

Focus on: Covered Bonds

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Outlook 2026: 丙午年 – The Year of the Fire Horse



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In Chinese astrology, the combination of fire and horse represents an explosive mixture of dynamic energy and transformation. It can bring both positive and negative events. Given the current geopolitical and global economic climate, the stars could hardly be more perfectly aligned.

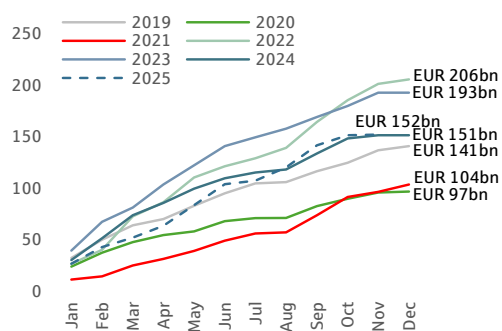
To anticipate the results of our analysis: **We expect new issues from the euro benchmark covered bond market to total EUR 162bn in the coming year.**¹ Excluding 2022/23, which will be characterized by catch-up effects and TLTRO refinancing, this would be the highest gross issuance volume since 2011.

Starting point for 2025 as of mid-November

We originally expected **gross issuance of EUR 160bn** for the **current year**, which would have corresponded to net market growth of just under EUR 20bn. However, it became apparent after the summer break that this figure was somewhat too high. By mid-November, close to EUR 153bn had been reached, making a target of just over **EUR 155bn** by the end of the year **seem more realistic**. The net issuance volume at the end of October was EUR 28bn. However, considering the substantial redemptions of over EUR 17bn still to come before the end of the year, this figure will shrink to just over EUR 14bn.

2025 – Issuance above average

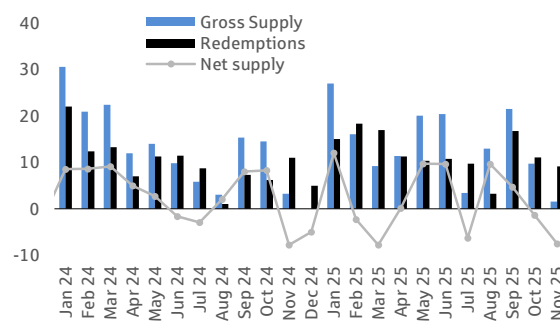
Paths of issuance developments in selected years



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

More months with net negative issuance

Gross- vs. Net-issuance in EUR bn

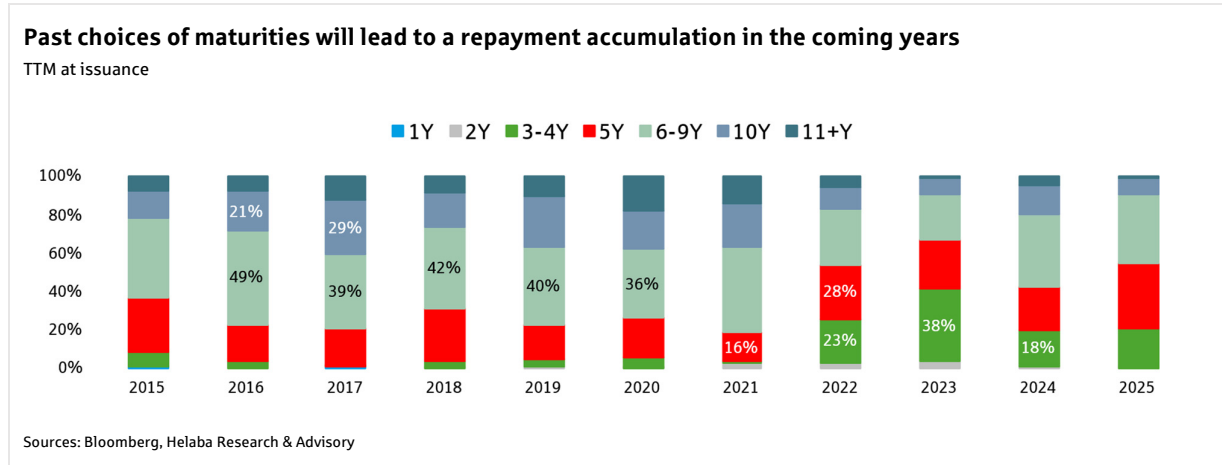


Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

¹ All publicly placed new issues denominated in EUR with a minimum issue volume of EUR 500 million, a fixed coupon and at least three lead managers, not including the issuer itself, including subsequent increases in such issues.

2026 marked by massive maturities - EUR 162bn a false giant

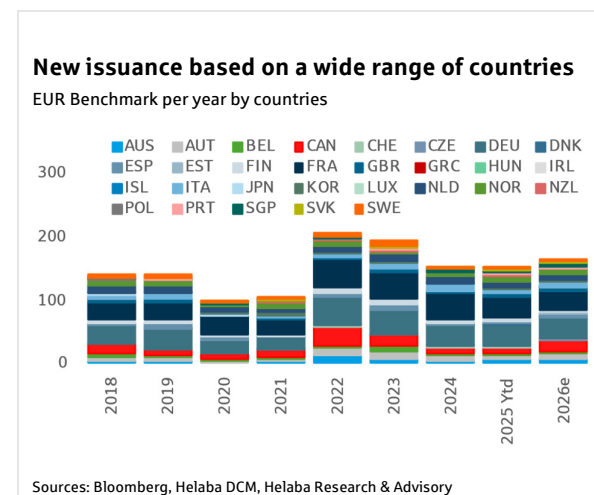
What at first glance appears to be a bold gross estimate is put into perspective when viewed in relation to maturities: in 2016/17, maturities of more than five years, particularly eight- to ten-year issues, regained their appeal. This trend will result in maturities of EUR 26bn in 2026. In 2019, 7-year covered bonds were particularly popular, resulting in EUR 30.5bn in maturities next year.



The "perfect storm" next year was then set up by the very defensive choice of maturities in the post-corona years 2022/23: in these two years, EUR 65bn in three- and four-year securities were issued, which are due for repayment in 2026. This results in a record total of EUR 157bn in repayments, reducing the net issuance volume to an estimated EUR 8bn. This trend will even intensify in 2027, when EUR 183bn will be due for repayment.

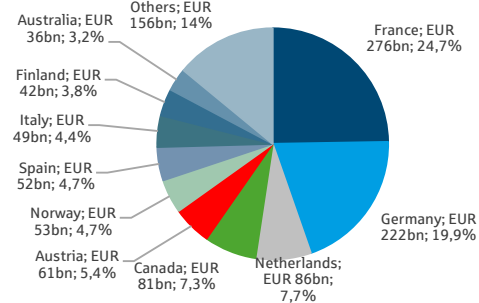
Number of issuers set to rise further

We expect only minor changes in the ranking of issuing countries. French and German issuers are neck and neck in the current year. For the coming year, we forecast a slight decline in gross issuance in France, with issuance from Germany remaining roughly unchanged. Canadian issuers are facing high maturities, which should be reflected in rising new issuance in the years after 2025. We expect the Netherlands, Austria, Norway, Italy, Spain, and Australia to rank 4–9, but all of them are in the range between EUR 6.5 and 9bn. Therefore, minor changes can quickly affect the ranking. The same applies to the next cohort, comprising the United Kingdom, Finland, Sweden, Singapore, and Belgium. We expect these countries to contribute between EUR 4 and 5.75bn. The smaller countries are likely to contribute around EUR 19bn.



France and Germany are the largest Covered Bond Countries

Outstanding amounts per Country

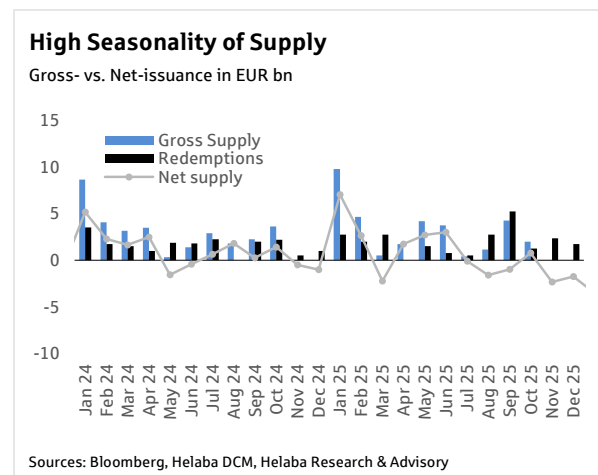
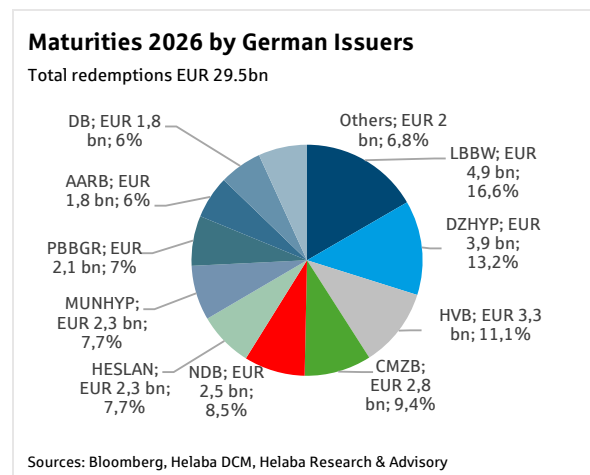


2025 was already a record year in terms of the number of countries participating in the euro benchmark covered bond market. We expect that the number of 25 in 2026 could increase to 27 due to activity from Greece and Turkey. We remain sceptical about Bulgaria but consider it a promising guess for a potential 28th covered bond country in 2026.

Germany – EUR 31.75bn gross / EUR 2.2bn net

The forecast of EUR 31.75bn in gross issuance is roughly in line with this year's issuance (EUR 32.45bn as of the end of October). We expect the historically high issuance volume to be supported by an equally broad issuer base of 19 banks. Smaller issuers from the savings bank sector in particular, which have not placed any benchmark issues this year, could reappear next year. Another year without publicly placed issues could require a greater degree of investor outreach to keep the option of larger issues open. On the other hand, the continuing growth of the mortgage market is leading to a slow increase in funding requirements: in the first half of 2025, the institutions organized in the Association of German Pfandbrief Banks (vdp) granted real estate loans worth EUR 70.1bn. The volume of real estate financing rose by 17% compared with the first half of 2024. The volume of new residential real estate loans amounted to EUR 46bn after the first six months of 2025. This was 22% higher than in the same period of the previous year (EUR 37.7bn). Commercial real estate loans totalled EUR 24.1bn in the first half of 2025, an increase of 8.6% compared to the first half of 2024 (EUR 22.2bn).²

In the absence of major structural changes, gross issues and maturities are roughly on par. The EUR 29.3bn in maturities are only overcompensated by EUR 2.2bn because we assume a broader issuer base compared to this year and previous years. Within the group of larger issuers, such as LBBW, DZ HYP, CMZB, and HVB, we expect minor shifts; however, in aggregate, we assume that the net issuance volume here will be negative, mainly due to declining increases.

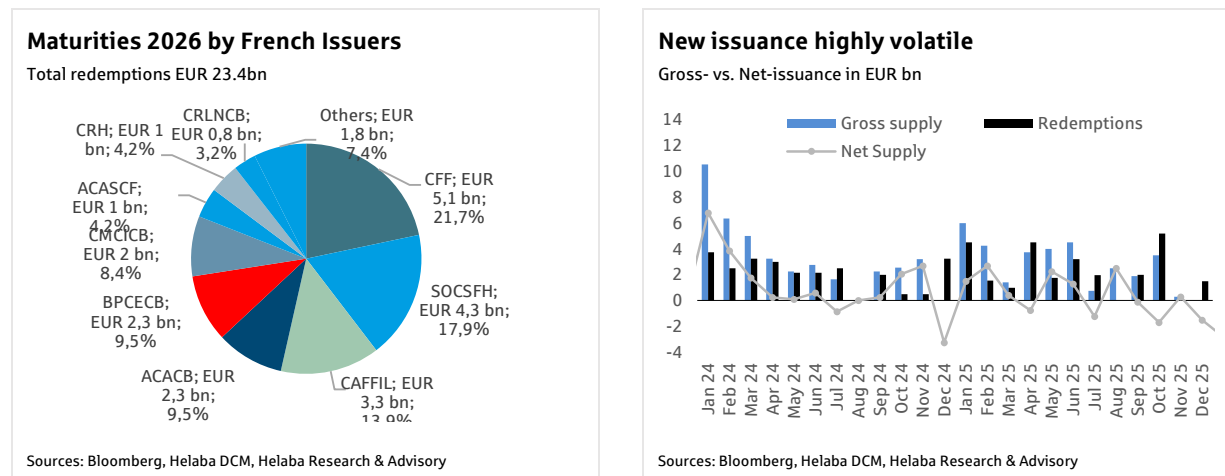


² vdp: Immobilienfinanzierung verzeichnet Aufwärtstrend

France – EUR 29.5bn gross / EUR 5.8bn net

Despite the political and fiscal difficulties in France, the market for real estate loans appears to be picking up again: new residential construction loans rose by 50% in the first five months of 2025 compared with the same period last year. According to the Banque de France, this recovery reflects a significantly more favourable environment for borrowers, as mortgage costs have fallen by one percentage point since their peak in January 2024.³

Against the backdrop of a more active real estate market and a broadening issuer base of 13 banks, we **expect** a comparatively **high net issuance volume of EUR 5.8bn** in 2026. However, this is likely to be driven mainly by three of the 13 banks. Due to their relatively extended maturity structure compared to other covered bond issuers, BPCECB, CMCIC, and CRH will have below-average maturities in the coming year. As a result, the rather low gross issuance expectations for these names will lead to noticeably positive net contributions.



Canada – EUR 11bn gross / EUR -12.2bn net

In recent years, the Canadian covered bond market has established itself as the third largest in the euro benchmark segment. Due to Canada's geographical location, Canadian banks generally have little need for primary financing in euros. Apart from GBP-denominated issues for the direct refinancing of activities in the United Kingdom, Canadian banks therefore tend to choose their bond currency opportunistically. The strong interest in Canadian covered bonds among EUR investors has proven to play a significant role in this regard. **However, depending on developments in the basis swap and investor demand, Canadian banks also make use of AUD, NOK, and USD.** This makes it particularly difficult to forecast the issuance of euro-denominated Canadian covered bonds: Compared to 2024, Canadian banks reduced their issuance of new covered bonds across all currencies by 16%, with issuance in euros falling by 28% and issuance in US dollars rising by 55%. Comparing 2024 to 2023, the reduction in issuance activity was still mainly at the expense of USD securities.

The fundamental decline in issuance can be explained in part by the growing deposits of Canadian banks. After a decline in deposits between October 2021 and April 2023, an increase has been recorded again since January 2024: for the period from January 2024 to April 2025, the Bank of Canada reports an increase in aggregate deposits of just over 10%.⁴

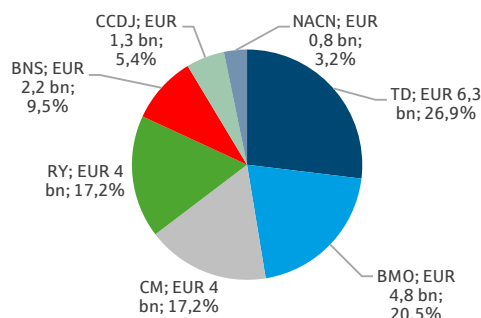
All in all, we expect new issues in euros to amount to EUR 11bn in 2026. This corresponds to an increase of just under EUR 1.5bn compared with the issue volume in the current year. However, considering the substantial repayments of a good EUR 23bn, this would result in a significant contraction.

³ Panorama des prêts à l'habitat des ménages - Juillet 2025

⁴ Canadian dollar deposits

Maturities 2026 by Canadian Issuers

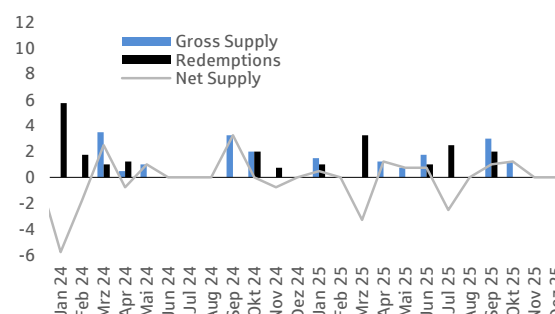
Total redemptions EUR 23.2bn



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Pronounced issuance in Sep/Oct

Gross- vs. Net-issuance in EUR bn



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Major covered bond countries: Netherlands, Austria, Norway, Italy, and Spain

This year's covered bond issues in the Netherlands were slow to get off the ground, but ultimately reached our target of EUR 8bn. Due to the comparatively low maturities, this represented market growth of EUR 4.5bn. In 2026, however, maturities will more than double from EUR 3.25bn to EUR 7.7bn. The need to roll over some of these maturities is one of the reasons why we have raised our issuance expectations to EUR 10bn. Another reason is the significant increase in mortgage business by Dutch banks: In June 2025, year-on-year growth was 5.2%. A year earlier, in June 2024, the growth rate was still 2.4%. The last time bank lending for residential real estate recorded such high growth rates was in 2008.⁵

In Austria, the picture is similar for mortgage lending: after a historic low, demand from private households for residential construction loans rose again in the first half of 2024. While the increase in 2024 was still moderate, growth picked up in the first two quarters of 2025. For the third quarter of 2025, the banks surveyed by the Austrian National Bank expect a further increase in demand for credit.⁶ The total amount of Austrian Pfandbriefe due for repayment is also rising. At EUR 9.5bn, the number of benchmark Pfandbriefe maturing is as high as in the last four years combined. As a result, we also expect a sharp increase in issuance activity to EUR 9bn. Apart from 2022 and 2023, this would be a record high.

Issuance history, expectations, and maturities

EUR bn	Gross 2024	Gross 2025	Gross 2026 (e)	Maturities 2024	Maturities 2025	Maturities 2026	Net 2024	Net 2025	Net 2026 (e)
Netherlands	9,65	7,75	10	5,0	3,25	7,5	4,65	4,5	2,5
Austria	6,5	3,5	9	2,25	2,5	9,5	4,25	1	-0,5
Norway	6,25	10,25	9	4,0	5,75	8,0	2,25	4,5	1,0
Italy	10,0	4,82	7,75	8,83	10,75	7,6	1,2	-5,9	0,15
Spain	2,85	3,25	7	6,25	19,6	7,5	-3,4	-16,4	-0,5

Sources: Bloomberg, Helaba Research & Advisory

⁵ Banks are lending more for residential mortgage loans⁶ OeNB Report 2025/12: Gesunkene Zinsen lassen Nachfrage nach Wohnbaukrediten weiter steigen

The Norwegian covered bond market got off to a flying start in 2025, and by the second quarter it was already clear to us that the issuance estimates for the full year had been set too low. At EUR 10.25bn at the end of October, Norway achieved its second highest ever euro benchmark volume after 2012 (EUR 11.65bn). At EUR 4.5bn, the resulting net volume was also one of the highest – both historically and in a cross-comparison. Only two of the new issues worth over EUR 10bn were placed in the second half of the year. This can be taken as evidence that virtually no pre-funding of the EUR 8bn in maturities due next year was carried out in the exceptionally high sum. Like Canada, Norway generally has little original funding requirement in EUR. However, the range of currencies in which Norwegian banks obtain covered refinancing is concentrated on EUR, SEK, and NOK. According to survey results from Norges Bank, little impetus is to be expected from credit growth. Norwegian banks reported a slight increase in demand for residential mortgages in the third quarter of 2025 and no change in demand in the fourth quarter.⁷ We therefore expect a slight decline in the gross supply of Norwegian covered bonds in the coming year. Our still relatively high expectations of EUR 9bn are mainly due to the refinancing requirements resulting from substantial maturities of EUR 8bn.

Italian covered bonds were the exact opposite of Norwegian bonds in terms of issuance. It quickly became clear that the expectations of EUR 9bn were too high. Although real estate demand picked up somewhat at the turn of the year⁸, it was obviously neither strong nor fast enough to translate into substantially higher credit growth⁹. As a result, the market for benchmark-sized obbligazioni bancarie garantite shrank by just under EUR 6bn. Given the slight upturn in the mortgage market and the general tendency of many issuers to place covered bonds publicly at least every two years, we expect gross supply of Italian covered bonds to rise again to EUR 7.6bn in line with maturities.

In recent years, the Spanish covered bond market has developed into almost a pure retained bond market. While EUR 24bn of the EUR 25bn in Spanish covered bonds in 2021 were still placed, the ratio has since gradually reversed: in the current year, only EUR 3.25bn of the EUR 24bn has been placed. The Spanish banking community has apparently found a modus vivendi that works well for it, with virtually no investors. This practice has worked well in recent years, but we are not sure how much effort it will take for smaller Spanish institutions to rebuild their investor base when the economic conditions require it. For our forecast, this means maximum uncertainty – regardless of developments in the mortgage market. Our gross issuance forecast of EUR 7bn therefore reflects the hope that Spanish banks will rediscover the investor world. Ultimately, a continuation of the market contraction seen in the current year (EUR -16.4bn) would not be a good sign for the state of the Spanish covered bond market.

Other European covered bond countries

Finland and Portugal have recently reported rising to sharply rising demand for mortgage loans, while in Sweden¹⁰ and Denmark, demand growth was barely above the general inflation rate. Belgium falls somewhere in between.¹¹ Although the rise in demand for mortgage loans was remarkable at 14% p.a. in Denmark, we believe that the upward trend is still in its infancy and will therefore take some time before issuance volumes more than compensate for the significant maturities in the coming year.

⁷ Norges Bank: Somewhat lower lending rates 3/2025

⁸ Banca d'Italia: Italian Housing Market Survey. Short-term Outlook - 2025 Q4

⁹ Banca d'Italia: The Euro Area Bank Lending Survey, 15 April 2025

¹⁰ OECD (2025), OECD Economic Surveys: Sweden 2025, OECD Publishing, Paris, [OECD Economic Survey Sweden 2025](#)

¹¹ Febfin: Mortgage loans confirm the positive trend in the 2nd quarter of 2025

Issuance history, expectations, and maturities

EUR bn	Gross 2024	Gross 2025	Gross 2026 (e)	Maturities 2024	Maturities 2025	Maturities 2026	Net 2024	Net 2025	Net 2026 (e)
Sweden	1,25	3,5	4,25	4,75	5,9	4,5	-3,5	-1,4	-0,25
Finland	5,5	4,75	6,0	3	4,25	6,85	2,5	-0,5	-0,85
Belgium	3	2,75	3,5	1	3,75	3,75	2	-1	-0,25
Portugal	2	2	2,25	2	0	0,85	0	2	1,4
Denmark	1,5	2,25	1,25	0,5	1	1,25	1	1,25	0

Sources: Bloomberg, Helaba Research & Advisory

Covered bonds in EU-CEE countries

We have devoted a separate subchapter to covered bonds from EU and CEE countries, as we assume that the high level of issuance activity from these countries in the current year was only the beginning of developments in the coming years. Our table shows a total of only EUR 6.5bn. However, we see this forecast as having room for improvement: in Czechia, Poland, and Estonia, there have already been signs of strong interest in issuing covered bonds in the current year, and it can be assumed that these examples will set a precedent – in benchmark or sub-benchmark size. Hungarian issuers surprised the market in June with a return to the euro benchmark segment after a 16-year absence, and Slovak issuers supplied the market with new material in every single quarter. For next year, we also have Slovenia and Bulgaria on our radar as additional issuing countries, although we have not yet included them in our forecast in terms of volume.

However, our assessment is not based solely on the general tendency of EU-CEE banks to strategically raise debt capital via the euro benchmark covered bond market. The trend is also supported in the medium to long term by positive developments in the mortgage market, as reported by the central banks of all countries included in our forecast.¹²

Issuance history, expectations, and maturities

EUR bn	Gross 2024	Gross 2025	Gross 2026 (e)	Maturities 2024	Maturities 2025	Maturities 2026	Net 2024	Net 2025	Net 2026 (e)
Slovakia	1,5	3,1	3,5	0,5	1	3	1	2,1	0,5
Hungary		1	1	0	0	0	0	1	1
Czech Rep.	0,5	1,25	1,5	0	0	1	0,5	1,25	0,5
Poland		0,5	0,5	1	0,5	0	-1	0	0,5
Estonia		0,5	0,5	0	0,5	0	0	0	0,5

Sources: Bloomberg, Helaba Research & Advisory

Covered bonds outside the EU

Euro-denominated covered bonds from outside the EU are no longer a rarity. Canadian covered bonds (see separate chapter) rank fourth in terms of outstanding volume, just behind the Netherlands, while Australian covered bonds rank tenth. Both are ahead of UK covered bonds, which have been established since 2003. Issuers from Singapore are also playing an increasingly important role in the euro benchmark format. However, all issuers have one thing in common, as we already mentioned in the chapter on Canada: there is little or no original financing requirement in euros, which means that the choice of issue currency depends to a certain extent on the basis swap to the home currency.

¹² UK NF Banking sector monthly data August 2025

The issue of third-country equivalence will continue to be raised, particularly in view of the increasing activity from non-EU countries. **In the interests of further developing the respective markets, the communities of issuers in the respective countries should address the issues raised by the EBA.** We consider Recommendation 19 of the EBA Call for Advice to be particularly crucial: The existence of an **effective National Competent Authority (NCA)** that is able to set rules, interpret them, provide guidance, and work with EU regulators to find a solution to third-country equivalence. What does this have to do with the community of issuers? A strong NCA must be seen as an opportunity, not a burden. It would be in issuers' own best interests to advocate for the expansion of the NCA in order to ultimately create the basis for equal treatment in Europe. Whether and to what extent other aspects, such as the much-cited "established home market," will then carry weight is left to the negotiating skills of the NCAs. **Without a strong NCA, however, such negotiations will not even take place.**

In addition to the euro benchmark market, Australian issuers also regularly trade on the USD and GBP markets. In isolated cases, they also trade in the domestic AUD, but this is of little significance overall – incidentally, according to the EBA, this is a negative factor in the overall context of the third-country equivalence in question.¹³ Australian covered bond issuers have been extremely active in the current year, placing EUR 8.85bn, which is even more than the already very high maturities of EUR 7.5bn. **However, some issuers are now reaching the issuance cap of 8% of total assets, which has prompted us to set the volume of new covered bond issues at no more than the EUR 6.5bn maturing next year.**

The big issue for UK covered bonds in 2025 was the rollercoaster ride triggered by the UK PRA, which briefly put the entire future of UK covered bonds up for grabs. However, the PRA's clarification ultimately paved the way for a conciliatory year, at least in terms of volume. The additional spreads resulting from the PRA's communication ensured the necessary demand, enabling solid volumes of EUR 6.5bn to be placed. The low maturities of only EUR 2bn meant one of the larger net increases among the covered bond countries. We generally expect similar volumes in the coming year. **However, the EUR 5.75bn will lead to slightly less net growth due to higher maturities.**

Issuance history, expectations, and maturities

EUR bn	Gross 2024	Gross 2025	Gross 2026 (e)	Maturities 2024	Maturities 2025	Maturities 2026	Net 2024	Net 2025	Net 2026 (e)
Australia	4,85	8,85	6,5	5,5	7,5	6,5	-0,65	1,35	0
UK	5	6,2	5,75	9,835	2	3,6	-4,84	4,2	2,15
Singapore	4,25	2,75	4,5	1,25	3,25	1,75	3	-0,5	2,75
Korea	2,15	2,2	3	0,5	4,7	5,1	1,65	-2,5	-2,1
Switzerland	3	2,25	1,5	0	0,75	0	3	1,5	1,5
New Zealand		2	1,25	2,5	1,25	0,5	-2,5	0,75	0,75
Japan		0,5	1	0	1	1,75	0	-0,5	-0,75
Turkey			0,5						0,5

Sources: Bloomberg, Helaba Research & Advisory

At the ECBC conference in Seville, it was reported that issuers from Singapore are becoming increasingly interested in covered refinancing. Although issuance figures have fallen slightly in the current year, the fact that the EUR 2.75bn was spread across a relatively broad base of four issuers provides a solid foundation for a resurgence in issuance figures next year.

Our expectations regarding Korean covered bonds are based on similar assumptions as for Singapore. **We anticipate a maximally broad issuer base.** The increase over the current year is thus fed by the contribution of an issuer that was not active in 2025 (SHNHAN) and slightly rising issuance volumes for all other names.

For the smaller covered bond countries, we expect volumes to remain roughly the same overall. The high level of activity from Switzerland came as a surprise in the current year. However, we do not necessarily expect this to be repeated in the coming year. On the other hand, there should be at least one issue from VakifBank in Turkey.

¹³ EBA Advice on the review of the EU covered bond framework

Spread ideas for 2026 – how stable is stable?

The signs are good that the covered bond universe will start the new year from a solid market position. At first glance, this may seem surprising, as the circumstances that led to significant underperformance relative to swaps in the fourth quarter of 2024 remain in place: the Russia-Ukraine conflict, unstable global trade, and fiscal turmoil in core European countries.

What may have changed is the greater resilience of market participants. In addition, there are a number of fundamental stabilizing factors: the **strong earnings, liquidity, and equity positions of European banks**, as well as the upcoming fundamental improvements to the covered bond framework. The high repayments in the coming year will also have a fundamentally stabilizing effect. In addition, low supply in the fourth quarter of 2025 is likely to increase investment pressure at the beginning of next year. The surge in demand in the first quarter of 2026 should be somewhat higher anyway, as the reform of Dutch pension funds gradually becomes relevant to the market.

We generally consider the stabilizing effects to be less significant than the challenges. However, the increased resilience of market participants and the short-term supply and demand situation are creating solid starting conditions overall. Nevertheless, we do not expect 2026 to be a walk in the park: given the high repayments and the resulting high issuance figures, the pace of covered bond issuance will have to remain high throughout the year. Phases of closed issuance windows, or the fear of them, can easily lead issuers to take immediate and uncompromising advantage of favourable market phases, pushing a great deal of new material onto the market at once – at the expense of aftermarket performance and higher volatility on the secondary market.

Covered Bonds trading range getting tighter

For about three years now, and across all short- and medium-term market volatility, there has been a compression trend in covered bonds – i.e., an outperformance of more actively traded markets compared to more expensive ones. We look at the spread differences in the five-year range¹⁴ between the most actively traded covered bond market and the narrowest one. Three years ago, this range was 70 bp – and even without the influence of Italian securities, it was still 50 bp. At the current margin, this range has shrunk to 17 bp. Due to the basis, the contraction of the range has slowed in recent months, with the trading range now at levels that were not even reached during the ECB's quantitative easing.

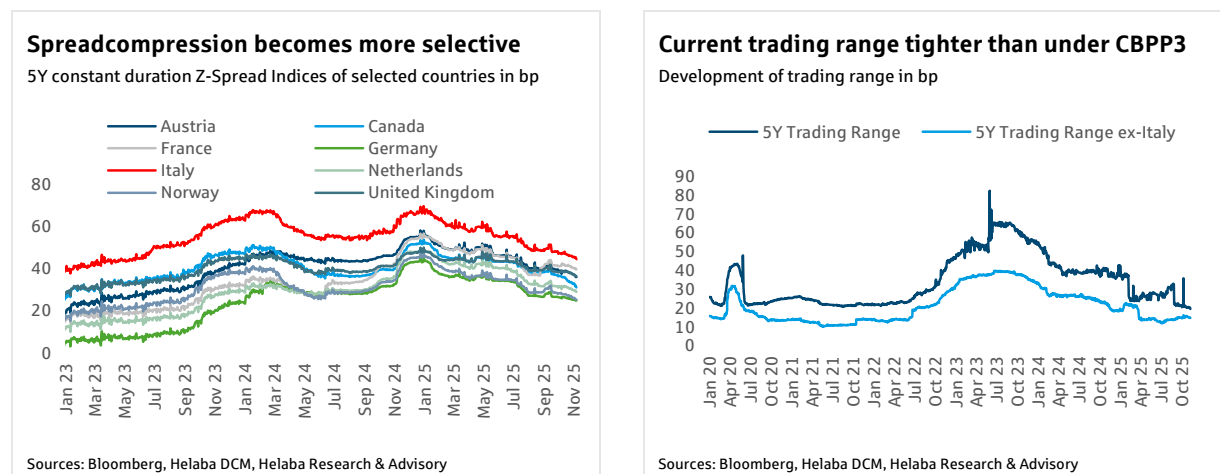
We generally interpret the compression as a positive sign of the stability of covered bonds. Away from a product fraught with idiosyncratic risks and toward a "commodity". This interpretation is reinforced by the fact that neither Donald Trump's proclaimed "Liberation Day" nor the spillover effect from fiscally stricken countries, the breakup of government coalitions, or the unfortunate communication on the part of the UK PRA had a significant impact on the trend.

However, the shocks listed above did not leave the covered bond market completely unscathed: the ranking of covered bonds from the narrowest to the widest market has changed significantly. UK covered bonds fell somewhat behind in the wake of the PRA communication¹⁵, and French covered bonds felt the negative spillover effects of their own government bond market, particularly in the maturity range above 4.3 years. In contrast, covered bonds from Canada, Sweden, and Singapore outperformed due to low EUR issuance.

What does this mean for our expectations for the coming year? Spread compression has now reached a level where it is difficult to believe that the trend will continue – at least as far as the covered bond market as a whole is concerned. In the medium term, the weight of volatile government bonds is likely to weigh too heavily on French covered bonds for them to keep pace with the performance of other markets. However, if we exclude covered bonds from countries with weak fiscal positions, we believe that compression remains fundamentally intact.

¹⁴ 5-year constant duration z-spread indices

¹⁵ [BoE: Update on modification by consent of the Liquidity Coverage Ratio part of the PRA Rulebook - Third Country Covered Bonds](#)



A quick glance to the left and right

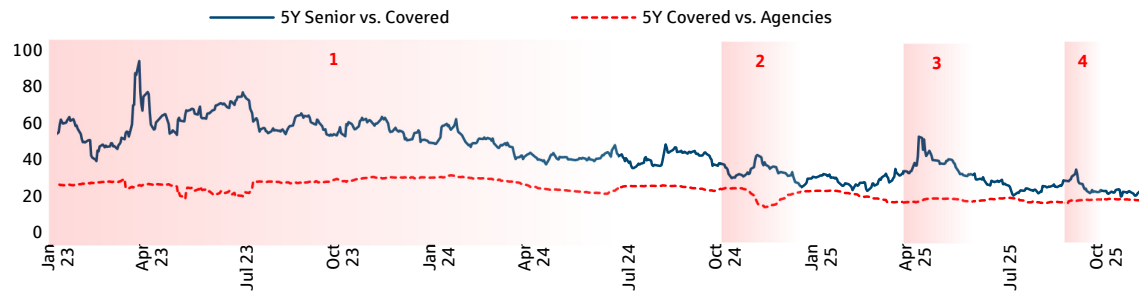
Senior preferred bonds at the top and government or government-related securities at the bottom are the relevant neighbouring markets. The extent of their influence could be seen last March, when many issuers took advantage of extremely narrow senior/covered spreads to refinance themselves without collateral. The result was a significant dip in covered bond issuance. **In principle, this development is a welcome development**, as it is evidence of the current financial strength of the issuing houses, which is ultimately the basis for the risk assessment of covered bonds. On the other hand, a very narrow senior/covered spread results in less planning security for traditional covered bond investors.

The situation regarding SSAs and govies is less welcome. In the current market phase, the influence of government and government-related securities is certainly based on the strength of covered bonds, but mainly on the weakness of French government bonds in particular. In some market phases of the current year, however, there were signs of growing emancipation of French covered bonds from government bonds, with French covered bonds yielding below government bonds on the primary market (CAFFIL 3.375 May 37). **Currently, the intersection between French covered bonds and French government bonds is at a duration of approximately 5.4 years.** If an issuer were to decide to choose a longer duration, the fair value of the French covered bond would be below that of the central government bond. CAFFIL has already proven that this is not impossible. On the other hand, Italy, where covered bonds have been trading below government bonds on the secondary market since 2012, but where this has not yet been possible to the same extent on the primary market, shows that this undertaking is anything but trivial.

Some hopes in this regard are also pinned on the reform of Dutch pension fund regulations. It is argued that the switch from a defined benefit system to a defined contribution approach is likely to benefit covered bonds in particular. However, this argument assumes that covered bonds are generally the highest-yielding securities in the rates segment. However, the repositioning could also provide support for high-yield government bonds and thus – as in the case of France – close the gap between covered bonds and government bonds at the long end, at least to some extent.

Covered bonds can outperform both unsecured bonds and SSAs in volatile phases

5Y Bloomberg fair value Spreads



1: Phase out TLTRO; 2: politische Verwerfungen in FRA und GER; 3: Liberation Day; 4: Regierungskrisen FRA und NED
 Sources: Bloomberg, Helaba Research & Advisory

Private credit funds as a black swan?

Actually, the need for political and economic difficulties and challenges would be more than covered. Nevertheless, the subprime crisis, among other things, has taught us that the degree of integration of the capital markets is so high that isolated risks do not exist. In this sense, it was not only Jamie Dimon¹⁶, CEO of JP Morgan, who had his antennae out when the first signs of difficulties in the private credit fund market became apparent. The connection to the covered bond market is not immediately obvious. However, with a volume of around USD 1.1 trillion, the market is large enough that a crash could send shock waves to every corner of the capital market. Yes, the covered bond market today is in a different state than it was in 2007, when it was swept away by the subprime wave, full of confidence and with the grandiose promise of automated market making. On the other hand, the capital market in general and the covered bond market in particular are probably in a more vulnerable state today than they were then, due to the multitude of crises and challenges, so that a single crisis could more easily trigger a cascade effect.

¹⁶ "My antenna goes up when things like that happen. I probably shouldn't say this, but when you see one cockroach, there are probably more. And so everyone should be forewarned at this point."



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