

Focus on: SSAs & Financials

7 December 2023



Weekly Market Update



Primary market environment: Next week's central bank meetings are fast approaching. Market participants firmly believe that the hiking cycle is over and that the first easing steps will be decided next year. Primary market activity is likely to be over for this year.

Primary market barometer

SSAs



There was no primary market activity in the SSA segment this week. We assume that issuers have closed their books for the year and are already busy preparing for next year.

Covered Bonds



Activity in the primary EUR covered bond market is also likely to be over for the year. Traditionally, the bulk of a year's issuance is already placed in January. This is also likely to be the case in 2024. The only question is which issuer will make the first move.

Senior Unsecured

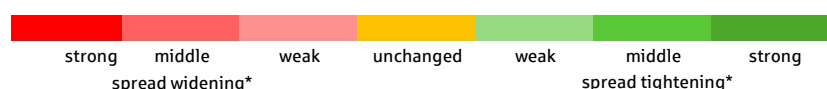


As in the other two segments, issuance for 2023 has been largely completed. Market participants are focusing on the seasonally strong first quarter of 2024. After the peak in 2023, we expect issuance to remain high in 2024.

Risk trend indicator (heat map): Inconsistent picture

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,03	0,09	-0,01	0,46	1,84	1,21
European Union	0,04	0,03	-0,11	0,65	1,02	2,78
Germany Covered	0,02	0,06	0,36	1,20	2,01	2,84
EU Covered	0,01	0,05	0,21	0,74	1,40	2,65
Banks senior preferred	0,00	-0,06	-0,38	0,29	0,49	1,88
Banks senior bail-in (SNP)	0,00	-0,10	-0,43	0,08	-0,19	1,63
Banks subordinated	-0,04	-0,19	-0,55	-0,28	0,09	1,80
Supranational	0,04	0,07	0,02	0,74	1,15	2,67
Agencies	-0,04	0,15	0,09	0,78	1,64	1,91
Sub-Sovereigns Germany	0,04	0,09	0,17	0,43	0,42	-0,14
Sub-Sovereigns	0,03	0,13	0,13	0,77	0,87	1,27



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

Our heat map underlines the recent mixed picture. Only bank bonds show constructive sentiment.

With this issue, the Weekly Market Update team says goodbye to its readers for this year.
We wish you a Merry Christmas and a Happy New Year.
The first issue of 2024 will be published on 4 January.



SSAs

Primary market activity in the EUR SSA segment had already cooled considerably in the previous week. Unsurprisingly, activity came to a complete standstill this week.

Outlook: There are no outstanding mandates this year. However, we believe that issuers should already be looking closely at their issuance plans for next year. A number of issuers will announce their 2024 funding plans in the coming days and weeks. KfW will kick things off on Thursday, followed by the EU on 14 December. January accounted for around 16% of total issuance in 2023. We expect a similar pattern for next year. A number of issuers have taken advantage of the more favourable USD issuance conditions in recent months. Smaller issuers, in particular, are likely to explore the possibility of funding arbitrage between EUR and USD in 2024.

€ SSAs issues week of 4 December 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
none										

Sources: Bloomberg, Helaba DCM



Covered Bonds

In the context of the overall environment, covered valuations can be summarised as follows: Spreads over swaps appear to be stabilising further at the higher levels. The levels paid do not currently point to further widening. So far, so good. However, we are also seeing that the largest groups of clients from the fund/AM/insurance and bank treasury sectors are rather reluctant to enter into new commitments with a view to the end of the year. The usual argument is to wait until the beginning of 2024, when the primary markets will be in full swing.

"The usual seasonal year-end work by market participants is now being accompanied by pronounced expectations of rate cuts. For example, money markets are currently pricing in a high probability of more than 80% of a first rate cut of 25 basis points in March 2024. As a result, absolute yields in the main bond markets have come down from their highs, with the structure of the curve changing quite sharply (very steep last week, flatter/inverse again recently, driven by long maturities). The yield differential between the € swap curve and its Bund counterpart is quite stable. Apart from intraday movements, the big picture remains more of a bund/swap tightening."

Comment from the Helaba trading floor

As mentioned here, we believe that a revival of the long end of the curve can be expected. If the first transactions get off to a good start in 2024, there are signs that spreads will stabilise further, although a return to the levels supported by the central bank in recent years would be ambitious. On the inflow side, some domestic clients are rebalancing their portfolios by swapping low coupon securities for current products.

Outlook: In 2022 and 2023, the primary market was opened by the Austrian Erste Group. From a German perspective, Aareal Bank was the early starter in 2022 and Berlin Hyp in 2023. It remains to be seen whether this will be repeated next year.

€ Covered Bond issues week of 4 December 2023

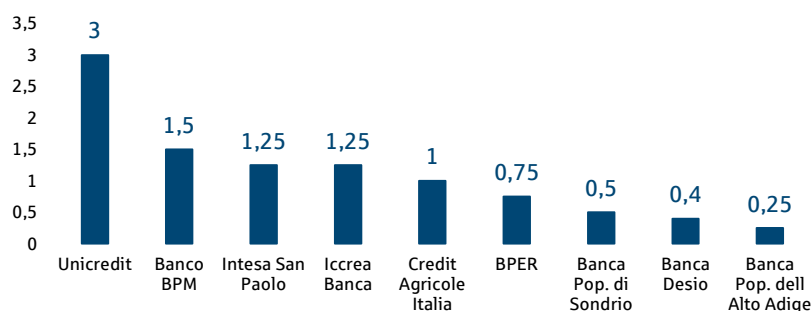
Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
none										

Sources: Bloomberg, Helaba DCM

Chart of the Week

Italian covered bonds: Moderate increase in issuance likely in 2024

EUR bn



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

After the implementation of the new legal framework for the issuance of Italian OBGs (Obbligazioni Bancarie Garantite) was completed at the end of March, issuers returned to the primary market from 6 June. The hiatus in issuance was around one year for most issuers and up to seven years for Unicredit Spa. In 2023, securities with a volume of EUR 9.9bn were issued (public placements only). In 2024, maturities amount to around EUR 9.1bn. We expect a gross supply of EUR

11-12bn (publicly placed), resulting in a net supply of EUR 1.9-2.9bn.



Senior Unsecured

As expected, the primary market for senior unsecured bank bonds remained quiet this week despite the positive sentiment. Issuers are focused on the beginning of next year and issuance for 2023 has been completed. Recent new issues have continued to perform well, pricing on average 15-17bp tighter than the re offer price.

There was only one EUR benchmark transaction this week, the Canadian Bank of Nova Scotia's floating rate senior non-preferred bond. The bank was able to "collect" EUR 1bn with a maturity of 2 years at a spread of EUR 3m€ +52bp.

„The positive sentiment has also spread to cash. In the preferred segment we are trading on average 4 bps tighter than last week. German and Italian bonds are outperforming, tightening by 7 and 8 bp respectively. One rank down, cash is trading 6bps tighter on average. Again, German and Italian, but also French and Spanish bonds are the outperformers, tightening by 9 to 11 bp. Interest in Italian financials has continued, resulting in a total tightening of 48bp month-on-month for non-preferreds.“

Comment from the Helaba trading floor

Outlook: No further significant primary market activity is expected until the end of the year. Since the beginning of the year, the volume of new issues in this segment has totalled a record high of rd. EUR 214 billion, an increase of another 10% compared to the already strong year 2022. We expect another high issue volume in 2024, even if the TLTRO refinancing from 2023 will not be repeated. The main drivers for this are high maturities and declining customer deposits. (see "[Helaba Capital Market Outlook 2024](#)" from 9 November 2023).

€ Senior Preferred issues week of 4 December 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
none										

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 4 December 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
3m€+52 Bp	Bank of Nova Scotia	A- /A2/AA-	1,000bn		12.12.2025	ms +52 bps	✓	05.12.2023	not disclosed	3m€+52 Bp

Sources: Bloomberg, Helaba DCM



Short news

12/6 ECB's macroprudential Bulletin: In the latest [Macroprudential Bulletin](#), the European Central Bank (ECB) looks at current topics in EU banking regulation: from resolution frameworks to implementing Basel III, and from crisis management to window dressing

12/4 Climate finance takes center stage at COP28 climate talks: Money pledges grabbed the spotlight again at COP28 in Dubai as delegates turned their focus to the yawning gap in the need for climate finance and what's on offer. As reported by [Reuters](#), the amount of cash needed for the energy transition, climate adaptation and disaster relief is overwhelming.

12/4 Moody's has revised its outlook for global banks to negative: The agency cites tighter monetary policy by central banks as the reason for the negative outlook. In addition, lower liquidity and tighter repayment options would have a negative impact on loan quality. Furthermore, profitability would decline due to higher funding costs and lower loan growth. However, capitalisation would remain stable. The outlook for German banks is stable.

12/4 Fitch Ratings: Issuer Upgrades Increase Covered Bonds Rating Buffers. According to Fitch the buffers against potential issuer downgrade have expanded, as shown in the agency's latest Covered Bonds Dashboard, compared to May 2023. Over the last six months, 11 programmes out of the 100 publicly rated by Fitch increased their buffers by one-to-three notches. This follows upgrades in the Issuer Default Ratings (IDR) of the relevant banks (located in Denmark, France, Greece, Italy and Switzerland). While the notches of uplift granted to the programmes remained unchanged, higher IDRs widen the number of unused notches, acting as a buffer. At end-November 2023, issuers could be downgraded by 3.6 notches, on average, without this necessarily affecting their covered bonds ratings.

12/1 NextGenerationEU Green Bonds investments can reduce EU greenhouse gas emissions by 1.2%: NextGenerationEU Green Bonds can reduce greenhouse gas emissions by 44 million tonnes per annum, equivalent to 1.2% of the EU's aggregate greenhouse gas emissions. These are the results of the comprehensive quantification of the expected climate impacts of the NextGenerationEU Green Bonds allocation by the [European Commission](#).

12/1 Banks to focus on reducing costs in 2024 amid uncertainty, according to S&P Global Market Intelligence: Banks are expected to prioritize lowering costs in 2024 as economic and political uncertainty weighs on growth and investment. Lenders will look for other ways to support profits as the recent surge in revenues from higher interest rates fades, industry executives said as heard by [S&P Global Market Intelligence](#).

11/30 Novo Banco: Regulator approves covered bond prospectus. Novo Banco announced, according to Bloomberg, that the Portuguese securities regulator CMVM has approved the base prospectus for its covered bond programme, according to a regulatory filing. The bank believes it is more likely that the covered bond will be issued in 2024.

11/30 S&P Global Ratings publishes Danish Covered Bond Market Insights 2023. High household wealth and strong public finances will enable the Danish economy to withstand inflationary pressures and the expected decline in house prices, according to S&P's Danish Covered Bond Market Insights 2023 report, published today by S&P Global Ratings. The Danish covered bond market is the largest in the world, with EUR 463.3bn (approximately 122% of GDP) outstanding at the end of 2022.

11/30 Commitment to enhance climate-related and broader sustainability considerations in the EU banking sector: The [European Banking Authority](#) (EBA) published its environmental statement in the context of the 2023 United Nations Climate Change Conference (COP28). The EBA highlighted its effort to integrate sustainability aspects in areas such as risk management, disclosures, supervisory practices, climate stress testing, and the Pillar 1 framework.

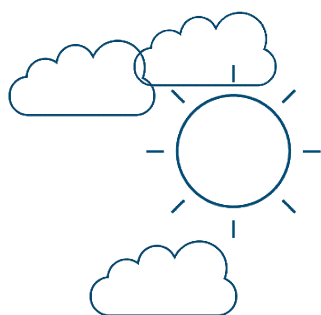
11/30 EU Green Bond Standard published in the Official Journal of the EU: The regulation on European green bonds (EU Green Bond Standard) was published in the Official Journal of the EU today. After a 12-month transitional period, the regulation will mainly apply from December 21, 2024.

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

E-STOXX 600 Banks	167	3,09%	7,55%	iBoxx € Cov. Germany	20,6	0,2	2,7	iTraxx Senior Financial	76,4	-0,8	-11,4
10Yr-Yield	2,21	-0,21	-0,40	iBoxx € Cov. Bonds	32,5	0,2	2,3	iBoxx € Supranational	25,3	0,6	0,2
Swap 10J	2,69	-0,24	-0,42	iBoxx € Banks PS	82,3	-1,2	-10,0	iBoxx € Agencies	10,2	0,9	0,7
iBoxx € Germany	-35,97	0,82	-0,76	iBoxx Banks NPS	106,6	-2,5	-14,0	iBoxx € Sub-Sov. Germany	17,8	1,4	2,6
iBoxx € EU	31,22	0,25	-1,70	iBoxx Banks Subordinated	180,2	-8,8	-26,2	iBoxx € Sub-Sovereign	33,7	1,2	1,3

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

Leisure tip for the weekend: St Nicholas Market Hugenpoet Castle, Essen NRW



The St Nicholas Market invites you to indulge in lightness & indulgence - guests can stroll through the historic castle grounds in a pre-Christmas atmosphere and enjoy perhaps the first mulled wine of the year.

Visitors will be enchanted as they stroll through the castle's St Nicholas Market and enjoy the special atmosphere. The supporting programme is full of fairytale attractions and offers something for everyone.

Find out more: [St Nicholas Market](#)

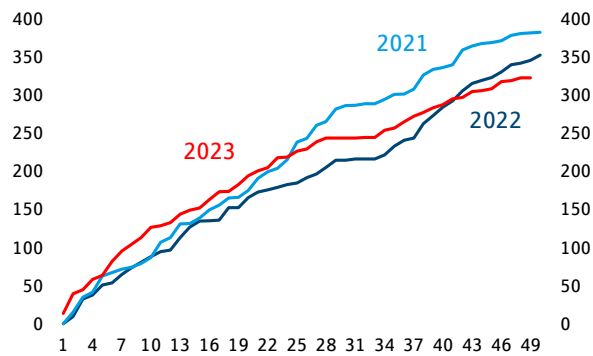
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

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

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

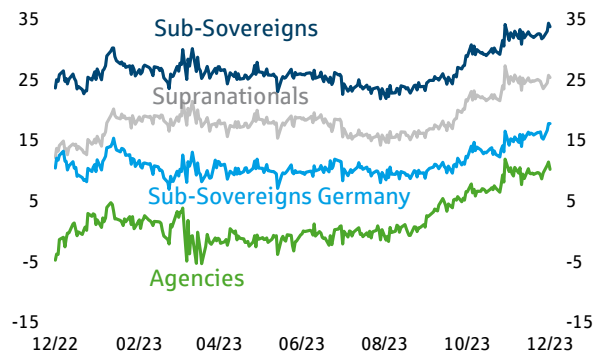
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

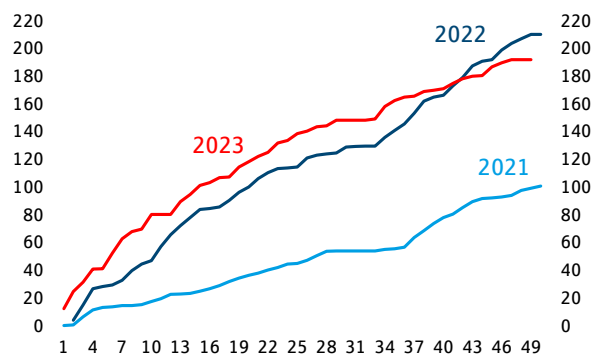
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Primary volumes

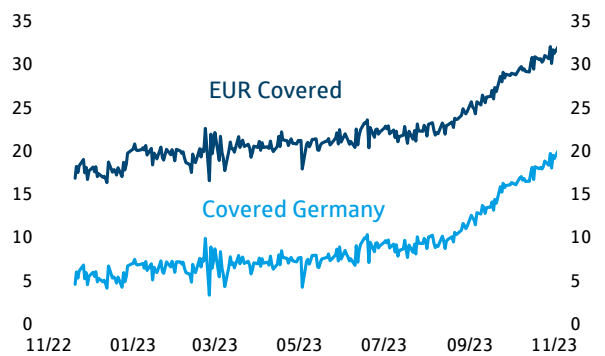
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

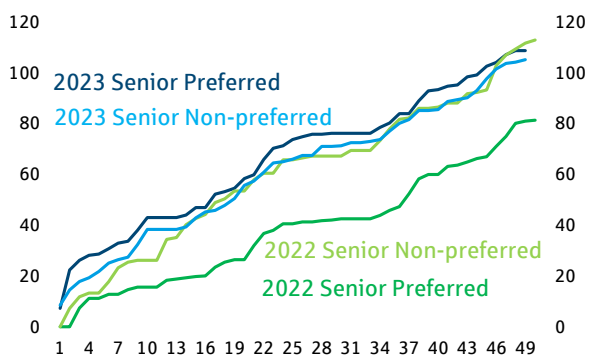
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Primary volumes

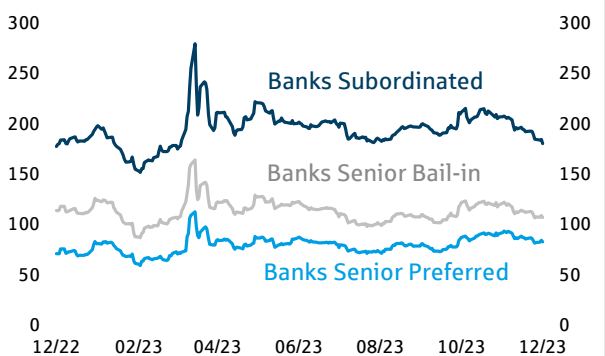
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



News from Research & Advisory

- **Focus on: Credit – European banks: The sharpening contours of ESG disclosure**
- **Markets & Trends 2024 – Global economy in a transition game**
- **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**

Team of authors



Sabrina Miehs, CESGA
Head of FI & SSA Research
Senior Advisor Sustainable
Finance
T 069/91 32-48 90



Dr. Susanne Knips
Senior Credit Analyst
T 069/91 32-32 11



Christian Schmidt
Covered Bond & SSA
Analyst
T 069/91 32-23 88

Publisher and editorial office

Helaba Research & Advisory

Editor:

Stefan Rausch

Corporate Research & Advisory

Responsible:

Dr. Gertrud R. Traud

Chefvolkswirtin/

Head of Research & Advisory

Neue Mainzer Str. 52-58

60311 Frankfurt am Main

T +49 69 / 91 32 – 20 24

Internet: www.helaba.com

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.



Here you can subscribe to our newsletter:

<https://news.helaba.de/research/>