Helaba

Focus on: SSAs & Financials

10 May 2024

Weekly Market Update

Primary market environment: The Bank of England has not changed its monetary policy, with two of the nine BoE members arguing for a rate cut. The door remains open for a summer hike. Collins of the Federal Reserve argues for rates to remain on hold until there is more confidence that inflation will fall. The primary market environment remains constructive.

Primary market barometer

SSAs



In terms of number of transactions, the SSA segment was the most active this week. EUR 3.75bn of new issues were printed. The environment remains constructive, with further activity expected in the upcoming holiday-free week.

Covered Bonds



After an issue-free previous week, two primary market transactions took place since Monday. The French Caffil bond stood out with a strong order book of EUR 7.4bn. The long tenor of 15 years was also noteworthy. The environment remains supportive and further issuance is expected.

Senior Unsecured



The approaching end of the reporting season has led to a welcome revival in the primary market this week. Issuers still have large refinancing needs this year and conditions are likely to remain favourable over the next two weeks to meet these needs.

Risk trend indicator (heat map): Optimism returns

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,01	-0,05	-0,09	0,51	2,49	3,91
European Union	-0,06	-0,10	-0,34	-0,10	0,74	2,91
Germany Covered	-0,01	-0,02	-0,29	-0,26	1,96	2,74
EU Covered	-0,02	-0,04	-0,36	-0,49	1,07	2,68
Banks senior preferred	-0,02	-0,08	-0,13	-0,73	-0,82	-0,21
Banks senior bail-in (SNP)	-0,02	-0,11	-0,12	-0,67	-1,35	-0,75
Banks subordinated	-0,02	-0,09	-0,08	-0,68	-1,72	-1,07
Supranational	-0,05	-0,06	-0,29	0,01	0,94	2,98
Agencies	-0,01	0,02	-0,42	0,03	1,89	3,81
Sub-Sovereigns Germany	-0,02	0,01	-0,12	0,10	0,81	1,33
Sub-Sovereigns	-0,04	-0,02	-0,27	0,04	0,97	2,24

strong | middle | weak | unchanged | weak | middle | strong

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

The temporary clouding of our heat map appears to be over. The picture has visibly brightened and the underlying positive tone is likely to continue.

SSAs

The SSA market started the week rather quietly, with low turnover and very moderate spread movements. This changed on Tuesday with the announcement of the possible inclusion of EU bonds in the MSCI Government Bond Index. Until this news, EU bonds traded flat and in some cases slightly weaker than swaps. A wave of buying then set in and lasted until the close of trading, pushing EU bonds up to 5bp vs. swaps.

Overall, the positive sentiment in the SSA segment continued, although the order books showed noticeable price sensitivity. In some cases, final order volumes were well below the highs reached during bookbuilding.

The **Free State of Saxony** successfully opened the primary market this week with a EUR 500m (WNG) 10-year state bond. The target volume was achieved and the final spread tightened by 1bp to MS + 15bp vs. guidance. On Tuesday, **NRW.Bank** (EUR 1bn, 7 years, green) and the **State of Berlin** (EUR 500m, FRN, 6 years, WNG) took the stage. With an order book of EUR 3.2 bn, NRW.Bank easily crossed the finish line. The final spread tightened by 2 bp to MS +12 bp and pricing was without a premium to the secondary market curve. The Berlin floater achieved a bookbuilding of EUR 600m. The series continued on Wednesday with **ISB Rheinland-Pfalz** (EUR 250m, 10 years, WNG) and the **State of Baden-Württemberg** (EUR 1bn, 5 years, WNG). Baden-Württemberg's final spread tightened by 2bp to MS + 3bp with an order book of EUR 1.23bn. ISB's final spread was unchanged from the guidance of MS + 22bp. No book was published, suggesting that the issue was only partially successful. No order book was published for the NRW issue either. Pricing was unchanged from guidance at MS -2bp.

Outlook: The market is expecting a new long end EU issue early next week, which should be well received in the circumstances outlined above. Other EU names were only marginally higher, but should start the week well supported by the performance of EU bonds.

€ SSAs issues week of 6 May 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,875%	Sachsen	- /AAA/-	0,500bn		15.05.2034	ms +15 bps		06.05.2024	0,525bn	ms + 16 area
2,750%	NRW.BANK	Aa1 /AA/AAA	1,000bn		15.05.2031	ms +12 bps		07.05.2024	3,200bn	ms + 14 area
3m€ +11 Bp	Berlin	Aa1 /-/AAA	0,500bn		15.05.2030	ms +11 bps		07.05.2024	0,600bn	3m€ + 11 area
2,875%	ISB Rheinland-Pfalz	- /-/AAA	0,250bn		17.05.2034	ms +22 bps		08.05.2024	not disclosed	ms + 22 area
2,750%	Land Baden-Wuerttemberg	Aaa /AA+/-	1,000bn		16.05.2029	ms +3 bps		08.05.2024	2,100bn	ms + 5 area
3,000%	Land NRW	Aa1 /AA/AAA	0,250bn		24.05.2027	ms -2 bps		08.05.2024	not disclosed	ms -2 Bp

Sources: Bloomberg, Helaba DCM

Covered Bonds

After no new issuance in the previous week, Tuesday saw a more mixed picture in the covered bond segment. **Caffil** (EUR 500m, 15 years, public sector), the largest French issuer of public sector covered bonds, and **SpareBank 1 Boligkreditt** (EUR 1bn, 10 years) were the two transactions that kept the primary market busy on the day. The 15-year Caffil was in high demand with an order book of EUR 7.4bn. This was certainly due to the fact that this was the first 15-year issue in the European primary market for around two years and there was some pent-up demand in this maturity segment. Given the success of the transaction, more issuers are likely to return to long maturities in the future. The SpareBank 1 Boligkreditt book was 1.5 times oversubscribed.

Outlook: The "newcomer" to the covered bond market, **Standard Chartered Bank (Singapore)**, is already in the pipeline with a 3-5 year EUR benchmark. The bank's new covered bond programme will be launched at an investor event on 13 May. The environment remains constructive and further issuance is likely in the pipeline. Overall, however, we continue to see confirmation of our annual issuance forecast of EUR 160bn, especially as the current volume of EUR 94bn is the first time it has fallen below the comparable figure (EUR 96bn) from 2022 onwards (see chart in annex).

€ Covered Bond issues week of 6 May 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	CaFFiL	Aaa /AA+/AAA	0,500bn		17.05.2039	ms +45 bps		07.05.2024	7,400bn	ms + 45-48 bps
3,000%	SpareBank 1 Boligkreditt	Aaa /-/-	1,000bn		17.05.2034	ms +36 bps		07.05.2024	1,500bn	ms + 40 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

The reporting season is drawing to a close. This, together with the more favourable market environment, has led to a significant increase in issuance activity for senior unsecured bank bonds. On Tuesday alone, there were **5 transactions in EUR benchmark format with a total volume of EUR 4.25bn.** There were also mezzanine issues from Banco Santander, Erste Group and ING Group.

While Norway's **SpareBank 1** issued a preferred bond, **Bayern LB**, **Citigroup** and **Lloyds Banking Group** issued non-preferred bonds. The new securities have maturities of between 4 and 8 years. **Citigroup** issued two tranches, one with a fixed coupon and one with a floating coupon.

All transactions were very successful, with spreads tightening significantly during the bookbuilding process and good oversubscription rates. **Lloyds Banking Group's** 7-year non-preferred bond was particularly popular, with an issue size of EUR 1bn, which was almost five times oversubscribed. Like **Bayern LB's** fixed-rate bond and **Citigroup's** floating-rate bond, this was a green issue.

> *„Credit markets breathe a sigh of relief! After the turbulent days leading up to and during the Fed's rate decision and some negative balance sheet outlooks from major companies, last Friday's US employment data is a balm for battered souls. The prospect of a rate hike, which had been postponed, has been rekindled. Spreads widened again in the short term and the iTraxx indices hit new series lows following the bullish equity markets."*
>
> *Comment from Helaba's trading room*

Outlook: We expect to see strong issuance in this segment over the next two weeks. On the one hand, most companies have now published their quarterly reports, so that they are no longer subject to blackouts, and on the other hand the market environment is proving to be encouragingly receptive. The upcoming central bank meetings in early June could then have a dampening effect.

€ Senior Preferred issues week of 6 May 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.375%	SpareBank 1 SR-Bank	Aa3 /-/-	0.500bn		14.11.2029	ms +72 bps		07.05.2024	1.100bn	ms + 100 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 6 May 2024

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.750%	Bayerische Landesbank	A1 /-/A-	0.500bn		14.02.2031	ms +105 bps	✓	07.05.2024	1.450bn	ms + 130/135 bp
3m€ +60 Bp	Citigroup Inc.	A3 /BBB+/A	0.750bn		14.05.2028	ms +60 bps	✓	07.05.2024	2.100bn	3m€ + 85 area
3.750%	Citigroup Inc.	A3 /BBB+/A	1.500bn		14.05.2032	ms +105 bps		07.05.2024	4.100bn	ms + 130 area
3.875%	Lloyds Banking Group plc	A3 /BBB+/A	1.000bn		14.05.2031	ms +118 bps	✓	07.05.2024	4.900bn	ms + 150 area

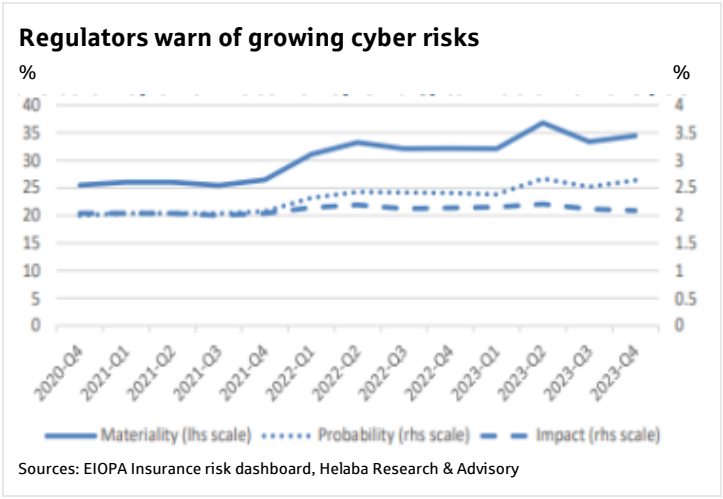
Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
OBERBANK AG	5/13	COMMERZBANK AG	5/15
DEUTSCHE PFANDBRIEFBANK AG	5/14	ABN AMRO BANK NV-CVA	5/15
AAREAL BANK AG	5/15	KBC GROUP NV	5/16

Sources: Bloomberg, Helaba Research & Advisory

Chart of the Week



Sources: EIOPA Insurance risk dashboard, Helaba Research & Advisory

Cyber threats have become more aggressive, with an increasing number of attacks attempting to disrupt services or attain unauthorised access to data and services, including ransomware, according to the recently published **Spring 2024 Joint Committee risk assessment of the three European Supervisory Authorities**.

The impact from cyber attacks has thus to date been limited. In the banking sector, it will however be important to reflect on findings from **cyber resilience testing currently underway**, according to the report. A combination of heightened geopolitical instability and increased reliance on digital solutions is increasing cyber insecurity. Looking forward, reliance on IT outsourcing is expected to drive cyber activity in 2024. Developments highlight the importance of the ESAs jointly addressing risks connected to cyber resilience and have strengthened the expectations on the application of the **Digital Operational Resilience Act** (DORA).

Short news

5/7 Standard Chartered Bank (Singapore) Limited joins the Covered Bond Label: The **Covered Bond Label Foundation** (**CBLF**) is delighted to announce that Standard Chartered Bank (Singapore) Limited (SCBSL) has joined the community of labelled issuers, which now counts **142** issuers and **178** cover pools in **25** jurisdictions.

5/6 Fitch Affirms 4 Portuguese Covered Bond Programmes: Fitch Ratings has affirmed the Portuguese mortgage covered bonds (Obrigacoes Cobertas, ObC) issued by Banco Comercial Portugues, S.A. (BCP, BBB-/Stable/F3), Caixa Economica Montepio Geral, Caixa economica bancaria, S.A. (Banco Montepio, BB/Stable/B), Caixa Geral de Depositos, S.A.'s (CGD, BBB/Stable/F3) and Banco Santander Totta S.A.'s (Totta, A-/Stable/F2).

5/6 KfW sells first blockchain-based digital bond: German state-owned development bank KfW is preparing to issue its first blockchain-based digital bond in the form of a crypto security, according to Bloomberg. KfW has already issued its first digital bond in the form of a central register security under the German Electronic Securities Act (eWpG). "We are now taking the next big step with the issue of a blockchain-based bond, for which we want to attract as many investors as possible," said treasurer Tim Armbruster in a statement.

5/6 Revival of EU Single Market – Defining the road ahead: The European Single Market – one of the EU's greatest achievements – is stuttering, according to several industry stakeholders. Their concerns include too much fragmentation, excessive bureaucracy, and lack of harmonised rules. Former Italian Prime Minister Enrico Letta was

tasked with preparing a report on the future of the Single Market, set to be discussed by European heads of government in the coming months. **(Euroactiv)**

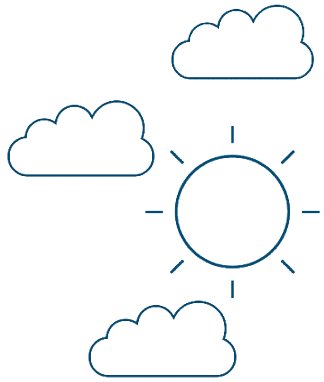
5/3 Euro area bank interest rate statistics: The **European Central Bank** published the Euro area bank interest rate statistics for March 2024. Composite cost-of-borrowing indicator for new loans to corporations increased to 5.18%, driven by interest rate effect; indicator for new loans to households for house purchase decreased by 5 basis points to 3.80%, driven by interest rate effect

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

E-STOXX 600 Banks	200	1,52%	5,28%	iBoxx € Cov. Germany	26,4	-0,4	-5,4	iTraxx Senior Financial	59,4	-3,5	-4,9
10Yr-Yield	2,50	-0,06	0,02	iBoxx € Cov. Bonds	31,5	-0,7	-6,1	iBoxx € Supranational	30,1	-1,2	-6,2
Swap 10J	2,78	-0,04	0,03	iBoxx € Banks PS	65,4	-2,1	-5,1	iBoxx € Agencies	15,7	0,2	-6,1
iBoxx € Germany	-16,38	-0,87	-3,65	iBoxx Banks NPS	84,4	-3,7	-6,0	iBoxx € Sub-Sov. Germany	23,6	-0,1	-4,5
iBoxx € EU	35,44	-1,91	-7,55	iBoxx Banks Subordinated	141,2	-4,3	-6,4	iBoxx € Sub-Sovereign	38,1	-0,7	-5,8

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

Leisure tip for the weekend: Experience height Wald-Michelbach (Hesse)



The Odenwald is famous for the Nibelungen saga. In the heart of the Bergstrasse-Odenwald Nature Park, nature is still unspoilt and offers an unforgettable day out. Embedded in the beautiful landscape of the Überwald, the southern part of the Odenwald, the summer toboggan run and the Wald-Michelbach climbing forest offer a unique leisure experience close to nature, where tobogganing, adrenalin and adventure are very important. This is what sets the summer toboggan run and climbing forest apart from conventional amusement parks.

Find out more: **Experience height**

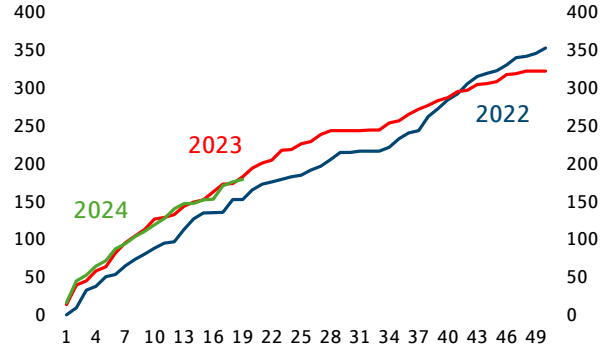
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: www.familienausflug.info/ausflugsziel/erlebnishohe-wald-michelbach

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

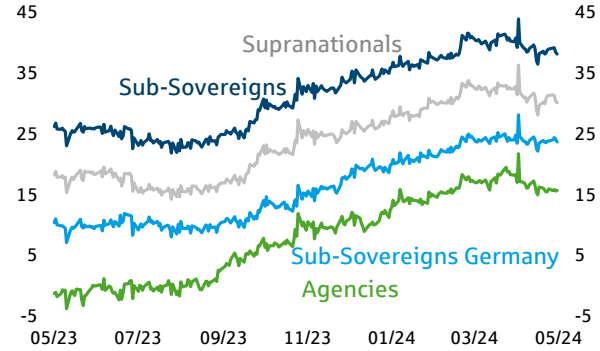
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

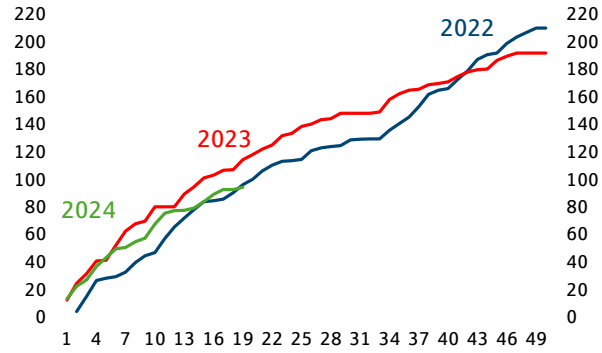
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

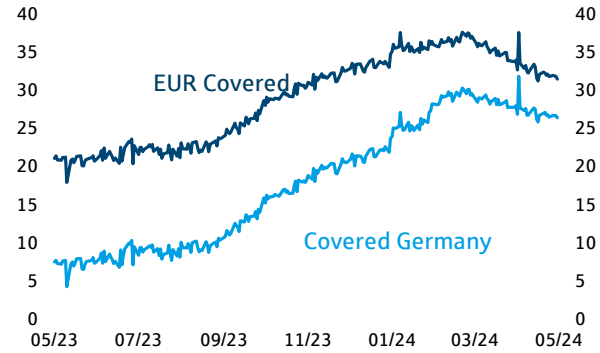
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

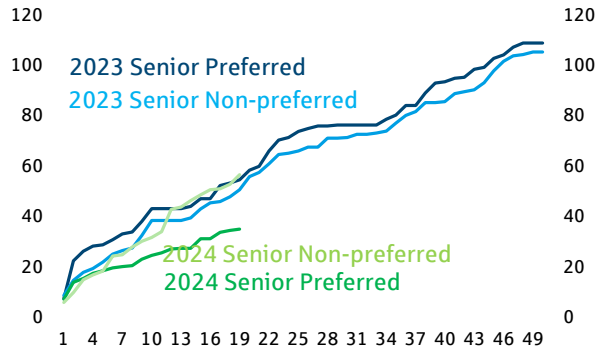
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

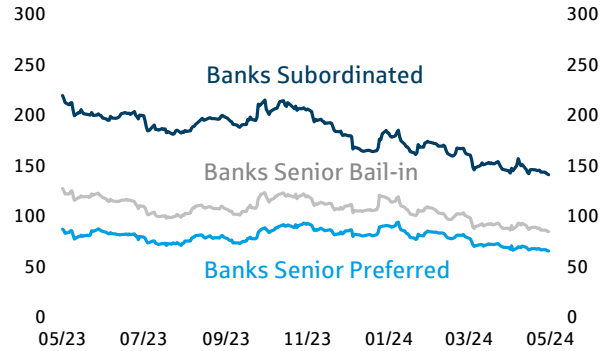
EUR benchmark issue volume cumulative by weeks, bn EUR



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
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- → Markets & Trends 2024 – Global economy in a transition game

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