Helaba

Focus on: SSAs & Financials
7 June 2024

Weekly Market Update

Primary market environment: The European Central Bank has decided to reverse course on interest rates, pre-empting the US Federal Reserve. The first rate cut since 2019 had been announced by the ECB for some time, so it comes as no great surprise. Speculation about rate cuts has also increased in the US recently, although not all the data has been weak.

Primary market barometer

SSAs



The primary market in the SSA segment continues to be receptive. This week three issuers took advantage of the good conditions and had no trouble filling their order books, as evidenced by the significant oversubscription in some cases. Notably, all three were ESG rated.

Covered Bonds



New issues continue to meet with good to very good demand. This week 4 issues were placed for a total of EUR 2.25bn. Maturities between 3 and 6 years are in line with the trend, although longer maturities have been seen to a lesser extent recently.

Senior Unsecured



Issuing activity in this segment remains buoyant, albeit repeatedly interrupted by central bank decisions. This week has been dominated by issuance from large institutions. We expect open market windows to continue to be used until the summer break.

Risk trend indicator (heat map): Covered bonds in high demand

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,04	-0,10	0,24	0,10	2,31	3,28
European Union	-0,09	0,01	0,09	-0,20	0,79	2,20
Germany Covered	-0,07	-0,03	-0,12	-0,37	1,77	2,44
EU Covered	-0,08	0,00	-0,14	-0,60	0,97	2,38
Banks senior preferred	-0,01	0,10	0,02	-0,18	-0,79	-0,24
Banks senior bail-in (SNP)	0,01	0,12	0,04	-0,09	-1,12	-0,82
Banks subordinated	0,01	0,09	-0,13	-0,27	-1,44	-1,24
Supranational	-0,10	0,00	0,03	-0,16	0,95	2,41
Agencies	-0,13	0,00	0,06	-0,13	1,79	2,93
Sub-Sovereigns Germany	-0,06	0,00	-0,04	-0,05	0,84	1,33
Sub-Sovereigns	-0,10	0,06	0,03	-0,14	1,04	1,99

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

spread widening* | spread tightening*

* ASW levels standardized and 2T-smoothed

Sources: LSEG, Helaba Research & Advisory

The overall market environment remains favourable, with covered bank bonds in particular performing very well since the beginning of the year. Investors are focusing on quality.



SSAs

Last week's tightening of bund/swaps led to increased selling in the SSA market over the last few trading days. E-names came under the most pressure, especially EU bonds, which saw spreads over swaps fall by up to 5 bps during the week. The new issues of the last few days were also unable to make further gains and some issues (Walloo 54) are trading wider than when they were issued. Spreads over swaps are now quite tight and should provide a good opportunity to take a tactical long position before the summer break.

The downgrade of France's credit rating had little impact on the spreads of the country's SSAs as the move was already expected.

The Dutch **BNG Bank** (EUR 1bn, 7 years, sustainability) and the Spanish **Instituto de Credito Oficial** (ICO) (EUR 500m, 5 years, social, WNG) successfully opened the primary market this week. The ICO issue met with strong investor demand and was more than 4 times oversubscribed. The spread tightened by 2bps to SPGB +9bps compared to the marketing. BNG Bank also met its funding target with a bookbuilding of 1.3bn. Final pricing at MS +18 was 2bps tighter than the marketing.
CPPIB (EUR 1bn, 5 years, green, WNG) (wholly owned and guaranteed by the Canada Pension Plan Investment Board) also had no trouble filling the order book, which was ultimately 4.5 times oversubscribed. On Wednesday, the Autonomous Community of Andalusia (EUR 500m, 6 years, sustainable) completed this week's successful offering with the book four times oversubscribed.

Outlook: Overall, the issuance environment remains supportive. Another synchronised EU issue is on the agenda for next week.

€ SSAs issues week of 3 June 2024

Coupon	Issuer	Rating (M/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,875%	BNG	A2 /AA-	1,000bn		11.06.2031	ms +18 bps	✓	04.06.2024	1,300bn	ms + 20 area
3,050%	ICO	Aa3 /AA	0,500bn		31.10.2029	SPGB + 9 Bp	✓	04.06.2024	2,100bn	SPGB + 14 area
3,125%	CPPIB Capital Inc.	- /-	1,000bn		11.06.2029	ms +25 bps	✓	04.06.2024	7,300bn	ms + 25
3,200%	Junta de Andalucía	A1 /-	0,500bn		30.04.2030	SPGB +24 Bp	✓	05.06.2024	2,000bn	SPGB +29 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

LBBW opened the primary market this week with a EUR 750m benchmark. The 5-year covered bond saw very strong demand with a bookbuilding of over EUR 1.6bn, resulting in pricing 5bp tighter than the marketing at MS+22bp. **Achmea Bank** (BMK, 12 years) and Singapore's **Oversea-Chinese-Banking Corporation** (OCBC) (EUR 500m, 3 years, WNG) were two more issuers to successfully take advantage of the market's continued strong absorption capacity on Tuesday. This was Achmea's first issue with such a long maturity since September 2021. Bookbuilding totalled EUR 1bn and the spread was set 4bps tighter than guidance at MS + 46bps. OCBC's first EUR issue in around 6 years was significantly oversubscribed at EUR 1.45bn and the final spread was

> *"Looking at trading patterns over the last few days/weeks, it is clear that with very few exceptions, spreads on the latest issues are trading wider than at fixing! Depending on the geographical origin, the spreads are between 2-5 bps. The trend is particularly clear for maturities above 10 years. Achmea's issue from the Netherlands (Lfz. 12 Y MS+46) was an attempt to revive demand, which has been lacklustre of late. The final spread is well above current levels for comparable subordinated bonds, and the final result was only pulled down by 4 basis points. This set a new price level. Unfortunately, the bond failed to generate a large order book and subsequently traded sluggishly around the reoffer spread."*
>
> *Comment from Helaba's trading floor*

set 5bp tighter at MS + 20bp. On Wednesday, the **Credit Agricole (CA) Public Sector SCF** (EUR 500m, 6 years, WNG) had the primary market stage to itself.

There has been little change in overall market sentiment. Trading books are still well-filled given the sluggish secondary demand, while the structural overhang of supply in the market - especially in 'young bonds' - has not yet been reduced. Spreads remain under some pressure due to a lack of fresh impetus. Fresh money is needed to counter the unabated high supply - not just of covered bonds, but of all FI asset classes. Since this is no longer coming from the printing press, the private sector will have to step in. As long as the main players in this year's spread tightening are somewhat more cautious, as is currently the case, a resumption of the trend is not to be expected. In addition, what appears to be a rather one-sided positioning of intermediaries against the backdrop of the approaching end of the first half of the year, the start of the summer season and, in particular, the politically exciting autumn (US elections), is not conducive to a more constructive approach, according to our dealers. As a result, traders expect spreads to move sideways to slightly higher at best next week.

At the **ICMA conference** in Frankfurt on Thursday, the year to date was reviewed and it was noted that the momentum in the primary market in particular is impressive. The trend towards maturities between 3 and 7 years was also highlighted. According to our calculations, around 80% of all covered bond issuance this year up to the end of May was in this maturity range. More recently, issuers have started to venture into longer maturities with corresponding spread concessions, so we believe that the strong concentration in the second half of the year may ease somewhat. Another issue has been the development of new issue premiums, which have declined so far this year.

Outlook: We expect issuance to continue until the summer holidays, which start in about 4 weeks, have a dampening effect.

€ Covered Bond issues week of 3 June 2024

Coupon	Issuer	Rating (M/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	LBBW	Aaa /-	0,750bn		13.11.2029	ms +22 bps		03.06.2024	1,650bn	ms + 27 area
3,125%	Achmea Bank N.V.	- /-	0,500bn		11.06.2036	ms +46 bps		04.06.2024	1,000bn	ms + 50 area
3,290%	OCBC	Aaa /AAA	0,500bn		11.06.2027	ms +20 bps		04.06.2024	1,450bn	ms + 25 area
3,000%	Credit Agricole Public Sector SCF	Aaa /-	0,500bn		14.06.2030	ms +30 bps		05.06.2024	1,075bn	ms + 35 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds remains active, with transactions concentrated on the first two days of the week due to yesterday's ECB decision. The week was dominated by large leading institutions in their respective domestic markets. The trend of relatively high initial spread indications followed by significant spread tightening during bookbuilding continued. The ongoing favourable market environment is reflected in the good secondary market performance of new issues in recent weeks.

> *„Investor flows were again affected by the public holiday last week, but remained at an average level. It is worth noting that this time the monthly rebalancing by asset managers was postponed until the beginning of the new month. This has never happened before in these volumes. Otherwise, real money continues to be a provider at long maturities, creating room for new issuance. At the short end, asset managers are active on both sides in large sizes, mostly looking for 3.8% yields."*
>
> *Comment from Helaba's trading floor*

Total issuance for the week was around EUR 7bn. There was a good balance between preferred (4 transactions totalling EUR 3.2bn) and non-preferred (2 double tranches totalling EUR 3.75bn). In the preferred segment, transactions with maturities between 3 and 6 years were issued (Scotia, Nordea, OTP and Belfius), with spreads

tightening between 20 and 30 basis points during the bookbuilding process, depending on the issuer and the initial level. In the non-preferred segment, JP Morgan and UniCredit each issued a double tranche. Again, spreads tightened by around 30bp. Deutsche Pfandbriefbank is sending a positive signal this week with its offer to partially buy back three benchmark bonds.

Outlook: Issuers will continue to take advantage of favourable market windows before the summer break. However, upcoming central bank decisions (such as the Fed's next week) will cause interruptions in primary market activity.

€ Senior Preferred issues week of 3 June 2024

Coupon	Issuer	Rating (M/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3m€+53	Bank of Nova Scotia	A2 /AA-	0,750bn		10.06.2027	ms +53 bps		03.06.2024	0,900bn	3m€ + 75 area
3,375%	Nordea Bank Abp	Aa3 /AA	1,000bn		11.06.2029	ms +48 bps		03.06.2024	1,350bn	ms + 75 area
4,750%	OTP Bank Nyrt.	- /-	0,700bn		12.06.2028	ms +180 bps	✓	04.06.2024	1,700bn	ms + 210 area
3,625%	Belfius Bank SA/NV	A1 /-	0,750bn		11.06.2030	ms +82 bps	✓	04.06.2024	2,000bn	ms + 110 area

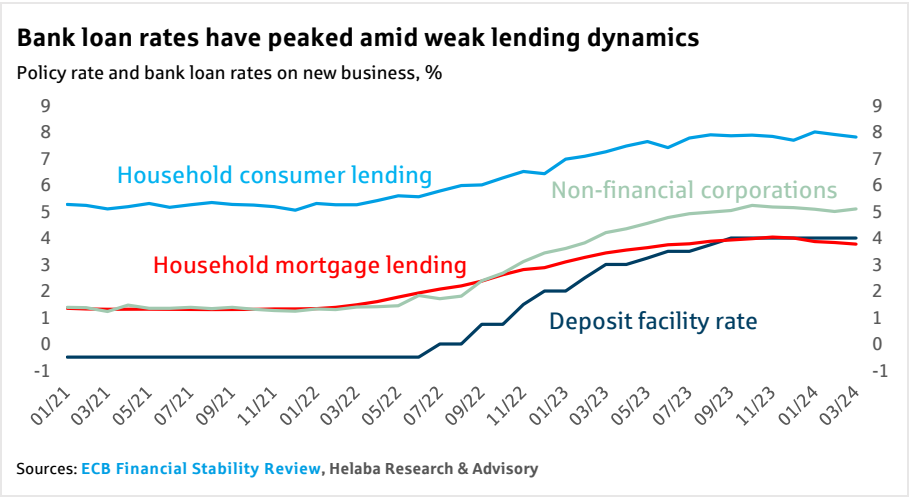
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 3 June 2024

Coupon	Issuer	Rating (M/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,674%	JPM Chase & Co	A1 /AA-	1,250bn		06.06.2028	ms +55 bps		03.06.2024	2,300bn	ms + 80/85 area
3m€+61	JPM Chase & Co	A1 /AA-	0,500bn		06.06.2027	ms +61 bps		03.06.2024	1,300bn	3m€ + 61 Bp
3,875%	UniCredit S.p.A.	Baa1 /BBB	1,000bn		11.06.2028	ms +85 bps		04.06.2024	2,000bn	ms + 120 area
4,200%	UniCredit S.p.A.	Baa1 /BBB	1,000bn		11.06.2034	ms +145 bps		04.06.2024	1,400bn	ms + 180 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



Weak loan demand and tight credit standards suggest that loan growth will remain subdued. **Rates charged by banks** on new loans to households and non-financial corporations have already lost momentum over recent months and appear to have **reached their peak**, according to the ECB's recent Financial Stability Review. Year-to-date bank lending flows to the non-financial private sector thus were at record lows at the end of March, driven by large reductions in mortgage lending and loans to non-financial corporations. Banks have tightened their credit standards further since the previous issue of the Financial Stability Review was published and expect those standards to tighten again over the second quarter of 2024, which should further dampen loan growth over the medium term. At the same time, the demand for loans from households and non-financial corporations has weakened further but is expected to recover slightly during the second quarter of 2024.

Short news

6/5 ECB to approve Greek banks' request to resume dividend payment after 16 years: The European Central Bank (ECB) is expected to approve a request by Greek banks to resume the payment of dividends after 16 years, four bankers told **Reuters**. The Greek banking sector is returning to normality after the country was rocked by a financial crisis that broke out in late 2009.

6/5 Fitch Ratings: New Zealand Covered Bond Programme Ratings Remain Stable Amid Economic Stress: New Zealand's covered bond ratings remain stable due to the high Issuer Default Ratings (IDRs) of all issuers, which, along with the overcollateralization of mortgage portfolios, would allow 'AAA' ratings to be retained even if a bank's IDR was downgraded by three notches, or five notches in the case of Kiwibank Limited, all else being equal. Underlying mortgage performance in New Zealand covered bond pools has remained excellent, even with the stress of official interest rates rising by 5.25%, to 5.50%, between October 2021 and May 2023 and the country's economy entering recession twice since 2Q22. Unemployment has also reached 4.3% in March 2024, from a low of 3.2% in December 2021.

6/4 ECB ready to force banks to tackle climate risk, Buch says: Eurozone banks are making progress in tackling climate-related risk but need to do more and the **European Central Bank** is ready to force them to act if necessary, Claudia Buch, Head of the ECB Supervisory Board, said as noted by Reuters.

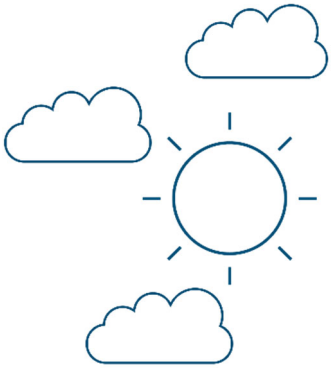
5/31 Banks are driving the green transition via climate tech: Commercial banks remain hesitant to finance large-scale, largely unproven climate tech projects needed for the low-carbon transition without policy support aimed at reducing risk. According to **the Banker**, ING's global head of sustainable finance says export credit agencies or blended finance are needed to make climate tech investments for Europe's green transition 'bankable'.

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

E-STOXX 600 Banks	202	-0,59%	0,90%	iBoxx € Cov. Germany	24,7	-0,6	-1,7	iTraxx Senior Financial	58,7	-0,1	-0,7
10Yr-Yield	2,54	-0,11	0,05	iBoxx € Cov. Bonds	29,7	-0,5	-1,8	iBoxx € Supranational	29,6	-1,4	-0,5
Swap 10J	2,79	-0,09	0,01	iBoxx € Banks PS	65,6	1,5	0,2	iBoxx € Agencies	15,1	-1,7	-0,6
iBoxx € Germany	-12,93	-2,11	3,44	iBoxx Banks NPS	85,3	2,6	0,9	iBoxx € Sub-Sov. Germany	22,3	-1,0	-1,3
iBoxx € EU	35,85	-1,38	0,41	iBoxx Banks Subordinated	134,7	2,9	-6,5	iBoxx € Sub-Sovereign	37,6	-0,8	-0,5

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

Leisure tip for the weekend: Thuringian CHORAL Treasures 2024



Are you ready for the ultimate competition? Here you are the stars of your own game show! In 2.5 hours you will compete in 8-10 games. Over 100 games in over 700 square metres - from tricky quizzes to tactical skill games and action-packed challenges. There's something for everyone! Compete against your friends or teammates and find out which team has what it takes to win.

Find out more: **CHORALTreasures**

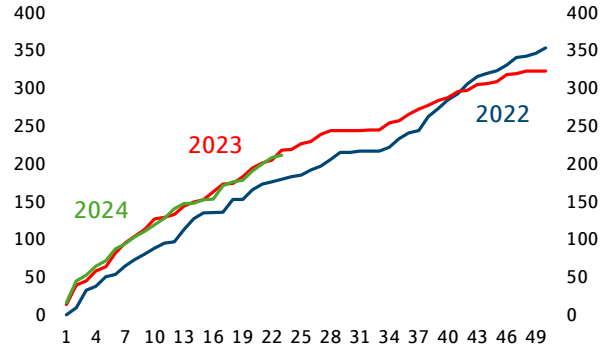
Do you have ideas for leisure tips? We would be happy to receive your suggestions at **research@helaba.de**.

Source: www.thueringen.info

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

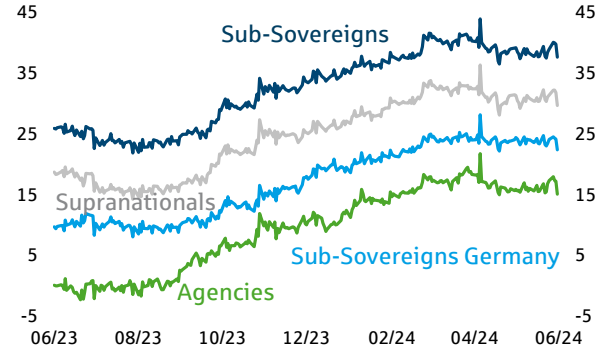
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

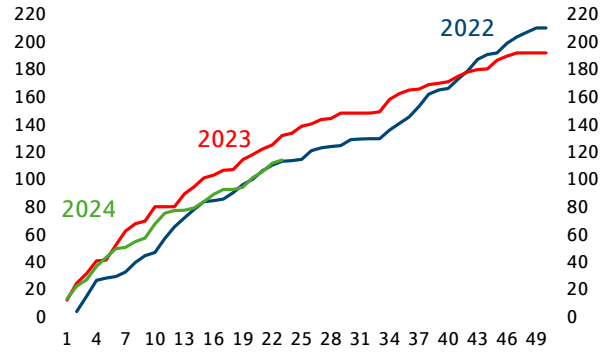
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

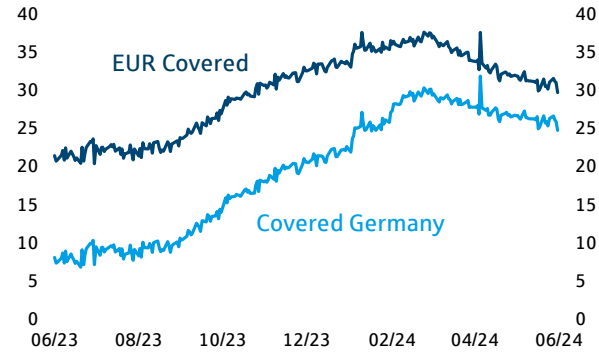
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

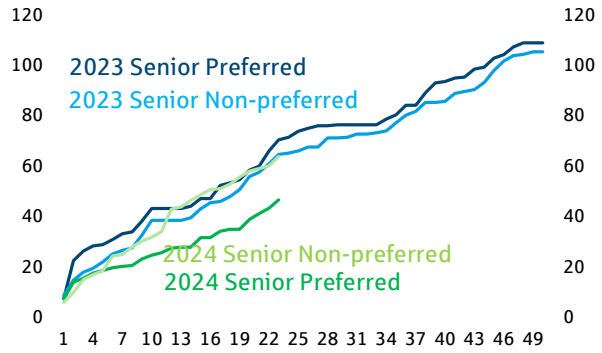
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

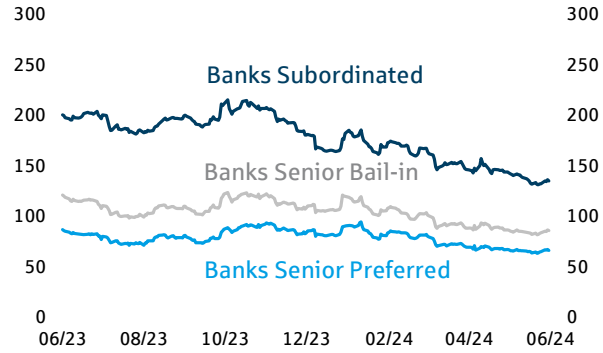
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

News from Research & Advisory

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- → Focus on Credit: Corporate Schuldschein - Primary market Q1 2024
- → Focus on Credit: EUR Corporate bonds – Primary market Q1 2024
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