Helaba

Focus on: SSAs & Financials
25 April 2024

Weekly Market Update

Primary market environment: Risk aversion related to tensions in the Middle East has eased somewhat recently. Preliminary purchasing managers' indices in the eurozone, as well as the IFO business climate in Germany, confirm the picture of a gradual recovery in economic development over the course of the year. Overall, primary market activity is likely to continue.

Primary market barometer

SSAs



With an issuance volume of EUR 17.75 billion, the previous week (EUR 0.75 billion) was clearly eclipsed. The emerging stronger issuance momentum, with mostly high oversubscriptions, shows that the primary market remains constructive.

Covered Bonds



Despite the fundamental receptiveness of the primary market, the issue volume this week was relatively low at just EUR 1.5 billion - spread over 3 transactions of EUR 500 million each. The downward trend in secondary turnover was also confirmed.

Senior Unsecured



The current bank reporting season and the associated blackout period are significantly slowing primary market activity. Nevertheless, the underlying sentiment in the segment is positive again. The starting gun has been fired for a return to risk-on mode.

Risk trend indicator (heat map): Relaxation

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,01	0,10	-0,10	0,63	2,33	3,86
European Union	-0,11	-0,05	-0,23	0,09	0,84	2,83
Germany Covered	-0,08	-0,03	-0,17	0,13	2,06	2,84
EU Covered	-0,09	-0,05	-0,26	-0,34	1,19	2,75
Banks senior preferred	-0,05	-0,09	-0,19	-0,40	-0,42	0,55
Banks senior bail-in (SNP)	-0,06	-0,16	-0,15	-0,43	-0,83	-0,10
Banks subordinated	-0,05	-0,28	-0,22	-0,44	-1,31	-0,45
Supranational	-0,11	-0,04	-0,20	0,14	1,00	2,88
Agencies	-0,11	-0,05	-0,19	0,22	2,00	3,67
Sub-Sovereigns Germany	-0,06	-0,01	-0,07	0,13	0,79	1,18
Sub-Sovereigns	-0,11	-0,06	-0,21	0,13	1,02	2,20

strong middle weak unchanged weak middle strong

spread widening* spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

After a temporary period of weakness, the proportion of green in our heat map has visibly increased again. The picture has brightened for SSAs in particular.



SSAs

Spreads in the Euro SSA market remain well supported as levels above Bunds have improved due to the continued outperformance of Bunds versus swaps. The outperformer remains the EU curve, which has tightened considerably since the beginning of the year and continues to see good client demand in the current environment.

The primary market in the SSA segment started this week on Monday. The **State of Berlin** successfully placed a 5-year (long) bond. The book was very well oversubscribed at EUR 2.1bn and the issuer decided to issue EUR 1.25bn. As expected, the focus on Tuesday was on the **EU**. A double tranche was issued with a 3-year bond (EUR 4bn) and a tap on the April 2044 bond (EUR 4bn). Both tranches were well oversubscribed at EUR 37bn and EUR 59bn respectively. The final spreads thigtened by 2 bp to MS - 6 bp and by 3 bp to MS + 66 bp. On the same day, **Hamburg** successfully issued a EUR 500m public sector bond (8 years, WNG). It was three times oversubscribed and the spread tightened by 2 bp to MS+12 bp. On Wednesday, the State of **Rhineland-Palatinate** (EUR 1bn, EUR 250m retained by the issuer, 10 years) and the EIB (EUR 5bn, 7 years) took advantage of the constructive environment with a Landesschatzanweisung. The **EIB** book was 7.4 times oversubscribed and the spread eventually thigtened by 2 bps to MS +12 bps. **Unedic's** EUR 1bn 10-year social bond was issued with a bookbuilding of EUR 12.7bn. Caisse des Depots et Consignations (CDC) successfully closed on Thursday, after a relatively active week in terms of issuance.

Outlook: The constructive environment remains attractive for issuers. We expect issuance activity to continue, including in other federal states.

€ SSAs issues week of 22 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%	Berlin	Aa1 /AAA/AAA	1,250bn		15.05.2029	ms +7 bps		22.04.2024	2,110bn	ms + 8 area
2,875%	Hamburg	- /-/AAA	0,500bn		30.04.2032	ms +12 bps		23.04.2024	1,500bn	ms +14 area
2,875%	EU	Aaa /AA+/AAA	4,000bn		06.12.2027	ms -6 bps		23.04.2024	37,000bn	ms -4 area
4,000%	EU	Aaa /AA+/AAA	4,000bn	✓	04.04.2044	ms +66 bps		23.04.2024	59,000bn	ms +69 area
3,000%	Rheinland-Pfalz	- /-/AAA	1,000bn		02.05.2034	ms +17 bps		24.04.2024	1,300bn	ms + 18 area
2,875%	EIB	Aaa /AAA/AAA	5,000bn		15.10.2031	ms +12 bps		24.04.2024	37,000bn	ms + 14 area
3,125%	UNEDIC	Aa2 /-/AA	1,000bn		25.11.2034	FRTR +7 Bp	✓	24.04.2024	12,700bn	FRTR + 10 area
3,000%	Caisse des Depots et Consignations	Aa2 /AA/-	1,000bn		25.05.2029	ms +16 bps		25.04.2024	11,000bn	FRTR + 20



Covered Bonds

DZ Hyp opened the covered bond segment on Tuesday. The largest issuer of mortgage bonds came to market with a benchmark (EUR 500m, 8.1 years, WNG). With total demand of over EUR 2.5 bn, the final spread tightened by 8 bp to MS + 29 bp compared to the marketing. The issuer's last issues in January and February "only" tightened by 4 bp and 6 bp respectively. Both the maturity chosen and the level of the final spread were well received by investors. This week also saw the return to the primary market of Finland's **SP Mortgage Bank** for the first time since October 2022. The EUR 500m (WNG) 7-year covered bond was 3.6 times oversubscribed. The spread tightened by 8 bps to MS +40 bps versus guidance. Sweden's **Länsförsäkringar Hypothek AB** (LF Hypothek) (EUR 500m, 6 years, WNG) successfully closed this week's issue today with another significant oversubscription (EUR 1.5bn).
The downward trend in **secondary sales** has been confirmed. Obviously, major players are taking a more neutral stance on bids, as we expected. The market seems to be moving sideways. This is particularly true of the curve points below the ultra-long end

Outlook: Issuing activity has been modest this week. However, this should change once the blackout period is over.

> "At the ultra-long end of the covered bond universe, swap spreads are now very tight compared to EU bonds. As a reminder, yesterday the EU increased its 4% April 2044 maturity by €4bn at I+66. The premium over French covered bonds is therefore almost double-digit! The market is currently still taking this phenomenon in its stride. Cross-asset transactions cannot be observed - apparently due to the static ownership structure of the covered bonds - due to a lack of liquidity."
>
> *Comment from the Helaba trading floor*

€ Covered Bond issues week of 22 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%	DZ HYP AG	Aaa /AAA/-	0,500bn		31.05.2032	ms +29 bps		23.04.2024	2,600bn	ms +37 area
3,250%	Sp Mortgage Bank Plc	- /AAA/-	0,500bn		02.05.2031	ms +40 bps		24.04.2024	2,000bn	ms + 48 area
3,125%	Länsförsäkringar Hypotek AB	Aaa /AAA/-	0,500bn		03.05.2030	ms +28 bps		25.04.2024	1,900bn	ms + 36 area
3m€ + 18 Bp	Nationwide Building Society	- /AAA/AAA	0,500bn		02.05.2027	ms +18 bps		25.04.2024	2,100bn	3m€ + 27 area
3,309%	Nationwide Building Society	- /AAA/AAA	0,500bn		02.05.2034	ms +38 bps		25.04.2024	1,950bn	ms + 46 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

In the senior segment, we have seen EUR 3,05 bn of issuance so far this week. These were all European senior preferred issues and one Canadian EUR senior issue from the **National Bank of Canada**.

With the financials still in the midst of their reporting season, the primary market remained relatively quiet overall. Recent new issues, whose secondary performance recently showed upside potential, are now trading closer to reoffer on the back of positive sentiment. For example, Santander's latest non-pref issues (SANTAN 3.875% 04/22/29 and SANTAN 4.125% 04/22/34) were both priced 11bps tighter to reoffer.

However, investor flows remained below average last week. Although the majority have recently returned to the buy side, there is still a healthy respect for the recent geopolitical tensions. According to our trading, asset managers have recently remained on the sell side for maturities up to 2030, but on the buy side for medium maturities from 2026 to 2029.

In order to free up lines for upcoming new issues, the trading desks started to unwind larger positions in short maturities and floaters.

Outlook: We expect issuers in this segment to remain cautious in the coming days and weeks due to blackout periods.

Reporting dates of selected banks

Issuer	Date	Issuer	Date
NATWEST GROUP PLC	4/26	SPAREBANKEN VEST	4/30
DANSKE BANK A/S	4/26	STANDARD CHARTERED PLC	5/2
BAWAG GROUP AG	4/29	RAIFFEISEN BANK INTERNATIONA	5/2
BANCO BILBAO VIZCAYA ARGENTA	4/29	ING GROEP NV	5/2
HSBC HOLDINGS PLC	4/30	SOCIETE GENERALE SA	5/3
ERSTE GROUP BANK AG	4/30	CREDIT AGRICOLE SA	5/3
BANCO SANTANDER SA	4/30	INTESA SANPAOLO	5/3

Sources: Bloomberg, Helaba Research & Advisory

> „Following the rally in equity prices on the back of mostly positive quarterly reports, sentiment in the credit segment has also returned to positive territory. The news of a delayed interest rate cut by the US Federal Reserve seems to have been digested or priced in. The lack of a response from Iran to the Israeli retaliation last Friday night, which was interpreted as a "de-escalation", provided some relief and the recent widening of credit spreads, especially since the beginning of the week, has been used to hunt for bargains and signal the start of a return to risk-on mode."
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 22 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,000%	Eurobank S.A.	Ba1 /BB-/BB	0,650bn		30.04.2030	5,00%		23.04.2024	1,350bn	5,25% area
4,971%	Tatra Banka a.s.	A3 /-/-	0,350bn		29.04.2030	ms +210 bps		23.04.2024	2,200bn	ms + 260 area
4,750%	Hamburg Commercial Bank AG	A3 /-/-	0,500bn		02.05.2029	ms +190 bps		24.04.2024	1,750bn	ms + 220 area
5,000%	Bank of Cyprus	Ba3 /BB-/-	0,300bn		02.05.2029	5,00%		24.04.2024	1,350bn	5,5% area
3m€ +38 Bp	SEB	Aa3 /A+/AA	0,750bn		03.05.2027	ms +38 bps		25.04.2024	1,250bn	3m€ +65/70

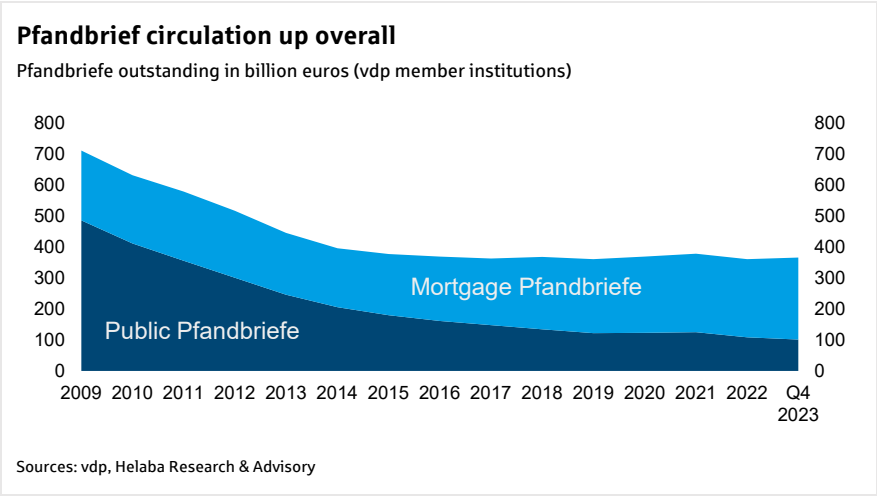
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 22 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,750%	National Bank of Canada	A3 /BBB+/A+	0,500bn		22.04.2029	ms +85 bps		23.04.2024	0,620bn	ms +105 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



Over the past five years, Pfandbrief issuance has exceeded maturities, as shown by VDP data. The total number of Pfandbriefe in circulation increased slightly again in 2023. This was mainly due to the increase in mortgage Pfandbriefe, which totalled EUR 263.9 bn in the fourth quarter of 2023 after EUR 252.9 bn in the fourth quarter of 2022. However, the volume of public sector Pfandbriefe outstanding decreased to EUR 102.1 billion from EUR 108.4 billion in the same period of the previous year. The excess cover ratios of the Pfandbriefe in circulation increased in both segments to 36.7% (32.7%) and 44.3% (36.4%) respectively. One reason for issuers' preference for covered securities may be the redemption of bonds from the central banks' liquidity programmes. The issuance of covered bonds is also an attractive option compared to other bond refinancing instruments. New issuers entered the primary market for the first time and also contributed to the increase in the number of Pfandbriefe in circulation. According to vdp/Bloomberg, DZ Hyp had the largest volume of Pfandbriefe in circulation at EUR 44.6bn at the end of 2023. It was followed by Commerzbank (37.7bn), Münchener Hyp (36.5bn), UniCredit Bank (30.9bn) and Helaba (29.9bn).

Short news

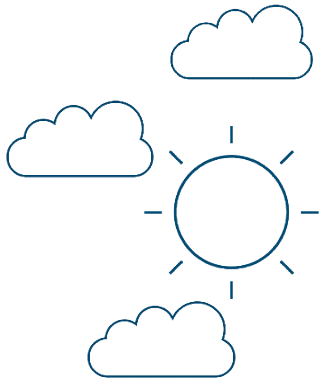
4/25 Covered Bond Label Boosts Transparency and Comparability: As the lighthouse for transparency in the covered bond market, the **Covered Bond Label Foundation (CBLF)** is pleased to announce that it has developed and launched a new online **Cover Pools (HTTs) Comparison Tool**. The Cover Pools (HTTs) Comparison Tool allows users to select several HTTs from labelled issuers and use these to present graphs and charts comparing the specific characteristics and underlying cover assets of the related cover pools, as well as allowing downloads of all selected HTTs with a single click.

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

E-STOXX 600 Banks	195	3,59%	3,13%	iBoxx € Cov. Germany	26,1	-0,6	-2,7	iTraxx Senior Financial	64,9	-5,1	0,8
10Yr-Yield	2,59	0,12	0,29	iBoxx € Cov. Bonds	31,6	-0,9	-3,6	iBoxx € Supranational	29,0	-1,2	-4,4
Swap 10J	2,89	0,12	0,31	iBoxx € Banks PS	66,3	-2,9	-5,8	iBoxx € Agencies	15,3	-0,7	-3,0
iBoxx € Germany	-18,84	0,75	-2,19	iBoxx Banks NPS	86,9	-5,5	-5,5	iBoxx € Sub-Sov. Germany	22,5	-0,8	-2,7
iBoxx € EU	34,54	-1,54	-5,88	iBoxx Banks Subordinated	141,9	-11,3	-10,8	iBoxx € Sub-Sovereign	37,0	-1,5	-4,5

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

Leisure tip for the weekend: Starkenberg Adventure Park (Thuringia)



The community of Starkenberg is located in the heart of Thuringia. This is where the amusement park is located. Come and be enchanted by wild animals in their natural habitat. Go on your own personal safari and cuddle with the elephants. Trained staff are on hand to answer any questions you may have about the animals. Special attention is paid to the conservation of many endangered species. In the idyllic landscaped grounds you can feel the harmonious coexistence between animals and humans and consciously experience a piece of nature.

Find out more: **Adventure Park**

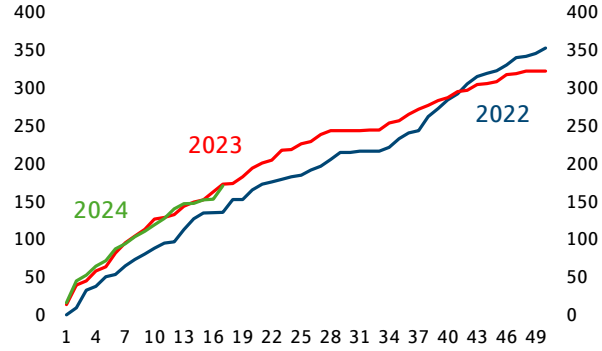
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: www.erlebnispark-starkenberg.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

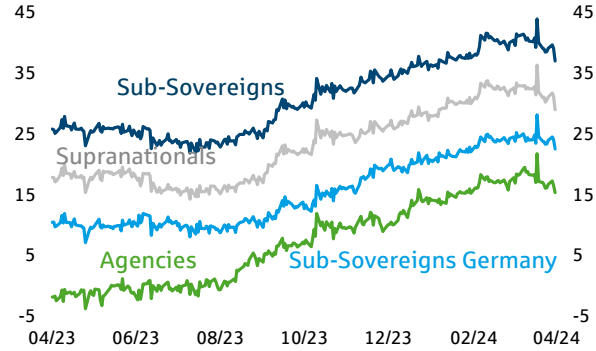
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

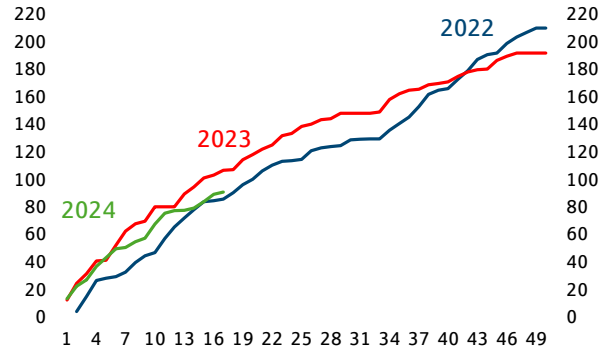
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

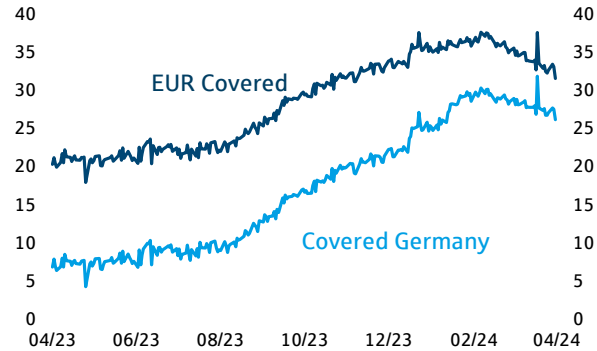
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

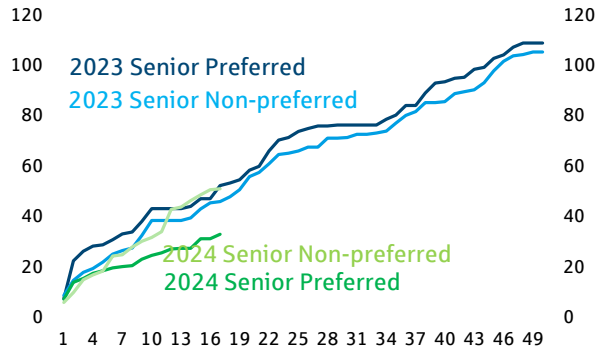
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

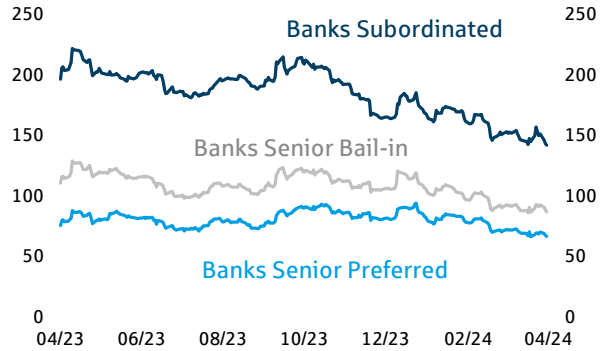
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

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
- → 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

Please feel free to contact us



Sabrina Miehs, CESGA
Head of FI & SSA Research
Senior Advisor Sustainable Finance
T 069/91 32-48 90



Dr. Susanne Knips
Senior Credit Analyst
T 069/91 32-32 11



Christian Schmidt
Covered Bond & SSA Analyst
T 069/91 32-23 88

Publisher and editorial office

Helaba Research & Advisory

Editor:
Sabrina Miehs
Corporate Research & Advisory

Responsible:
Dr. Gertrud R. Traud
Chefvolkswirtin/
Head of Research & Advisory

Neue Mainzer Str. 52-58
60311 Frankfurt am Main
T +49 69 / 91 32 – 20 24
Internet: www.helaba.com

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