

# Focus on: SSAs & Financials

## 7 September 2023



## Weekly Market Update



**Primary market environment:** According to Ignazio Visco, the ECB has almost reached the point where it needs to stop raising interest rates, although monetary policy should remain sufficiently restrictive. Primary markets are becoming increasingly differentiated and we believe that the repricing of covered bonds is in full swing.

### Primary market barometer

#### SSAs



The majority of issues are still doing very well. However, the example of the Council of Europe Development Bank shows that there is more differentiation between issuers and that pricing plays an important role.

#### Covered Bonds



Primary market conditions are becoming increasingly gloomy. There is no end in sight to the spread widening trend and issues are not necessarily self-perpetuating. The secondary market is dominated by the supply side.

#### Senior Unsecured

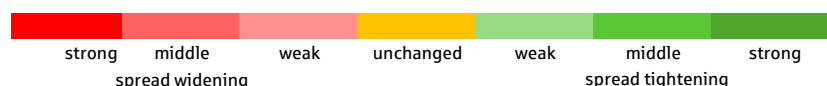


The primary market remains very active in this segment. The high proportion of lower tier issuers is striking. They are taking advantage of the favourable market environment, while their larger competitors are increasingly turning to the USD market. We expect this trend to continue for the time being.

### Risk trend indicator: Risk aversion intensifies

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,10	0,23	0,42	0,20	2,69	-0,15
European Union	0,02	0,03	0,15	-0,29	1,67	1,95
Germany Covered	0,04	0,12	0,19	0,29	1,14	1,45
EU Covered	0,02	0,06	0,12	0,14	0,99	1,46
Banks senior preferred	0,04	-0,01	0,25	-0,13	0,10	1,85
Banks senior bail-in (SNP)	0,04	-0,02	0,24	-0,20	-0,45	1,55
Banks subordinated	0,03	0,01	0,31	0,06	-0,38	2,35
Supranational	0,02	0,01	0,08	-0,23	1,55	1,58
Agencies	0,07	0,13	0,29	0,19	2,33	0,50
Sub-Sovereigns Germany	0,01	-0,01	-0,01	-0,01	0,78	-0,60
Sub-Sovereigns	0,03	0,01	0,09	-0,15	1,18	0,31



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

Sentiment has been dampened recently. The pronounced red colouring of our Risk Trend Indicator shows that all asset classes (considered here) have been affected.



## SSAs

Primary market activity in the SSA segment picked up significantly this week. The **EIB** issue (EUR 3 bn, 5 years, WNG) stood out, with the order book 7.6 times oversubscribed. The final spread was fixed at MS-13 bps vs. MS-11 bps in marketing. The **World Bank's** 15-year sustainability bond saw a very good order book for a long tenor at EUR 4.8bn. **Investitionsbank Berlin** (EUR 500m, 5 years, social, WNG) also performed well. The **Council of Europe Development Bank's** (CoE) EUR 1bn issue met with modest demand. The **Development Bank of Japan** (DBJ) fared much better with its sustainability bond, just over a year after an almost identical issue. The issue was significantly oversubscribed at 12.80x (5.8x in 2022).

**Outlook:** The EU is already in the pipeline for next week. The market expects a transaction in the 7-year range.

€ SSAs issues week of 4 September 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	EIB	Aaa /AAA/AAA	3,000 Mrd.		15.11.2028	ms -13 Bp		05.09.2023	23,000 Mrd.	ms - 11 area
3,450%	IBRD	Aaa /AAA/-	2,500 Mrd.		13.09.2038	ms +29 Bp	✓	05.09.2023	4,800 Mrd.	ms + 30 area
3,125%	Investitionsbank Berlin	- /-AAA	0,500 Mrd.		13.09.2028	ms -1 Bp	✓	06.09.2023	0,830 Mrd.	ms - 1 area
3,125%	Council of Europe Development Bank	Aaa /AAA/AAA	1,000 Mrd.		13.09.2028	ms -7 Bp		06.09.2023	not disclosed	ms - 7 area
3,500%	Development Bank of Japan	A1 /A/-	0,500 Mrd.		13.09.2027	ms +22 Bp	✓	06.09.2023	6,400 Mrd.	ms+ 25 area
2,875%	KfW	Aaa/AAA/AAA	1,000 Mrd.	✓	07.06.2033	ms +0 Bp		07.09.2023	0,925 Mrd.	ms flat

Sources: Bloomberg, Helaba DCM



## Covered Bonds

Despite a US holiday on Monday, the primary market was surprisingly active at the start of the week. Spain's **Banco Santander Totta** kicked off with a 3 year and France's **BPCE SFH** with a 5.5 year benchmark. **Banco di Desio e della Brianza** (EUR 400m, 4 years) followed on Tuesday after a primary market abstinence of around 4 years. The example of Banco Desio and Volksbank Wien's issue last week, also after a long break, shows that "old issuers" are increasingly returning to the primary market. Banco Desio came to the market with the announcement that it wanted to issue at least EUR 300 million. With an order book of EUR 900 million, the issuer ultimately opted for a volume of EUR 400 million. YTD issuance by Italian issuers totals around EUR 7 bn. **Landesbank Berlin** was also active on Tuesday with a sub-benchmark (EUR 250 million, 5.5 years). The targeted volume was difficult to achieve and the final spread (MS+ 17bps) was unchanged compared to the marketing. Overall, we believe that repricing in the covered bond segment is in full swing. Given the weak performance of primary issues, the possibility of tightening the initial spread target during bookbuilding is diminishing, while new issue premiums are rising steadily.

*"There seems to be no end in sight to the expansionary pressure on cover. Supply and demand are out of balance and the end of QE has a significant negative side effect. This process is painful and is likely to continue for some time. Secondly, the weakness of core names (especially DE) has been noticeable for some days now, especially compared to the peripherals. It is also worth noting that the sometimes high premiums on new issues are not generating any follow-on momentum."*

*Comment from the Helaba trading floor*

**Outlook:** The market is moving to ever higher spread levels, especially as many players in the view of our trading continue to anticipate increased supply. Liquidity is likely to remain rather thin, given the imminent end of quantitative easing by the major central banks. The few remaining buyers will set the levels. The **ECBC events and conference** days in Munich on 12-14 September are just around the corner. On these days, primary market activity in the covered bond segment is likely to be close to zero, while on the other days of the week it will be somewhat more pronounced.

## € Covered Bond issues week of 4 September 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	BPCE SFH	Aaa /AAA/-	1,000 Mrd.		13.03.2029	ms +29 Bp		04.09.2023	1,900 Mrd.	ms + 33 area
3,750%	Banco Santander Totta, S.A.	Aa2 /-/AA-	0,850 Mrd.		11.09.2026	ms +40 Bp		04.09.2023	1,250 Mrd.	ms + 40 area
3,375%	Landesbank Berlin	Aaa /-/-	0,250 Mrd.		12.03.2029	ms +17 Bp		05.09.2023	not disclosed	ms + 17 area
4,000%	Banco di Desio e della Brianza	- /-/AA	0,400 Mrd.		13.03.2028	ms +75 Bp		05.09.2023	0,900 Mrd.	ms + 80 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

The primary market for senior unsecured bank bonds continues to be very active, undeterred by the US Labour Day holiday at the beginning of the week. It is noticeable that relatively many lower tier issuers are taking advantage of the favourable market environment. Larger issuers with access to the USD market are currently finding more attractive conditions there. After months of expensive pricing in USD earlier this year, the market dynamics have now shifted in favour of the currency. In the absence of activity from top tier issuers in the EUR market, investors have also been active in weaker credits.

The transactions this week have all been quite successful, as evidenced by the well oversubscribed order books. Yields seem to be more important to investors at the moment than credit ratings. The average maturity of the new issues was 5.5 years.

A total of 12 senior unsecured fixed coupon transactions have been successfully placed so far this week. 6 of these bonds are non-preferred, 9 are rated BBB or even BB. Three banks, Unicaja Banco (Spain), Landsbankinn (Iceland) and Banca IFIS (Italy), issued as little as EUR 300m. The average issue size was EUR 800 million. No less than 5 bonds were issued in sustainable format.

*“The interest rate environment remains volatile after the summer. The iTraxx indices and cash bonds are trading slightly higher on a weekly basis. The September central bank meetings are now in the rear-view mirror and new statements from central bankers are being added on a daily basis, creating a very mixed picture. In cash bonds, widening is taking place in both preferreds and non-preferreds as new issuance continues to add data points and with solid new issue premiums of mostly 10bps, there is a shift in the curves and investor switching is also triggering a slight widening. The trading desks are absorbing the volumes well so far.”*

*Comment from the Helaba trading floor*

**Outlook:** The primary market for senior unsecured bank bonds remains driven by high maturities. Many banks have already made good progress against their issuance plans, but pre-funding is already gaining in importance given the benign market environment. We expect primary market activity to remain fairly buoyant in the coming weeks, although timing remains challenging given the upcoming central bank decisions and volatile markets.

## € Senior Preferred issues week of 4 September 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
6,375%	Landsbankinn hf	- /BBB/-	0,300 Mrd.		12.03.2027	ms +313 Bp	✓	05.09.2023	1,500 Mrd.	7.000% area
7,500%	Banco de Credito Social Cooperativo (Grupo Cooperativo Cajamar)	- /BB+/-	0,650 Mrd.		14.09.2029	ms +426 Bp	✓	05.09.2023	1,350 Mrd.	7.875% area
4,125%	Belfius Bank SA/NV	A1 /A/-	1,000 Mrd.		12.09.2029	ms +95 Bp		05.09.2023	2,000 Mrd.	ms + 120 area
6,875%	Banca IFIS S.p.A.	Baa3 /-/BB+	0,300 Mrd.		13.09.2028	ms +370 Bp		06.09.2023	0,345 Mrd.	6.875% area
4,375%	Santander Consumer Bank AG	A2 /A/A	0,750 Mrd.		13.09.2027	ms +115 Bp		06.09.2023	1,600 Mrd.	ms + 140 area
4,125%	BFCM	Aa3 /A+/AA-	0,750 Mrd.		18.09.2030	ms +100 Bp	✓	07.09.2023	2,500 Mrd.	ms + 130 area

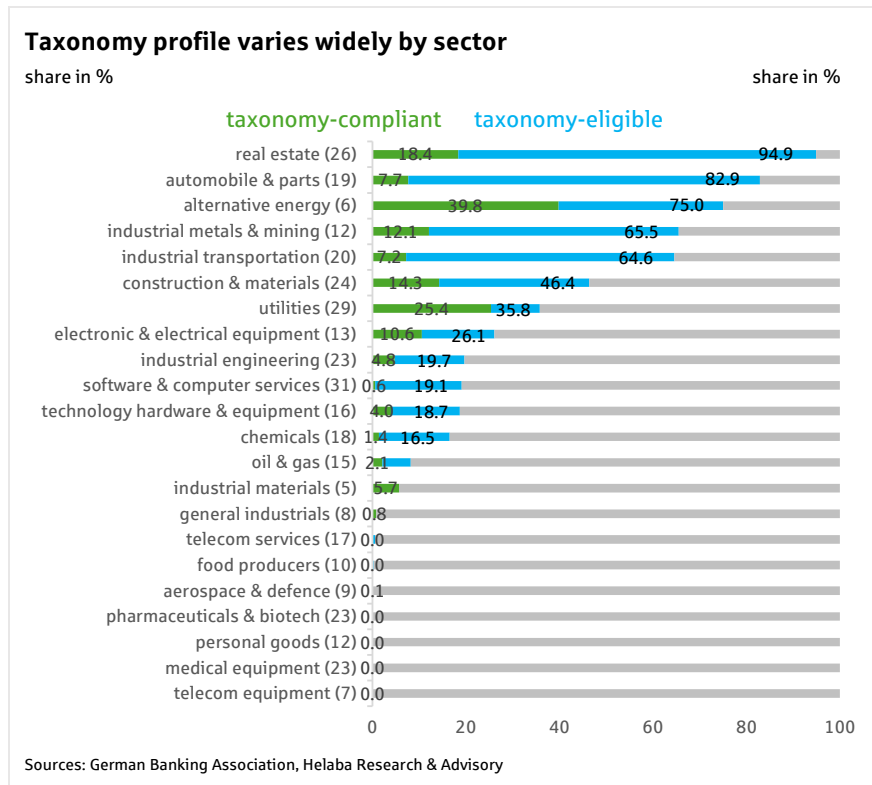
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 4 September 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,750%	BPER Banca S.p.A.	Ba1 /-/BBB-	0,500 Mrd.		11.09.2029	ms +260 Bp		04.09.2023	1,300 Mrd.	ms + 285 area
6,500%	Unicaja Banco, S.A.	- /-/BB+	0,300 Mrd.		11.09.2028	ms +325 Bp	✓	04.09.2023	1,350 Mrd.	ms + 350 area
4,875%	Mediobanca SpA	Baa3 /BBB-/BBB-	0,500 Mrd.		13.09.2027	ms +145 Bp	✓	06.09.2023	2,000 Mrd.	ms + 170 area
8,375%	mBank	- /BB+/BBB-	0,750 Mrd.		11.09.2027	ms +507 Bp	✓	06.09.2023	1,500 Mrd.	8.750% area
4,875%	Bankinter S.A.	Baa2 /BBB-/	0,500 Mrd.		13.09.2031	ms +175 Bp		06.09.2023	1,250 Mrd.	ms + 200 area
6,000%	Raiffeisen Bank International AG	Baa2 /-/-	0,500 Mrd.		15.09.2028	ms +275 Bp		07.09.2023	1,200 Mrd.	ms + 300 area

Sources: Bloomberg, Helaba DCM

## Chart of the Week



In a [study](#) published this week, the German Banking Association concludes that the Green Asset Ratio (GAR), which banks will publish from 2024, will reflect the sustainability profile of the institutions to a very limited extent. This is due to the fact that the industry is only at the beginning of its transformation. The share of taxonomy-eligible revenue in the 450 companies analyzed in the study is only 30%. Of these, only 7% were taxonomy-compliant. However, the figures vary widely from sector to sector: In real estate, for example, the taxonomy eligibility rate is around 95%, while in sectors such as telecommunications and pharmaceuticals it is zero. Furthermore, project companies, often used for wind farms or

commercial property, are also excluded. According to the assessment, GRAs are likely to be in the low single digits. However, the capital expenditure ratios are higher, at around 46% for taxonomy eligibility and 20% for taxonomy compliance, which would indicate an increase in the GRAs in the coming years.



## Short news

**9/5 7/5 Bausparkasse Schwäbisch Hall and Cassa di Risparmio di Bolzano SpA new members of the Covered Bond Label:** The [Covered Bond Label Foundation](#) is pleased to welcome Bausparkasse Schwäbisch Hall and Cassa di Risparmio di Bolzano SpA as new members. In total, 132 issuers with 174 cover pools from 24 countries are represented.

**9/6 Climate stress test:** The European Central Bank's (ECB) second climate stress test shows that accelerating the transition to a greener economy would be cheaper than delaying it. As [Reuters](#) reports, the ECB said that despite higher initial costs, banks' annual credit losses on this path would peak at €13bn in 2026, before falling to €6.6bn by 2030 due to lower energy costs and financial risks.

**9/4 Limitations of the Green Asset Ratio according to a study by the Association of German Banks:** According to the [Banking Association's analysis](#) of the taxonomy ratios of 450 companies, the Green Asset Ratio (GAR) does not adequately reflect the sustainability profiles of banks. The taxonomy only covers around 30 % of the economy. For banks, the GRA is to describe the sustainable share of the balance sheet total as a key indicator from 2024. ([Banking Association](#))

**9/3 Green bond standard:** Global green bond sales are likely to accelerate thanks to supportive EU policy and a more stable interest rate. "The urgency of the climate transition has given increased impetus to both corporates in relation to their energy transitions and the global banking sector which continues to finance an increasing number of green projects," Amelia Rice, capital markets managing associate at Linklaters told S&P Global Market Intelligence. ([Bloomberg](#))

**9/3 Italy's windfall tax on banks:** Italy's new tax on bank profits can be improved on, economy minister Giancarlo Giorgetti said, denying that the levy is unjust. As reported by [Reuters](#), Italy's government dealt a surprise blow to banks by imposing a one-off 40% tax on lenders' profits resulting from higher interest rates, after reprimanding lenders for failing to reward deposits.

**9/1 €28.2bn of property loans committed in the second quarter:** In the second quarter of 2023, [vdp](#) member banks committed €28.2bn of loans for residential and commercial property, a decrease of 38.2% compared to the same quarter of the previous year. Compared with the first quarter of 2023, loan commitments increased by 10.2%, but were still at a low level.

**9/1 Reforms to be carried out after the takeover of Credit Suisse:** In a report, the expert group "Banking Stability" examines the question of the reforms to be carried out after the takeover of Credit Suisse by UBS. The Swiss Bankers Association (SBA) notes that the report makes a valuable contribution to the in-depth analysis of the crisis at Credit Suisse, especially regarding liquidity and the provision of liquidity. ([Swiss Banking](#))

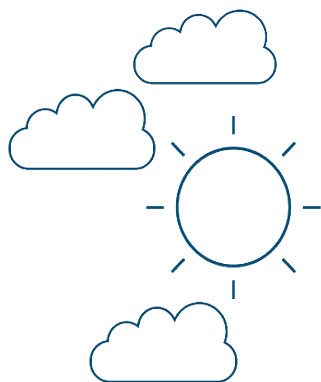
**Market Data** (current\*, vs. 1 week, vs. 4 weeks)

E-STOXX 600 Banks	154	-3,13%	-3,40%	iBoxx € Cov. Germany	10,6	1,9	2,5	iTraxx Senior Financial	82,9	3,2	0,4
10Yr-Yield	2,66	0,12	0,19	iBoxx € Cov. Bonds	23,8	1,8	2,7	iBoxx € Supranational	16,6	1,1	2,0
Swap 10J	3,20	0,08	0,10	iBoxx € Banks PS	80,5	1,6	7,5	iBoxx € Agencies	2,6	2,6	4,3
iBoxx € Germany	-41,04	4,89	7,48	iBoxx Banks NPS	109,6	1,2	8,9	iBoxx € Sub-Sov. Germany	9,9	0,9	1,1
iBoxx € EU	21,58	1,31	3,05	iBoxx Banks Subordinated	199,3	2,5	16,1	iBoxx € Sub-Sovereign	24,5	1,2	2,3

\* Closing prices from the previous day

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

**Leisure tip for the weekend: Invictus Games in Düsseldorf**



Initiated in 2014 by Prince Harry, The Duke of Sussex, the Invictus Games will be held in Germany for the first time in 2023, from 9-16 September in Düsseldorf.

Under the motto "**A Home for Respect**", around 500 competitors from 21 nations and around 1,000 family members and friends are expected to compete in ten disciplines.

**More information:** [Invictus Games](#)

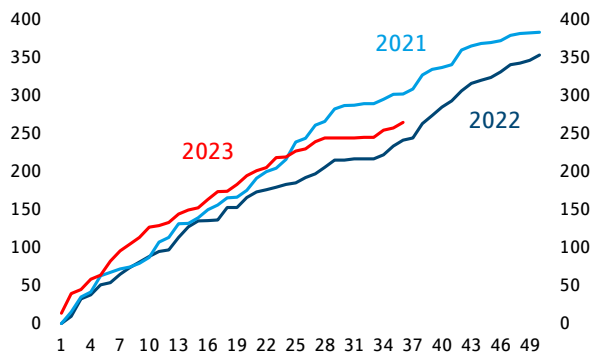
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://www.invictusgames.de>

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

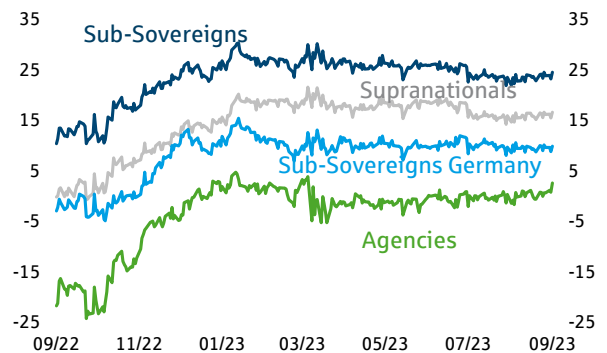
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

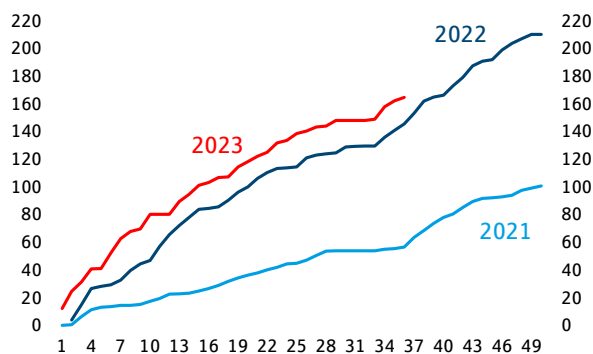
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Primary volumes

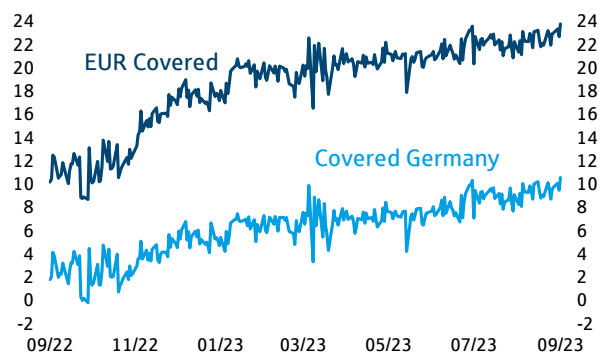
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

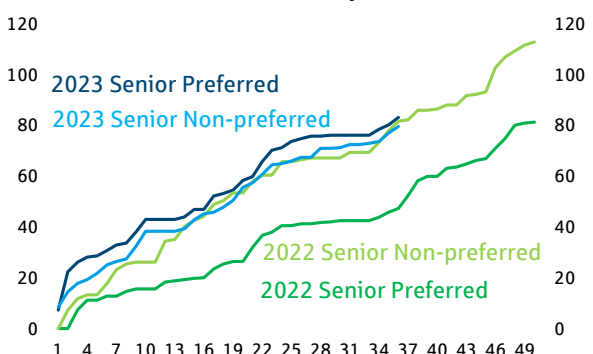
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

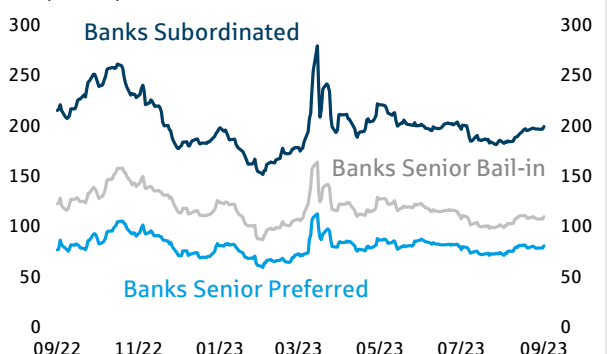
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



## News from Research & Advisory

- [Focus on Credits: Primary market update EUR benchmark bank bonds H1 2023](#)
- [Focus on Credits: EUR Corporate bonds: Primary market Q2 2023](#)
- [Video: Sustainable Finance – ICMA & Helaba Talk 2023](#)
- [Focus on Credits: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference](#)
- [European banks: An optimistic outlook for 2023](#)

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