

Focus on: SSAs & Financials

19 October 2023



Weekly Market Update



Primary market environment: The Middle East conflict is having an increasing impact on market sentiment and gold, a precious metal seen as crisis-proof, is rising sharply. The Beige Book shows little change in the US economy. According to the Fed's Williams, interest rates will have to remain restrictive for some time. Primary market volumes are gradually declining.

Primary market barometer

SSAs



Primary market activity in the SSA segment remains manageable. The majority of issuers appear to have already achieved their issuance targets for the year. Agencies are also currently favouring the USD space.

Covered Bonds



This week's issuance totalled EUR 2.25bn, down from EUR 4bn the week before. The new covered bonds offered in the primary market met with good overall demand. The remaining issuance windows for the year are gradually closing.

Senior Unsecured

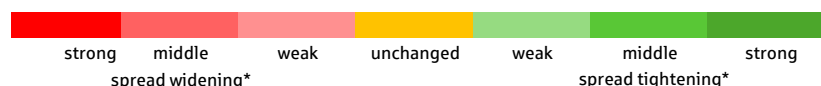


The primary market for senior unsecured bank bonds remains quiet due to the ongoing quarterly reporting season and the associated blackout period, although the market is generally receptive. Over the next two weeks the majority of banks will be reporting on the past quarter, so transactions are likely to remain light.

Risk trend indicator (heat map): No relaxation

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,05	0,14	-0,06	0,47	1,97	0,20
European Union	0,01	0,00	0,39	0,73	1,14	2,71
Germany Covered	0,01	0,08	0,57	1,03	1,78	2,34
EU Covered	0,01	0,03	0,34	0,59	1,39	2,13
Banks senior preferred	0,04	0,09	0,61	0,62	-0,43	2,33
Banks senior bail-in (SNP)	0,04	0,06	0,58	0,62	-1,00	2,04
Banks subordinated	0,01	0,04	0,40	0,46	-1,11	2,52
Supranational	0,00	-0,03	0,44	0,61	1,43	2,43
Agencies	0,02	0,04	0,26	0,78	2,08	1,34
Sub-Sovereigns Germany	-0,02	-0,06	0,16	0,19	0,88	-0,13
Sub-Sovereigns	-0,01	-0,05	0,38	0,52	1,01	1,09



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

The environment has not changed in recent days. Investors will therefore continue to be wary of taking risks. The trend towards a predominantly red colouring of our heat map is unbroken.



SSAs

The primary market in the SSA segment started the new month relatively subdued and the picture remains the same this week. This year looks to be pretty much over. One likely reason is that issuers are already well advanced with their issuance targets for 2023. KfW's announcement that it has already reached 98% of its issuance target and will therefore not be doing any more (benchmark) transactions this year fits in with this. Another reason may be the currency component; the USD zone is attractive for SSA issuers due to lower funding costs, as evidenced by a number of issues from Agence Francaise de Developpement, Erste Abwicklungsanstalt or KBN. Assistance Publique Hopitaux de Paris's EUR 140m 12-year social bond, which had been mandated the previous week, was successfully issued on Tuesday at FRTRs +52bps. Spain's national development bank ICO (EUR 1bn, 5 years) and the Land of Schleswig-Holstein (LSA, EUR 500m, 5 years, FRN) followed on Wednesday. ICO crossed the finish line without any major problems, while Schleswig-Holstein's issue was solid with a spread of 6mE -12bps.

Outlook: Bpifrance is in talks with investors for a social bond maturing in September 2027; other issuers, especially states, could follow.

€ SSAs issues week of 16 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,125%	Assistance Publique Hôpitaux de Paris	- /AA/AA-	0,140 Mrd.		25.10.2035	FRTRs +52 bp	✓	17.10.2023	0,175 Mrd.	FRTRs +52 area
6mE + 0 bp	Schleswig-Holstein	- /-/AAA	0,500 Mrd.		25.10.2028	6mE -12 bp		18.10.2023	not disclosed	6mE -12 area
3,800%	ICO	Baa1 /A/A-	1,000 Mrd.		31.05.2029	SPGB +18 bp		18.10.2023	2,300 Mrd.	SPGB + 20 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

LBBW opened up the primary market this week. The spread on the public Pfandbrief, which was limited in advance to a volume of EUR 500 million with a maturity of 3.5 years, tightened by 4 bps to MS +11 bps in the course of the bookbuilding. With a new issue premium of 5 bps, the book was 3.2 times oversubscribed - the highest Pfandbrief oversubscription since mid-August. At that time, DZ HYP was 4.8 times oversubscribed. Overall, the success of the LBBW deal demonstrates the importance of getting pricing right, as buyers continue to set the tone. Banca Popolare di Sondrio followed on Tuesday with a comparatively long 5-year EUR 500m WNG transaction. Marketing started at MS+83bp, with the final spread tightening by 2bp to MS+81bp. The

"A new (old) geopolitical flashpoint determines the overall market picture and weighs on sentiment. In contrast to previous periods of crisis, there has been little flight to safety and interest rates are still rising. Cash remains king in the house, certainly not the worst place to park already dwindling liquidity in stormy times, given the high interest rates at the short end".

Comment from the Helaba trading floor

issue attracted EUR 730m of orders and can be considered an overall success. The volume raised by Italian covered issuers this year totals EUR 7.8bn in 9 issues. Stadtparkasse München successfully issued a sub-benchmark (EUR 250 million, 5 years, WNG) for the first time since June 2018. Nordea placed a 5-year covered (EUR 1bn) at MS + 26bp, 4bp tighter than marketing..

The signs for the secondary market remain negative, even though swap spreads are at historically high levels. The ratio of bid to ask quotes supports this thesis. It is also significant that bonds with low coupons close to 0% are under additional pressure due to the general aversion to duration. These bonds have a longer duration than their peers at current rates. It therefore makes perfect sense to swap these bonds for the still abundant supply of new issues.

In addition, many players do not yet seem to see repricing as an entry point. Given the general uncertainty in the market, it is questionable whether potential buyers will add to their already full lines and create a surge in demand.

Outlook: The issuance windows still available this year are getting smaller and smaller. Issuance volumes are likely to be low in the coming weeks.

€ Covered Bond issues week of 16 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	LBBW	Aaa I-/	0,500 Mrd.		26.04.2027	ms +11 Bp		16.10.2023	1,600 Mrd.	ms + 15 area
4,125%	Banca Popolare di Sondrio	- I-/AA	0,500 Mrd.		24.10.2028	ms +81 Bp		17.10.2023	0,730 Mrd.	ms + 83 area
3,625%	Stadtsparkasse München	- I-/AA+	0,250 Mrd.		26.10.2028	ms +27 Bp		19.10.2023	0,325 Mrd.	ms + 30 area
3,625%	Nordea Mortgage Bank Plc	Aaa I-/	1,000 Mrd.		26.10.2028	ms +26 Bp		19.10.2023	1,450 Mrd.	ms + 30 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

Primary market activity in senior unsecured bank bonds is currently low: Due to the ongoing quarterly reporting season, many banks are in a blackout period and therefore unable to issue.

In the EUR senior benchmark segment, only AIB Group has ventured into the primary market this week with a EUR 750m Green Senior HoCo bond. The bond has a maturity of 8 years (8NC7) and was priced at a spread of MS +200bps. The transaction started at MS +225bps and was almost twice oversubscribed. There were also two sub-benchmark issues from Industrial & Commercial Bank of China Ltd (Luxembourg) and Czech-Slovak J&T Banka AS.

The quarterly reporting season for banks is in full swing. US banks have already sent out encouraging signals: JP Morgan, Wells Fargo and Citi reported last Friday, followed by Goldman Sachs and Bank of America on Tuesday this week. They all beat consensus estimates again and, with the exception of Goldman Sachs, reported record results. The main driver was still higher interest rates, while loan losses remained low. Nordea Bank reported strong results today; boosted by a 37% YoY increase in net interest income in 9M2023 and stable low credit risk costs.

„Investor flows have recently become more constructive, with real money tending to make initial purchases and invest in medium and longer maturities. For asset managers, however, the majority of enquiries and volumes are still on the money side. Insurance companies and building societies also made their first small purchases. ETF funds were clear sellers at the end of last week, but have been cautious buyers this week.“

Comment from the Helaba trading floor

European banks' quarterly reports in the coming weeks are likely to focus on the outlook for interest income and problem loan ratios. Competition for customer deposits is intensifying and banks are under increasing pressure to pass on higher interest rates to customers (so-called deposit beta). In addition, inflation, higher interest rates and the difficult economic environment are weighing on the outlook for new lending. Overall, however, banks continue to earn high interest income in the current interest rate environment and have good balance sheet quality. Risk buffers in the form of loan loss provisions and core capital are high, and share buybacks are even continuing. Loan structuring has also been comparatively cautious in recent years, presumably as a lesson learned from the financial market crisis

Outlook: Over the next two weeks, most banks will report on the past quarter. Transaction activity is therefore likely to remain light, even if the market remains fundamentally receptive.

€ Senior Preferred issues week of 16 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,125%	Industrial and Commercial Bank of China Ltd. (Luxembourg)	A1 /A/-	0,300 Mrd.		25.10.2026	ms +60 Bp		18.10.2023	0,440 Mrd.	ms + 80 area
7,500%	J&T BANKA	Baa3 /-/-	0,120 Mrd.		26.10.2026	ms +370 Bp		18.10.2023	0,125 Mrd.	7.500-7.750% wpir

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 16 October 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,250%	AIB Group PLC	A3 /BBB/-	0,750 Mrd.		23.10.2031	ms +200 Bp	✓	16.10.2023	1,400 Mrd.	ms + 225 area

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

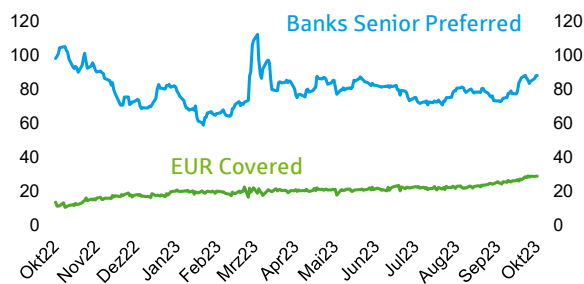
Issuer	Date	Issuer	Date
UNICREDIT SPA	10/24	CREDIT SUISSE GROUP AG-REG	10/26
BARCLAYS PLC	10/24	BNP PARIBAS	10/26
UNICREDIT BANK AG	10/25	STANDARD CHARTERED PLC	10/26
OP CORPORATE BANK PLC	10/25	SPAREBANKEN MORE-CAP CERT	10/26
LLOYDS BANKING GROUP PLC	10/25	SPAREBANK 1SR BANK ASA	10/26
BANCO SANTANDER SA	10/25	SPAREBANKEN SOR	10/26
DEUTSCHE BANK AG-REGISTERED	10/25	SWEDBANK AB - A SHARES	10/26
SPAREBANKEN VEST	10/25	DANSKE BANK A/S	10/27
SKANDINAVISKA ENSKILDA BAN-A	10/25	NATWEST GROUP PLC	10/27

Sources: Bloomberg, Helaba Research & Advisory

Chart of the Week

Spread widening between Senior Preferred and Covereds

ASW in bp.



Sources: Refinitiv, Helaba Research & Advisory

Spreads on senior preferred bank bonds started to widen relatively dynamically in September. This trend is currently continuing, with the spread over covered bonds also widening. Covered bond issuance is becoming even more lucrative for issuers in terms of funding costs. Many covered bond issuers have already largely achieved their issuance targets for the year. A change in issuance strategy is therefore not expected until next year, if the current constellation continues.



Short news

10/18 Proposal for higher capital requirements in Denmark: Denmark has proposed to introduce a higher **buffer for systemic risks** related to real estate exposures. The requirement would mean an additional capital requirement for banks. Ane Arnth Jensen, deputy managing director at Finance Denmark, and Jan Ellebye, deputy director at Property Denmark, strongly criticized the proposal.

10/18 Raiffeisen BI unit leads increase in riskier loans at Czech banks: Austrian lender Raiffeisen Bank International's Czech subsidiary demonstrated the largest increase in riskier loans in the first half of 2023 among the biggest banks in central and southeast Europe, data by **S&P Global Market Intelligence** shows.

10/17 Banks' capital buffers and minimum requirements: During the recent economic shocks caused by the COVID-19 pandemic and the more recent inflation surge, the EU banking system proved resilient and continued to provide lending to the real economy. The strengthened macroprudential and macroprudential frameworks put in place after the 2008 crisis played a crucial role, says Sebastiano Laviola, Board Member at Single Resolution Board (SRB). ([Reuters](#))

10/17 Crypto disclosures by banks from January 2025: According to Reuters, global banking regulators proposed a standardized format for major banks to disclose their holdings of crypto assets from January 2025 to support "market discipline" by giving a complete picture to investors. ([Reuters](#))

10/16 Moody's: Credit conditions deteriorate but remain above levels of previous downturns: According to Moody's Credit Compass for the euro area, credit conditions remained stable in the third quarter, in line with its expectations, despite rising interest rates. A tight labour market, adequate corporate liquidity and further easing in the European energy market contributed to this strength. The rating agency expects credit conditions in the euro area to deteriorate slightly over the rest of the year, but to remain in the neutral category and above levels seen in previous economic downturns.

10/16 Fitch Ratings updates rating criteria for covered bonds and collateralised debt obligations: [Fitch Ratings](#) has updated its Covered Bonds and Collateralised Debt Obligations (CDOs) Public Entities' Asset Analysis Rating Criteria. The agency expects no rating impact as a result of the update. The criteria detail Fitch's asset analysis for rating covered bonds and CDOs backed by pools of public-sector assets, typically exposed to central, local and regional governments and government-related entities – which are collectively known as public entities (PEs).

10/13 Stronger banks and financial markets key for sustainable change: At this year's annual IMF and World Bank meeting, Deutsche Bank's CEO Christian Sewing stressed how important financial markets are for sustainable economic change. "The financial sector wants to and can make an important contribution to the success of the transformation but the framework conditions must be right for this to happen," Sewing said. ([Association of German Banks](#)).

10/13 Why European banks can better withstand interest rate risks than their US peers: Experts say different supervisory approaches mean mid-size US banks are still vulnerable to interest rate risk, while European banks remain relatively safe. But banks should set aside more capital to ensure a more resilient system, [The Banker](#) writes.

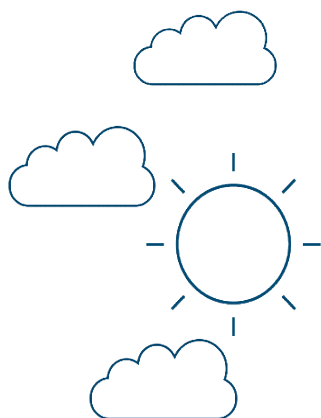
10/12 The EBA recommends enhancements to the Pillar 1 framework to capture environmental and social risks: The European Banking Authority (EBA) published a [report](#) on the role of environmental and social risks in the prudential framework of credit institutions and investment firms. Taking a risk-based approach, the Report assesses how the current prudential framework captures environmental and social risks. It recommends targeted enhancements to accelerate the integration of environmental and social risks across the Pillar 1.

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

E-STOXX 600 Banks	160	-1,66%	-0,73%	iBoxx € Cov. Germany	16,2	0,0	4,3	iTraxx Senior Financial	98,6	2,9	13,0
10Yr-Yield	2,92	0,20	0,22	iBoxx € Cov. Bonds	28,9	-0,2	4,1	iBoxx € Supranational	22,0	-1,2	4,5
Swap 10J	3,48	0,19	0,25	iBoxx € Banks PS	88,2	2,7	15,4	iBoxx € Agencies	7,0	0,0	2,7
iBoxx € Germany	-40,49	1,29	-0,88	iBoxx Banks NPS	120,0	3,1	18,9	iBoxx € Sub-Sov. Germany	12,8	-1,9	2,3
iBoxx € EU	28,26	-0,89	4,80	iBoxx Banks Subordinated	207,1	3,4	18,9	iBoxx € Sub-Sovereign	29,2	-1,4	4,1

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

Leisure tip for the weekend: LVR State Museum Bonn



The new permanent exhibition WORLD

How did people live along the Rhine from the Middle Ages to the present day? What stories do works of art and objects tell us about their lives and their daily routines? What answers do they provide to the questions of our time?

The new permanent exhibition invites you on a fascinating journey through 1000 years of Rhenish art and cultural history.

Find out more: [LVR State Museum](#)

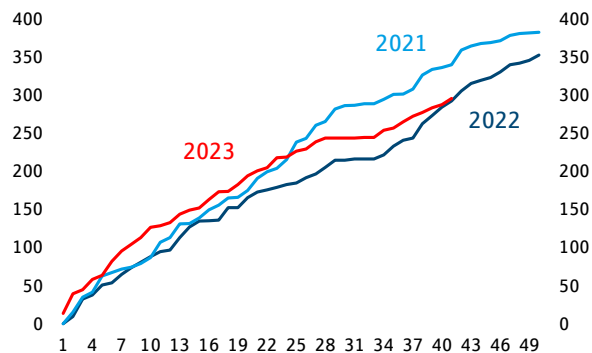
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

Source: <https://landesmuseum-bonn.lvr.de/en>

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

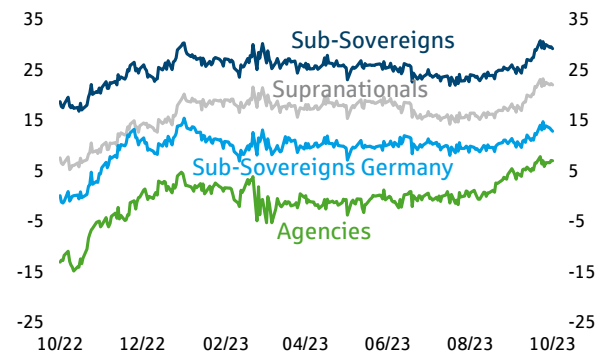
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

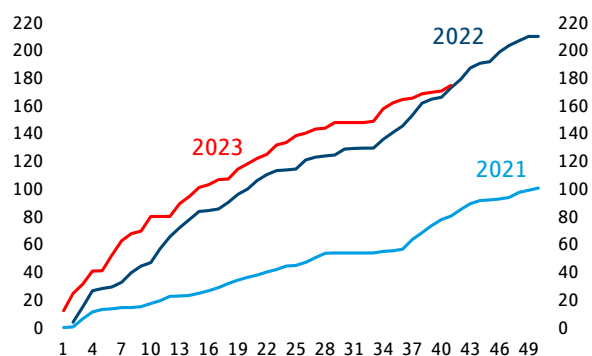
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

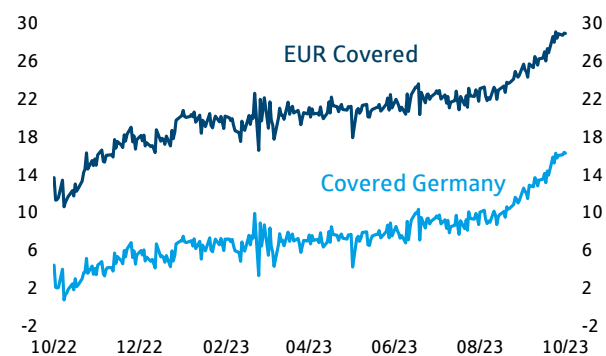
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

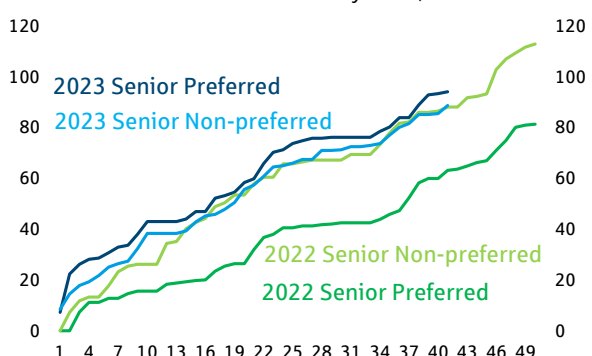
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

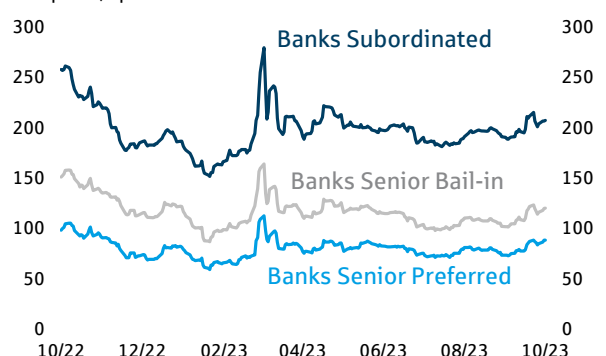
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



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- **FOCUS on Credit: ESG ratings: Relevance, regulation and responses**
- **Focus on Credit: Primary Market Update Bank Bonds**
- **Focus on Credit: Corporate Schuldschein: Prejudices are out of place"**
- **Focus on Credit: EUR Corporate bonds - Primary market Q3 2023**
- **Video: Sustainable Finance – ICMA & Helaba Talk 2023**
- **Focus on Credit: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference**
- **European banks: An optimistic outlook for 2023**

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