

Focus on: SSAs & Financials

8 February 2024



Weekly Market Update



Primary market environment: The DAX's record high remains in sight. Hopes of a quick rate cut are fading somewhat. The Fed's Collins sees a cut "later this year" and Barkin remains cautious. Primary markets are currently in good shape and momentum has been strong recently. Singapore's first covered issue this year, for example, is setting new price points.

Primary market barometer

SSAs



11 issuers took advantage of the constructive market environment this week. All issues went through without a hitch. For the time being, there are no signs of a slowdown in primary market activity.

Covered Bonds



The high level of issuing activity in the covered bond segment continues. The order books are still well to very well oversubscribed, but there has been no lasting impact on spreads so far. It remains to be seen to what extent the renewed concerns about the US regional banks will have an impact in the short term.

Senior Unsecured

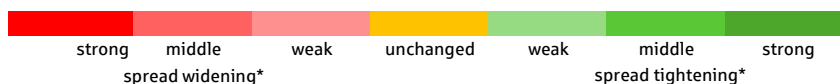


Despite a slight increase in volatility, the market environment for senior unsecured issues remains very constructive. Many banks have now reported their quarterly results and we expect primary market activity in this segment to continue to pick up.

Risk trend indicator (heat map): Sentiment deteriorates

Relative* ASW spread change

| IBOXX EURO | 1 day | 1 week | 4 week | 13 weeks | 52 weeks | 104 weeks |
|----------------------------|-------|--------|--------|----------|----------|-----------|
| Germany | 0,01 | 0,12 | 0,31 | 0,54 | 1,35 | 2,19 |
| European Union | 0,04 | 0,24 | 0,24 | 0,46 | 0,95 | 2,91 |
| Germany Covered | 0,09 | 0,20 | 0,40 | 0,99 | 2,53 | 3,37 |
| EU Covered | 0,03 | 0,06 | 0,13 | 0,51 | 1,70 | 3,21 |
| Banks senior preferred | 0,06 | 0,25 | -0,28 | -0,15 | 0,87 | 1,68 |
| Banks senior bail-in (SNP) | 0,05 | 0,23 | -0,30 | -0,12 | 0,61 | 1,19 |
| Banks subordinated | 0,05 | 0,24 | -0,22 | -0,52 | 0,43 | 1,05 |
| Supranational | 0,04 | 0,18 | 0,23 | 0,54 | 1,07 | 2,87 |
| Agencies | 0,06 | 0,12 | 0,26 | 0,67 | 1,58 | 2,62 |
| Sub-Sovereigns Germany | 0,02 | 0,05 | 0,13 | 0,44 | 0,72 | 0,43 |
| Sub-Sovereigns | 0,04 | 0,13 | 0,18 | 0,52 | 1,04 | 1,75 |



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

Last week the colour scheme of our heat map had already shifted towards red. This trend is continuing, underlining the growing risk aversion.



SSAs

The **EFSF** and the **State of Lower Saxony** opened the very active primary market this week. The former, established in 2010 as part of the Euro Shelter, issued EUR 4bn with a tenor of 10 years. The order book was around 2.9 times oversubscribed and the spread tightened by 2 bps to MS+22 bps. This was the second transaction after a double tranche in early January, and 55% of the EUR 20bn funding target for the year has already been achieved (see also Chart of the Week). The State of Lower Saxony generated an order volume for a 5-year state bond (EUR 1bn) that was roughly in line with the size of the issue. The pricing of MS +6bp remained unchanged compared to the marketing. On Tuesday, Italy's **Cassa Depositi e Prestiti (CDP)** successfully issued a EUR 750m 6-year social bond. The issue was more than 3.3 times oversubscribed and the spread tightened by 3bp to BTBS+37bp vs. guidance. On the same day, the Latin American development bank **CAF (Corp. Adina de Fomento)** (EUR 1.5bn, 6 years), the World Bank (EUR 3bn, 10 years, sustain), **Société Des Grands Projets** (formerly Société du Grand Paris) (EUR 1bn, 25 years, green) and **Kommuninvest** (EUR 1bn, 3 years) were also active on the primary market. All reached their target without any problems. Société Des Grands Projets stood out as it was 16 times oversubscribed. **CADES** (EUR 4 billion, 3 years, social) and the **Basque Government** (EUR 600 million, long, 10 years, sustainable) both had no problems filling their books, with 5.3 and 6.5 times oversubscription respectively. The **Land of Baden-Württemberg** (EUR 600m, WNG, FRN) and the **Land of Berlin** (EUR 1bn, 10 years, WNG) also crossed the finishing line today, albeit without any tightening of spreads.

Outlook: As in the recent past, the primary market should remain dynamic and continue to offer a mix of jurisdictions, maturities and traditional or sustainable bonds.

€ SSAs issues week of 5 February 2024

| Coupon | Issuer | Rating (M/S&P/F) | Volume € | Tap | Maturity | Launch-Spread vs. Mid-Swaps | ESG | Launch | Orderbook | 1st Spread-Indication |
|------------|----------------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|---------------|-----------------------|
| 2,625% | Niedersachsen | - /-/AAA | 1,000bn | | 15.03.2029 | ms +6 bps | | 05.02.2024 | 1,000bn | ms + 6 area |
| 2,875% | EFSF | AAA /AA/AA- | 4,000bn | | 13.02.2034 | ms +22 bps | | 05.02.2024 | 11,500bn | ms + 24 area |
| 2,750% | Kommuninvest I Sverige AB | Aaa /AAA/- | 1,000bn | | 12.02.2027 | ms +0 bps | | 06.02.2024 | 2,100bn | ms + 1 area |
| 3,625% | Cassa Depositi e Prestiti S.p.A. | - /BBB/BBB | 0,750bn | | 13.02.2030 | BTPS +37 Bp | ✓ | 06.02.2024 | 2,000bn | BTPS + 47 area |
| 3,625% | Corporación Andina de Fomento | Aa3 /AA/AA- | 1,500bn | | 13.02.2030 | ms +105 bps | | 06.02.2024 | 3,700bn | ms + 110 area |
| 3,500% | Société des grands projets | Aa2 /-/AA- | 1,000bn | | 25.06.2049 | FRTR +38 bp | | 06.02.2024 | 17,000bn | FRTR +42 area |
| 2,750% | CADES | Aa2 /AA/- | 4,000bn | | 24.09.2027 | ms +25 bps | | 07.02.2024 | 21,100bn | FRTR + 27 area |
| 3,400% | Basque Government | A3 /AA-/A | 0,600bn | | 30.04.2034 | ms +14 bps | | 07.02.2024 | 3,900bn | SPGB + 20 area |
| 2,875% | Berlin | Aa1 /AAA/AAA | 1,000bn | | 15.02.2034 | ms +17 bps | | 08.02.2024 | 0,980bn | ms + 17 area |
| 6m€ + 0 Bp | Baden-Württemberg | Aaa /AA+/- | 0,600bn | | 19.08.2027 | ms -3 bps | | 08.02.2024 | not disclosed | 6m€ -3 area |

Sources: Bloomberg, Helaba DCM



Covered Bonds

Despite the high level of issuance in the primary covered bond market in January, sentiment remained positive in the first week of February. Nevertheless, the primary market remained quiet at the beginning of the week, in contrast to previous weeks. It was not until Tuesday that **NordLB** conducted its first public sector covered bond transaction. With a bookbuilding of EUR 2.2bn, the target volume of EUR 750m was exceeded by a factor of 2.9 and the spread tightening narrowed by 6bp to a final MS+20bp. On Wednesday, **LBBW** (EUR 500m, 10 years, WNG) and **DBS Bank** (EUR 1bn, 2.5 years) were the first Singaporean institutions to successfully issue this year. In both cases, the order books were significantly oversubscribed (EUR 1.25bn and EUR 3.25bn respectively) and the final spreads tightened by 4bp and 7bp respectively. Today, **Santander Totta** (EUR 1bn, 7 years), **BPCE SFH** with a 5-year and a 12-year tranche (EUR 2.25bn) and **ING Belgium** (EUR 1bn, 7 years) also successfully launched their issues. Spreads tightened by up to 8 basis points with good to very good oversubscription.

Issuers seem to be finding optimal conditions again. Longer maturities are in demand and new issue premiums are gradually easing. However, there are no signs of significant spread shifts. On the contrary, concerns about US regional banks are starting to affect European markets. Demand for safe havens (Treasuries/Bunds) tends to increase. This is accompanied by increased volatility in bund/swap spreads. News is also affecting domestic bank spreads.

Outlook: Concerns over US regional banks are causing uncertainty and may dampen primary market activity next week.

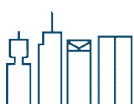
„Concerns about US regional banks are back. As was the case last year, the market is once again focusing on second-tier US banks. The issue has been on our minds for about a week now, as reports of major losses in bank stocks have increasingly dominated events. The current high point is the collapse of New York Community Bancorp, which has seen its share price fall by double-digit percentages.“

Comment from the Helaba trading floor

€ Covered Bond issues week of 5 February 2024

| Coupon | Issuer | Rating (M/S&P/F) | Volume € | Tap | Maturity | Launch-Spread vs. Mid-Swaps | ESG | Launch | Orderbook | 1st Spread-Indication |
|--------|-----------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 2,875% | NORD/LB | Aa1 /-/- | 0,750bn | | 14.05.2027 | ms +20 bps | | 06.02.2024 | 2,200bn | ms + 26 area |
| 3,000% | LBBW | Aaa /-/- | 0,500bn | | 16.02.2034 | ms +34 bps | | 07.02.2024 | 1,250bn | ms + 38 area |
| 3,209% | DBS Bank Ltd. | Aaa /-AAA | 1,000bn | | 19.08.2026 | ms +29 bps | | 07.02.2024 | 3,250bn | ms + 36 area |
| 3,000% | BPCE SFH | Aaa /AAA/- | 1,500bn | | 20.02.2029 | ms +36 bps | | 08.02.2024 | 3,600bn | ms +44 area |
| 3,125% | BPCE SFH | Aaa /AAA/- | 0,750bn | | 20.02.2036 | ms +51 bps | | 08.02.2024 | 1,600bn | ms +56 area |
| 3,250% | Banco Santander Totta, S.A. | Aaa /-AA- | 1,000bn | | 15.02.2031 | ms +67 bps | | 08.02.2024 | 2,600bn | ms + 73 area |
| 3,000% | ING Belgium SA/NV | Aaa /-AAA | 1,000bn | | 15.02.2031 | ms +38 bps | | 09.02.2024 | 2,600bn | ms +45 area |

Sources: Bloomberg, Helaba DCM



Senior Unsecured

Despite increased nervousness, the market environment in the senior unsecured segment remains very constructive. In the course of the week to date, a total of EUR 7.15 billion of senior unsecured material has been issued in 7 transactions. The majority of this, EUR 6bn, was on non-preferred rank. At the beginning of the week, **ING Groep** and **BNP Paribas** together placed EUR 4 billion of senior non-preferred bonds with medium and long-term maturities. **La Banque Postale** and **Alpha Bank** had already issued preferred bonds on Monday, followed by **Caixabank** with a non-preferred issue. Note the relatively long maturities of up to 11 years and the significant tightening of spreads during the bookbuilding process. All tranches were placed with investors close to fair value or at a low new issue premium. The continued high level of investor liquidity and attractive conditions at the long end of the curve continue to support a constructive market environment.

„Credit markets are currently in a nervous state. Interest rate volatility remains high and the iTraxx indices are bouncing back from their lows. Although cash indices narrowed considerably in January, the picture is now turning in the opposite direction on a weekly basis. The rally is showing signs of fatigue. Since the middle of last week there has also been negative news for US regional banks. The outperformers in both debt classes were Italian bank bonds, supported by very strong quarterly earnings. The underperformers are German non-preferred bonds and US HoldCo bonds.“

Comment from the Helaba trading floor

Quarterly bank results have been mixed. Profit warnings from US regional banks recently caused a stir; **Deutsche Pfandbriefbank pbb** tried to provide some clarity yesterday with an early release of results. Some banks, such as **BNP Paribas** and **Nordea**, disappointed with their quarterly reports and were quite cautious in their outlook for 2024. On the other hand, many banks reported very good fourth-quarter results and were optimistic about 2024. These include Spanish banks **BBVA** and **Banco Santander**, **Deutsche Bank** and, this week, Italian sector leader **UniCredit**. (See our [weekly market update](#) from last week). The banks enter 2024 from a position of relative strength, as many of them have high capital ratios and risk provisioning buffers, and the interest rate environment has been much more favourable since the interest rate turnaround in mid-2022. (For the outlook to 2024, see our publication [Major European banks: Heading into 2024 with strong credit risk buffers](#) from 16 January 2024).

Reporting dates of selected banks

| Issuer | Date | Issuer | Date |
|----------------------------|------|----------------------|------|
| CREDIT SUISSE GROUP AG-REG | 2/9 | ABN AMRO BANK NV-CVA | 2/14 |
| SPAREBANKEN SOR | 2/9 | COMMERZBANK AG | 2/15 |
| BPCE SA | 2/9 | NATWEST GROUP PLC | 2/16 |

Sources: Bloomberg, Helaba Research & Advisory

Outlook: Many banks have already reported their quarterly results and are now able to issue bonds again. The funding needs of European banks will remain high in 2024, particularly due to long maturities and declining customer deposits (see our [Primary Market Update EUR Benchmark Bank Bonds](#) dated 11 January 2024. We expect primary market activity to pick up further in the coming days.

Concerns about US regional banks are back. As was the case last year, the market is once again focusing on second-tier US banks. The issue has been on our minds for about a week now, as reports of major losses in bank stocks have increasingly dominated events. The current high point is the collapse of New York Community Bancorp, which has seen its share price fall by double-digit percentages.

€ Senior Preferred issues week of 5 February 2024

| Coupon | Issuer | Rating (M/S&P/F) | Volume € | Tap | Maturity | Launch-Spread vs. Mid-Swaps | ESG | Launch | Orderbook | 1st Spread-Indication |
|--------|-------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 3,500% | La Banque Postale | A2 /A-/A+ | 0,750bn | | 13.06.2030 | ms +90 bps | | 05.02.2024 | 1,300bn | ms + 120 - 125 area |
| 5,000% | Alpha Bank SA | Ba3 /BB-/ | 0,400bn | | 12.05.2030 | 5,125% | | 05.02.2024 | 0,950bn | 5,50% area |

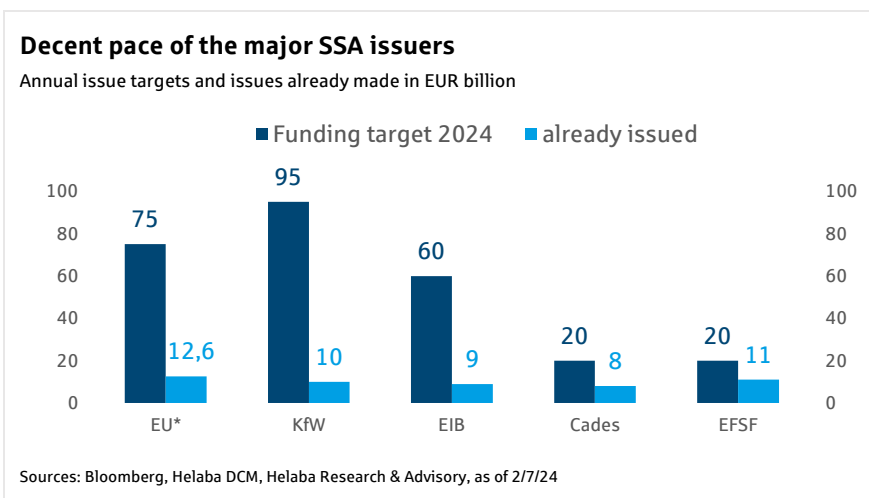
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 5 February 2024

| Coupon | Issuer | Rating (M/S&P/F) | Volume € | Tap | Maturity | Launch-Spread vs. Mid-Swaps | ESG | Launch | Orderbook | 1st Spread-Indication |
|--------|--------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 4,125% | CaixaBank, S.A. | Baa3 /BBB/BBB+ | 1,250bn | | 09.02.2032 | ms +150 bps | ✓ | 05.02.2024 | 3,000bn | ms + 185 area |
| 4,095% | BNP Paribas SA | Baa1 /A-/A+ | 1,500bn | | 13.02.2034 | ms +145 bps | | 06.02.2024 | 3,600bn | ms + 175-180 area |
| 3,875% | ING Groep N.V. | Baa1 /A-/A+ | 1,250bn | | 12.08.2028 | ms +125 bps | | 06.02.2024 | 3,400bn | ms + 155 area |
| 4,000% | ING Groep N.V. | Baa1 /A-/A+ | 1,250bn | | 12.02.2034 | ms +140 bps | ✓ | 06.02.2024 | 2,400bn | ms + 170 area |
| t.b.d. | Svenska Handelsbanken AB | A2 /A/AA | 0,750bn | | 15.02.2034 | ms +110 bps | ✓ | 08.02.2024 | 2,100bn | ms +140 area |

Sources: Bloomberg, Helaba DCM

Chart of the Week



Although only six weeks into 2024, the five largest issuers are making good progress towards their funding targets. The EFSF, in particular, has already issued 55% (EUR 11bn) of its full-year issuance target. This compares with EUR 6bn in the same period last year. According to Silke Weiss, Head of Funding and Investor Relations at the EFSF, the organisation is satisfied with the results and the market conditions. Especially against the backdrop of various uncertainties related to various elections

this year or geopolitical tensions. The French CADES is also well on its way with 40% of its funding target. Unlike the other issuers, the EU's targets only cover the first half of the year. During this period, a total of 6 syndicated bonds (next date: 9-23 February) and 7 auctions are planned.



Short news

2/8 S&P Capital IQ: Australia's major banks are facing increasing credit risk as risky loans have risen sharply in 2023: According to S&P Capital IQ, risky loans at Australia's four largest banks, and therefore credit risk, have increased due to higher interest rates. S&P Global Market Intelligence data shows that Commonwealth Bank of Australia, National Australia Bank Ltd, ANZ Group Holdings Ltd and Westpac Banking Corp's total stage 2 loans, which are classified under International Financial Reporting Standard 9 (IFRS 9) accounting standards, rose to 17.93% in the 12 months to 30 September 2023 from 15.87% a year earlier. Stage 2 loans under IFRS 9 are loans for which the credit risk has increased significantly since initial recognition.

2/7 SRB with list of consultations and requests to the industry: The Single Resolution Board (SRB) has published the [list](#) of all public consultations, data requests, and deliverables stemming from the Expectations for Banks (EfB) planned for 2024. This disclosure marks an important milestone in the SRB's efforts to cater to the industry's wish for more predictability and transparency.

2/7 Europe's new AI Act threatens supervisory 'chaos' for banks: Policy insiders heard by [Risk.net](#) say EU banks could find themselves in a supervisory turf war because the recently agreed Artificial Intelligence Act will create new regulators purely for the technology.

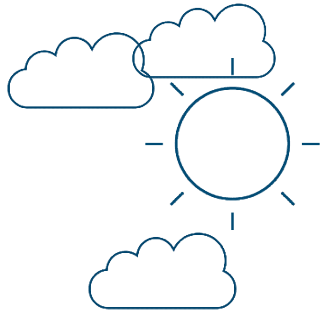
2/6 BDB publication on Sustainable Finance for medium-sized institutions: With a brand new [publication](#), the Association of German Banks (BdB) aims to guide small and medium-sized banks when it comes to sustainable finance. There are many new rules and standards at the European level and this could pose major challenges for small and medium-sized banks by making implementation complex.

2/6 AT1 bond issuance: UBS Group plans to sell billions more in Additional Tier 1 bonds over the next few years after a blockbuster deal last year that heralded a revival for the market for risky bank debt. The Swiss lender's 2024 funding plan envisages issuing up to \$2 billion equivalent of AT1s, according to [Bloomberg](#).

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

| | | | | | | | | | | | |
|-------------------|--------|--------|--------|--------------------------|-------|------|------|--------------------------|------|------|-----|
| E-STOXX 600 Banks | 168 | -1,77% | -1,72% | iBoxx € Cov. Germany | 27,3 | 1,0 | 3,4 | iTraxx Senior Financial | 71,6 | 1,4 | 3,0 |
| 10Yr-Yield | 2,30 | 0,14 | 0,09 | iBoxx € Cov. Bonds | 36,0 | -0,3 | 0,9 | iBoxx € Supranational | 30,2 | 1,1 | 2,1 |
| Swap 10J | 2,70 | 0,13 | 0,04 | iBoxx € Banks PS | 83,5 | 6,2 | -6,8 | iBoxx € Agencies | 14,6 | 0,3 | 1,7 |
| iBoxx € Germany | -26,18 | 2,15 | 3,73 | iBoxx Banks NPS | 108,1 | 6,8 | -8,8 | iBoxx € Sub-Sov. Germany | 21,6 | -0,3 | 1,6 |
| iBoxx € EU | 37,50 | 2,44 | 2,89 | iBoxx Banks Subordinated | 172,9 | 10,1 | -9,4 | iBoxx € Sub-Sovereign | 37,7 | 0,5 | 1,7 |

Leisure tip for the weekend: Carnival Monday in Düsseldorf



The Rose Monday Parade is the highlight of the Düsseldorf Carnival. The Rose Monday Parade is expected to start on 12 February at around 12.24pm on Corneliusstraße in the Bilk district. From there, around 8,000 participants will make their way towards Düsseldorf city centre. A total of 85 foot groups, 110 floats and 30 brass bands will take part.

Find out more: [Carnival Monday](#)

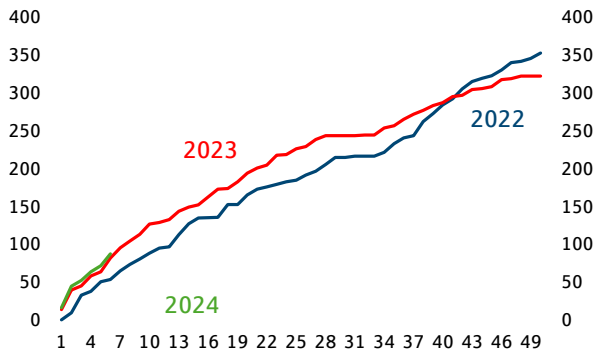
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

Sources: www.nrz.de/www.karvneval-in-duesseldorf.de

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

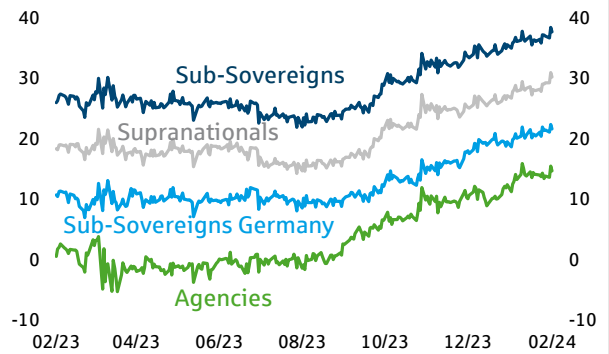
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

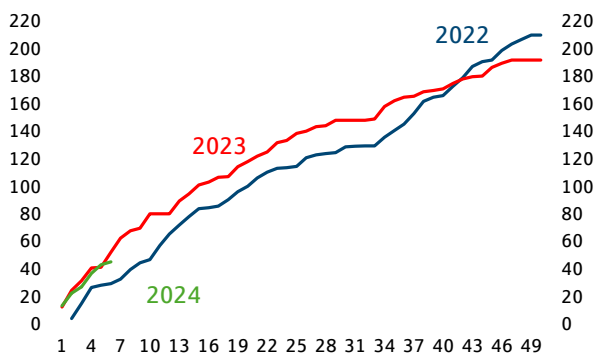
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Covered Bonds: Primary volumes

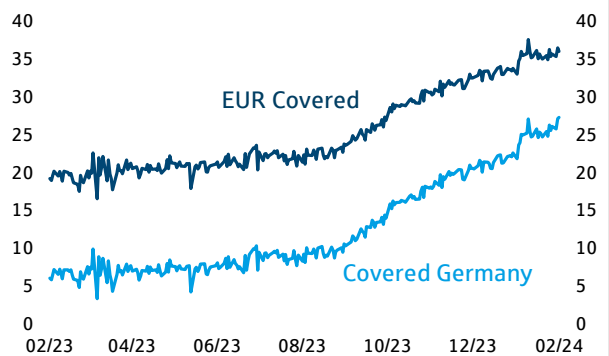
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

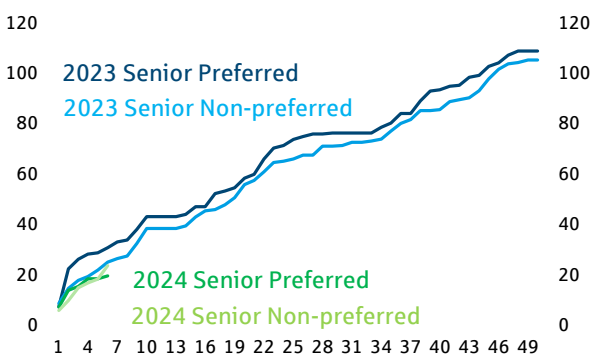
ASW spread, bp



Sources: LSEG, Helaba Research & Advisory

Senior Unsecured: Primary volumes

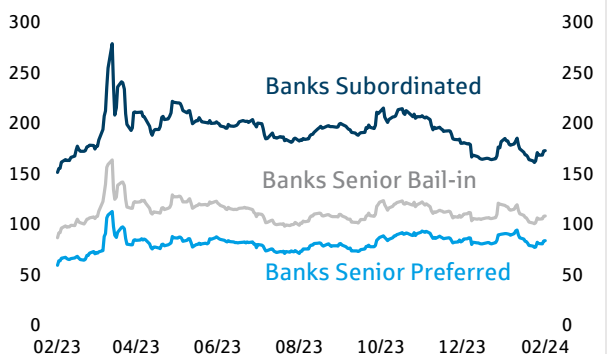
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: LSEG, Helaba Research & Advisory



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- [Focus on: Credit – Primary market update corporate bonds](#)
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