

# Focus on: SSAs & Financials

## 15 June 2023



## Weekly Market Update



**Primary market environment:** Issuing activity was significantly lower this week. The US Federal Reserve kept its key interest rate range at 5.00-5.25% and left the door open for further increases. The ECB's key rates were raised by 25 basis points as expected, with the deposit rate now standing at 3.50%.

### Primary market barometer

#### SSAs



Primary market activity this week was dominated by the Fed and ECB meetings. A revival is expected next week. The focus may be on green issues.

#### Covered Bonds



Covered bond issuers have also taken a breather. This seems appropriate, given that the volume of transactions so far this year is almost 15% higher than last year (at the same time). Nevertheless, issuance should pick up again before the summer break.

#### Senior Unsecured

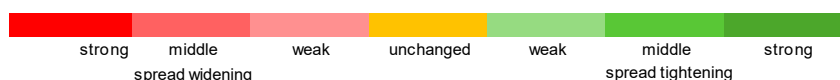


The primary market activity for senior unsecured bank bonds has also been much quieter this week, impacted by the central bank decisions. We expect issuance activity to pick up next week, as banks are likely to take advantage of open market windows again before the summer break.

### Risk trend indicator: Good mood for activities before summer break

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,02	0,07	0,35	0,42	152	-0,73
European Union	-0,03	-0,01	0,09	-0,08	165	173
Germany Covered	-0,05	0,01	0,05	0,08	0,97	109
EU Covered	-0,02	0,01	0,02	0,04	0,84	102
Banks senior preferred	-0,03	-0,17	-0,11	-0,43	-0,12	192
Banks senior bail-in (SNP)	-0,04	-0,21	-0,31	-0,46	-0,43	170
Banks subordinated	-0,02	-0,12	-0,36	-0,58	-0,43	2,04
Supranational	-0,04	-0,01	0,05	-0,08	147	149
Agencies	-0,03	-0,01	0,05	0,05	104	-0,04
Sub-Sovereigns Germany	-0,03	-0,01	-0,02	-0,07	0,52	-0,49
Sub-Sovereigns	-0,05	-0,03	-0,02	-0,21	0,92	0,31



\* ASW levels standardized and 2T-smoothed  
Sources: Refinitiv, Helaba Research & Advisory

The picture on our Risk Trend Indicator has brightened further recently. The medium-term outlook is broadly positive.



## SSAs

The start of the week was relatively quiet in the SSA segment. It was not until Tuesday that the first primary market transaction was announced. The State of Saxony-Anhalt placed a EUR 500m 10-year social bond. Erste Abwicklungsanstalt (EAA) issued a EUR 500m benchmark (WNG) with a 3 year maturity. The spread was ultimately fixed at MS-12 bp vs MS-10 bp in the marketing, and the book was 2.2 times oversubscribed. It was certainly due, at least in part, to the central bank meetings that took place during the week that the primary market was relatively subdued. However, the approaching summer break may also have played a role.

**Outlook:** The state of Hesse is preparing a green benchmark and investor calls are already underway. Bpifrance is also seeking a 10-year issue, also in a **green format**. Investor meetings are already being held. The state of Baden-Württemberg is also in the starting blocks with a green bond.

€ SSAs issues week of 12 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,950%	Sachsen-Anhalt	Aa1 /AA/AAA	0,500bn		20.06.2033	ms +0 bps	✓	13.06.2023	2,900bn	ms + 3 area
3,125%	EAA	Aa1 /AA/AAA	0,500bn		22.06.2026	ms -12 bps		13.06.2023	1,100bn	ms - 10 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

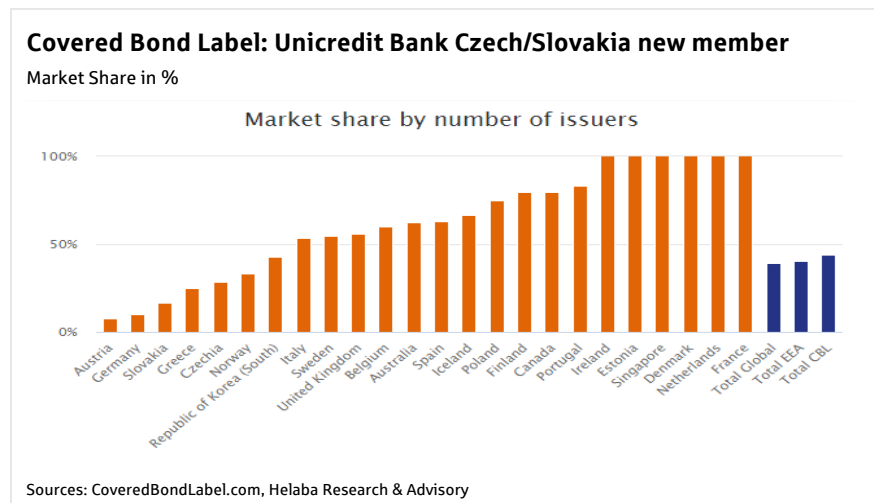
The primary market remained quiet at the start of the week. On Tuesday, UniCredit Bank Czech Republic and Slovakia a.s. kicked things off. The EUR 500 million covered (WNG) 5-year **green** issue attracted good investor interest and was ultimately 1.8 times oversubscribed. The final spread was tightened by 8bps to MS+77 compared to the marketing. Prior to the issue, it was announced that the issuer had joined the **Covered Bond Label**. (See also Chart of the week). On Wednesday, Belgium's Argenta Spaarbank followed with a benchmark, also with a 5-year maturity and a volume of EUR 500m (WNG).

*"There is latent pressure on swap spreads in the face of an obvious supply overhang. Nevertheless, the adjustment in the cash register is rather gradual and there are no signs of a hectic distortion. Secondary spreads have widened by an average of 2-3 bps on a weekly basis, also due to persistently high NIPs in primary transactions.*

*Comment from the Helaba trading floor*

**Outlook:** The overall low level of issuance activity in the Covered Bond segment this week should certainly benefit the market as a whole, after oversubscription rates have recently fallen significantly and issuers have seen little tightening in reoffer spreads. Nevertheless, issuers are likely to return to the primary market more frequently from next week's trading in the wake of central bank meetings and the upcoming summer break.

## Chart of the Week



This week, UniCredit Bank Czech Republic and Slovakia, a.s. joined the **Covered Bond Label**, which now comprises a total of 127 issuers and 170 cover pools in 24 countries. Landsbankinn hf, Erste Group Bank AG Austria, National Australia Bank Ltd. and Belfius Bank have already taken this step this year. The Covered Bond Label is a seal of quality that stands for common qualitative and quantitative standards and a higher degree of transparency and comparability in the

covered bond market. A key feature - in addition to statutory minimum standards - is the obligation of members to report uniformly in the Harmonised Transparency Template (HTT), which is valued by investors and analysts.

## € Covered Bond issues week of 12 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,750%	UniCredit Bank Czech Republic and Slovakia, a.s.	Aa2 /-/-	0,500bn		20.06.2028	ms +77 bps	✓	13.06.2023	1,000bn	ms + 85 area
3,375%	Argenta Spaarbank NV	- /AAA/-	0,500bn		22.06.2028	ms +28 bps		14.06.2023	0,850bn	ms + 30 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

In the course of the week so far, only three transactions were observed in the EUR benchmark format for senior unsecured bank bonds; in this segment, too, **the market calmed down** after the very active last few weeks. While ABN AMRO Bank placed a senior-preferred bond, Bayerische Landesbank and Danske Bank entered the primary market with non-preferred paper. All three transactions were solidly executed, albeit at respectable new issue premiums.

However, the focus of market participants this week was on **equity instruments** issued (AT1 & Tier 2), with AT1 bonds being publicly issued on the market for the first time since the takeover of Credit Suisse by UBS. The new bonds of BBVA, ABN AMRO Bank and Abanca offered good conditions and were happily received by investors.

*"The preferred segment trades on average 2 bps tighter despite various new issues. Periphery banks are the outperformers with significant tightenings; Italy -10 bps and Spain -5 bps. There was more movement in the non-preferred segment, and positive market sentiment led to compression between non-prefs and prefs. The average spread narrowing was 8 bps. Again, the periphery performed very well with 7-11 bps of tightening. Recent new issues show strong performance, e.g. BPCE 2034 non-pref tightened 20 bps and OP 2028 pref -12 bps. The market is absorbing the wave of new material well so far."*

*Comment from the Helaba trading floor*

**Outlook:** High maturities and strict bail-in capital requirements are driving primary market activity in senior unsecured bank bonds. We assume that issuers will start to make more use of the market again from the coming trading week - after processing the latest central bank meetings - not least against the backdrop of the approaching summer break.

#### € Senior Preferred issues week of 12 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,875%	ABN AMRO Bank NV	A /A1/A+	1,000bn		21.12.2026	ms +65 bps		13.06.2023	1,500bn	ms + 85 area

Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 12 June 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,250%	Bayerische Landesbank	A2 /-/-	0,500bn		21.06.2027	ms +105 bps	✓	14.06.2023	0,870bn	ms + 120 area
4,750%	Danske Bank A/S	0,000%	1,000bn		21.06.2030	ms +170 bps		14.06.2023	2,000bn	ms + 195 area

Sources: Bloomberg, Helaba DCM



### Short news

**6/14 TLTRO maturity in June:** The European Central Bank will soon test the resilience of the banking sector when credit institutions must repay about half a trillion euros in cheap pandemic-era central bank liquidity, [Bloomberg](#) reports. Italian banks are among those in the spotlight.

**6/13 Sustainable finance package:** The sustainable finance package published by the [European Commission](#) shows how the EU sustainable finance agenda can support companies and the financial sector by encouraging private funding of transition projects and technologies and facilitating financial flows to sustainable investments. Specifically, the Commission is today adding additional activities to the EU Taxonomy and proposing new rules for Environmental, Social and Governance (ESG) rating providers, which will increase transparency on the market for sustainable investments.

**6/13 ECB urges banks in Russia to leave quickly:** Eurozone banks in Russia should leave quickly, the bloc's top supervisor said, making a rare explicit call on lenders to wind down operations more than a year after Russia's invasion of Ukraine. "It is important that banks remain very focused on reducing further their exposures and, ideally, exiting the market as soon as they can," Andrea Enria, the European Central Bank (ECB)'s chief supervisor, told a conference attended by [Reuters](#).

**6/12 EBA Annual Report highlights key achievements in 2022:** The [European Banking Authority \(EBA\)](#) published its Annual Report that sets out the activities and achievements in 2022 and provides an overview of the key priorities for 2023.

**6/12 EBA updates list of other systemically important institutions:** The [European Banking Authority \(EBA\)](#) updated today the list of other systemically important institutions (O-SIIs) in the EU, which, together with global systemically important institutions (G-SIIs), are identified as systemically important by the relevant authorities according to harmonised criteria laid down in the EBA Guidelines.

**6/9 Sustainability Reporting/ CSRD ESRS:** The [EU Commission](#) has put the Delegated Regulation on the first set of European Sustainability Reporting Standards (ESRS) out for consultation. Comments can be submitted until July 7, 2023. The ESRS are reporting standards for companies subject to the Corporate Sustainability Reporting Directive (CSRD). In contrast to the CSRD, which must be transposed into national law, the ESRS become binding upon their publication.

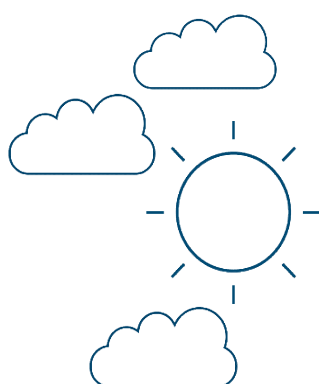
### Market Data (current\*, vs. 1week, vs. 4 weeks)

E-STOXX 600 Banks	154	120%	2,70%	iBovx€Cov. Germany	7,3	-0,8	-0,4	iTraxx Senior Financial	89,4	19	-10,9
10Yr-Yield	2,45	0,0	0,1	iBovx€Cov. Bonds	20,8	-0,6	-0,3	iBovx€Supranational	17,9	-0,75	0,27
Swap 10J	3,04	0,0	0,0	iBovx€Banks PS	82,3	-4,2	-3,3	iBovx€Agencies	-0,6	-0,68	0,31
iBovx€Germany	-45,54	0,7	5,7	iBovx Banks NPS	114,5	-6,1	-10,7	iBovx€Sub-Sov. Germany	9,1	-0,64	-0,62
iBovx€EU	23,96	-0,8	0,7	iBovx Banks Subordinated	195,0	-5,2	-17,7	iBovx€Sub-Sovereign	25,1	-0,84	-0,48

\* Closing prices from the previous day

Sources: Refinitiv, Helaba Research & Advisory, \* ASW-Spreads

### Leisure tip for the weekend: Barefoot Path and Circular Trail Aatal in Bad Wünnenberg (NRW)



The paddling pond in the Aatal Nature Experience in Bad Wünnenberg offers a wide range of activities and is the ideal place for a great day out with the whole family. The 600-metre circular walk around the paddling pond in the Aatal Nature Experience is a leisurely, short walk with plenty of opportunities to stop and rest.

More information:

[Barefoot Path and Circular Trail](#)

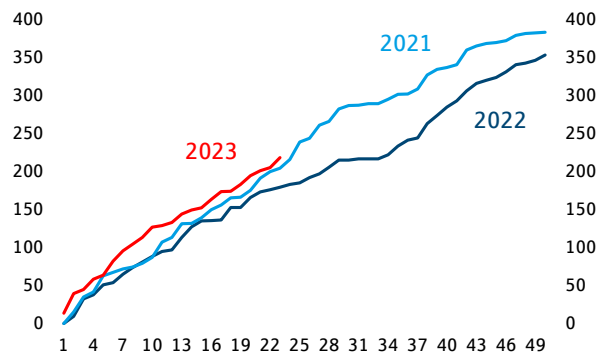
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://www.nrw-tourismus.de/a-naturerlebnis-aatal-mit-dem-barfusspfad-und-rundweg>

## Chartbook SSAs, Covered Bonds, Senior Unsecured

## SSAs: Primary volumes

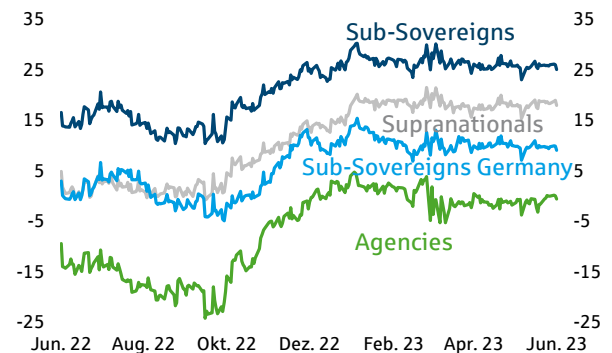
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## SSAs: Spread development

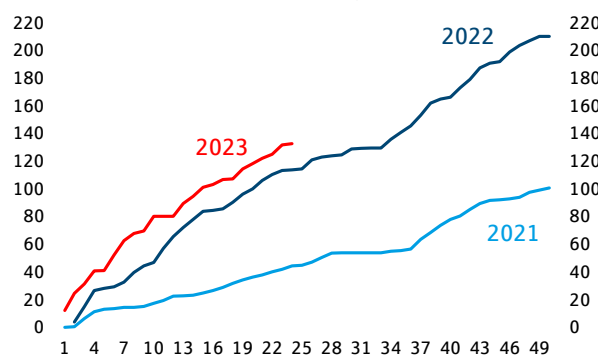
ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory

## Covered Bonds: Primary volumes

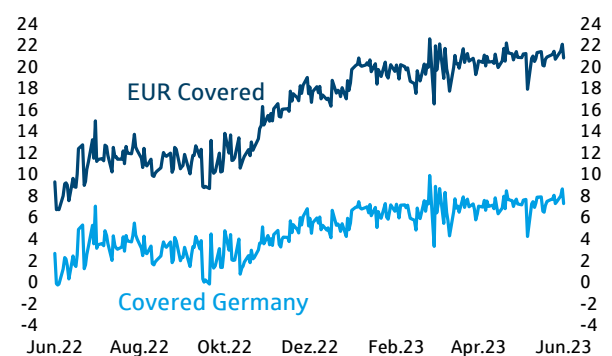
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## Covered Bonds: Spread development

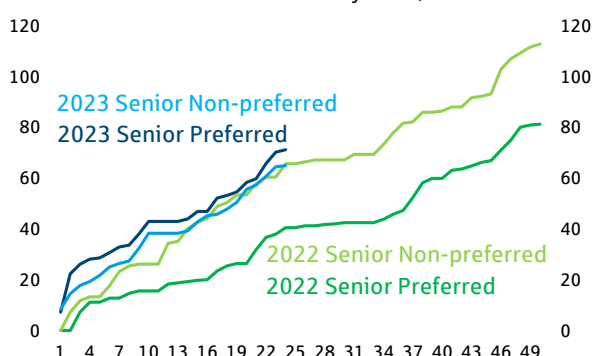
ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory

## Senior Unsecured: Primary volumes

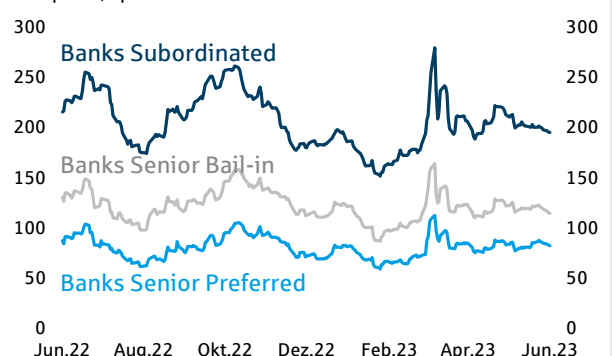
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory



## News from Research & Advisory

- Video: Sustainable Finance – ICMA & Helaba Talk 2023
- Focus on Credits: Primary market update EUR benchmark bank bonds Q1 2023"
- Focus on Credits: EUR Corporate bonds: Primary market Q1 2023
- Focus on Credits: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference
- European banks: An optimistic outlook for 2023
- Focus on: Corporate Schuldschein: Burgeoning diversity creates new options for investors
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- FOCUS ON CREDITS - BASEL III AND THE EU COUNCIL'S POSITION ON THE LEGISLATIVE PACKAGE
- FOCUS ON: SUSTAINABLE FINANCE - THE RENDEZVOUS CLAUSE

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