



## Weekly Market Update



**Primary market environment:** After the recent period of market turbulence, normality is gradually returning to the primary market. In the US, the ISM non-manufacturing index unexpectedly fell significantly in March. US initial jobless claims were higher than expected.

### Primary market barometer

#### SSAs



The SSA primary market has recently been receptive. However, investors are showing increased price sensitivity with regard to oversubscription rates.

#### Covered Bonds



Issuer heavyweights from the eurozone returned to the primary market this week. Once again, shorter maturities dominated. The issue of the Slovakian VUB showed that issuances by smaller market participants are also possible.

#### Senior Unsecured

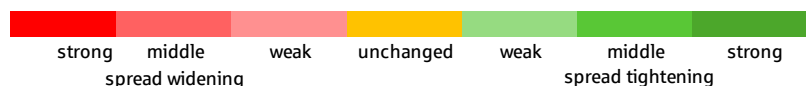


This week, BNP Paribas ended the shock freeze, which had set in with the bank turmoil on March 10, with the issuance of a green benchmark bond. We expect further activity next week, with some issuers likely to seize the opportunity again before the quarterly reporting season.

### Risk trend indicator: Risk aversion still present

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,04	0,01	-0,71	-0,38	0,99	-0,96
European Union	0,03	-0,10	-0,20	0,08	2,20	2,64
Germany Covered	-0,03	-0,01	0,03	0,26	0,96	1,15
EU Covered	-0,02	0,00	0,05	0,13	0,78	0,93
Banks senior preferred	0,09	-0,60	0,43	-0,03	1,73	1,76
Banks senior bail-in (SNP)	0,09	-0,67	0,38	-0,17	1,46	1,75
Banks subordinated	0,18	-0,69	0,56	0,18	1,55	2,01
Supranational	0,02	-0,06	-0,10	0,18	2,04	2,17
Agencies	0,00	-0,04	-0,34	-0,27	0,65	0,07
Sub-Sovereigns Germany	-0,01	0,09	0,09	-0,04	0,13	-0,24
Sub-Sovereigns	0,01	-0,02	-0,04	0,00	1,03	0,83



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

Once again, our risk trend indicator shows that the mood is brightening only in the very short term at best. Moreover, the overriding picture is one of nervousness.



## SSAs

Our assessment that safe haven assets remain in demand has not changed this week. 5 issuers entered the primary market this week. A total volume of EUR 5.5 billion was successfully placed. Only Hamburgische Investitions- und Förderbank was not able to narrow the final issue spread compared to the marketing. In contrast, the Development Bank of Japan was able to narrow its spread by 3 bps. - thanks to a 2.6-fold oversubscription of the order book.

A look at the development of spreads in this segment (see chart on page 7) shows that they seem to be tending to widen again after a temporary consolidation.

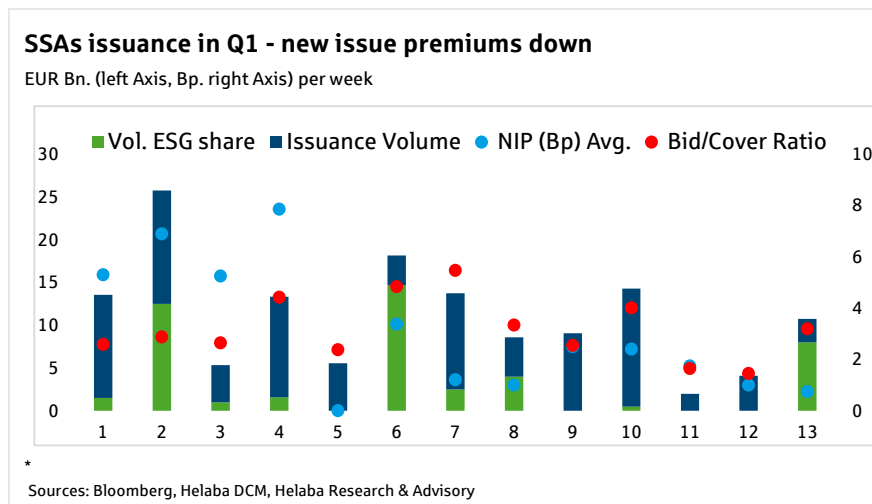
**Outlook:** The SSA primary market continues to be receptive. However, the varying development of the order books reveals that investors are sensitive to pricing and in particular to the new issue premiums offered.

€ SSAs issues week of 4 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	Development Bank of Japan	A1 /A+/-	1,000bn		13.04.2028	ms +23 bps		04.04.2023	2,600bn	ms + 26 area
3,250%	Swedish Export Credit Corporation	Aa1 /AA+/-	1,250bn		13.04.2026	ms +3 bps		04.04.2023	2,100bn	ms + 5 area
2,875%	Council of Europe Development Bank	Aa1 /AAA/AA+	1,000bn		13.04.2030	ms -3 bps		04.04.2023	1,900bn	ms - 1 area
2,875%	Hamburgische Investitions- und Förderbank	- /-/AAA	0,250bn		14.04.2033	ms +5 bps		05.04.2023	0,260bn	ms + 5 area
tbd	IBRD	Aaa /AAA/-	2,000bn		14.04.2038	ms +25 bps		05.04.2023	2,600bn	ms + 26 area

Sources: Bloomberg, Helaba DCM

## Chart of the week



The different market phases observed in the SSA segment so far this year are aptly reflected in our graphical summary of the first quarter. In particular, the recent lower swings in new issue premiums are remarkable and reflect the attractiveness of safe haven assets at this time. The same applies to the bid-to-cover ratios. The higher the market volatility, the lower this ratio tends to be. A trend towards increased issuance of green bonds is also discernible.



## Covered Bonds

In the previous week, issuers from core Europe were conspicuous by their absence. This week the picture changed and established heavyweights from the Eurozone made an impressive return to the primary markets. BPCE SFH was able to point to the highest demand for a covered bond since 2010, despite the fact that it was already the fourth issue this year. Orders with a volume of EUR 4.65 billion from more than 135 investors were received at the end. Needless to say, the issue was very successful and the issuer placed EUR 2 billion, the largest covered bond in its history. The final spread was narrowed by 4 bps to MS+23 compared to the marketing. The high number of individual orders beyond the EUR 100 million mark was also remarkable.

*"The secondary market continues to tread water in terms of spread development. Even in view of the comparatively favourable valuations, the recent increase in primary market activity is sufficient to meet investor demand, but without generating any significant follow-up momentum. In addition, the ECB's inventory-maintaining purchases, which continue to be made as part of its strategy, did not result in any tightening momentum."*

*Comment from the Helaba trading floor*

Austrian Erste Group Bank attracted more than EUR 1.5 bn of demand for its 4.5-year covered bond, enabling the issuer to issue a total of EUR 1.0 bn at a reoffer spread of Ms +20 bps and a new issue premium of 4 bps. The successful issue of a 7.5-year covered by Credit Agricole Home Loan SFH proved that it is possible for established issuers to also operate in this maturity segment. However, it appears that smaller order books have to be accepted compared to 3-5-year maturities. This is mainly due to the inverse nature of the swap curve.

The **secondary market** is dominated by range trading. Overall, we continue to see higher secondary market levels for covered bonds and a new issue premium of 4 bps can be considered fair in our view. Overall, inflation fears, favoured by recently rising oil prices, and economic concerns continue to alternate. Trading in this mixture of factors is a great challenge, so that many market participants are riding on sight. Short maturities remain the first choice for investors.

**Outlook:** Overall, this week can be seen as an important milestone for the opening of further primary markets. If the market environment does not change significantly, we believe that the week after Easter will also be very active.

€ Covered Bond issues week of 4 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	Všeobecná úverová banka, a.s.	Aa1 /-/-	0,500bn		13.10.2026	ms +55 bps		04.04.2023	0,715bn	ms + 57 area
3,250%	BPCE SFH	Aaa /AAA/-	2,000bn		12.04.2028	ms +23 bps		04.04.2023	4,600bn	ms + 27 area
3,000%	DZ HYP AG	Aaa /AAA/-	0,500bn		29.10.2027	ms +3 bps		04.04.2023	2,690bn	ms + 8 area
3,125%	Erste Group Bank AG	Aaa /-/-	1,000bn		14.10.2027	ms +20 bps		05.04.2023	1,500bn	ms + 24 area
3,125%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1,250bn		18.10.2030	ms +28 bps		05.04.2023	1,475bn	ms + 30 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

The market environment has calmed down further, and this week the primary market for senior unsecured bank bonds re-opened again. BNP Paribas issued a green benchmark bond on Tuesday, ending the shock freeze that set in on March 10 with the bank turmoil. The EUR1.0 billion 8NC7 transaction in with non-preferred rank met demand of EUR1.85 billion. However, with a new issue premium of only 2 basis points, the paper was relatively tightly priced compared to the conventional secondary market curve.

Following its own very successful covered bond transaction and the successful transaction of BNP Paribas, BPCE followed suit on Wednesday by issuing a three-year senior preferred bond with a volume of EUR 1.0 billion. Initial guidance of 95 basis points over mid-swap was reduced to 70 basis points over mid-swap, resulting in an order books of EUR 2.7 billion.

**Outlook:** Given high maturities and stringent regulatory requirements for total bail-in capital, issuance plans for this year are far from realized. We expect further activity next week; some issuers are likely to use the opportunity again before the reporting season starts.

*„Even with the switch back to risk off mode, the weekly performance in the cash is still respectable. In the Preferreds/OpCos we saw an average tightening of 20bps across all countries. Especially Financials from Germany and Spain outperformed with 30 to 32bps. With a tightening of only 2 to 3bps, it is the bonds from Norway that pull down the overall average.“*

*Comment from the Helaba trading floor*

### € Senior Preferred issues week of 4 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,625%	BPCE SA	A1 /A/AA-	1,000bn		17.04.2026	ms +70 bps		05.04.2023	2,700bn	ms + 95 area

Sources: Bloomberg, Helaba DCM

### € Senior Non-preferred issues week of 4 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,250%	BNP Paribas SA	A2 /A-/	1,000bn		13.04.2031	ms +137 bps	✓	04.04.2023	1,850bn	ms + 160 area

Sources: Bloomberg, Helaba DCM



## Short news

**4/5 Bank turbulences and money market funds:** American bank customers are shifting their savings to money market funds that entice them with yields of over 4 %. This could further exacerbate the crisis in the US financial system according to an article by the German newspaper [Handelsblatt](#).

**4/5 S&P Global Market Intelligence on Banking Turbulence and Challenges for Regulators:** The collapse of Silicon Valley Bank and the emergency takeover of Credit Suisse Group AG by UBS Group AG will force European banking authorities to develop more effective measures to prevent and stop digitally driven bank runs, [S&P Global Market Intelligence](#) shows.

**4/4 EBA Risk Dashboard:** The [European Banking Authority \(EBA\)](#) today published its quarterly Risk Dashboard (RDB). Banks' capital and liquidity ratios remain strong and profitability continues to increase.

**4/3 (Bloomberg) Funds investing in commercial real estate pose a threat to financial stability** after growing significantly over the past decade, according to the European Central Bank. The net asset value of real estate funds has more than tripled to over €1 trillion in the past 10 years, increasing their interconnectedness with real estate markets, the ECB said in its macroprudential bulletin on Monday. The ECB warned of an imbalance as investors often have the ability to withdraw money while the assets themselves are quite illiquid. This could make the vehicles vulnerable to a sell-off, as seen recently in the financial system. Instability in this area "could therefore have systemic implications" for commercial real estate, "which in turn could affect the stability of the broader financial system" and the real economy, the ECB said.

**3/31 EU on single resolution mechanism and deposit guarantees:** According to [Bloomberg](#), the European Union wants to make it easier to wind down medium-sized banks that fail by tapping national deposit guarantee systems for funding. In a proposal due around mid-April, the European Commission (EC) would facilitate using these funds to bridge gaps at banks that don't have sufficient reserves and avoid tapping uninsured depositors.

**3/30 Europe's markets regulator probing CDS after bank turmoil:** The European Securities and Markets Authority (ESMA) said it is scrutinizing the market for credit default swaps after recent trading activity amplified turmoil for banking stocks. "ESMA, together with the national regulators, has been looking into the recent market movements, including in the CDS market," a spokesman said in response to [Bloomberg](#).

**3/30 EU distances itself from Credit Suisse bond writedowns:** Dominique Laboureix, Chair of the Single Resolution Board (SRB), had a clear message for investors in an exclusive interview with [CNBC](#). EU regulators distance themselves from the Swiss decision to wipe out \$17 billion of Credit Suisse's bonds in the wake of the bank's rescue, saying they would write down shareholders' investments first.

**3/30 Banking turmoil:** According to ECB Director Schnabel, euro area banks have not yet experienced an outflow of deposits. The comment provided some reassurance on the markets. ([Bloomberg](#))

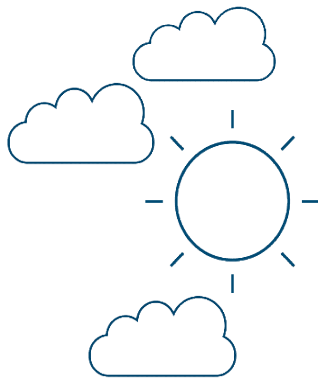
**3/30 The White House Proposes Tougher Bank Rules:** President Joe Biden's administration is pressing regulators to tighten the rules for mid-sized banks, its strongest step yet in response to the banking crisis that led to the failure of a pair of regional lenders. ([Bloomberg](#))

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

E-STOXX 600 Banks	146	1,03%	-13,09%	iBoxx € Cov. Germany	7,5	0,6	0,0	iTraxx Senior Financial	107,0	0,1	21,8
10Yr-Yield	2,2	-0,1	-0,5	iBoxx € Cov. Bonds	21,0	0,7	0,8	iBoxx € Supranational	18,1	0,28	-1,07
Swap 10J	2,8	-0,1	-0,4	iBoxx € Banks PS	83,9	-11,4	12,2	iBoxx € Agencies	-1,2	0,01	-4,30
iBoxx € Germany	-51,8	-0,1	-10,8	iBoxx Banks NPS	121,4	-17,0	14,0	iBoxx € Sub-Sov. Germany	11,6	2,34	1,30
iBoxx € EU	23,1	-0,2	-2,4	iBoxx Banks Subordinated	210,6	-23,3	33,7	iBoxx € Sub-Sovereign	27,2	0,72	-0,59

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

**Leisure tip for the weekend: Monastery in Chorin**



The monastery in Chorin celebrates Easter with the most beautiful and traditional medieval festival in Germany. The Easter days with the Easter market, where you can find handicrafts; garden plants, garden accessories and early bloomers, invite you to a nice excursion into the countryside. The spring hustle and bustle is complemented by the best organic gastronomy from the region.

Families with children can go on an Easter egg hunt, rediscover old Easter traditions and make their own creative souvenirs. Guided tours and the permanent exhibition provide insights into the history of the monastery.

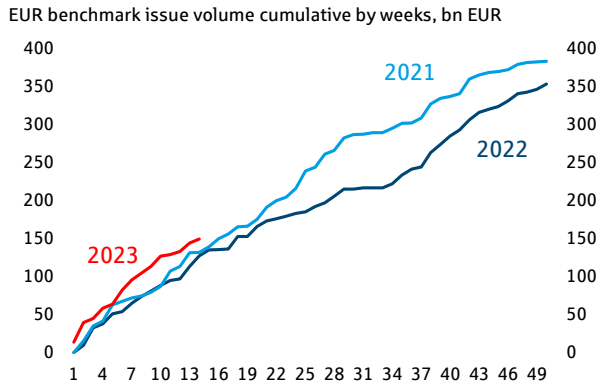
Further information:

[Monastery Chorin](#)

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.visitberlin.de/de/event/34-oster-kloster-fest-chorin>

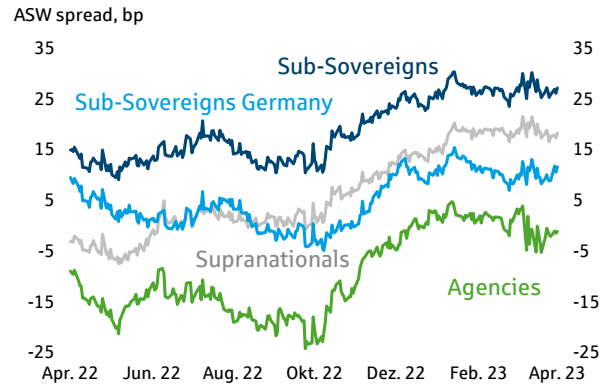
## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes



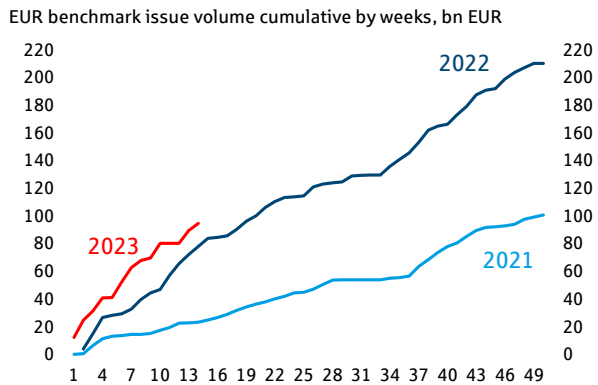
Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development



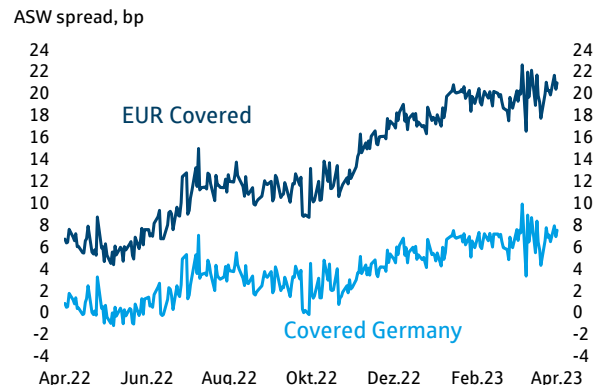
Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes



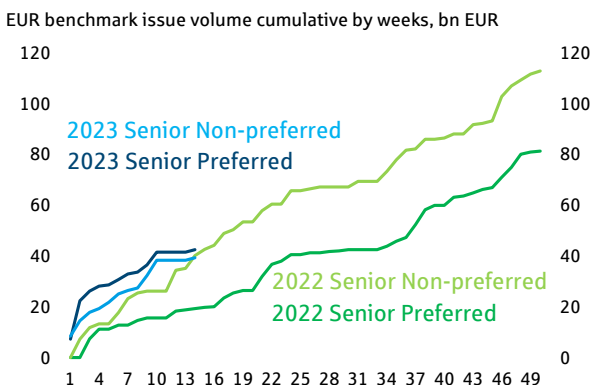
Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development



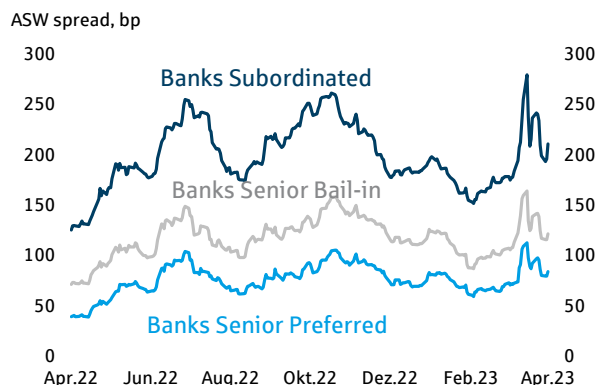
Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development



Sources: Bloomberg, Helaba Research & Advisory



## News from Research & Advisory

- 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: European banks: Déjà vu in a crisis environment?
- 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
- Focus on: Primary Market update EUR Benchmark Bank Bonds Q4 2022
- Focus on: Singaporean Covered Bonds - Top credit quality made in Asia
- Markets and Trends 2023
- FOCUS ON CREDITS - BASEL III AND THE EU COUNCIL'S POSITION ON THE LEGISLATIVE PACKAGE
- FOCUS ON: SUSTAINABLE FINANCE - THE RENDEZVOUS CLAUSE

## 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:

Sabrina Miehs  
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](http://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/>