Helaba

Focus on: SSAs & Financials

11 April 2024

Weekly Market Update

Primary market environment: The DAX takes a breather after recent record highs. Gold consolidates at high levels. As expected, the ECB leaves interest rates unchanged. In the US, monthly inflation rose more than expected, raising doubts about the Fed's expected path of rate cuts. Primary markets continue to show impressive absorptive capacity.

Primary market barometer

SSAs



The picture for euro SSAs is unchanged: spreads over swaps remain wide and client purchases in the secondary market are mostly limited, as the majority of new investments are made in the primary market.

Covered Bonds



Despite the limited window due to the ECB meeting, the primary market picked up as expected this week. A total of 7 transactions with a volume of EUR 4.75bn were successfully issued. A highlight was Hypo NOE with one of the strongest order books in Austria in recent years.

Senior Unsecured



In line with expectations, the primary market for senior unsecured bank bonds was noticeably stronger after the Easter break. The market environment remained supportive and transactions were successfully completed. Relatively little issuance is expected in the coming weeks due to the upcoming quarterly reporting season.

Risk trend indicator (heat map): Spread tightening trend continues

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,02	-0,06	-0,13	0,63	2,34	3,62
European Union	-0,04	-0,07	-0,07	0,27	1,20	2,94
Germany Covered	-0,05	-0,08	-0,14	0,12	2,27	2,85
EU Covered	-0,05	-0,11	-0,27	-0,36	1,38	2,72
Banks senior preferred	-0,04	-0,12	-0,22	-1,02	-0,67	1,08
Banks senior bail-in (SNP)	-0,03	-0,12	-0,15	-1,02	-1,16	0,43
Banks subordinated	-0,03	-0,14	-0,19	-0,90	-1,46	0,25
Supranational	-0,04	-0,05	-0,04	0,27	1,31	2,96
Agencies	-0,07	-0,16	0,06	0,25	2,21	3,49
Sub-Sovereigns Germany	-0,02	0,01	0,02	0,17	0,93	1,11
Sub-Sovereigns	-0,04	-0,06	-0,03	0,23	1,26	2,29

strong middle weak unchanged weak middle strong

spread widening* spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

The play of colours on our heat map is shifting further towards green. This appears to be a trend towards tightening of the spread

SSAs

After two weeks of very quiet trading in the Euro SSA segment, primary market activity has picked up as expected since Monday. The **State of Lower Saxony** led the way with a EUR 500m increase in its 3/2029 bond. This was followed on Tuesday by the **Council of Europe Development Bank** (CoE) with a 7-year social bond (EUR 1.25bn), the Canadian **province of Alberta** (EUR 1.5bn, 10 years) and **Bpifrance** (EUR 1.25bn, 8 years). Demand for the Bpifrance issue was very strong, with an order book of around EUR 15bn. This may have been due to the lack of supply from French agencies. The final spread was set at OAT + 23bps, 6bps tighter than at launch. The CoE spread tightened by 30 bps to MS+60 bps and Alberta was priced 4 bps tighter at MS+48 bps. For Alberta, this was the first EUR issue in a public format since 2020. The total primary market volume of Canadian SSAs this year is close to EUR 11bn.

No further issuance was seen ahead of Wednesday's US CPI data and, in particular, today's (Thursday) ECB rate decision.

Outlook: Our expectations for the SSA segment remain neutral until there are real opportunities for a tactical long in the primary market towards the summer. A new EU offer is expected in the week starting 22 April. The market is expecting a new bond in the 15 year range.

€ SSAs issues week of 8 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,625%	Niedersachsen	- /-/AAA	0,500bn	✓	15.03.2029	ms +7 bps		08.04.2024	0,930bn	ms +7 area
2,750%	Council of Europe Development Bank	Aaa /AAA/AAA	1,250bn		16.04.2031	ms +13 bps	✓	09.04.2024	3,300bn	ms +15 area
2,875%	Bpifrance Financement	Aa2 /-/AA-	1,250bn		31.01.2032	OAT +23 Bp		09.04.2024	15,000bn	OAT +29 area
3,125%	Province of Alberta	AA2 /AA-/AA-	1,500bn		16.04.2034	ms +48 bps		09.04.2024	6,600bn	ms +52 area

Sources: Bloomberg, Helaba DCM

Covered Bonds

The primary market was relatively quiet around the Easter holidays. This week started relatively dynamically. On Monday, **Westpac Banking Corp.** issued a EUR 1.5bn 7-year covered bond. With an order book of over EUR 2.5bn, the final spread tightened by 6bp to MS +42bp over marketing. **Nordea** also took advantage of the constructive environment on the same day. The EUR 1bn 10-year issue saw demand of around EUR 1.75bn and was priced at MS+ 33bp, 7bp below marketing. This was followed on Tuesday by **Bausparkasse Schwäbisch-Hall** (EUR 500m, 9.6 years, WNG, green), **S-Bank** (EUR 500m, 6 years) and **Yorkshire Building Society** (EUR 500m, 7 years, WNG). With demand totalling EUR 2.26bn, EUR 2.3bn and EUR 1.5bn respectively, they all easily reached their target volumes. Bausparkasse Schwäbisch Hall thus successfully printed its second "green" Mortgage Pfandbrief this year. Investor interest continued right up to the booking deadline, so that the final spread of MS + 36 bp was 7 bp tighter than at the time of marketing. On Wednesday, Austria's **Hypo NOE** (EUR 500m, 8 years, WNG, public sector) and **Landesbank Berlin** (EUR 250m, 10 years, WNG) successfully used the available issuance window. Hypo NOE's order book was more than five times oversubscribed. With demand totalling around EUR 2.6 billion and 119 investors subscribing, this was a record for the bank. Landesbank Berlin also easily met its target volume with a bid-to-cover ratio of 2.6.

> „After two short weeks of trading due to Easter, the market is split in two: The primary market is back in full swing and, as usual this year, is showing good to very good results (order book dynamics, final reoffer result, hardly any NIPs). The secondary market is much slower than a few weeks ago, and the much-vaunted follow-up performance of primary transactions is rather sluggish. Demand for secondary assets is less buoyant and the pace of tightening has slowed accordingly."
>
> *Comment from the Helaba trading floor*

Given the strong overall performance of covered bonds in 2024 so far, the slowdown in the **secondary market** is on the one hand not surprising and on the other a possible indication of a more balanced relationship between supply and demand. The cross-country convergence between core and peripheral euro area countries and between semi-core and non-euro area bonds also tends to remain intact. The example of this week's NDAFH 04/34 issue (priced at I+33bp and thus flat to German secondary Pfandbriefe) shows how far this trend has already progressed. The interesting question, which cannot yet be answered conclusively, is therefore Is there already enough volume in the market among the more speculative investor groups to play the relative value trade from the other side again? In any case, the somewhat cooler secondary demand suggests a less euphoric trading approach.

Outlook: A number of issuance projects are likely to be in the pipeline. These include the Equitable Bank issue mandated last week.

€ Covered Bond issues week of 8 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%	Nordea	Aaa /-/-	1,000bn		12.04.2034	ms +33 bps		08.04.2024	1,250bn	ms +40 area
3,131%	Westpac	Aaa /-/AAA	1,500bn		15.04.2031	ms +42 bps		08.04.2024	2,500bn	ms +48 area
3,000%	Bausparkasse Schwäbisch Hall	Aaa /-/-	0,500bn		16.10.2033	ms +36 bps	✓	09.04.2024	2,270bn	ms +43 area
3,000%	S-Bank	- /AAA/-	0,500bn		16.04.2030	ms +42 bps		09.04.2024	1,500bn	ms +50 area
3,000%	Yorkshire Building Society	Aaa /-/AAA	0,500bn		16.04.2031	ms +40 bps		09.04.2024	2,300bn	ms +47 area
3,000%	HYPO NOE	Aa1 /-/-	0,500bn		16.04.2032	ms +47 bps		10.04.2024	2,600bn	ms +55 area
3,000%	Landesbank Berlin	Aaa /-/-	0,250bn		17.04.2034	ms +36 bps		10.04.2024	0,650bn	ms +42 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

In the senior segment, the primary market **picked up noticeably** this week compared to the previous weeks, which were dominated by the Easter holiday. A **total of EUR 6.1bn was issued** in four preferred and three non-preferred transaction cones. Order books were well oversubscribed and spread premiums were favourably tightened during the bookbuilding process.

US banks kick off the **reporting season** tomorrow. Among other things, banks' **net interest income** is likely to be in the spotlight. Since the turnaround in interest rates, banks' net interest income has risen rapidly. We expect this to continue as the year progresses (see **our Outlook Report** from 16 January 2024). In the **ECB's latest bank lending survey**, euro area banks reported a slight further tightening of their lending standards for corporate loans in the first quarter of 2024. **Demand for loans from enterprises** was particularly surprising, as it continued to fall sharply (-28%), contrary to expectations that it would stabilise. Nevertheless, banks reported a moderate easing of lending standards for loans to households for the first time since Q4 2021. Competition for customer deposits is intensifying and banks are under increasing pressure to pass on higher interest rates to customers (so-called deposit beta).

Reporting dates of selected banks

Issuer	Date	Issuer	Date
JPMORGAN CHASE & CO	4/12	BANK OF AMERICA CORP	4/16
CITIGROUP INC	4/12	NORDEA BANK ABP	4/18
WELLS FARGO & CO	4/12	BANKINTER SA	4/18
GOLDMAN SACHS GROUP INC	4/15		

Sources: Bloomberg, Helaba Research & Advisory

Balance sheet quality should also be closely monitored: According to the recently published **EBA Risk Dashboard**, the problem loan ratio remained at a low level as of December 2023, although there were first signs of a deterioration in credit quality. However, capital ratios are at historically high levels and banks therefore have very good risk buffers.

The exit from **TLTRO III** had a slightly negative impact on banks' liquidity positions. However, given the very high repayments since November 2022 and the comparatively low residual amounts of TLTRO III, banks reported only a minor impact on their overall funding conditions and a neutral effect on credit conditions. (For the current outstanding TLTRO volumes, see **our primary market update** from 3 April 2024.

> „Investor flows have remained below average, although the primary market has become more active again. ETF funds have turned from buyers to sellers, while real money accounts are active in both directions, buying recently issued longer-dated bonds whose secondary performance is still catching up. Overall, however, there is now a trend reversal towards more sellers in the market."
>
> *Comment from the Helaba trading floor*

Outlook: Due to the publication of quarterly reports and the associated blackout period, primary market activity for senior unsecured bank bonds is expected to be relatively low in the coming weeks.

€ Senior Preferred issues week of 8 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3m€ +35 Bp	UBS AG London Branch	Aa3 /A+/AA-	1,500bn		12.04.2026	ms +35 bps		08.04.2024	not disclosed	3m€ + 60 area
4,750%	BFF Bank SpA	Ba2 /-/-	0,300bn		20.03.2029	ms +190 bps		08.04.2024	0,425bn	ms + 210 area
3m€ +60 Bp	Intesa Sanpaolo S.p.A.	Baa1 /BBB/BBB	1,000bn		16.04.2027	ms +60 bps		09.04.2024	2,000bn	3m€ +100 area
3,625%	Intesa Sanpaolo S.p.A.	Baa1 /BBB/BBB	1,000bn		16.10.2030	ms +107 bps	✓	09.04.2024	2,500bn	ms +145 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 8 April 2024

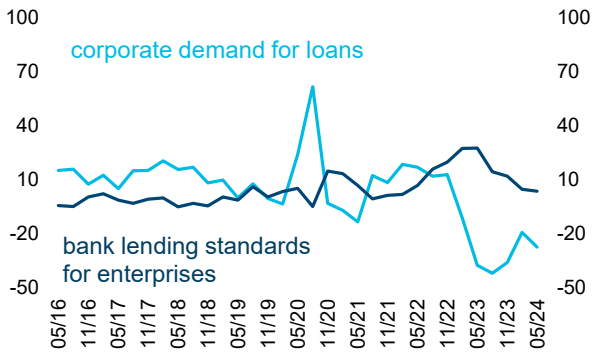
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,875%	Jefferies Financial Group Inc	Baa2 /BBB/BBB+	0,750bn		16.04.2026	ms +70 bps		09.04.2024	1,250bn	ms + 100 area
4,000%	Jefferies Financial Group Inc	Baa2 /BBB/BBB+	0,500bn		16.04.2029	ms +130 bps		09.04.2024	1,000bn	ms + 155 area
3,500%	Bank of Nova Scotia	A2 /A-/AA	1,000bn		17.04.2029	ms +75 bps	✓	10.04.2024	1,900bn	ms +105 area

Sources: Bloomberg, Helaba DCM

Chart of the Week

Lending standards for companies remain relatively strict

Change Share of positive vs. negative values*, in %



* Positive values are tightening/increasing, negative values are easing/decreasing

Sources: ECB, Helaba Research & Advisory

In the **ECB's April 2024 bank lending survey (BLS)**, euro area banks reported a small further tightening of their credit standards for loans to enterprises in the first quarter of 2024 (net percentage of banks of 3%). This was less than banks had expected in the previous round (9%). The net tightening figure reflected tightening in Germany and a few smaller countries, while all other jurisdictions reported net unchanged credit standards. Banks' risk perceptions were the main driver of the net tightening. The substantial cumulative tightening since 2022 has contributed, together with a prolonged weakening in loan demand, to the strong fall in the growth of loans to firms. Expectations are for a moderate net tightening for the second quarter of 2024 (6%).

Firms' net demand for loans continued to decline substantially in the first quarter of 2024, in contrast to the expectations of stabilisation reported in the previous round (net percentage of -28%). The decline in loan demand was mainly driven by higher interest rates reported by banks in all four large euro area countries, and lower fixed investment. While the net percentage of banks reporting a decrease remained smaller than its all-time low in the second quarter of 2023 (-42%), the decline added to the substantial net decreases in loan demand since the fourth quarter of 2022. The strong decline in net demand contrasted with banks' expectations of a slight increase. Banks expect a small net decrease in demand for loans to firms for the second quarter of 2024.



Short news

4/10 EU hints at relaxing global bank rules in face of US delays: EU has signaled it could relax the way it pushes through controversial international banking standards if it believes that's what's needed to better compete with the rest of the world. The European Commission "stands ready to act if necessary" in light of "the uncertainty around the implementation of the standards in other jurisdictions and the importance of having an international level-playing field," a spokesperson told **POLITICO**.

4/10 China faces credit rating downgrade: Fitch today downgraded the outlook for China's credit rating to negative. This means that the People's Republic is at risk of a lower credit rating. However, Fitch currently maintains China's rating at 'A+'. The agency cited increasing risks to the country's budget as the reason for the lower outlook. (**DiePresse**)

4/10 IMF warns of cyber attacks on banks: The International Monetary Fund (IMF) sees cyber attacks as a growing threat to financial stability. Attacks on banks are a particular concern. According to a report published today by the IMF, the number of cyber attacks has almost doubled since before the coronavirus pandemic. The financial sector accounts for nearly one in five attacks. Major attacks could potentially lead to a loss of confidence in the sector and disrupt key services, the IMF warned. A proper strategy is needed to fend off attacks. "Data collection on cyber incidents must become a global priority." The financial sector needs to share lessons learned to become more resilient. (**DerStandard**)

4/8 EU leaders to call for harmonised EU bankruptcy, corporate tax laws: European Union leaders will call next week for a harmonisation of the 27-nation bloc's bankruptcy and corporate tax laws to attract more private capital for the EU shift to renewable energy and a more digital economy, a draft document showed. Draft conclusions of a summit of EU leaders scheduled for April 17-18, seen by **Reuters**, also showed leaders would call for the development of a European securitisation market and for better supervision of cross-border financial market actors.

4/8 ECB - Tightening of financing conditions moderates: The European Central Bank (ECB) reports that the results of the 30th round of the Survey on the Access to Finance of Enterprises (**SAFE**) suggest that euro area firms' financing conditions tightened further in the first quarter of 2024, but less so than in the fourth quarter of 2023.

4/8 UBS prepares for Switzerland's 'too big to fail' regulation: UBS's intervention in rescuing Credit Suisse a year ago has raised concerns among Switzerland's regulators about the stability of the country's financial sector. As reported by **The Banker**, the Swiss government is due to publish its proposals for regulating banks this month that are deemed "too big to fail", potentially subjecting UBS, as the country's only remaining big bank, to stricter operational standards.

4/5 Euro area bank interest rate statistics: February 2024: The **ECB** published the Euro area bank interest rate statistics for February 2024. The findings show that the composite cost-of-borrowing indicator for new loans to corporations decreased to 5.12%, driven by interest rate effect.

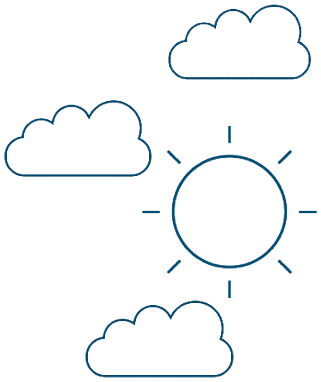
4/4 Will the EU's securitisation revival bring more capital relief for banks?: The European banking industry is readying itself for regulatory changes that will allow the revitalisation of the securitisation market, which has stagnated following the global financial crisis, despite growth in other regions. Securitisation, supporters argue, could widen the scope of funding instruments for banks, move risks away from their balance sheets, and free up capital for lending to the real economy, **The Banker** reports.

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

E-STOXX 600 Banks	194	0,72%	6,74%	iBoxx € Cov. Germany	26,9	-0,8	-2,1	iTraxx Senior Financial	62,6	-1,1	4,2
10Yr-Yield	2,43	0,03	0,07	iBoxx € Cov. Bonds	32,7	-1,2	-3,5	iBoxx € Supranational	31,4	-1,0	-1,4
Swap 10J	2,71	0,03	0,09	iBoxx € Banks PS	66,9	-3,4	-4,6	iBoxx € Agencies	17,0	-1,7	-0,2
iBoxx € Germany	-17,13	-0,62	-2,84	iBoxx Banks NPS	86,1	-3,5	-3,1	iBoxx € Sub-Sov. Germany	23,4	-0,3	-0,7
iBoxx € EU	38,41	-1,51	-1,97	iBoxx Banks Subordinated	142,5	-6,6	-6,1	iBoxx € Sub-Sovereign	39,2	-1,2	-1,3

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

Leisure tip for the weekend: Wiehl stalactive cave (NRW)



The temperature in the Wiehl Cave is a constant 8 degrees Celsius. After 26 steps you reach the entrance hall, 7 metres below ground. Hanging, mostly slender dripstones (stalactites) and somewhat clumsy-looking stalagmites, growing from the bottom up, pave the way. Thick cascades, pillars, columns and other structures full of beautiful shapes, glittering and bright colours, ranging from shiny white to bright red, amaze the visitor.

Find out more: **Cave**

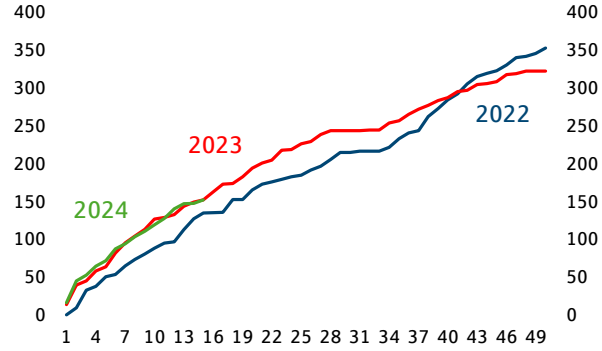
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: www.wiehl.de/tourismus/sehenswürdigkeiten/tropfsteinhoehle

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

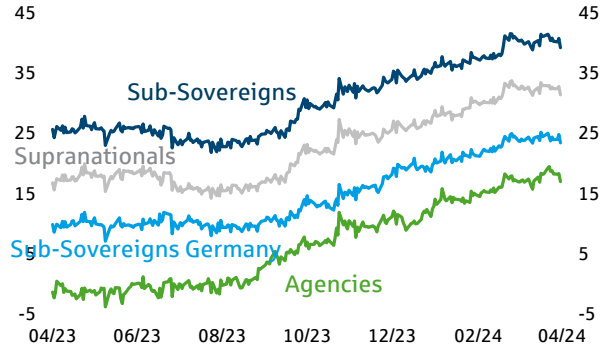
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

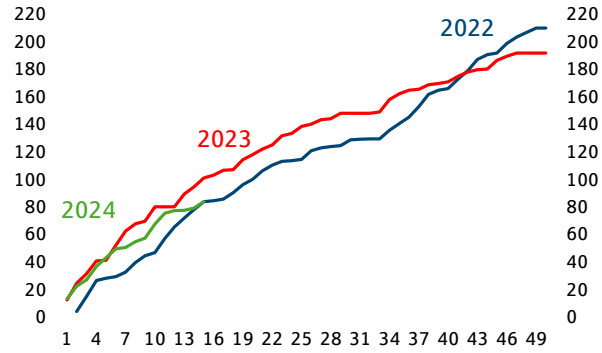
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

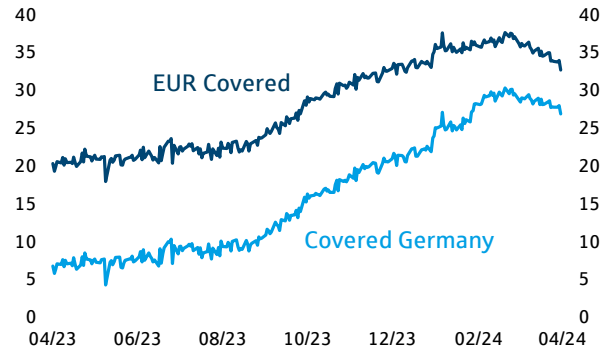
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

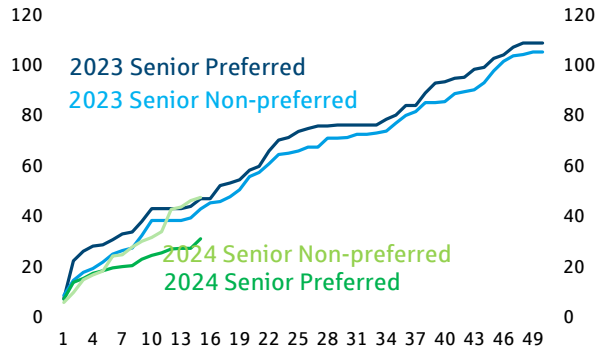
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

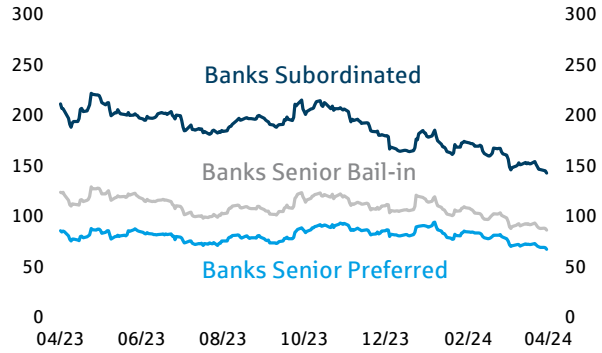
EUR benchmark issue volume cumulative by weeks, bn EUR



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
- → Focus on: Credit – Primary market update corporate bonds
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- → Markets & Trends 2024 – Global economy in a transition game

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