Helaba

Focus on: SSAs & Financials

2 May 2024

Weekly Market Update

Primary market environment: The Federal Reserve left its key interest rates unchanged and the pace of asset reduction will slow from June. It was also stressed that future decisions would be data dependent and there was no clear indication of a rate cut in June. Primary market activity should gradually pick up as the end of the blackout period approaches.

Primary market barometer

SSAs



This week saw two transactions in the SSA segment for a total of EUR 5.25bn. We expect issuance activity to pick up in the near term as soon as the dampening effect of the 1 May holiday and the general blackout of the primary market disappears.

Covered Bonds



A week without a primary transaction is a rarity. However, this is likely to change quickly with the end of the reporting season. The primary market remains fundamentally receptive, as evidenced by the success of recent issues.

Senior Unsecured



Primary market activity in the senior unsecured segment continued to be affected by the ongoing reporting season. Nevertheless, three very successful transactions were completed this week. This again underlines the overall positive sentiment.

Risk trend indicator (heat map): Risk aversion on the rise again

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,03	0,22	0,05	0,73	2,68	3,93
European Union	0,03	0,01	-0,27	-0,12	0,75	2,85
Germany Covered	-0,01	0,01	-0,13	-0,03	2,04	2,83
EU Covered	-0,02	-0,02	-0,24	-0,42	1,13	2,74
Banks senior preferred	0,00	0,02	-0,14	-0,63	-0,53	0,49
Banks senior bail-in (SNP)	-0,01	0,01	-0,08	-0,64	-0,97	-0,19
Banks subordinated	-0,01	0,06	-0,11	-0,62	-1,43	-0,49
Supranational	0,02	0,02	-0,19	-0,01	0,94	2,90
Agencies	-0,03	-0,04	-0,39	0,06	1,94	3,70
Sub-Sovereigns Germany	-0,01	0,02	-0,03	0,10	0,78	1,24
Sub-Sovereigns	-0,01	0,02	-0,21	0,02	0,96	2,23

strong middle weak unchanged weak middle strong

spread widening* spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

Last week our heat map showed a significant easing. This seems to be over, at least in the short term, and risks are weighted slightly higher.



SSAs

This week we only saw the first primary market transactions in this segment on Tuesday. However, these were characterised by very strong order books. With demand totalling more than EUR 24bn, **KfW** had no difficulty in successfully placing a EUR 4bn **Green Bond** with a maturity of 8 years. With this issue, KfW has now raised EUR 50 billion on the capital market out of a target of EUR 90 to 95 billion for the year as a whole. Green bonds account for EUR 7 billion of the EUR 10-13 billion target. In the secondary market, the new bond was unable to continue the positive trend in the primary market, with fast money accounts apparently trying to sell the bonds quickly. The Canadian **province of Saskatchewan** was also active on the same day. A EUR 1.25bn 10-year benchmark was priced 3bp tighter at MS + 49bp thanks to an order book of EUR 6.9bn. The NIP was 3bp. The primary market was also quiet due to the May bank holiday. Overall, Wednesday was the fifth trading day with no primary activity (all segments).

Outlook: The fundamentally constructive environment has not changed, so we expect issuance activity to continue, including with various states. The EU has issued a request for proposals (RfP) for another issue in the period 13-17 May.

€ SSAs issues week of 29 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,875%	KFW	Aaa /AAA/AAA	4,000bn		31.03.2032	ms +6 bps	✓	30.04.2024	24,500bn	ms +8 area
3,300%	Saskatchewan	Aa1 /AA/AA	1,250bn		08.05.2034	ms +49 bps		30.04.2024	6,900bn	ms +52 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

The covered bond segment remained quiet on the primary market stage throughout the week. This was probably due to the 1 May holiday and the associated absence of major players, as well as the end of the month. In addition, some issuers were still in the blackout period.

The "merry month" of May is likely to start on a fundamentally constructive note. Current primary and secondary valuations are generally seen as fair. There are no signs of a slowdown in investor demand, particularly for new issues. Compared with the strong secondary performance at the start of the year, trading is currently a little quieter and momentum has slowed somewhat.

The country allocation is unlikely to change for the time being. Bonds from the euro core countries will continue to be at the bottom of the performance rankings. In around two months' time, the deadline for topping up protected legacy bonds following the implementation of the CBD will expire. In this context, grandfathered means that these bonds do not necessarily have to fulfil all the requirements of the new directive 1:1 in order to qualify favourably for the regulatory requirements. It remains to be seen whether issuers will use the closing time window to top up corresponding bonds, especially as certain requirements regarding residual term, issue volumes, etc. must be met. Possible increases should therefore not have a significant negative impact on the supply-demand ratio.

Outlook: After the temporary pause on the primary market, we expect a noticeable revival in the coming week. The Bank of Queensland already has a 5-year benchmark in the pipeline

> "There is much to suggest that spread performance will remain positive, but flatter in the coming weeks. In any case, the key issues for the market as a whole remain intact and have yet to be conclusively resolved for the future. First and foremost is the medium-term trend in interest rates in the world's main economic regions, even if the "safe" path in the eurozone points to interest rate cuts in the short term".
>
> *Comment from the Helaba trading floor*

€ Covered Bond issues week of 29 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 Unsecured

Following last week's issuance of just under EUR 3bn in the senior segment, our expectation of subdued activity was confirmed this week, although there were three issues totalling EUR 2.5bn.

On Monday, UK-based **Barclays** issued a HoldCo dual-tranche benchmark (senior non-preferred) for EUR 1bn and EUR 0.75bn. The 4NC3 short floater was easily placed at €3 + 80bp and the 11NC10 fixed rate, which was also heavily oversubscribed, at MS + 155bp. Both were significantly oversubscribed, allowing the final spreads to be narrowed by 35 bp and 30 bp to €3 + 80 bp and MS + 155 bp respectively.

Banque Fédérative du Crédit Mutuel (BFCM) successfully issued a 7-year senior preferred **green** benchmark (EUR 750m) today. With an order book of over EUR 3.9bn, the spread over the benchmark narrowed by 35bp to MS +110bp.

Outlook: The reporting season for financials is coming to an end. The primary market should therefore pick up again soon.

€ Senior Preferred issues week of 29 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	BFCM	Aa3 /A+/AA-	0,750bn		15.05.2031	ms +75 bps		02.05.2024	2,500bn	ms + 110 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 29 April 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,347%	Barclays PLC	Baa2 /BBB/A	1,000bn		08.05.2035	ms +155 bps		29.04.2024	5,300bn	ms + 190 area
3mE + 80	Barclays PLC	Baa2 /BBB/A	0,750bn		08.05.2028	ms +80 bps		29.04.2024	2,500bn	3m€ +110 area

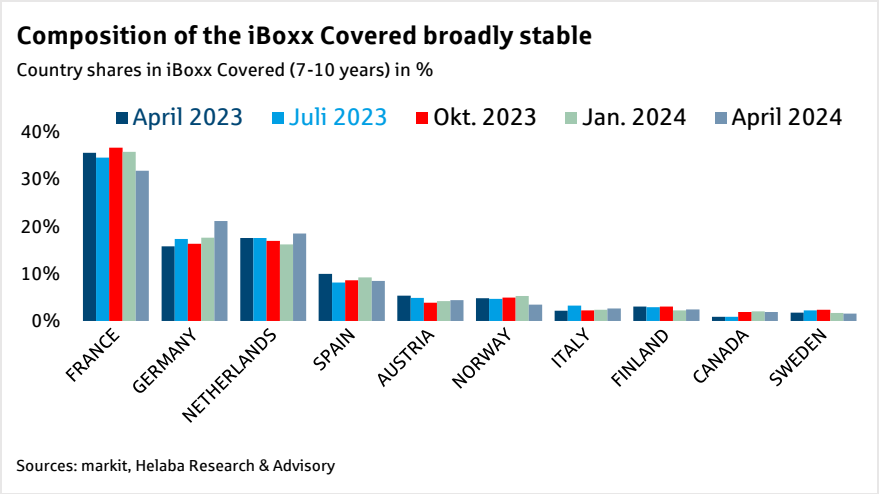
Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
SOCIETE GENERALE SA	5/3	BANCO BPM SPA	5/7
CREDIT AGRICOLE SA	5/3	SPAREBANKEN SOR	5/7
INTESA SANPAOLO	5/3	UBS GROUP AG-REG	5/7
UNICREDIT SPA	5/6	UBS GROUP AG-REG	5/7
BANCA MONTE DEI PASCHI SIENA	5/6		

Sources: Bloomberg, Helaba Research & Advisory

Chart of the Week



The composition of the iBoxx Covered (here 7-10 years) is re-weighted monthly according to issuance activity. The shifts between January and April 2024 are striking. While France's share fell during this period, Germany and the Netherlands recorded higher weightings. In contrast, the changes for the other countries were relatively small, with Italy and Austria increasing slightly. Overall, the analysis is a snapshot and the weighting could change quickly if, for example, more French bonds are issued or the share of German and Dutch bonds falls again due to maturities. In the current constellation we estimate the impact on spread developments to be relatively small, especially as France, Germany and the Netherlands are core countries and spreads are already very tight.

Short news

4/30 ESAs risk update: risks remain high in the EU financial system: In their spring risk update on the EU financial system, the three European supervisory authorities (EBA, EIOPA and ESMA - the ESAs) point out that risks remain elevated against a backdrop of slower growth, an uncertain interest rate environment and ongoing geopolitical tensions. Financial markets have performed well in recent months in anticipation of potential interest rate cuts in 2024 in both the EU and the US, despite the considerable uncertainty that this entails. However, this strong performance would entail an increased risk of market corrections in the event of unexpected events. Credit risk is also likely to rise further as funding needs increase. Although asset quality in the banking sector remains solid, it is likely to deteriorate if economic growth slows further.

4/30 Fitch Ratings Covered Bonds Snapshot - 1Q24: Net supply of benchmark covered bonds was positive in 1Q24, as issuance was above the average of the last decade, outstripping redemption. Noteworthy Fitch-only rated new issues included UBS Switzerland AG's first jumbo mortgage covered bonds in euros. Loans in the cover pool are in Swiss francs, like outstanding covered bonds issuances. The new euro bonds are swapped into Swiss francs and investors are not at risk of recoveries given default denominated in the wrong currency, as the Swiss franc cover assets are on average shorter (4.25 years) than the new liability (five years).

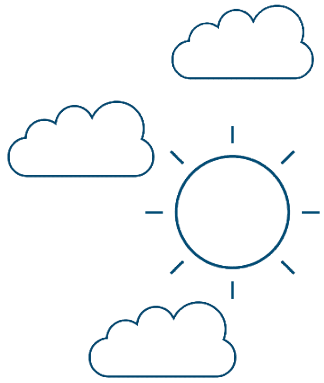
4/26 Fitch Ratings: Asset Swaps Support Stable Excess Spread in UK Covered Bonds Programmes: The cover pool swaps provided by UK covered bonds issuers have supported stable excess spread in their programmes, Fitch Ratings says. The swaps provide a margin over the UK short-term rate (Sonia), with a median at 1.2% for UK programmes rated by Fitch. This compares to 0.7% for the liabilities margin. This positive differential reduces the break-even over-collateralisation for the 'AAA' ratings of UK covered bonds.

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

E-STOXX 600 Banks	196	0,58%	1,42%	iBoxx € Cov. Germany	26,7	0,6	-1,0	iTraxx Senior Financial	64,7	-0,2	1,0
10Yr-Yield	2,58	0,00	0,18	iBoxx € Cov. Bonds	32,0	0,4	-1,9	iBoxx € Supranational	30,8	1,8	-1,6
Swap 10J	2,86	-0,03	0,19	iBoxx € Banks PS	67,7	1,4	-2,6	iBoxx € Agencies	15,4	0,1	-3,3
iBoxx € Germany	-15,42	3,42	1,08	iBoxx Banks NPS	88,0	1,2	-1,6	iBoxx € Sub-Sov. Germany	23,6	1,1	-0,2
iBoxx € EU	36,67	2,13	-3,25	iBoxx Banks Subordinated	145,1	3,2	-4,0	iBoxx € Sub-Sovereign	38,3	1,3	-2,1

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

Leisure tip for the weekend: Dyck Castle (NRW)



Dyck Castle in Jüchen is one of the most important moated castles in the Rhineland. Rhineland. The complex consists of a main castle and two outer castles surrounded by a moat. The castle has a triple moat system. The park was laid out in 1794 in the style of an English landscape garden. The German Foundation for Monument Conservation recognises the park for its 'remarkable number of valuable trees and plant rarities'. The castle has been administered by a foundation since 1999.

Find out more: **Dyck Castle**

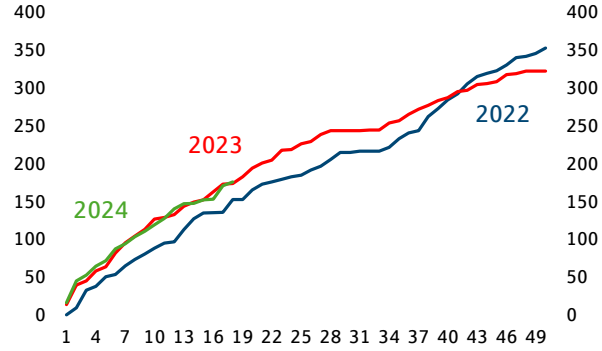
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: www.stiftung-schloss-dyck.de/en/

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

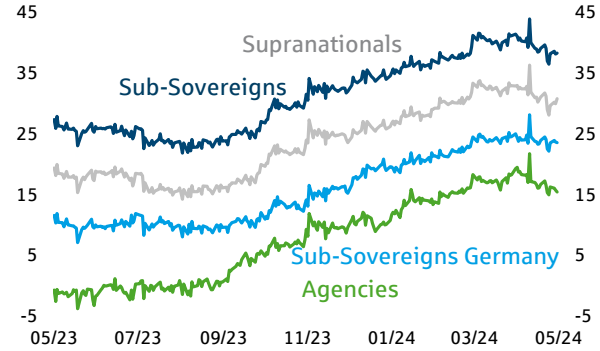
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

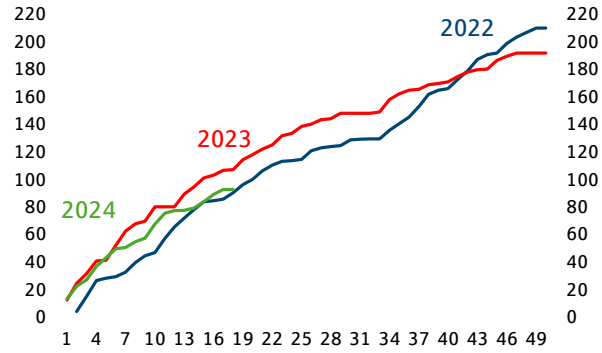
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

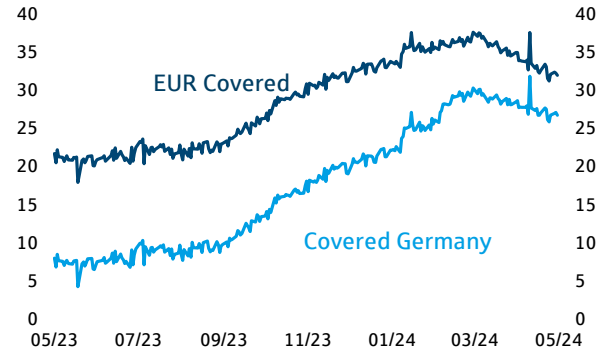
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

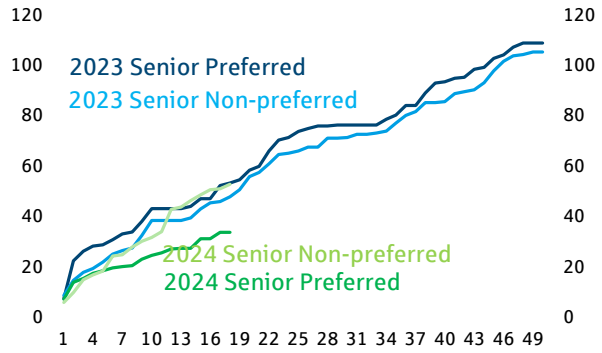
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

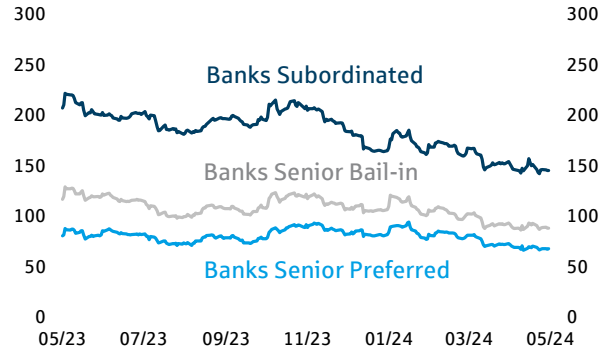
EUR benchmark issue volume cumulative by weeks, bn EUR



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

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.

Here you can subscribe to our newsletter:
https://news.helaba.de/research/