

# Focus on: SSAs & Financials

## 16 November 2023



## Weekly Market Update



**Primary market environment:** In the US, the decline in inflation has contributed to a significant easing of interest rate concerns. On the ECB side, Centeno noted a "spreading economic anxiety in the eurozone". The absorptive capacity of the primary market is currently good across all asset classes.

### Primary market barometer

#### SSAs



The EU's new issue and the simultaneous tap of its February 2048 were oversubscribed by a factor of 10 and 20 respectively and stood out this week. The states of Berlin and NRW were also successful in the primary market.

#### Covered Bonds



The environment for covered bonds remains constructive. The majority of this week's issues met with very good demand. The Rabobank issue was the one with the largest spread tightening versus the marketing.

#### Senior Unsecured

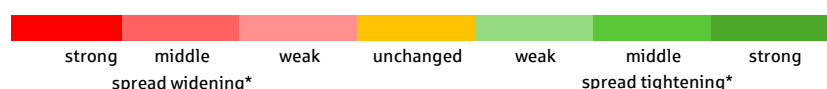


The market environment for senior unsecured bank bonds remains constructive. The new issues in recent weeks have shown a pleasingly good performance. A few more transactions are expected before the window slowly closes towards the end of the year.

### Risk trend indicator (heat map): Sentiment continues to brighten

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,05	0,08	0,43	0,85	1,54	1,25
European Union	-0,06	-0,12	0,24	0,87	1,36	2,83
Germany Covered	-0,02	0,12	0,34	1,30	2,01	2,67
EU Covered	-0,02	0,06	0,19	0,80	1,40	2,45
Banks senior preferred	-0,10	-0,23	-0,05	0,23	-0,31	2,14
Banks senior bail-in (SNP)	-0,11	-0,30	-0,25	0,04	-0,86	1,64
Banks subordinated	-0,11	-0,25	-0,24	-0,02	-0,64	2,13
Supranational	-0,06	-0,09	0,21	0,79	1,44	2,62
Agencies	-0,10	-0,10	0,22	0,96	1,51	1,88
Sub-Sovereigns Germany	-0,02	-0,01	0,13	0,37	0,74	-0,15
Sub-Sovereigns	-0,04	-0,05	0,24	0,76	1,00	1,24



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

Last week our Risk Trend Indicator pointed to an improvement in sentiment, which has continued recently. This is reflected in the increasingly green colouring of our heat map. Bank bonds saw the most significant narrowing of spreads over the week.



## SSAs

The primary market in the SSA segment kicked off on Tuesday with the placement of the last EU syndicated bond of the year. The EUR 5bn 5-year issue was unsurprisingly ten times oversubscribed. In addition, the green bond maturing in February 2048 (under NextGenerationEU) was increased by EUR 3bn. Investor demand was enormous and the book was ultimately 20 times oversubscribed. The final spread on both tranches narrowed by 2bp to MS +4bp and MS +72bp respectively. The State of North Rhine-Westphalia followed on Wednesday with a EUR 1bn 3-year benchmark, again benefiting from strong demand from foreign investors: Around 60% of the issue went to this investor group. The final spread of MS- 7bp was in line with the benchmark and the new issue premium was 2bp. Today, the State of Berlin rounded off its primary market activity with a EUR 250m tap of its July 2031 bond.

**Outlook:** There are likely to be a few more projects in the pipeline. However, given the recent developments in the primary market, we no longer expect a significant pick-up in the primary market before the end of the year.

€ SSAs issues week of 13 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	EU	Aaa /AA+/AAA	5,000bn		05.12.2028	ms +4 bps		14.11.2023	66,000bn	ms + 6 area
2,625%	EU	Aaa /AA+/AAA	3,000bn	✓	04.02.2048	ms +72 bps	✓	14.11.2023	71,000bn	ms + 70 area
3,150%	NRW	Aa1 /AA+/AAA	1,000bn		20.11.2026	ms -7 bps		15.11.2023	1,050bn	ms - 7 area
3,000%	Berlin	Aa1 -/AAA	0,250bn	✓	11.07.2031	ms +7 bps		16.11.2023	0,415bn	ms + 8 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

It appears that the active issuance period typically observed in autumn is concentrated in November and the period after the reporting season.

Issues from first-rate issuers are still "easier" to place, although other bonds with correspondingly attractive spreads are also finding buyers. Some market participants may be surprised or even distrustful given the current good absorption capacity across all asset classes. The majority of issuers are therefore opting for a cautious, conservative execution strategy such as "will not grow" and short lead times to minimise transaction risk.

France's Caffil kicked off the primary market this week with a 5-year social security benchmark (EUR 500m, WNG). The final spread was 5bps tighter than the marketing and the book was 2.6x oversubscribed. The transaction had everything the market is currently looking for: a predetermined size, a medium maturity, an ESG component and a solid issuer name. The new issue premium was 1-2bps. Deutsche Bank S.A. Espanola Unipersonal, a rather rare guest on the primary market, generated demand of over EUR 1bn on Tuesday with a 3-year covered bond (EUR 500m, WNG). The final spread was MS + 40bp vs. the target of MS+40-42bp. This was followed on Wednesday by Münchener Hyp (EUR 500m, WNG, 5 years, green) and Ra-bobank (EUR 1.25bn, 5 years, green). With oversubscriptions of 2.8 and 1.75 respectively, both had no problems crossing the finish line. The final spreads narrowed by 5bp and 6bp respectively to MS +19/20bp. This was Münchener Hyp's fifth benchmark issue of the year, increasing the volume placed to EUR 3.25 billion. Due to the Pfand-brief's green design, demand was particularly strong abroad. Sparkasse Hannover completed the issue today with a sub-benchmark limited to EUR 250 million.

*"At the moment, it seems that market participants are looking for a somewhat conciliatory end to what has been an extraordinary trading year. The still strong supply of new issues has been reasonably well received and order books continue to allow final reoffer spreads to tighten, although order books are far from the record levels of previous years. Spreads, although order volumes are far from the record levels of previous years. Banks appear to be increasingly acting as demand substitutes (post-QE). Sustainable bonds, i.e. those backed by green or social issues, are definitely helping marketing, the ESG narrative remains high on the list".*

*Comment from the Helaba trading floor*

Primarily and secondarily, the music is still playing at the short end of the curve (up to max. 5y), but this development should also come to an end at some point. We expect longer-dated projects to be back on the agenda by the start of the new year at the latest. Spread premiums will depend on the general level of yields and the structure of the curve. Second, German Pfandbriefe have been among the recent underperformers due to the news flow. However, some stabilisation can be seen at current levels. A litmus test for sentiment is likely to come in 2024.

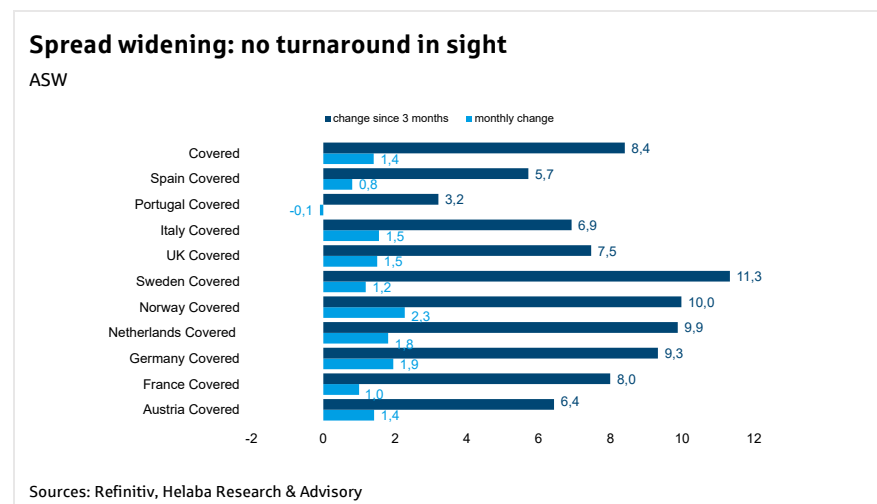
**Outlook:** The primary market is currently doing relatively well and this could continue in the short term. Last year, covered bonds with a volume of just over EUR 11bn were issued between 14 November and 31 December. It remains to be seen whether a similar volume can be achieved this year.

€ Covered Bond issues week of 13 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	CaFFIL	Aaa /AA+/-	0,500bn		20.03.2029	ms +34 bps	✓	13.11.2023	1,300bn	ms + 39 area
3,625%	Deutsche Bank, S. A. Española Unipersonal	Aa1 /-/-	0,500bn		23.11.2026	ms +40 bps		14.11.2023	0,900bn	ms + 45 area
3,250%	Münchener Hypothekenbank eG	Aaa /-/-	0,500bn		23.11.2028	ms +19 bps	✓	15.11.2023	1,540bn	ms + 24 area
3,296%	Rabobank	Aaa /-/-	1,250bn		22.11.2028	ms +20 bps	✓	15.11.2023	2,200bn	ms + 26 area
3,375%	Sparkasse Hannover	- /-AAA	0,250bn		23.11.2028	ms +30 bps		16.11.2023	not disclosed	ms + 30 area

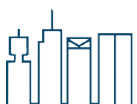
Sources: Bloomberg, Helaba DCM

## Chart of the Week



The widening trend has accelerated significantly since the beginning of September. During this period, the Germany Covered widened from around 9 bp to a peak of over 18 bp. The widening of the EUR Covered from 22 bp to over 30 bp has been more moderate, but is also notable. Apart from a possible interim consolidation, no reversal of the trend is in sight. The long-term average for EUR Covered is over 40, so further widening cannot be ruled out. Overall, the German segment of the

covered bond universe has been one of the underperformers in recent days/weeks, although spreads are still at the lower end of the valuation range in relative terms. Dutch bonds are also in the same boat.



## Senior Unsecured

The level of activity in the senior unsecured segment remains encouragingly high. This applies to both preferred and non-preferred transactions. Particularly impressive this week was the issue by **Société Générale**, which successfully placed both a EUR 1bn preferred and a EUR 1.25bn non-preferred tranche - the latter with an 8-year maturity - with investors on Tuesday. Although spreads are generally high, new issue premiums are relatively low. The new issues of the previous weeks showed a strong performance, supported by the favourable market sentiment.

„Markets are soaring to new heights. After a period of gloom in October, we saw another brilliant rally last week. Both equity and bond markets are rallying on the interest rate cut fantasy fuelled by economic data in the US and Europe. The iTraxx indices are now trading at series lows after a 10bp wave of tightening in recent trading days. The cash register has been dragged along by these risk-on parameters to much tighter spreads. Trading volumes have recently rebounded on the back of improved sentiment and a large number of new issues.“

*Comment from the Helaba trading floor*

**Outlook:** The market environment remains constructive after the end of the reporting season. A few **more transactions are expected** before the window slowly closes as the year-end approaches. If market conditions remain stable, pre-funding transactions could play a greater role.

#### € Senior Preferred issues week of 13 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,125%	Landesbank Berlin	Aa3 /-/	0,300bn		21.11.2028	ms +100 bps		14.11.2023	0,539bn	ms + 120 area
4,125%	Société Générale	A1 /A/A	1,000bn		21.11.2028	ms +105 bps	✓	15.11.2023	2,600bn	ms + 125/130 bp
3m€+230 Bp	S-Bank Plc	- /BBB/-	0,150bn		23.11.2026	ms +230 bps		16.11.2023	0,270bn	3m€+250Bp

Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 13 November 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,625%	Nykredit Realkredit A/S	- /BBB+/A	0,750bn		19.01.2029	ms +155 bps		13.11.2023	1,040bn	ms + 175 area
4,375%	Bayerische Landesbank	A2 /-/A-	0,500bn		21.09.2028	ms +130 bps	✓	14.11.2023	0,600bn	ms + 145 area
4,875%	Société Générale	Baa2 /BBB/A-	1,250bn		21.11.2031	ms +190 bps		15.11.2023	2,900bn	ms + 210/215 bp
t.b.d.	Bank Polska Kasa Opieki S.A.	- /BBB/-	0,500bn		23.11.2027	ms +240 bps	✓	16.11.2023	0,500bn	ms + 275 area
4,747%	Macquarie Group Limited	A2 /BBB+/A	0,750bn		23.01.2030	ms +170 bps		16.11.2023	2,000bn	ms + 200 area

Sources: Bloomberg, Helaba DCM



## Short news

**11/15 Moody's Emerging Markets Outlook 2024:** Weak but improving credit conditions point to a more stable outlook for emerging markets in 2024, according to Moody's. Easing financing conditions will provide gradual relief, but higher and longer-term interest rates, combined with weak growth and persistent inflationary pressures, will continue to weigh on weaker borrowers. While economic considerations will dominate, structural changes, reforms and regulation, as well as polarisation, will influence lending.

**11/14 The EBA announces timing for publication of 2023 EU-wide transparency exercise and Risk Assessment Report:** The **European Banking Authority (EBA)** announced today that its 2023 Risk Assessment Report and transparency exercise with bank by bank data will be released on Tuesday 12 December 2023 at 18:00 CET.

**11/10 ECB recognises Scope Ratings in its ECAF credit assessment framework:** The European Central Bank (ECB) has recognised **Scope Ratings** GmbH as a new external credit assessment institution (ECAI). Scope's ratings are thus recognised within the Eurosystem's Credit Assessment Framework (ECAF). Scope is the first European rating agency to be included in the ECAF of the Eurosystem.

**11/10 Fitch Ratings: Rise in cover pool mitigates decline in OBGs:** Fitch Ratings says Italian covered bond programmes are experiencing a reduction in available excess spread as a large proportion of fixed-rate loans raised when interest rates were low are now being transferred to cover pools. The agency expects this effect to be temporary as assets are lent at higher rates and Italian issuers actively manage their cover pools.

**11/9 Banks' revenues:** Banks turn to fee business as EU rate boom looms ends; Europe's banks are boosting investments in their fee-generating units as they prepare for the expected end to the massive tailwind they've been enjoying from interest-rate hikes. Boosting fee income will be "a focus point of our growth initiative" for the next several years, Commerzbank's Chief Financial Officer Bettina Orlopp told [Bloomberg](#).

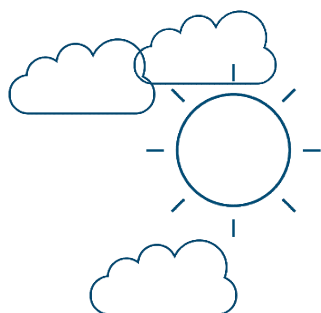
**11/09 ECB accepts Scope Ratings in its credit assessment framework ECAF:** Berlin-based [Scope Ratings](#) has become the first European credit rating agency to be approved by the European Central Bank (ECB). Scope will be recognised as a new external rating agency for most securities, the ECB announced today. The integration process into the IT infrastructure of the euro central banks will start immediately. This is expected to take several months. The guardians of the euro intend to announce on their website when exactly the company's ratings will be available for monetary policy purposes.

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

E-STOXX 600 Banks	161	3,15%	0,15%	iBoxx € Cov. Germany	18,0	0,1	1,8	iTraxx Senior Financial	81,4	-6,4	-17,2
10Yr-Yield	2,63	0,02	-0,29	iBoxx € Cov. Bonds	30,1	-0,1	1,2	iBoxx € Supranational	23,3	-1,9	1,3
Swap 10J	3,12	0,02	-0,35	iBoxx € Banks PS	85,8	-6,5	-2,4	iBoxx € Agencies	7,7	-1,8	0,8
iBoxx € Germany	-34,27	0,95	6,22	iBoxx Banks NPS	110,4	-10,2	-9,6	iBoxx € Sub-Sov. Germany	14,0	-1,1	1,2
iBoxx € EU	30,22	-2,70	1,97	iBoxx Banks Subordinated	193,5	-12,8	-13,6	iBoxx € Sub-Sovereign	30,9	-1,6	1,7

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

**Leisure tip for the weekend: Hiking at Lake Edersee, Hesse**



Active holidays at Lake Edersee - it's also possible on land. A short holiday in the fresh air is often enough to give you new energy and a new lease of life.

Families will love the easy walk around the lake or the walks with the ranger, who will tell you exciting stories about life in the forest. Walking through the forest is a little adventure that rewards you with bizarre steep slopes, gnarled oaks and magnificent views. Panoramic paths lead past castles and former monasteries.

Find out more: [Lake Edersee](#)

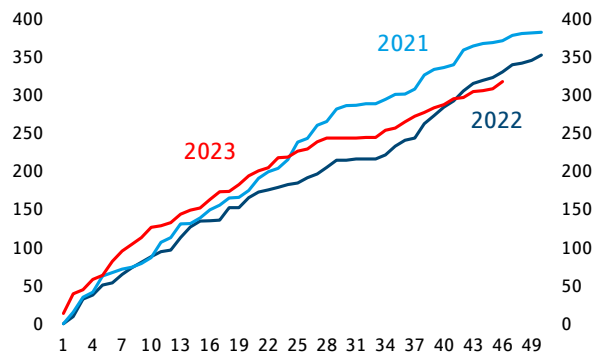
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://www.edersee.com/lust-auf/wandern>

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

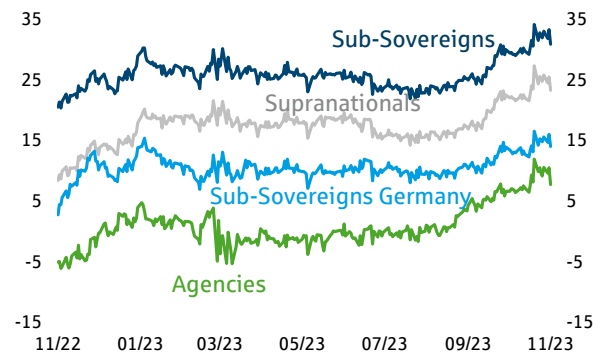
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

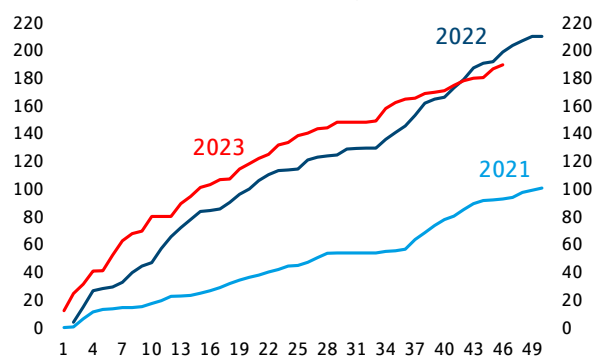
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Primary volumes

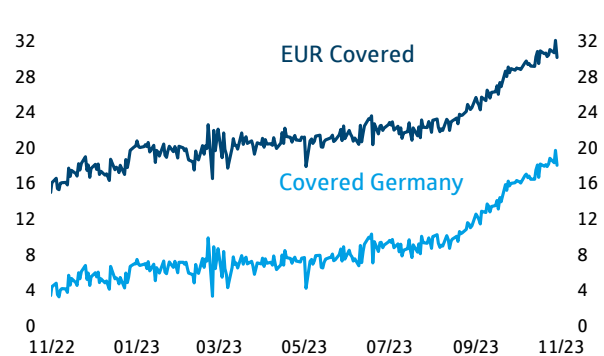
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

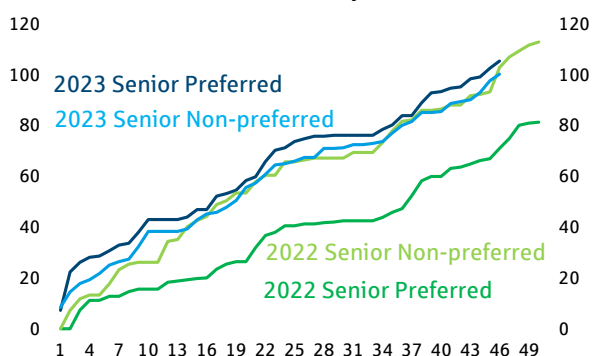
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

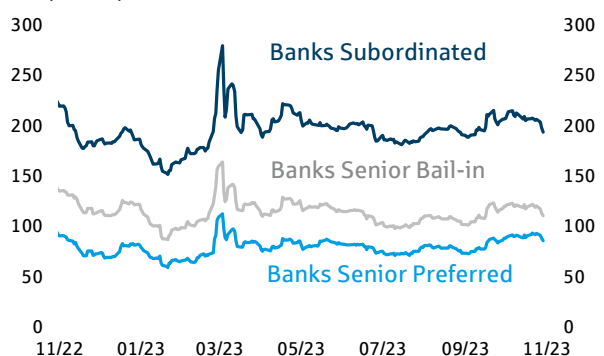
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



## News from Research & Advisory

- [Markets & Trends 2024 – Global economy in a transition game](#)
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- [Focus on Credit: Primary Market Update Bank Bonds](#)
- [Focus on Credit: Corporate Schuldschein: Prejudices are out of place"](#)
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