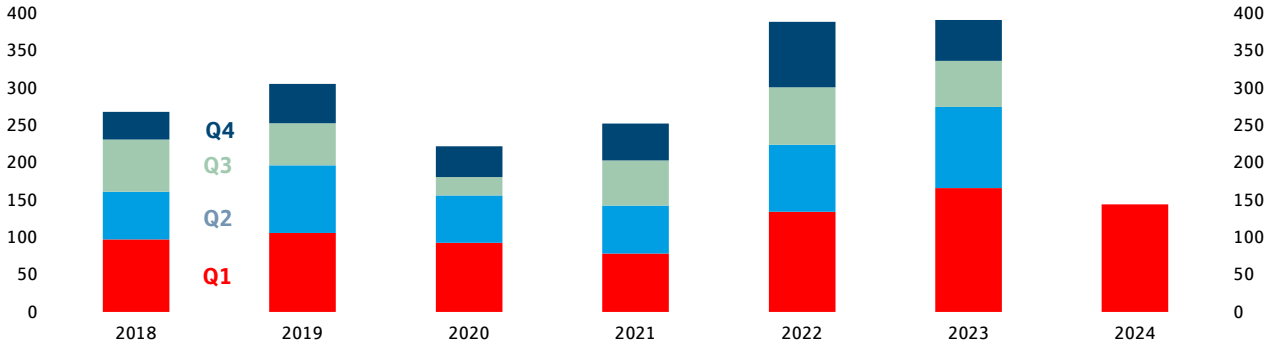
Sources: Bloomberg, Helaba DCM

Chart of the Week

The primary market volume of senior unsecured and covered bank bonds in EUR benchmark format **fell by 12% year-on-year to EUR 144bn in the first quarter of 2024**. However, 2023 was a record year. Compared to the average of the years 2018 to 2022, the primary market volume in the first quarter of 2024 was around 40% higher.

EUR benchmark issuance* Q1 2024: Another strong start to the year

EUR billions (fixed and variable rate, covered and senior unsecured issuance volume)



* issuance volume of at least EUR 500 million

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

The **largest year-on-year decline was in preferred securities**, where issuance fell by 40% year-on-year to EUR 25 bn. TLTRO refinancing is no longer likely to play a major role here, as the ECB programme has largely been repaid. Non-preferred issues, on the other hand, rose by a further 14% year-on-year to EUR 43bn, a record level. **For 2024 as a whole, we now expect senior unsecured benchmark issuance to reach up to EUR 200 bn** (2023: EUR 206 bn). This is slightly lower than in our **last primary market update in January** (EUR 220bn), but still comparatively high. High maturities remain the main driver.

A high volume of **covered bonds** was issued in the first quarter, totalling **around EUR 75bn** (Q1 2009: EUR 89bn). This represents almost 47% of our annual forecast of EUR 160bn. One reason for the surprisingly buoyant activity is likely to be the preference of issuers for secured paper **following the redemption of bonds from the central banks' liquidity programmes**. Primary market momentum is likely to slow in the second quarter, as has been the case regularly in recent years.

*The following link leads to our detailed **Primary market update EUR benchmark bank bonds** published on 3 April 2024*

Short news

4/4 Good start to the year for green and sustainable finance: The year has started well for green and sustainable finance. In the first quarter of 2024, a total of EUR 283 billion of sustainable finance was issued globally. This is the highest ever first quarter volume. The issuance of such securities is currently dominated by countries, with Germany being the largest issuing country. (**Börsen-Zeitung**)

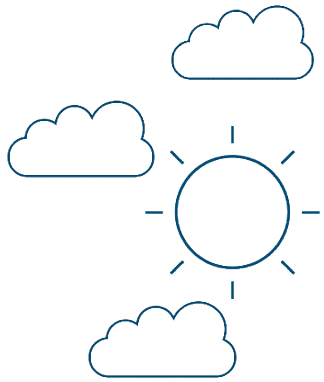
3/28 Systemic risk buffer for residential real estate lending remains unchanged: BaFin has decided to maintain the level of the sectoral **systemic risk buffer for residential real estate lending**. It will remain at 2% of risk-weighted assets.

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

E-STOXX 600 Banks	193	2,27%	8,36%	iBoxx € Cov. Germany	27,7	-1,1	-2,4	iTraxx Senior Financial	63,7	-0,4	1,4
10Yr-Yield	2,40	0,11	0,07	iBoxx € Cov. Bonds	33,9	-1,3	-3,6	iBoxx € Supranational	32,4	-1,0	-1,4
Swap 10J	2,68	0,10	0,06	iBoxx € Banks PS	70,3	-1,8	-11,5	iBoxx € Agencies	18,7	0,3	0,8
iBoxx € Germany	-16,51	0,14	0,22	iBoxx Banks NPS	89,6	-2,7	-13,6	iBoxx € Sub-Sov. Germany	23,8	-1,4	-1,2
iBoxx € EU	39,92	-0,50	-1,44	iBoxx Banks Subordinated	149,2	-3,6	-18,1	iBoxx € Sub-Sovereign	40,4	-1,1	-1,1

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

Leisure tip for the weekend: Henneberg Museum Veßra Monastery (Thuringia)



In the southern foothills of the Thuringian Forest, at the confluence of the Schleu and Werra rivers, lies the uniquely preserved medieval complex of the former Premonstratensian Abbey of Vesra. Since 1994, the complex has belonged to the Thuringian Foundation of Palaces and Gardens and is home to the Henneberg Monastery Museum. The museum is dedicated to researching and presenting the history of the former monastery and the Henneberg region, as well as the folklore of this area of southern Thuringia.Find out more: **Museum**

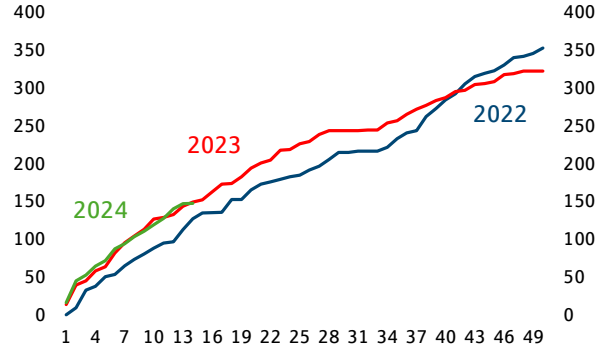
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: www.thueringen.info/museum-kloster-vessra.html

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

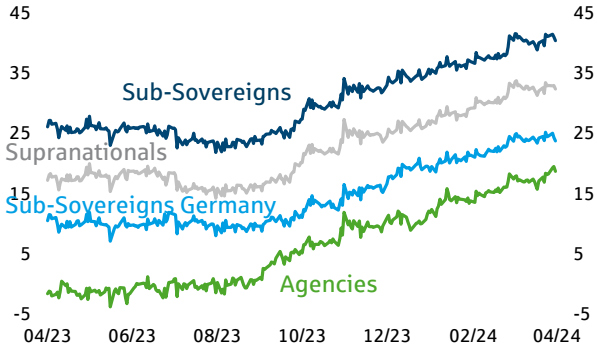
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

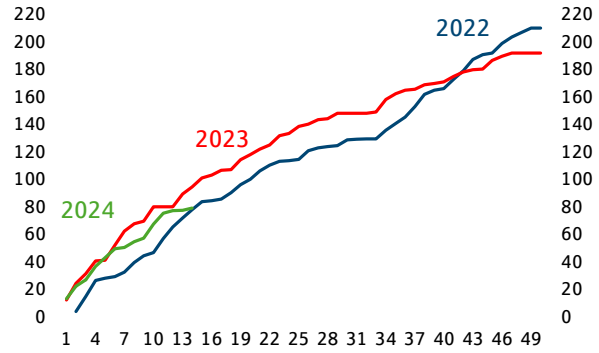
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

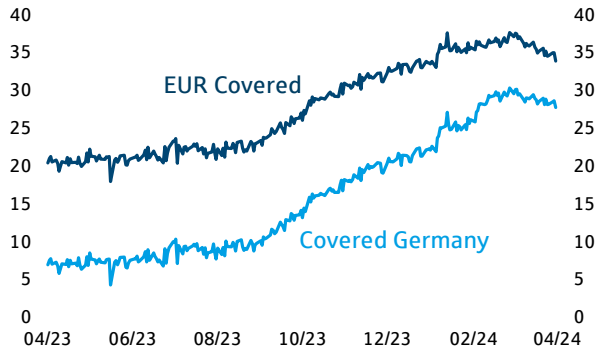
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

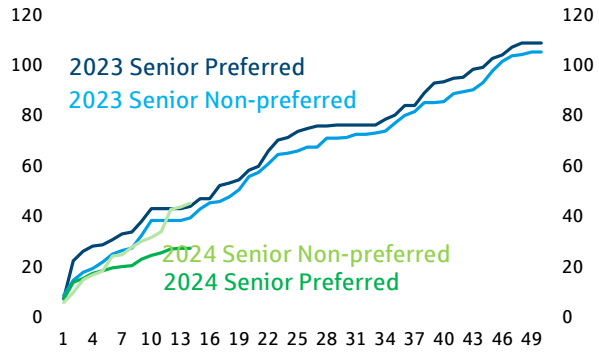
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

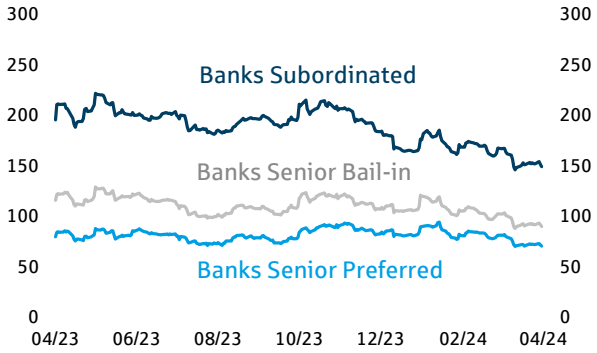
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

News from Research & Advisory

- → Focus on Credit: “Primary market update EUR benchmark bank bonds Q1 2024”:
- → Focus on Credit: "Corporate Schuldschein: Primary market Q1 2024
- → 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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- → Markets & Trends 2024 – Global economy in a transition game

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