

# Focus on: SSAs & Financials

## 17 August 2023



## Weekly Market Update



**Primary market environment:** Primary markets are gradually picking up after the summer break. According to the FOMC minutes, the majority of Fed members see upside risks to inflation. The tightening of the balance sheet could continue if rate cuts become necessary. The Norwegian central bank raised its key rate by 0.25% to 4%.

### Primary market barometer



**SSAs**  
In the SSA segment, the summer break appears to be continuing, although the state of Schleswig-Holstein did issue last week. There was no primary market activity this week. The picture should change significantly in the coming weeks.

### Covered Bonds



**Covered Bonds**  
Berlin Hyp "traditionally" ended the summer break. Its issue - a social benchmark Pfandbrief - met with very good demand, as did DZ Hyp's subsequent placement in the green format. In our view, the success of both transactions indicates that the market is receptive.

### Senior Unsecured

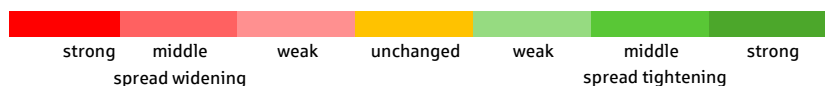


**Senior Unsecured**  
The summer break is also slowly coming to an end in this segment. This week, SR-Bank was the only EUR issuer to enter the stage with a senior non-preferred benchmark in green format. We expect primary activity to pick up significantly over the next two weeks.

### Risk trend indicator: Rising risk aversion

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,02	0,22	0,09	0,31	1,99	-0,13
European Union	0,02	0,06	0,04	-0,28	1,69	1,62
Germany Covered	0,02	0,15	0,03	0,36	0,90	1,38
EU Covered	0,01	0,08	0,00	0,15	0,83	1,34
Banks senior preferred	0,08	0,22	0,18	-0,07	0,58	1,93
Banks senior bail-in (SNP)	0,08	0,20	0,15	-0,38	0,15	1,59
Banks subordinated	0,04	0,10	0,00	-0,34	0,24	2,13
Supranational	0,02	0,06	-0,04	-0,17	1,50	1,45
Agencies	0,04	0,22	0,09	0,20	1,78	0,46
Sub-Sovereigns Germany	0,01	0,02	-0,08	0,01	0,54	-0,74
Sub-Sovereigns	0,03	0,06	-0,08	-0,17	0,87	0,12



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

The current sentiment is clearly souring, as our Risk Trend Indicator shows with a clear red tinge. In our view, there is no short-term relief in sight.



## SSAs

For the federal state of Schleswig-Holstein, a summer lull of more than two weeks without primary market transactions came to a brief end on 9 August. The Landeschatzanweisung (EUR 750 million) with a 10-year maturity met demand in the amount of EUR 890 million. The final spread tightened by 1 bp to the final MS flat versus the marketing. However, the SSA segment remained quiet this week.

**Outlook:** The quiet period in the primary market should end soon. The EFSF has already sent out RfPs. In addition, we believe that other issuers will try to take advantage of the constructive market environment.

### € SSAs issues week of 14 August 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

After the summer break - the last transaction was priced on 18 July - Berlin Hyp opened the primary market on Wednesday with a 5-year **social covered bond** (EUR 500 million, WNG). The "undivided" attention of investors was rewarded with corresponding order volumes. The issue was 3.6 times oversubscribed and the final spread tightened by 4 bps to MS+6 bps compared to the marketing, implying a new issue premium of around 3 bps. On Thursday, DZ Hyp unsurprisingly followed suit, another German Pfandbrief issuer that regularly appears on the primary market. The 4.5 year **green benchmark** (EUR 500m, WNG) saw very strong demand, as evidenced by the 4.8x oversubscription of the order book and the tightening of the spread from 5bp to the final MS +4bp.

**Outlook:** The primary market is gradually picking up again. Overall, covered bonds will play an important role in banks' funding plans, especially as they seek to optimise their funding costs.

### € Covered Bond Emissionen in der Woche vom 14. August 2023

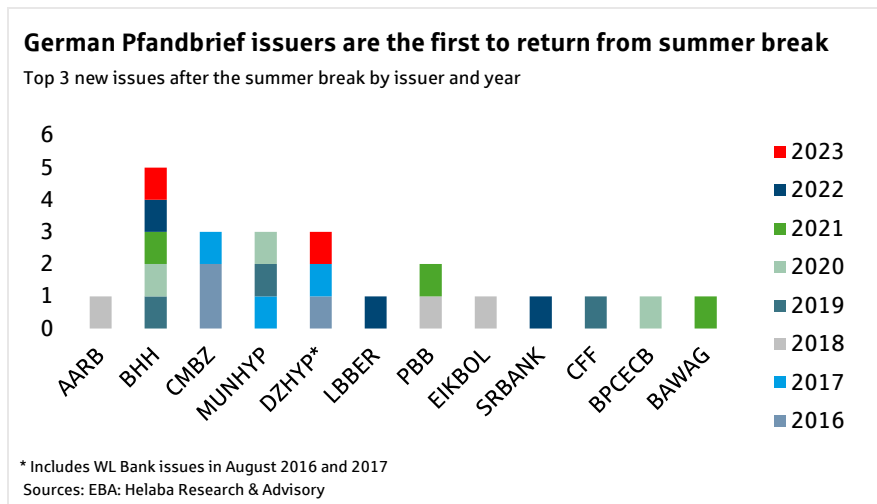
Kupon	Emittent	Rating (M/S&P/F)	Volumen in €	Tap	Fälligkeit	Begebungs-Spread zu Swaps	ESG	Begebung	Orderbuch	erste Spread-indikation
3,375%	Berlin Hyp AG	Aaa /-/-	0,500 Mrd.		23.08.2028	ms +6 Bp	✓	16.08.2023	1,600 Mrd.	ms +10 area
3,375%	DZ HYP AG	Aaa /AAA/-	0,500 Mrd.		31.01.2028	ms +4 Bp	✓	17.08.2023	2,400 Mrd.	ms +9 area

Quellen: Bloomberg, Helaba DCM

## Chart of the Week

The summer break in the primary market is usually ended by German issuers. In particular, Berlin Hyp (BHH) is in

the spotlight. It is the undisputed leader and has been giving the starting signal for the 'reopening' without interruption since 2019. DZ Hyp and MüHyp share second place, at least if the recent past is taken into account. Commerzbank has the same number of issues, but this goes back to 2016 (a double) and 2017. Norwegian issuers belong to the extended group of "early starters", while issues from France often take place in September, probably due to the later end of the summer



holidays.

## Senior Unsecured



The Italian government has softened the bank tax issue by setting a cap. Meanwhile, concerns about the state of the Chinese economy are weighing on markets. US interest rate hike fantasies have recently resurfaced in the face of mixed price data. The combination of economic news and illiquid "summer dol-drums" trading is causing volatility in the market. For example, the iTraxx Senior Financial traded below 80bp last week and is currently above 83bp.

Among the underperformers have been French preferred bonds and peripheral debt, especially Italian, with spreads widening by more than 10bp in some cases. Scandinavian bonds, on the other hand, performed solidly, widening by 1-3 bps. The picture was similar for non-preferred bonds.

SR Bank's green senior non-preferred issue today (EUR 500m, WNG) was successful. The spread tightened by 15bps to a final MS+150bps compared to the marketing.

*“Investor activity is currently below average. Some asset managers have made small portfolio adjustments while real money accounts are sitting on the sidelines. Trading activity is expected to pick up over the next 2 weeks.”*

*Comment from the Helaba trading floor*

**Outlook:** High maturities and stringent bail-in capital requirements remain the main drivers of primary market activity this year.

€ Senior Preferred issues week of 14 August 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 14 August 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
t.b.d.	SpareBank 1 SR-Bank	Baa1 -/-	0,500bn		24.08.2028	ms +150 bps	✓	17.08.2023	0,825bn	ms + 165-170 area

Sources: Bloomberg, Helaba DCM



## Short news

**8/14 Bank levy 2023: German institutions pay €2.63bn to Single Resolution Fund.** As the national resolution authority for the Single Resolution Fund of the Banking Union (SRF), **BaFin** has collected the bank levy of EUR 2.63 billion from German institutions for the contribution year 2023.

**8/9 Fich: Canadian Covered Bond Ratings not Impacted by Canadian Wildfires** Fitch's ratings on the Canadian covered bonds are not impacted by the Canadian wildfires. This is due to the fact that the wildfires have not been located in heavily populated areas and have not caused a great deal of property damage to date. Furthermore, seven out of the nine rated programs benefit from the Canadian bail-regimes in place. A unique feature of OSFI and AMF's bail-in regimes is they do not carve out an exemption in a case where the covered bonds would be undercollateralized.

**8/4 Global Ratings discontinues ESG scores:** The agency announced that it will no longer include ESG Credit Indicators, which summarise the relevance of ESG factors to rating analysis, in reports on rated companies. Since September 2021, the agency has presented these alphanumeric ESG credit indicators on a scale of 1 (positive) to 5 (strongly negative). At the time, S&P said that the indicators would not have an impact on credit ratings, but were intended to complement the qualitative findings on the impact of ESG factors on creditworthiness in rating reports. Now, the **agency says** it has determined that the qualitative descriptive paragraphs are the most effective way to provide detail and transparency on ESG credit factors for credit ratings, and that these paragraphs will remain an essential part of the reports. We are not aware of any official justification for this move. **According to some market reports**, the agency's withdrawal from ESG ratings may reflect concerns about ESG transparency and the impact of recent increased anti-ESG sentiment in the US. S&P's separate products related to ESG ratings are not expected to be affected by this move.

**End of July: Credit Agricole Financement de l'habitat SFH, the Group's third covered bond entity** was created on 14 December 2022 for **liquidity purposes** (p. 20) and received its licence at the end of July. It is thus the Group's third covered bond entity, alongside CA Home Loan SFH and CA Public Sector SCF. According to Moody's (rating: Aaa), the cover pool (mortgage loans) has a volume of approximately EUR 115 billion. The covered bonds have a total volume of EUR 82 billion.

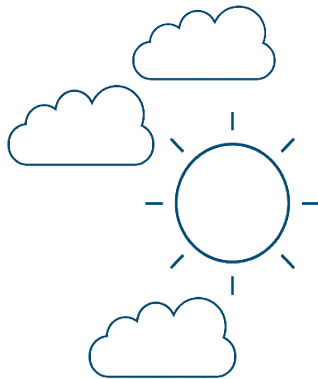
**Market Data** (current\*, vs. 1 week, vs. 4 weeks)

E-STOXX 600 Banks	157	-1,63%	-2,13%	iBoxx € Cov. Germany	9,5	1,4	0,2	iTraxx Senior Financial	83,9	1,4	4,6
10Yr-Yield	2,64	0,18	0,25	iBoxx € Cov. Bonds	22,6	1,5	0,0	iBoxx € Supranational	15,8	1,2	-0,1
Swap 10J	3,24	0,15	0,23	iBoxx € Banks PS	79,2	6,2	6,2	iBoxx € Agencies	0,9	2,5	1,4
iBoxx € Germany	-45,77	2,74	0,99	iBoxx Banks NPS	107,9	7,3	7,4	iBoxx € Sub-Sov. Germany	9,7	0,8	-0,8
iBoxx € EU	19,83	1,31	0,85	iBoxx Banks Subordinated	188,8	5,6	3,0	iBoxx € Sub-Sovereign	23,5	1,3	-0,4

\* Closing prices from the previous day

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

**Leisure tip for the weekend: Xanten South and North Sea**



Mediterranean flair in North Rhine-Westphalia - that's what you get in Xanten on the Lower Rhine, where two large lakes were joined until 1994. The nearby leisure centre has become a mecca for water sports enthusiasts. The northern side of the lake is known as the North Xanten Lake and the southern side as the South Xanten Lake. There are two marinas in the districts of Wardt and Vyne. For holidaymakers, the small beach paradise at the FZX natural swimming pool will leave nothing to be desired.

More information: [Leisure centre Xanten](#)

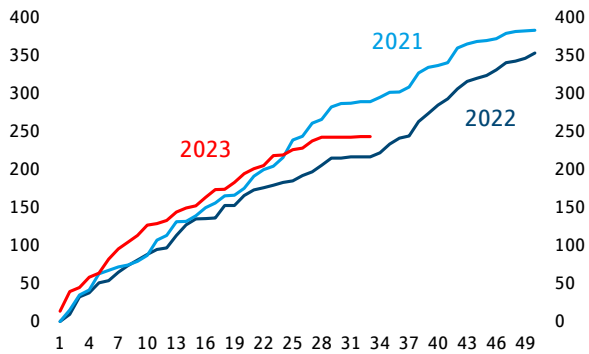
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

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

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

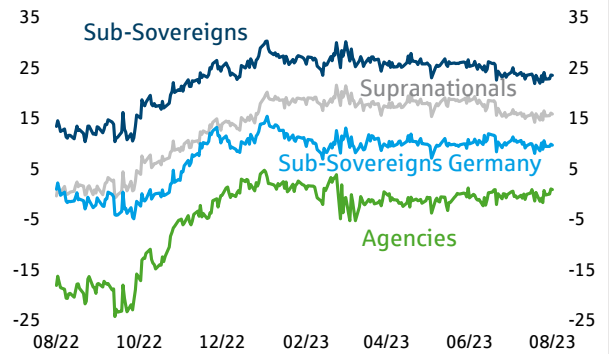
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

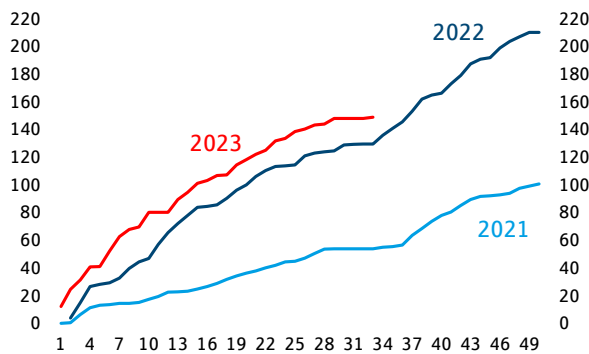
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Primary volumes

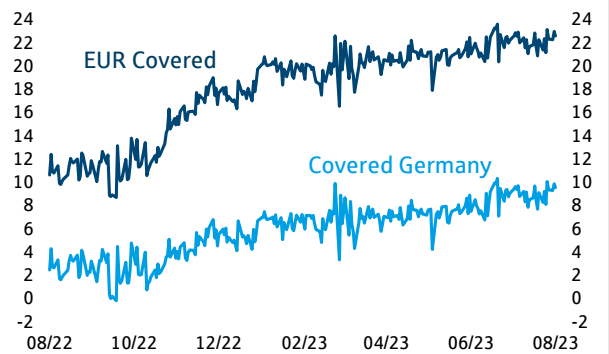
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

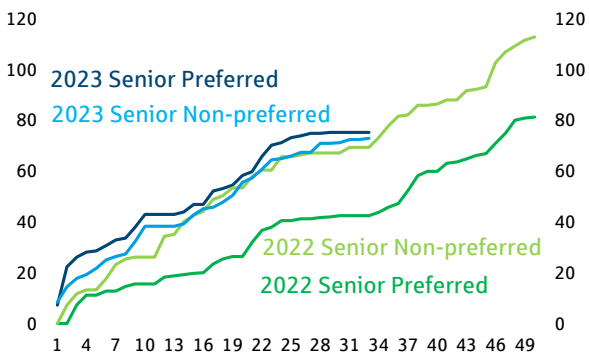
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

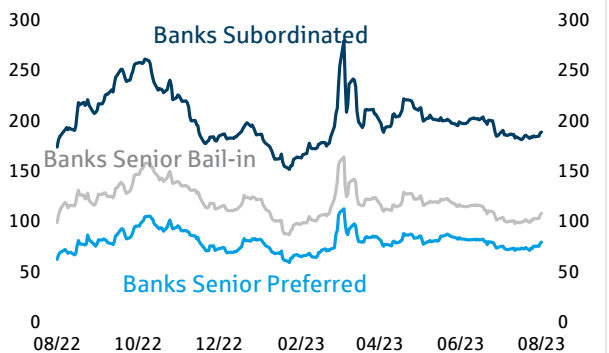
EUR benchmark issue volume cumulative by weeks, bn EUR



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**
- **Focus on: Corporate Schuldschein: Burgeoning diversity creates new options for investors**
- **FOCUS ON CREDITS - BASEL III AND THE EU COUNCIL'S POSITION ON THE LEGISLATIVE PACKAGE**
- **FOCUS ON: SUSTAINABLE FINANCE - THE RENDEZVOUS CLAUSE**

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