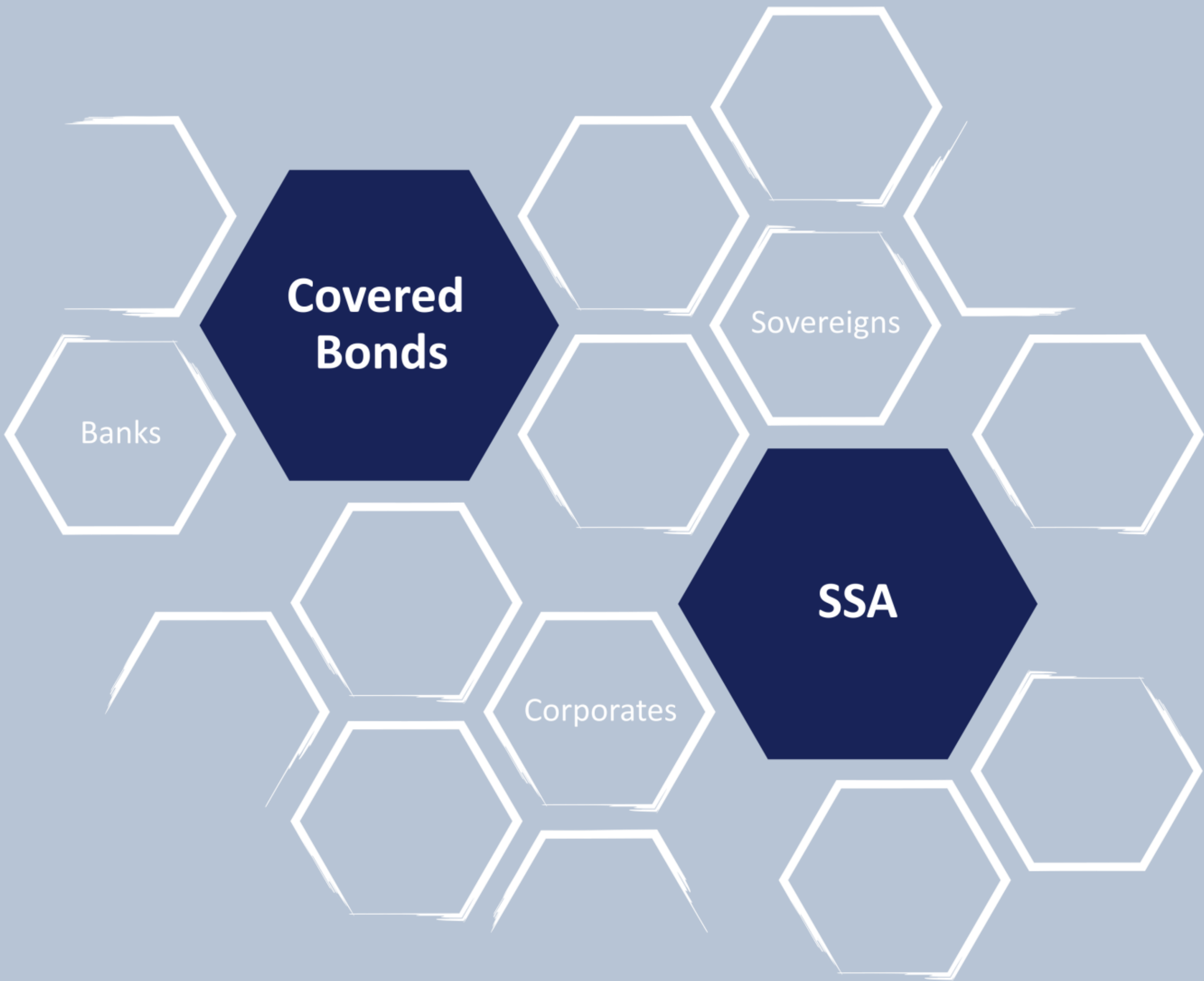

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

2 February 2022 ♦ 04/2022

Investment strategy recommendation and marketing communication
(see disclaimer on the last pages)

Agenda

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Market overview Covered Bonds

Authors: Melanie Kiene, CIIA // Dr Frederik Kunze

Primary market: a January that is finally worth reviewing again

Despite the fact that primary market activities waned again over the final few trading days in January, the first month of the year featured issuance volumes that finally made it worth reviewing again. As such, we have dedicated the Covered Bond focus article in this present edition of our weekly publication to events on the primary market during January 2022. The first primary market appearance in the new month of February was made by a Canadian issuer. In this context, Fédération des caisses Desjardins du Québec (CCDJ) approached investors yesterday (Tuesday) with the offer of a benchmark-size deal denominated in EUR. With a term of five years, CCDJ opted for a maturity that has been frequently chosen so far in 2022, while the marketing phase for this EUR benchmark started out in the area of ms +9bp. The final re-offer spread eventually settled four basis points tighter at ms +5bp (issuing yield: 0.275%). In terms of the volume, a final size of EUR 750m was slightly up on the two previous EUR benchmarks issued by CCDJ in 2021 and 2020 respectively (EUR 500m in each case). The order book amounted to a considerable EUR 2.1bn, which resulted in an oversubscription ratio in excess of 2.0x for a transaction that can overall be described as a success. As expected, the issuance dynamic remains high in Canada (cf. focus article in last week's edition of this publication). The issuance volume from Canada YTD now totals EUR 7.75bn, meaning that Canadian Covered bonds now account for the largest single share of newly placed EUR benchmark deals in 2022 (ahead of Germany at EUR 7.50bn and France at EUR 5.75bn) following this deal from CCDJ.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
CCDJ	CA	01.02.	XS2440108491	5.0y	0.75bn	ms +5bp	AAA / Aaa / -	-

Source: Bloomberg, NORD/LB Markets Strategy & Floor Research, (Rating: Fitch / Moody's / S&P)

EUR sub-benchmark segment: Landesbank Saar active with deal for EUR 250m

A German issuer, namely Landesbank Saar, approached issuers in the EUR sub-benchmark segment. For this Pfandbrief worth EUR 250m (7y; WNG), the books opened with initial guidance in the area of ms +6bp. The final re-offer spread amounted to ms +2bp, while total orders of at least EUR 1bn were recorded. This means that Landesbank Saar can chalk this deal up as a success with a bid-to-cover ratio of 4.0x.

Revised forecast: new issuance activity totalling EUR 124bn now expected in 2022

As we explained last week, the brisk issuance activity on the part of Canadian issuers caught us thoroughly by surprise at the start of the new year. We were therefore forced to revise our 2022 issuance forecast for Canadian banks from EUR 9bn upwards to EUR 14bn (cf. Focus article in last week's edition of this publication), meaning that we now expect a total volume of EUR 124bn for the market as a whole. As such, our anticipated negative net supply for the entire market is now just EUR -14bn. However, we do not see any need to adjust spread expectations and expect modest widening across the board up to the mid-point of the year – especially since the temporary widening of spreads has receded again.

NORD/LB

NORD/LB forecast 2022: issues and maturities by jurisdiction (EUR bn)

Jurisdiction	Outstanding volume	Issues 2022 ytd	Maturities 2022	Issues 2022e	Net supply 2022e
AT	35.0	2.5	3.0	5.5	2.5
AU	26.6	-	7.5	6.0	-1.5
BE	16.3	-	2.8	2.5	-0.3
CA	65.8	7.8	8.0	**14.0**	**6.0**
CH	1.3	-	1.3	0.0	-1.3
CZ	0.5	-	0.0	0.5	0.5
DE	161.7	7.5	21.1	21.0	-0.1
DK	7.0	-	2.5	1.5	-1.0
EE	0.5	-	0.0	0.5	0.5
ES	76.0	-	13.7	4.0	-9.7
FI	28.0	0.5	4.8	4.5	-0.3
FR	217.6	5.8	30.8	30.0	-0.8
GB	30.9	-	8.3	4.0	-4.3
GR	0.5	-	0.0	0.0	0.0
HU	0.0	-	0.0	0.5	0.5
IE	3.5	-	1.8	0.0	-1.8
IT	48.9	1.5	7.8	4.5	-3.3
JP	4.9	-	0.0	1.5	1.5
KR	5.6	-	0.0	2.0	2.0
LU	1.5	-	0.0	0.0	0.0
NL	61.7	1.0	5.3	5.0	-0.3
NO	50.1	2.0	8.0	7.0	-1.0
NZ	8.7	-	1.8	2.5	0.8
PL	2.1	-	0.6	0.5	-0.1
PT	4.8	-	2.8	0.0	-2.8
SE	29.6	-	5.0	3.0	-2.0
SG	7.3	-	1.5	1.5	0.0
SK	3.5	-	0.0	2.0	2.0
Total	**899.6**	**28.5**	**138.0**	**124.0**	**-14.0**

Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

The Netherlands: Van Lanschot Kempen establishes new covered bond programme
Two weeks ago, we covered the EUR benchmark issuers in Belgium and the Netherlands in greater detail as part of our weekly publication (cf. NORD/LB Covered Bond & SSA View from 19 January 2022). In this article, we indicated that issuers in the Netherlands are opting to supplement their CPT programmes by increasingly setting up programmes dedicated to the issuance of soft bullet bonds in future. Another issuer in the form of Van Lanschot has now followed the example set by several of its national counterparts by announcing its intention to establish a new covered bond programme on 27 January 2022. In our opinion, this is a logical step and should lead to advantageous developments on the funding side for Van Lanschot as the bank's investor base will now be expanded.

Scope presents covered bond outlook for 2022: stability ahead!

The covered bond team from Scope Ratings (Scope) recently presented its Outlook 2022. Overall, the risk experts see no prospect of a sustained change of direction for the year ahead. Both in terms of the credit quality of issuers and of the cover assets themselves, Scope does not expect any long-term distortions. Potential corrections on the property markets – as a result of stricter regulatory requirements, for example – should therefore be cushioned by the ample supply of liquidity, among other factors. Scope has identified an end to the influence of the pandemic on credit quality in particular. Accordingly, the majority of the rating outlooks switched to negative following the onset of the coronavirus crisis have now returned to "stable". Scope Ratings has also stuck to this assessment of the state of play at the start of the new year. Nevertheless, Scope did highlight a series of challenges on the horizon for the banking sector as part of its outlook. In addition to a required improvement in profitability and adjustment of business models, the analysis also specifically cites the approach to dealing with ESG risks. In relation to the covered bond market, Scope also welcomes the diminished dynamics behind retained issuances and the comparatively high number of new, publicly placed deals since the start of the year.

LBBW agrees takeover for Berlin Hyp

On 26 January 2022, LBBW communicated that it had concluded an agreement to acquire Berlin Hyp (cf. press release). According to LBBW itself, the acquisition of the commercial real estate financier Berlin Hyp will expand the bank's own position within this business field. The takeover is still subject to antitrust approval and must also be approved by the responsible savings banks' bodies. The transaction is expected to be closed during the summer of 2022. LBBW further announced that both banks have pursued a comparable, conservative risk policy and that the respective credit portfolios in the commercial real estate financing business – LBBW: EUR 26bn, Berlin Hyp: EUR 25bn; data as at mid-2021 in each case – are dominated by office buildings and residential properties. Both banks are among the active Pfandbrief issuers in Germany and also adopted a targeted ESG strategy in this sub-market several years ago. For example, Berlin Hyp was a pioneer in this regard when it opened up this market, which is becoming ever more important, with the issuance of the first green Pfandbrief in 2015. Although LBBW has established a programme for the issuance of mortgage Pfandbriefe (outstanding volume: EUR 11.2bn; cover pool: EUR 16.2bn) in addition to a programme for public sector Pfandbriefe (outstanding volume: EUR 10.1bn; cover pool: EUR 12bn), Berlin Hyp will operate exclusively as an issuer of mortgage-backed Pfandbriefe in line with its distinct business model (outstanding volume: EUR 16.8bn; cover pool EUR 17.3bn). All things being equal, our calculations reveal that merging the two mortgage programmes would produce an outstanding volume that would propel LBBW/BHH into the top three Pfandbrief issuers in Germany. However, we do not expect the mortgage cover pool to actually be merged due to the fact that LBBW has signalled its intention to manage Berlin Hyp "under its established brand name as a self-contained subsidiary". The Pfandbriefe (issued by both Berlin Hyp and LBBW) are rated Aaa by Moody's. LBBW has seven outstanding mortgage Pfandbriefe (EUR 5.75bn) and three outstanding public sector Pfandbriefe in EUR benchmark format. For its part, Berlin Hyp has 18 deals outstanding (EUR 10.23bn). Berlin Hyp's ESG focus is also reflected in its total of six outstanding green benchmarks. Due to the rating-risk profile combination of LBBW and Berlin Hyp, no pronounced spread movements are expected in the wake of this merger.

S&P presents commentary on covered bond markets in Finland and Norway

S&P Global discussed developments on the Nordic covered bond jurisdictions of Norway and Finland in a recent comment piece. The risk experts come to the conclusion in their analysis that the COVID-19 pandemic did not produce any negative impact on mortgage loans in either country. Moreover, property prices are now once again on the rise. While S&P has identified that the monetary policy course adopted by the ECB has had a negative impact on issuance behaviour in Finland, the effect in the non-EMU jurisdiction of Norway was less pronounced, according to the rating agency. S&P also highlighted the comprehensive support measures introduced by the governments in both countries in the wake of the COVID-19 crisis. In terms of the EU covered bond harmonisation project, the pandemic has also led to delays in the implementation of the requirements of the covered bond directive in Finland. The proposal for the new Finnish covered bond act, which will now be voted on by parliament, includes in particular the introduction of the 180-day liquidity buffer as well as adjustments to the LTV and OC requirements. For Norway, too, S&P believes that implementation and application will be finalised before the deadline (08 July 2022) of the directive. For both Norway and Finland, the legislative adjustments will have an impact on the issuance programmes and individual bond deals. We share S&P's view that while changes can certainly be expected, these will be more structural in nature and without any pronounced impact on spread structures. From our perspective, this can be explained in particular by the already high quality standards of national legislation and the manageable legal framework adjustments that this produces. As far as the stability of covered bond ratings is concerned, S&P additionally emphasises the high credit quality of sovereigns and the solid state of the relevant banks and issuers in both Norway and Finland.

Switzerland follows suit: countercyclical capital buffer reactivated

As the Swiss Financial Market Supervisory Authority announced in a press release issued on 26 January 2022, the Federal Council (the Swiss federal government) has decided to reactivate the countercyclical capital buffer (CCyB) on domestic residential property mortgages after this was originally suspended against the backdrop of the coronavirus crisis in March 2020. During the consultation process, FINMA argued in favour of the reintroduction and therefore shares the view expressed by the Swiss National Bank (SNB) in its statement. Compliance with the increased buffer of 2.5% will be required from 30 September 2022. As such, Switzerland is again demonstrating its preference for acting both conservatively and swiftly. For example, Swiss banks are required to meet relatively strict capital requirements in an international comparison. As a reminder, Germany recently resolved to increase the CCyB to 0.75% from February 2023 (current level: 0%), while a systemic risk buffer of 2% is still under discussion (cf. following paragraph below). In its comments at the end of January 2022, the German Banking Industry Committee (Deutsche Kreditwirtschaft – DK) continued to speak out against the introduction of the buffer. The press release refers to overheating tendencies on the property and mortgage markets and, in particular, to the rise in residential property prices. In fact, the DK also outlines grounds for complaint based on the fact that over the past 20 years, house prices have risen more sharply than both consumer prices and GDP. Particular risks have been identified in the area of investment properties and the buy-to-let segment. FINMA has also carried out analyses showing that a serious real estate crisis would hit the banking and insurance sectors in particular and that the capital requirements could then no longer be met. At the same time, the domestic property market is valued at over CHF 1,100bn (approximately EUR 1,060bn) and is therefore regarded as "too big to fail". All of these reasons have now led to the reactivation of the CCyB in order to ensure greater resilience on the part of the banking sector.

Germany: countercyclical capital buffer required from 01 February 2023

On Monday, the Federal German Financial Supervisory Authority (BaFin) ordered banks to increase their countercyclical capital buffer rates from 0% to 0.75% from 01 February 2023 onwards as part of a General Administrative Act. This decision was preceded by a consultation phase that ran from 12-26 January 2022. However, a final decision on the introduction of a 2% sectoral systemic risk buffer on RWAs related to loans collateralised by residential real estate is still pending. In this context, comments could be submitted to BaFin up until 26 January 2022. Discussions are now being held on whether and to what extent the systemic risk buffer will come into play. We currently assume that compliance with the systemic risk buffer of 2% will be required from February 2023, as originally planned.

Market overview
SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

ECB Governing Council meeting on 03 February: the least important meeting of 2022?

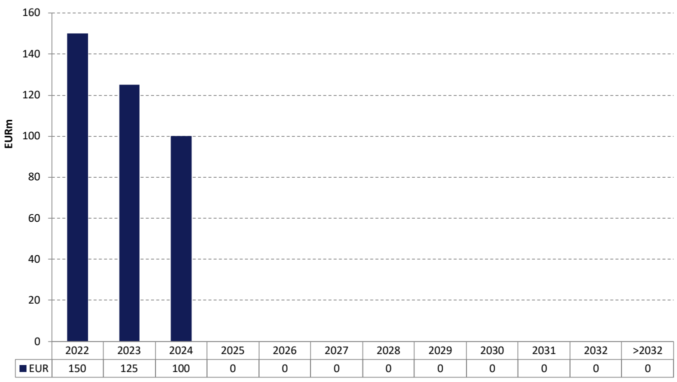
The first of this year's regular ECB Government Council meetings will take place tomorrow (Thursday). As we have already mentioned on previous occasions, including in our ECB Preview last week (cf. NORD/LB Covered Bond & SSA View on 26 January 2022), a number of factors suggest that this could turn out to be the least important meeting this year. We do not believe that ECB Council members will make any concrete adjustments to monetary policy parameters or even revise their own outlook relating to inflation. If anything, after the meeting, the markets are likely to be asked to be patient, and we would not rule out hints regarding future adjustments (e.g. in relation to tiering). The focus of interest during the press conference is likely be on the price trend and persistent inflation threats, even though the ECB is likely to ask for patience in this respect as well. Meanwhile, however, there is no let-up in calls for the ECB to change course, in spite of the fact that the last meeting set out the future direction of travel. At the beginning of 2022, the Association of German Banks (bdb), for example, called for a normalisation of monetary policy and urged the ECB to set out the necessary roadmap. There has above all been criticism of the central bank's communications. For example, Christian Ossig, Chief Executive of the bdb, claimed that the statement "inflation would come down sooner or later" was far from convincing. However, we do not expect any new communication strategy in this respect from tomorrow's meeting. Ossig added that the ECB cannot and should not be allowed to remain in monetary policy crisis mode for the long term in order to combat deflation risks, which, in his view, are now a thing of the past.

ECB: review and preview

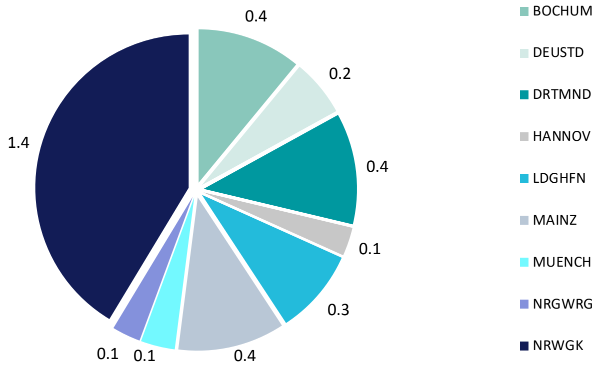
At the last Council meeting back in 2021, the ECB carefully set out a roadmap for 2022 which contained many adjustments. As expected, the PEPP is to be wound up with effect from 31 March. Based on our calculations, the "full envelope" of the EUR 1,850bn programme, which was increased several times, will not be used. However, reinvestments will now continue until at least the end of 2024, which is 12 months longer than indicated a year before. In contrast, the ECB left interest rates at the present level of 0.00% (rate for main refinancing operations) and -0.50% (deposit facility rate). Likewise, the regular APP remains unchanged for the moment. Until the end of Q1 2022, monthly net asset purchases will stay at EUR 20bn. The figure will then double to EUR 40bn per month in Q2. In Q3, the monthly amount will be cut to EUR 30bn, before reverting to EUR 20bn per month from 01 October. As things stand at present, this scenario will then apply until shortly before an increase in key interest rates. The same applies to the timeframe for maturities arising under the programme, although they are expected to be reinvested in the market even beyond the timing of a first hike in interest rates. The TLTRO and tiering remain under scrutiny also; in this case, news flow and movements in 2022 could be factors in any decisions taken.

Mainz: BioNTech vaccine a veritable goldmine for the city
Günter Beck, mayor of Mainz and department head of finances, holdings and sports, is convinced that the year 2021 will go down in the city's annals of history. "For me, it's the miracle of Mainz", he declared in a newsletter. Originally, an annual deficit of around EUR -36.7m had been forecast for 2021. However, due to huge increases in business tax revenues, current projections now assume an annual surplus of over EUR 1,090m. Even as recently as 30 September 2021, the surplus was put at EUR 11.6m. "This shows that the majority of Mainz companies tackled the pandemic head on", he says. For those in the know: BioNTech's postal address in Mainz is An der Goldgrube 12. Literally situated at the goldmine – you could hardly make it up! "For Mainz, the development and manufacture of the BioNTech vaccine is on a level with the invention of the printing press by Johannes Gutenberg", enthuses Lord Mayor Michael Ebling. Moreover, he believes that this bonanza will open up unprecedented economic development potential for Mainz. "Just a year ago, we expected the budget to take a substantial hit from the pandemic from 2022 onwards. Back then, we were even anticipating a loss of EUR -49.5m in 2022", recalls Beck. Now, a budget for 2022 has been presented to the city council which assumes an annual surplus of EUR 490.8m, in spite of a marked reduction in the business tax rate from 440 to 310 points. The first tax cut in 2022 has given Mainz companies tax relief totalling around EUR 351.6m, further boosting the city's attraction for businesses.

Maturities under the MAINZ ticker



Overall market for German municipal bonds



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

MAINZ set to be debt-free – something other municipalities can only dream of
The city has three bonds outstanding under the MAINZ ticker. A floater is set to mature annually in September, starting at the end of Q3 2022. There were no bonds in 2021 from either Mainz (the last one was in 2017) or from other municipalities. The last authorities to be active in the market were MUENCH and BOCHUM in 2020. The market for German municipal bonds is currently worth EUR 3.3bn; its biggest boost came from the NRW joint community bonds, consisting of a merger of various municipalities in NRW (NRWGK). Another bond which stands out is the sustainable SSD from the city of Hannover (EUR 100m) along with the first cross-Laender city bond (Staedteanleihe; DEUSTD); as yet, there has been no second bond issued under the DEUSTD ticker. Other regional and local authorities include Dortmund, Ludwigshafen and Nuremberg together with Würzburg.

KfW Energy Transition Barometer

The Energy Transition Barometer is a study by KfW which has appeared on an annual basis since 2018 based on a representative random sample of around 4,000 households in Germany. At the heart of the survey, according to the press release, is the current and future use of technologies relevant to the energy transition for German households. According to the study design, additional questions regarding what prompts the views of these households make it possible to draw conclusions regarding the main drivers and barriers for the households' activities. A total of 92% of the households surveyed regard the energy transition as important or very important. In fact, the study suggests that this figure is slightly higher still than prior to the outbreak of the pandemic. Moreover, the willingness of households to take action in order to move the transition forwards was apparently only slightly down on the previous year's level in spite of the crisis. Just under 27% of households in the KfW study indicated that they already use at least one of the energy transition technologies mentioned in the survey (e.g. photovoltaic). This was an increase of almost four percentage points or just over 15% against the previous year. According to the study, a further 7% of households were planning on purchasing technology that would accelerate the energy transition in the next 12 months. The highest growth rates in future are likely to be for electric vehicles and photovoltaic systems, with 4.9% and 4.1% of households respectively planning to acquire one in the near future. The use of energy transition technology was lowest in the case of low-income households. At the same time, these households are more likely to live in older and less energy-efficient buildings. This suggests that this is where the biggest need for catching up lies – and simultaneously, the greatest impediments to progress. The transformation to achieve climate neutrality can only succeed if all groups in society are on board, according to the study. We fully agree that this is the case in view of the current debate about additional costs and hence inflationary price increases.

Primary market

Not many issuers braved the market, either immediately before and especially not immediately after the FOMC meeting. Even now, in the aftermath, there is not much activity, but as the old adage goes: slow and steady wins the race. We have recorded five benchmark bonds and begin our review with Brandenburg. This issuer was seeking to raise EUR 500m for eight years at ms -10bp. The spread tightened by one basis points against the guidance. The EIB is well aware that it can make a good impression with its distinct Climate Awareness Bond (CAB) format; the deal even tightened from ms -17bp area to ms -20bp (7.8y), attracting orders of EUR 7.5bn. NRWBK launched an 8y deal at ms -8.5bp with no further details on the order book or spread disclosed. Despite this situation, it was a case of smiles on faces all round. There was also a deal from France − a 6.8y, EUR 1.25bn bond from Bpifrance. For its part, SACHAN launched a 10y, EUR 1bn bond at ms -9bp, two points tighter than the guidance, on the back of an order book of EUR 2.8bn. The picture is rounded off by two long taps from NRW (2068 and 2078). In addition, Lower Saxony has mandated for a 7y benchmark bond. Furthermore, the EU has sent out an RfP. Consequently, there was almost as much activity on the first day of trading in Feb 2022 as in the entire month of Feb 2021. We are intrigued to see how things go from here.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
SACHAN	DE	31.01.	DE000A3MQP00	10.0y	1.00bn	ms -9bp	AAA / Aa1 / AA	-
OSEOFI	FR	28.01.	FR00140084Y5k	6.8y	1.25bn	ms -6bp	AA / Aa2 / -	-
NRWBK	DE	27.01.	DE000NWB1W10	8.0y	0.50bn	ms -8.5bp	AAA / - / AA	-
EIB	SNAT	25.01.	XS2439543047	7.8y	1.00bn	ms -20bp	AAA / Aaa / AAA	X
BRABUR	DE	25.01.	DE000A3E5SJ9	8.0y	0.50bn	ms -10bp	- / Aaa / -	-

Source: Bloomberg, NORD/LB Markets Strategy & Floor Research (Rating: Fitch / Moody's / S&P)

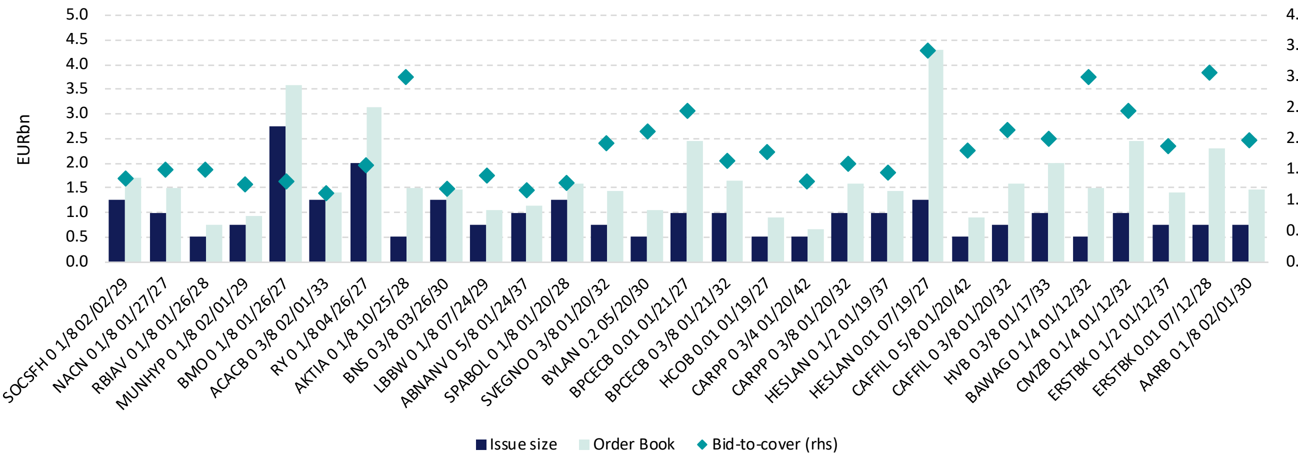
Covered Bonds
Review of January 2022: a reversion to old patterns does not always have to be bad

Author: Dr Frederik Kunze

Has this January signalled a return to normality?

As we have repeatedly remarked in our weekly publication, January 2022 has been characterised by high levels of activity, as the placement of new covered bonds totalling EUR 27.75bn (29 bonds) in the EUR benchmark segment makes clear. This figure not only significantly exceeds the primary market issuance from 2021 (EUR 12.8bn) but is also reminiscent of issuance patterns from previous years (particularly the period before the outbreak of COVID-19). After all, from a seasonal perspective, issuers swarm onto the market in the first weeks of trading, in particular, with the aim of raising fresh funding from investors. As part of our review of January 2022, we would like to start by considering these seasonal patterns and then look at other facets of the primary market in 2022 to assess whether we can now talk about a return to normality.

EUR BMK issues in January 2022: issue volume, order books and oversubscription ratios

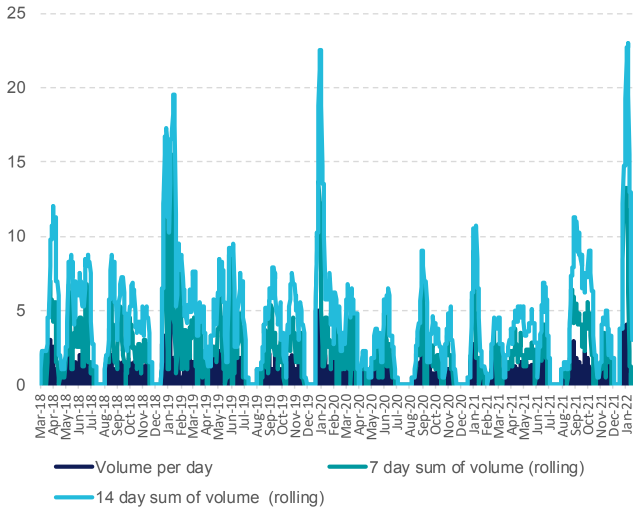


Source: Bloomberg, market data, NORD/LB Fixed Markets Strategy & Floor Research

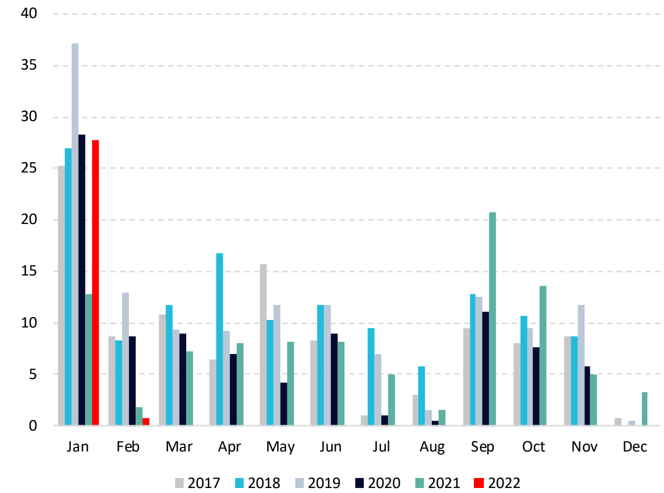
Seasonal pattern is at least reminiscent of former times

The previous year's level was significantly exceeded by the figure of EUR 27.75bn mentioned at the beginning. However, a comparison of the figures over the longer term shows that ballpark figures of EUR 25bn are by no means unusual. In fact, January regularly stands out in relation to seasonal patterns. This is the case for both new issues and maturing bonds. However, the fact that the net supply was negative in January on only three occasions between 2014 and 2022 is also striking. Alongside 2017 (EUR -3.9bn) and 2021 (EUR -16.3bn), our records indicate a negative net supply is on the cards for January 2022 (EUR -6bn) as well despite the high levels of activity. In our opinion, it should be borne in mind that, at EUR 33.8bn, January 2022 featured an extraordinarily high level of redemptions.

EUR BMK: issues over the year (daily basis)



EUR BMK: issues over the year (monthly basis)

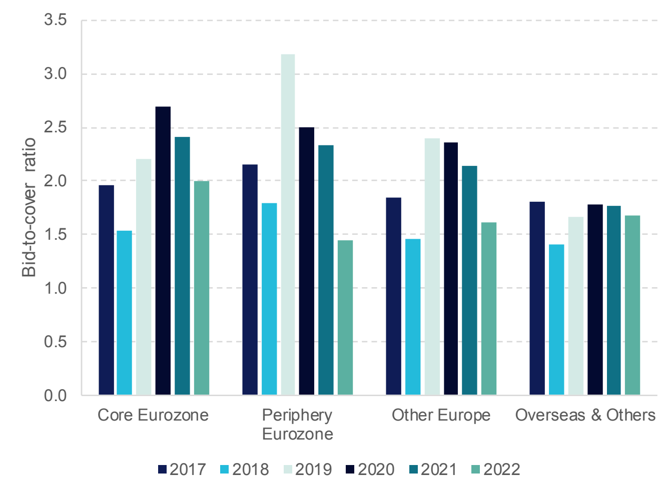


Source: Bloomberg, market data, NORD/LB Markets Strategy & Floor Research

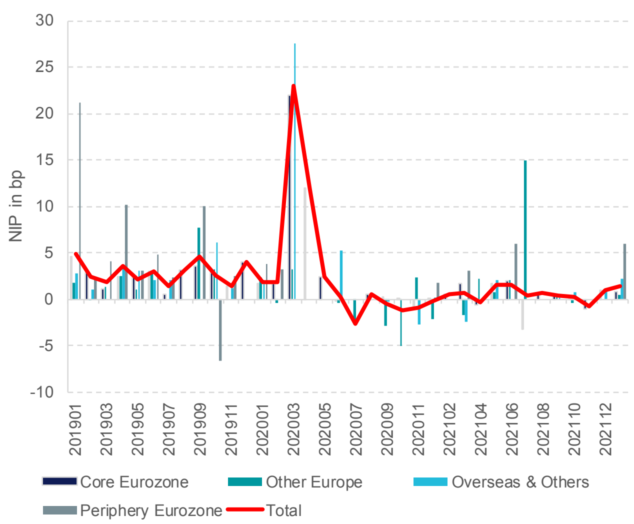
The market is receptive (for the time being): however, bid-to-cover ratios lower recently

Considered overall, it is clear that the market was highly receptive at the beginning of 2022. In our opinion, this is reflected both in the oversubscription ratios and the premiums compared with fair value observed on the market. At the same time, we would summarise that the picture of the situation was more nuanced both for the bid-to-cover ratios and for new issue premiums. Generally speaking, order books have not been quite as impressively filled recently and new issue premiums did rise markedly. Nevertheless, the mean of all new issue premiums for January was comparatively low at +1.3bp. However, we see lower oversubscription ratios and less bursting order books as a consequence of the substantial quantity of deals in the meantime. In this respect, we would not by any means equate lower oversubscription ratios with faltering demand. This view of the situation is supported by a solid secondary market performance.

Primary market: bid-to-cover ratios



Primary market: new issue premiums

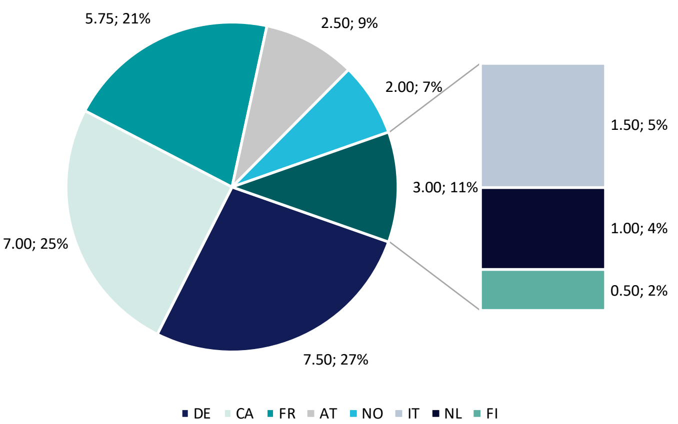


Source: Bloomberg, market data, NORD/LB Markets Strategy & Floor Research

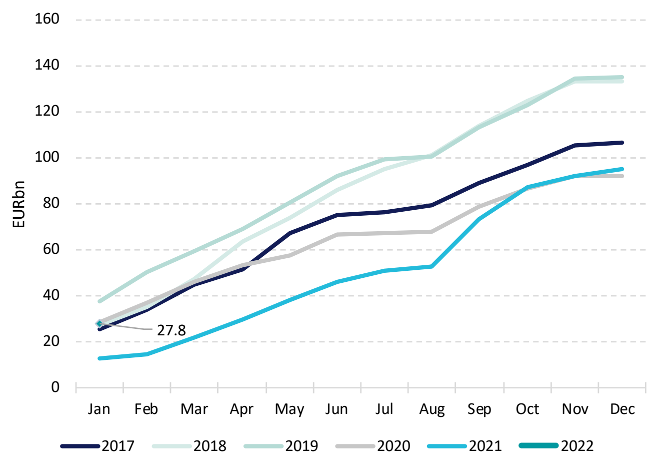
Structure of the primary market supply: breakdown headed by Germany and Canada, APAC region absent so far and long maturities less prominent

Looking at the structure of the primary market supply, it is clear that issues from Germany (EUR 7.5bn; 9 bonds) and Canada (EUR 7bn; 4 Bonds) have dominated proceedings in January. As usual, France is also one of the active jurisdictions, supplying EUR 5.75bn (6 bonds) – ahead of Austria (EUR 2.5bn; 4 bonds) and Norway (EUR 2bn; 2 bonds). There were also two bonds from Italy (EUR 1.5bn). Both the Netherlands (EUR 1bn) and Finland (EUR 500m) each offered investors a single new issue, while jurisdictions such as Belgium, Sweden, Spain and the UK as well as the APAC and CEE regions have (so far) been conspicuous by their absence. We would actually describe the large number of dual tranches as fairly remarkable. For instance, in the first eleven days of the year, Erste Bank (AT), CAFFIL (FR), Helaba (DE), Crédit Agricole Italia (IT) and BPCE (FR) approached investors with deals of this kind. The tendency among issuers to opt for medium-term maturities, which is also a direct consequence of the current maturity-specific EUR swap levels, is also striking. The interest rate level is also responsible for the fact that – regardless of the maturity – all EUR benchmark issues feature a positive issue yield in 2022. There was actually less demand for longer dated bonds, which is reflected not least by generally higher issue premiums on deals with maturities of 15 or more years. So far there have not been any issues in the ESG category, neither has there been an issue in the increasingly less significant CPT covered bonds category to date.

Primary market: EUR BMK issues in January 2022



Primary market: EUR BMK issuance trend

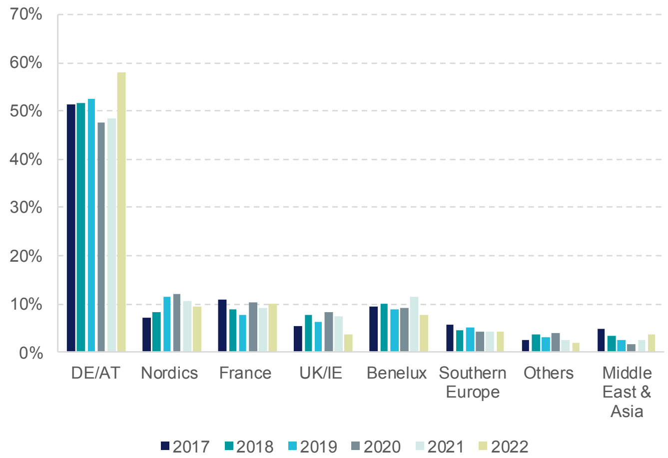


Source: Market data, NORD/LB Markets Strategy & Floor Research

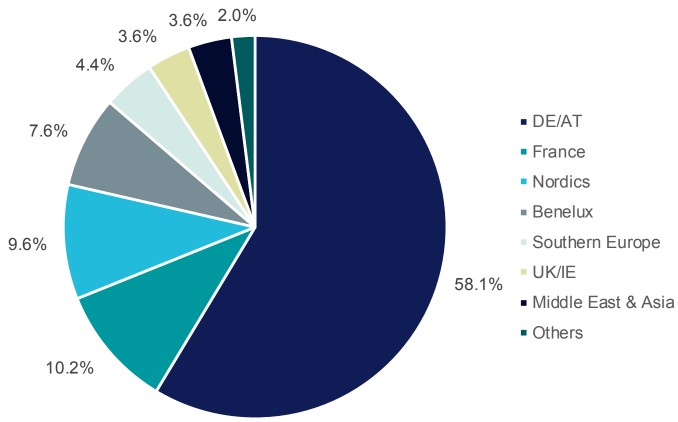
Breakdown of the issuance volume: Germany and Austria account for substantial shares

The geographical breakdown of the issuance volume is comparable with previous years in structural terms. However, distortions are possible at the beginning of the new year, since a sufficiently nuanced database is not yet available. Against the backdrop of the substantial share of deals from DE and AT, we are not at all surprised by the historically high percentage of investors from Germany and Austria either. The relevance of home bias on the part of investors is clear from the share of allocations to accounts based in these two countries in the DE/AT deals. In January 2022, 74.7% of the allocated volume of DE/AT deals ended up at investors from the same jurisdiction.

Primary market: geographical breakdown EUR BMK



Primary market 2022: breakdown EUR BMK

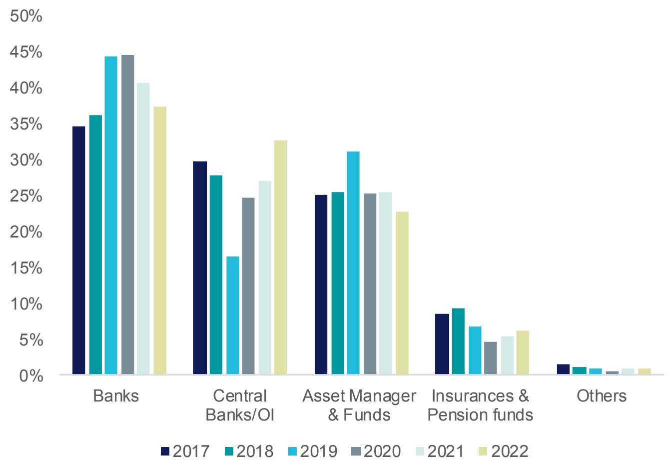


Source: Bloomberg, market data, NORD/LB Markets Strategy & Floor Research

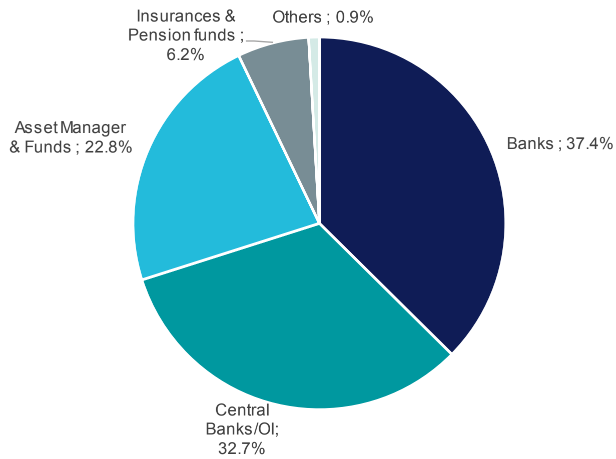
Breakdown of issuance volume: Central Banks/OI also at a high level

Historically speaking, the Central Banks/OI category also stands out after one month with a slightly higher share of the total allocated volume. Demand from the Eurosystem is actually likely to be responsible for this trend. Given sustained high levels of activity from Canada as well as higher issuance volumes from other non-EMU regions, the value attributable to Central Banks/OI should start to decrease once more. Against the backdrop of the yield environment even in the iBoxx EUR Covered, we consider that at least one of the conditions needed for a renaissance of real money investors has been met. Potential recoveries would therefore emerge in the breakdown of the categories Asset Managers & Funds and Insurance & Pension Funds. The share for the latter category stands at 6.2% after the first month of 2022.

Primary market: investor breakdown EUR BMK



Primary market in 2022: investor breakdown EUR BMK

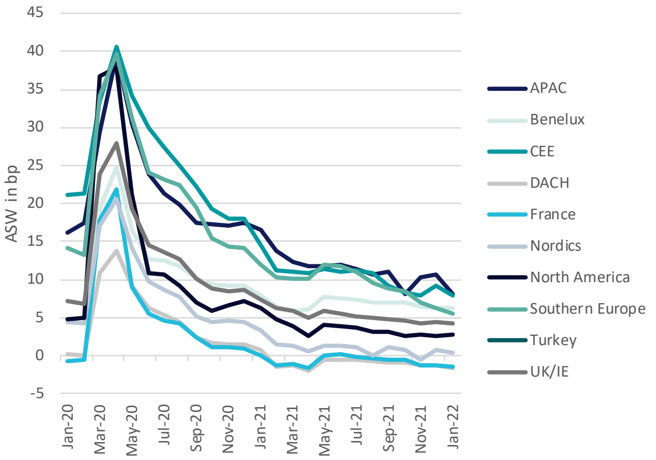


Source: Bloomberg, market data, NORD/LB Markets Strategy & Floor Research

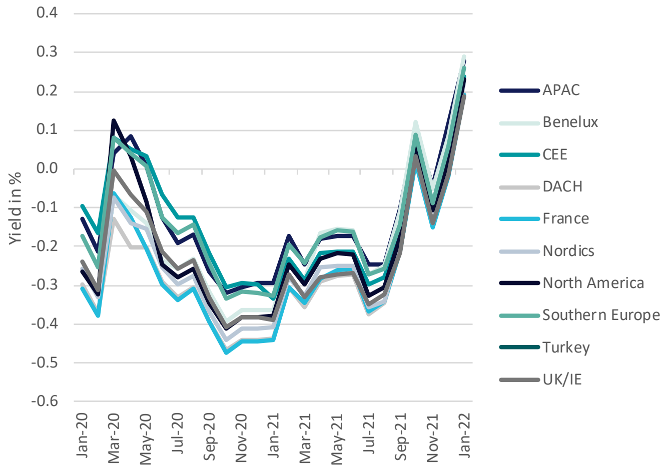
Spreads and the outlook for the rest of the year

Looking at spreads, there are also signs of a certain dynamism in January. Nevertheless, having widened in the meantime, ASW spreads have reverted to their initial level. The temporary increase in spreads was caused not least by the primary market supply described above, meaning that there were signs of spreads narrowing in response to a somewhat quieter end to the month. In our opinion, market participants generally reacted to the ebbing away of the flood of issues from the first weeks of trading by consequently switching increasingly to the secondary market. The Eurosystem also featured slightly more prominently as a buyer again. As we leave January behind for February, the market is receptive again, which is also reflected in the most recent new issuance activity. In our view, some covered bonds also still look attractive from a relative value perspective compared with public sector debt securities. Looking forward to the next few weeks of trading, the primary market should – in line with seasonal patterns from the past – be lively but not excessively so. With regard to demand from the Eurosystem, we expect the wait-and-see approach of central banks to be followed by a marked increase in purchasing activity. Even after the redemptions under the CBPP3 in the first trading weeks of the year, the Eurosystem still has significant scope for new covered bond issues in purely mathematical terms.

ASW spread: covered bonds (EUR BMK, 5y generic)



Yield: covered bond EUR BMK (EUR BMK, 5y generic)



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Conclusion

Following the first month of issues in the new year, we are relatively confident that the primary market has reverted to a previous pattern of behaviour. This is not necessarily bad news for the EUR benchmark segment in particular. For instance, a stable, seasonal pattern would also restore a certain degree of refuge for issuers and investors. The market is ready and waiting for new issues, while demand should additionally be boosted by the ECB. Nevertheless, we expect activity on the primary market to be less frenetic – as in other years – over the next few weeks.

SSA/Public issuers
New year, new hope? Less oomph to kick off the new year

Author: Dr Norman Rudschuck, CIIA

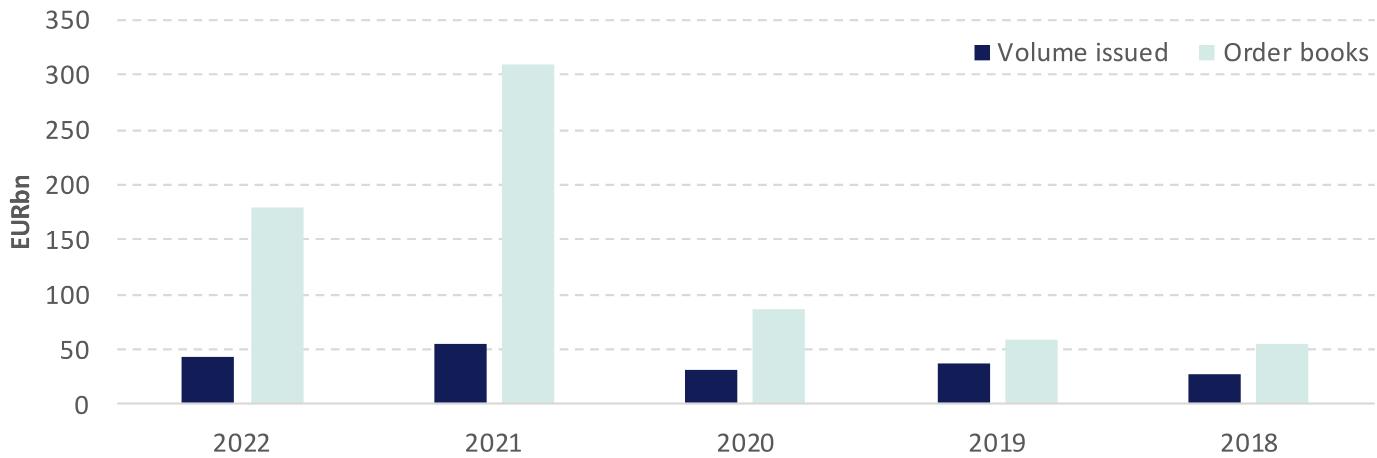
January – always an extraordinarily active month

Each year, we start by looking at precisely what the primary market will do or has done: January is always a bumper month. In most cases, it is in the top three months of the year as measured by the number of deals. Accordingly, our definition of the SSA segment – supranationals, sub-sovereigns and agencies, i.e., excluding sovereigns – issued EUR benchmarks totalling EUR 43.5bn in January 2022 (2021: EUR 55.2bn; 2020: EUR 32.0bn; 2019: EUR 36.7bn). The primary market took advantage of the full month, which consisted of 21 trading days. NIESA was keen to get on with it: this issuer actually issued mandates for the first trading week of the new year before the end of 2021, meaning that it wasted no time in kicking things off directly on 3 January.

Highlights in January

A year ago, as expected, the EU issued the largest bond (EUR 10bn, 10y). In January 2022, a surprise guest took the top spot here: the biggest deal to date, at EUR 6bn, came from France, namely from CADES (10y). However, KfW raised the most funding with a brace of EUR 5bn (10y and 5.3y) deals. At this juncture, however, it should be noted that our statistics on new EUR benchmarks do not contain information on taps, i.e., neither the EU's green auction (EUR 2.5bn) nor KfW's tap (EUR 1bn), for example, are included here. This is a peculiarity of the SSA segment, in which far more use is made of taps than in the covered bond segment, for instance. It is therefore difficult to keep and differentiate statistics. In 2021, the EU still had the largest order book, at EUR 83bn, while the amount of EUR 33.5bn achieved by KfW in 2022 is also considerable, followed by CADES on EUR 26.5bn and the EIB on EUR 26bn. In total, we counted 22 new ISINs in benchmark format (2021: 33), which equates to an average volume per bond of EUR 1.98bn (2021: EUR 1.67bn). All the order books added together in the narrow definition (i.e., excluding taps) came to EUR 179.9bn (2021: EUR 309.2bn). At the beginning of 2021, an EFSF bond was 16 times oversubscribed, while the KfW at least achieved a bid-to-cover ratio of 6.7x.

EUR benchmarks (EUR bn) in January of the respective years compared with order books (excluding taps)



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Overflowing order books despite partially negative interest rates

If investors wanted to achieve a positive yield, it was enough to invest in the 10y KfW bond in 2022: +0.16% p.a. In 2021, institutional investors had to invest in BERGER 2041 or BRABUR 2046. At the time, the EIB and NRW (each 2051) also qualified for a positive yield. This year, an 8y EFSF deal was already sufficient to achieve a positive return. In fact, we only found one bond in our coverage with a negative issue yield: KFW 0 04/30/27 came to -0.076%. NRW provided the antithesis of this: a methuselah bond from the direction of Düsseldorf (NRW 100y, 1.468%). In 2021, a yield of only just over 1% was on offer here. The non-volume weighted mean of the 22 transactions is 15.8 years (2021: 16.5y). Bonds with a maturity of more than 31 years, such as the methuselah bond issued by NRW, do not qualify for the ECB's purchase programmes (neither PSPP nor PEPP). The national central banks in the Eurosystem may not purchase bonds from public-sector issuers on the primary market if they wish to acquire bonds for their purchase programmes either. They are only allowed to do this via the secondary market to avoid state financing "through the back door". However, national central banks may place orders if they are buying for their own books (e.g., pension obligations). This supply, which must be described as plentiful overall, met with considerable demand not only on the primary market. The securities also proved popular subsequently on the secondary market. Accordingly, continuing extreme demand is matched by the current plentiful supply (lower than in 2021, but higher than in 2019 and 2020).

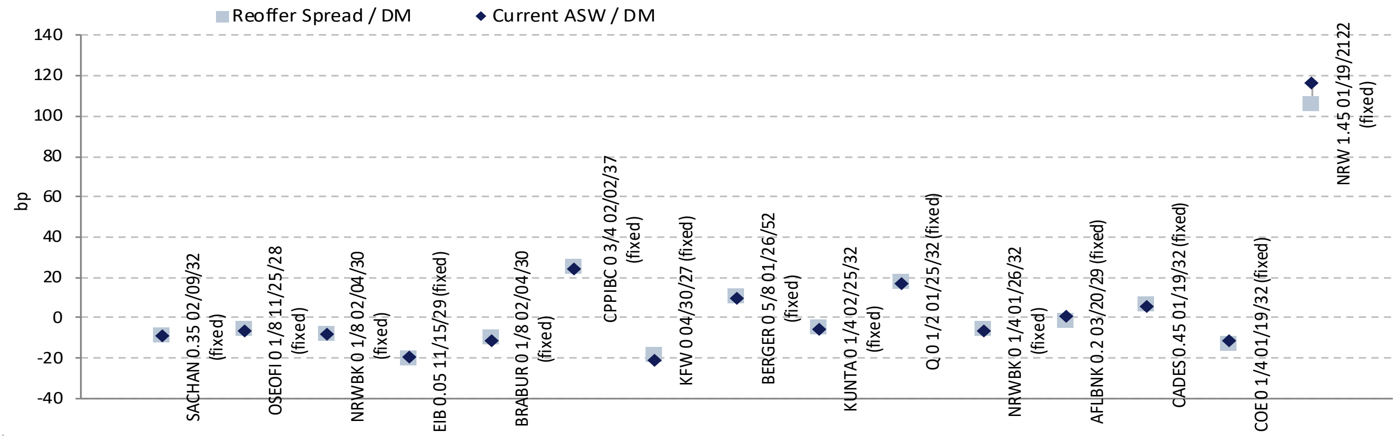
The Eurosystem: huge demand as secondary market investors

As a reminder: the Eurosystem currently pumps EUR 20bn into the markets every month solely through the APP (asset purchase programme). In net terms, its purchases have totalled just over EUR 3,123bn since 2015. Around 79.6% of this amount was attributable to the public issuers segment and was therefore part of the PSPP (Jan. 2021: 80.5%). The APP consists of covered bonds (CBPP3), ABS (ABSPP), corporate bonds (CSPP) and now the PSPP (public sector purchase programme). On top of this, it will reinvest in bonds until key interest rates are raised for the first time. In our base scenario, we do not expect this to happen in 2022 but in the first half of 2023. As is well known, the ECB has been countering the pandemic with the PEPP (pandemic emergency purchase programme) since March 2020. EUR 1,850bn may be invested here (theoretically) until March 2022, although practically speaking, our projections indicate that the possible envelope will not be entirely exhausted. Nevertheless, of the EUR 1,535.5bn invested under the PEPP, a total of 96.7% (Jan. 2020: 94.8%) is currently attributable to the public sector (Jan. 2020: EUR 806.8bn). We expect up-to-date figures here imminently since they are only updated every two months.

Sustained influence of monetary policy on the entire environment

In our forecasts for the coming weeks and months, we are consequently bound to continue grappling with the overriding monetary policy and with both the purchasing activities of the Eurosystem and the key parameters for managing the liquidity supply (especially TLTRO III) and the help in dealing with negative interest rates (key word: tiering). Even if the PEPP is discontinued, as expected, on 31 March, the Eurosystem will remain the focus of events. The monthly figure of EUR 20bn mentioned above will be doubled to EUR 40bn for three months in Q2, reduced to EUR 30bn per month in Q3 before returning to EUR 20bn in October. This will be reflected in a sustained presence on the primary (CBPP3) and secondary market (PSPP), but also in sustained pressure on the supply side.

Pricing of selected EUR benchmarks



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Conclusion

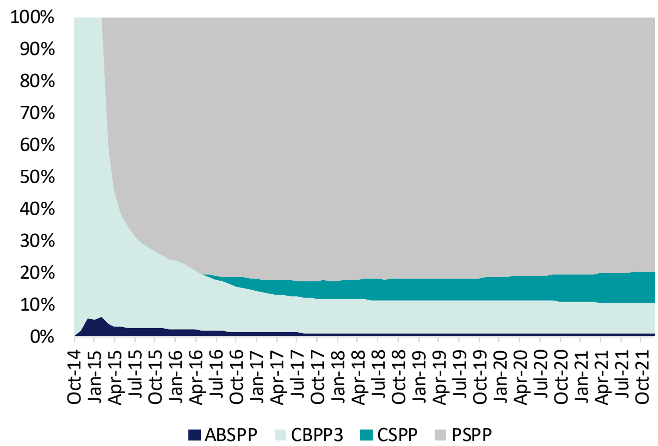
Record figures for the SSA market do not have to be achieved each January, but the figures for 2022 are higher than in 2019 and 2020. This makes us optimistic for the rest of the year. Combined with plentiful supply, which is matched by extremely strong demand from investors (order books) and the Eurosystem (purchase programmes), this generally supports spreads remaining very tight over the course of the year. We also describe this in the Covered Bonds focus article above and have already discussed it as part of our outlook. In this context, the Eurosystem will retain its status as the most important purchaser in the market even if the PEPP is discontinued at the end of Q1 2022. In the wake of economic stabilisation and further extensive success with vaccination programmes, we still tend to speak of quarters rather than weeks or months as far as a normalisation of the situation is concerned. In this regard, the hunt for a “new normal” is now on until interest rates are raised for the first time at the latest. Both as a monetary policy body and as a regulator, the ECB is currently still in crisis-management mode, which has corresponding consequences for the SSA market.

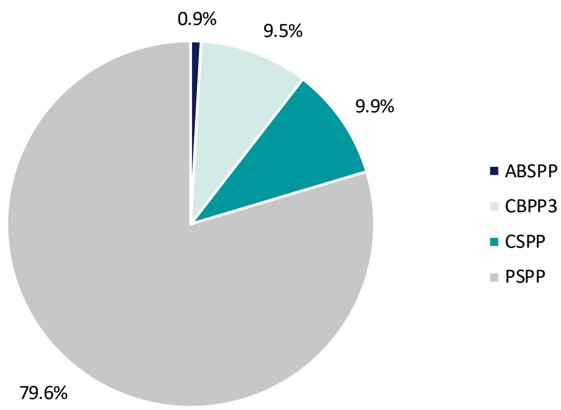
ECB tracker

Asset Purchase Programme (APP)

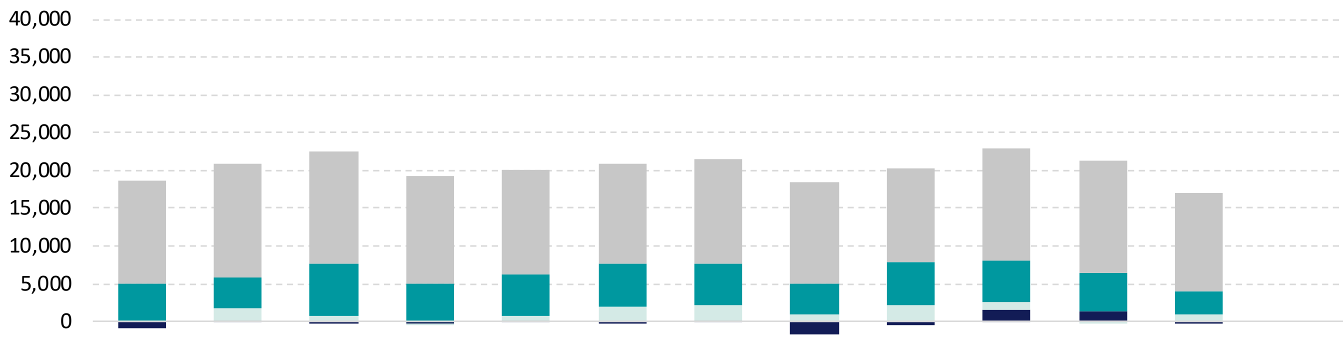
	ABSPP	CBPP3	CSPP	PSPP	APP
Nov-21	28,757	297,586	307,026	2,479,130	3,112,499
Dec-21	28,477	298,167	309,676	2,487,136	3,123,456
Δ	-269	+942	+3,007	+12,989	+16,669

Portfolio structure





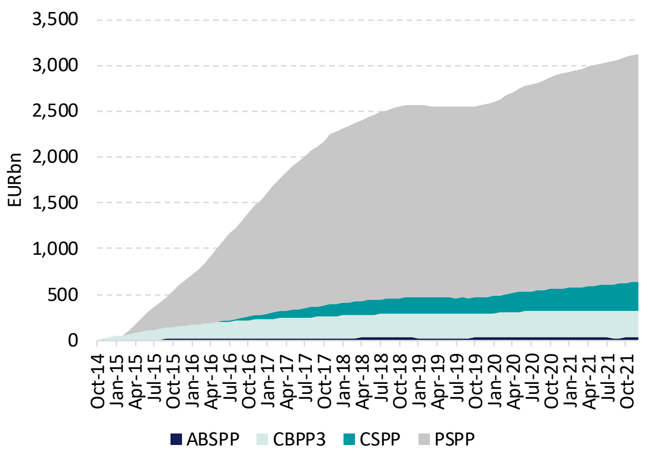
Monthly net purchases (in EURm)



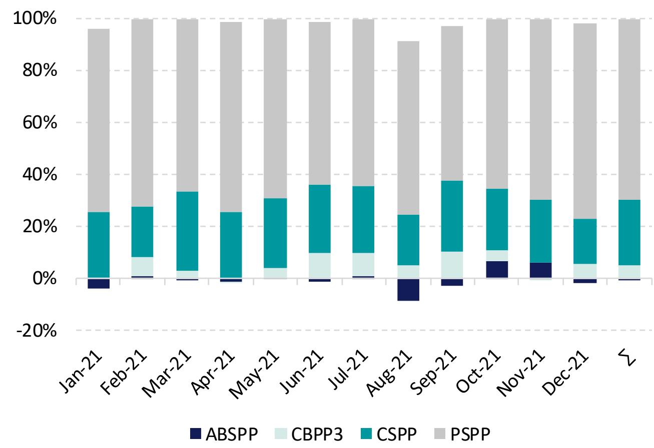
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	∑
APP	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,659	23,017	21,199	16,669	239,911
PSPP	13,655	15,129	14,955	14,186	13,973	13,320	13,943	13,563	12,423	15,038	14,814	12,989	167,988
CSPP	4,924	4,064	6,929	5,015	5,394	5,602	5,502	3,936	5,590	5,481	5,142	3,007	60,586
CBPP3	74	1,539	684	-5	686	2,037	2,011	999	2,184	1,008	-12	942	12,147
ABSPP	-807	183	-7	-278	88	-319	141	-1,749	-538	1,490	1,255	-269	-810

Source: ECB, NORD/LB Markets Strategy & Floor Research

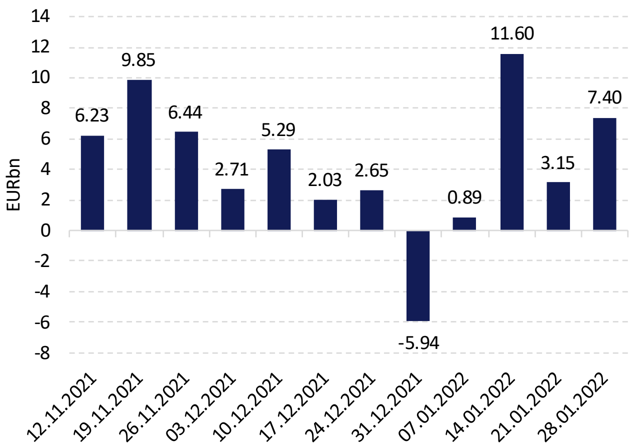
Portfolio development



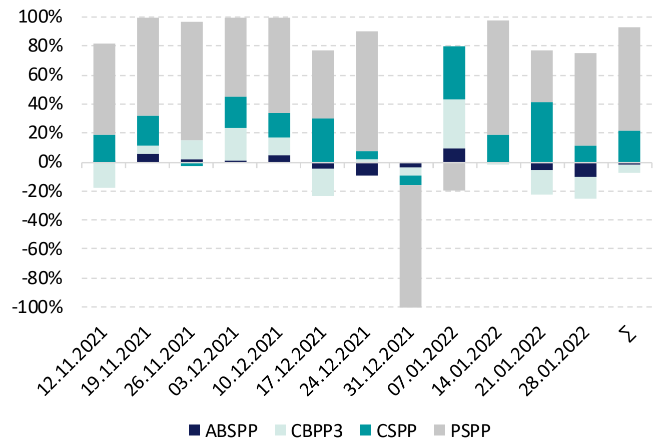
Distribution of monthly purchases



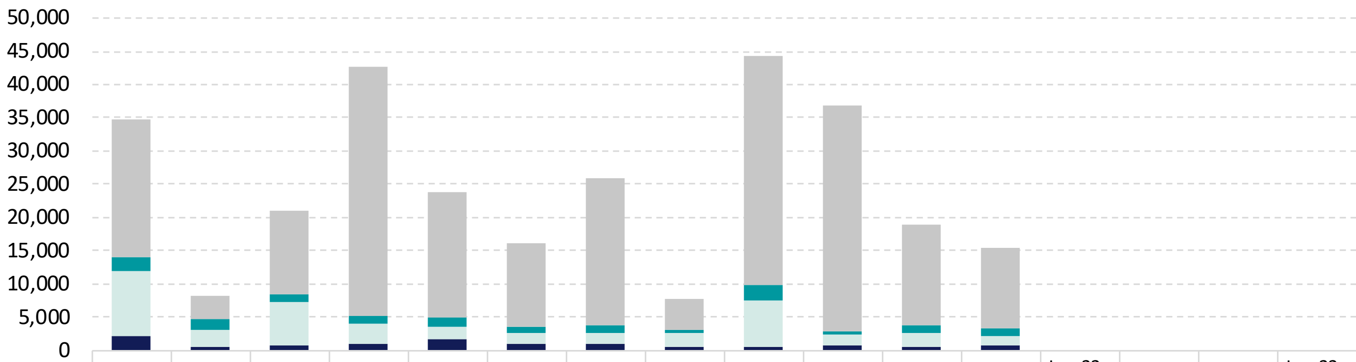
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

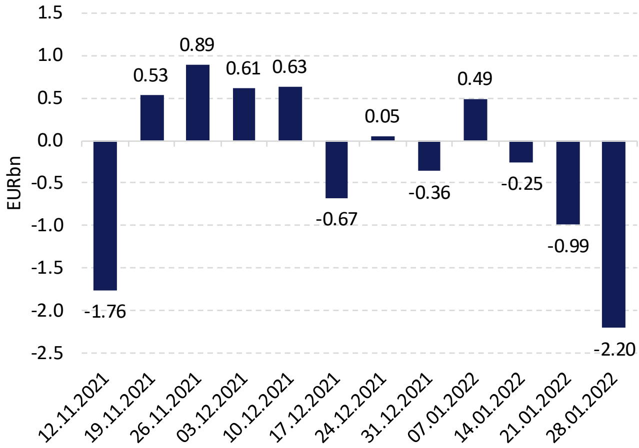


	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-22 - Dec-22	2020	2021	Jan-22 - Dec-22
APP	34,831	8,220	20,977	42,698	23,921	16,167	25,934	7,807	44,427	36,819	18,839	15,418	296,058	262,253	246,995	296,058
PSPP	20,906	3,625	12,603	37,533	18,999	12,638	22,198	4,841	34,554	34,003	14,945	12,016	228,861	201,482	188,494	228,861
CSPP	2,006	1,590	1,132	1,093	1,341	1,017	1,198	280	2,431	549	1,332	1,156	15,125	18,267	17,134	15,125
CBPP3	9,800	2,524	6,419	3,018	1,866	1,565	1,613	2,227	6,866	1,622	2,150	1,408	41,078	33,236	30,143	41,078
ABSPP	2,119	481	823	1,054	1,715	947	925	459	576	645	412	838	10,994	9,268	11,224	10,994

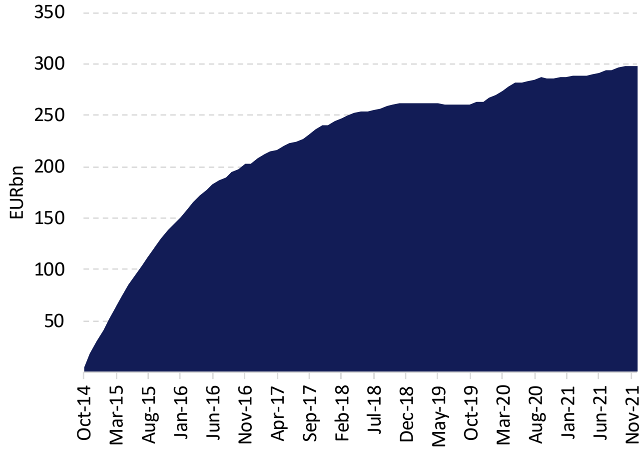
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

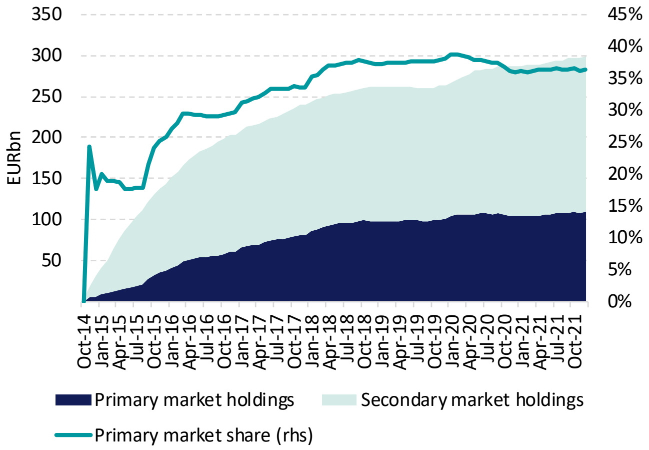
Weekly purchases



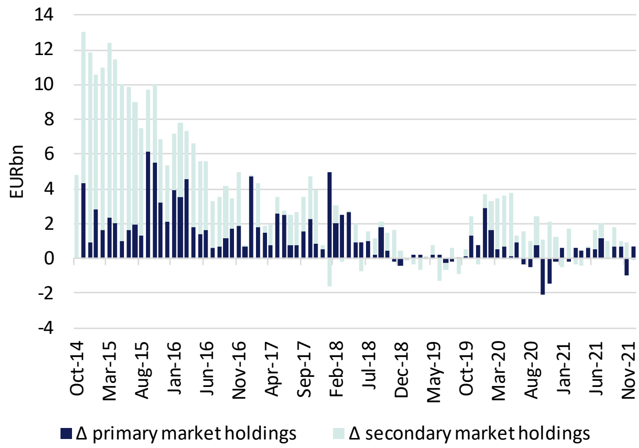
Development of CBPP3 volume



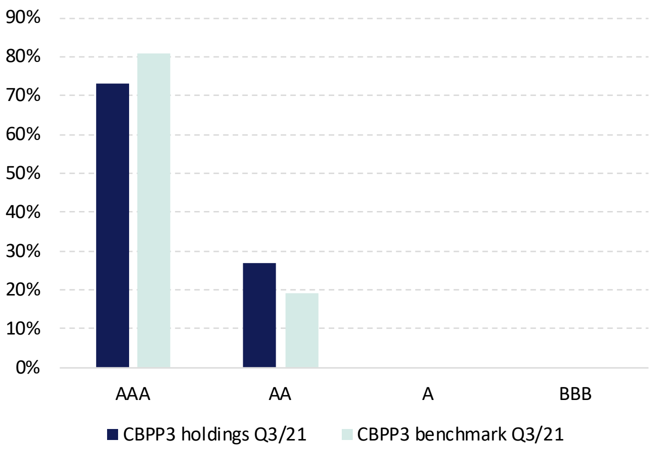
Primary and secondary market holdings



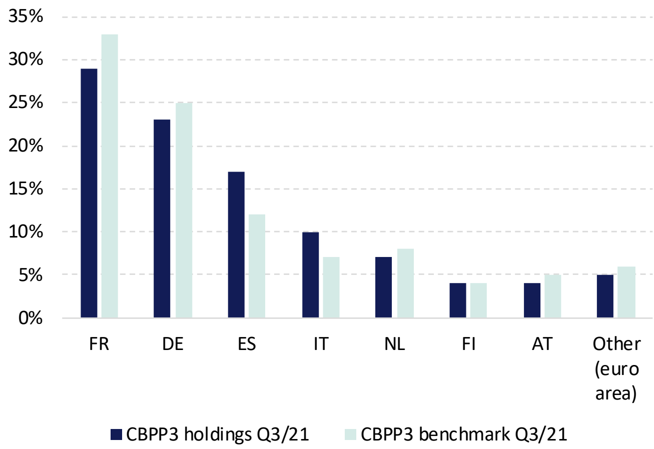
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



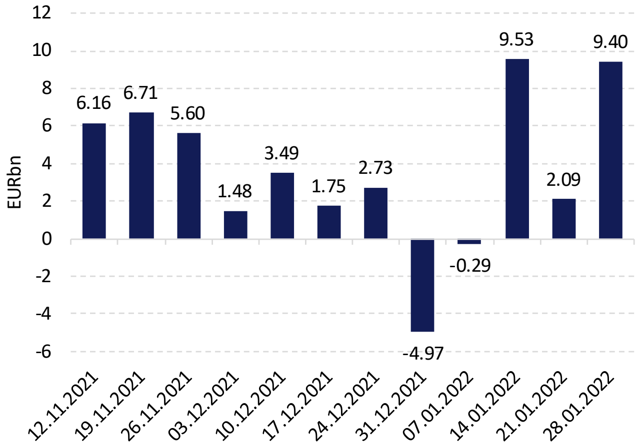
Distribution of CBPP3 by country of risk



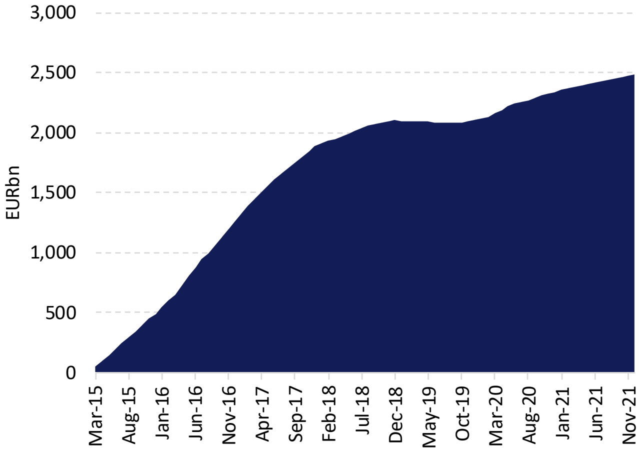
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



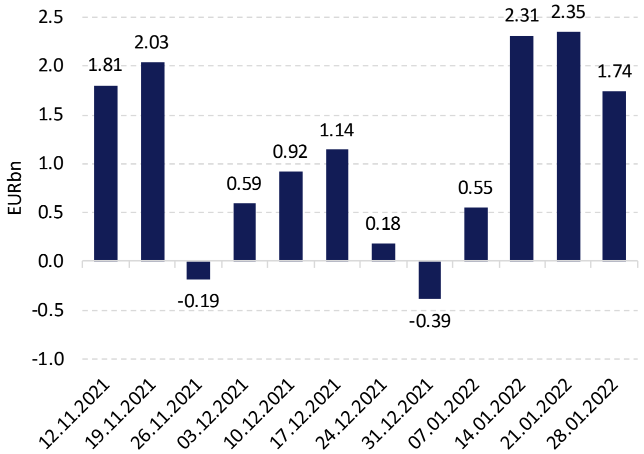
Overall distribution of PSPP buying at month-end

Jurisdiction	Adjusted distribution key[1]	Purchases (EURm)	Expected purchases (EURm)[2]	Difference (EURm)	Avg. time to maturity[3] (in years)	Market average[3] (in years)[3]	Difference (in years)
AT	2.7%	72,409	71,067	1,342	7.5	7.6	-0.1
BE	3.4%	91,027	88,460	2,567	8.0	10.2	-2.2
CY	0.2%	4,144	5,225	-1,081	9.9	8.8	1.1
DE	24.3%	634,814	640,071	-5,257	6.6	7.6	-1.0
EE	0.3%	408	6,840	-6,432	9.2	7.5	1.7
ES	11.0%	305,333	289,536	15,797	8.0	8.4	-0.4
FI	1.7%	41,170	44,600	-3,430	6.9	7.7	-0.8
FR	18.8%	516,032	495,913	20,119	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	41,029	41,116	-87	8.5	10.1	-1.6
IT	15.7%	429,415	412,490	16,925	7.1	7.9	-0.8
LT	0.5%	5,493	14,053	-8,560	10.2	10.6	-0.4
LU	0.3%	3,870	7,998	-4,128	5.6	7.2	-1.7
LV	0.4%	3,344	9,461	-6,117	11.3	10.4	0.9
MT	0.1%	1,362	2,547	-1,185	9.5	9.2	0.3
NL	5.4%	126,966	142,294	-15,328	7.7	9.0	-1.4
PT	2.2%	51,035	56,829	-5,794	7.0	7.2	-0.2
SI	0.4%	10,349	11,691	-1,342	9.9	10.2	-0.3
SK	1.1%	17,034	27,807	-10,773	8.2	8.3	-0.1
SNAT	10.0%	275,874	263,111	12,763	7.7	8.9	-1.2
Total / Avg.	**100.0%**	**2,631,107**	**2,631,107**	**0**	**7.3**	**8.2**	**-0.9**

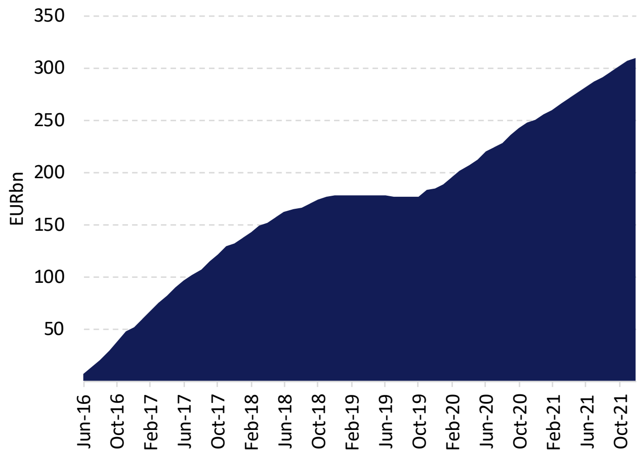
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)
Source: ECB, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

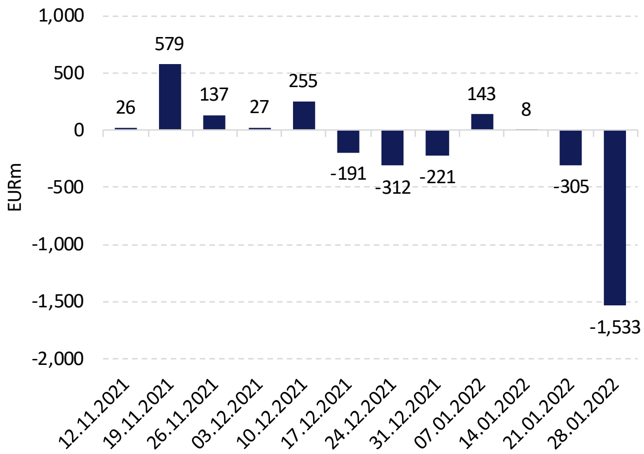


Development of CSPP volume

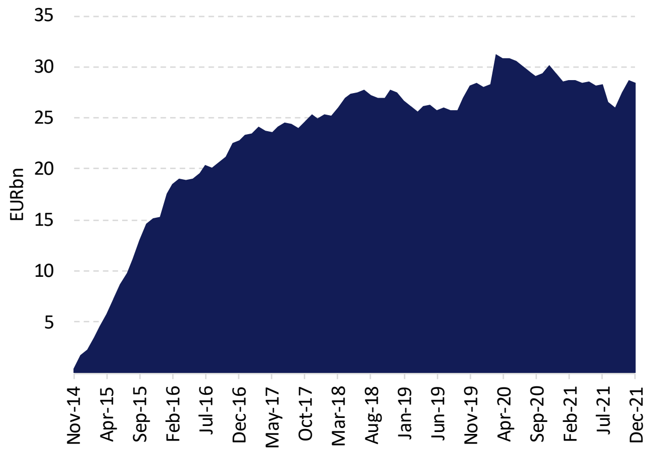


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

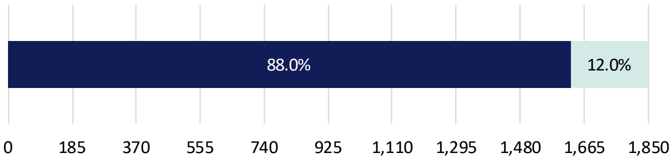
NORD/LB

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Nov-21	1,548,190
Dec-21	1,597,565
Δ	+49,375

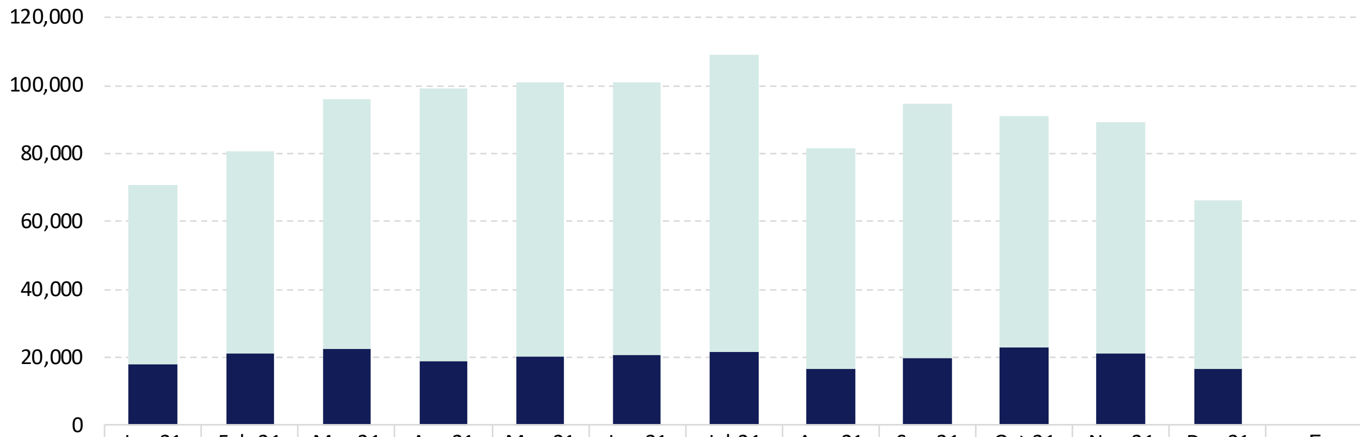
Volume already invested (in EURbn)



Estimated portfolio development

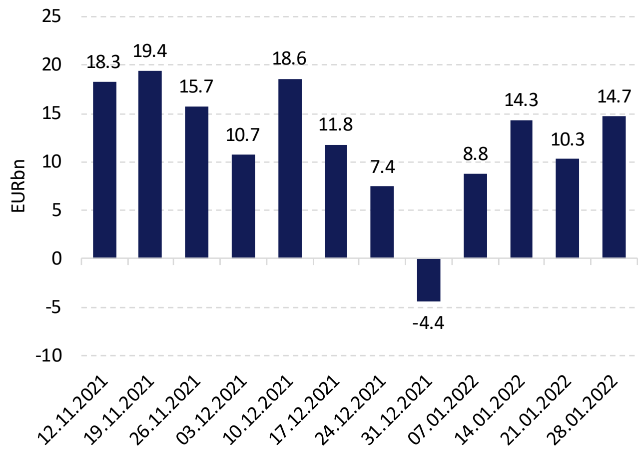
Assumed pace of purchases	Weekly net purchase volume	PEPP (theoretically) limit hit in …
Average weekly net purchase volume so far	EUR 17.0bn	13 weeks (29.04.2022)

Monthly net purchases (in EURm)

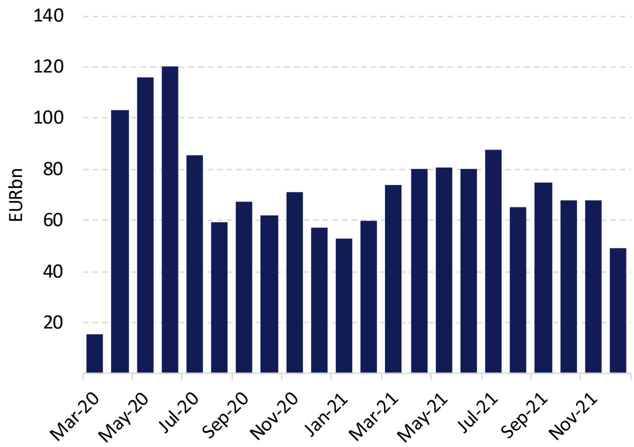


	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	∑
∑	70,892	80,829	96,082	99,036	100,841	100,808	109,154	81,799	94,710	90,872	89,244	66,044	1,080,31
PEPP	53,046	59,914	73,521	80,118	80,700	80,168	87,557	65,050	75,051	67,855	68,045	49,375	840,400
APP	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,659	23,017	21,199	16,669	239,911

Weekly purchases



Development of PEPP volume

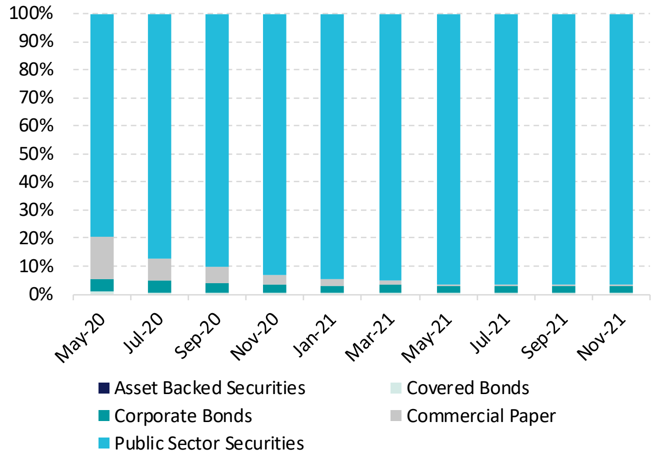


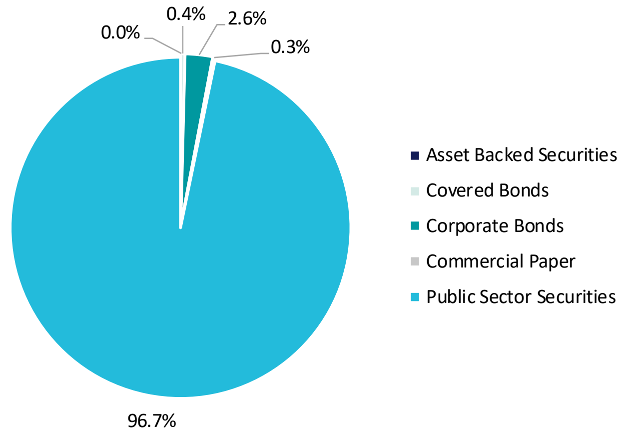
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

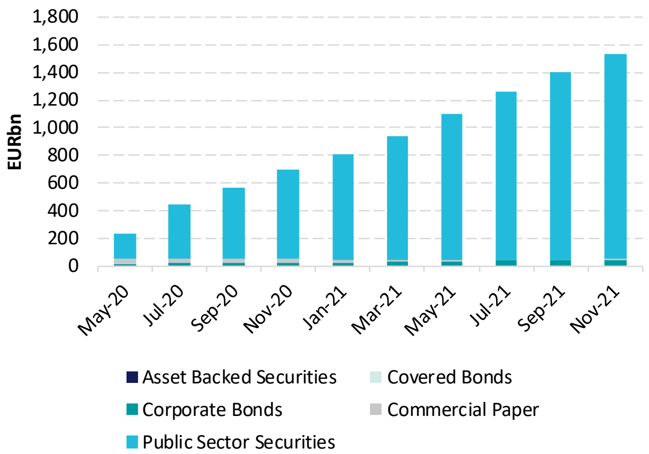
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Sep-21	0	6,079	37,139	3,314	1,353,076	1,399,609
Nov-21	0	6,079	39,871	4,032	1,485,567	1,535,549
Δ	0	0	+2,732	+717	+132,491	+135,940

Portfolio structure

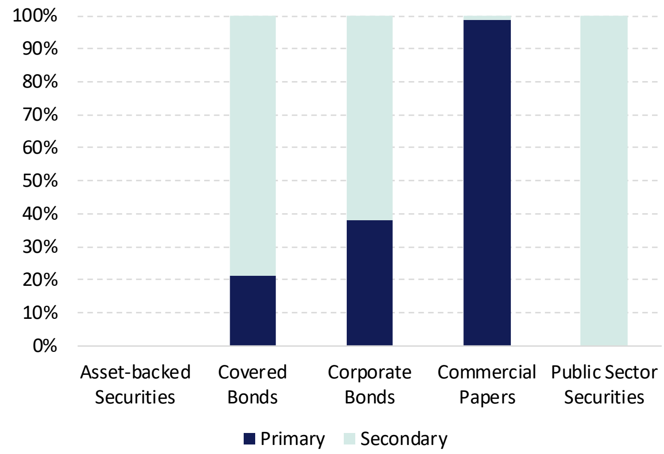




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

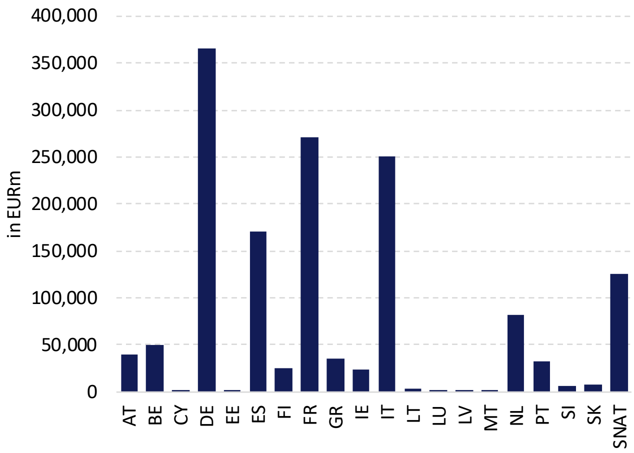
Nov-21	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**
Holdings in EURm	0	0	1,298	4,781	15,101	24,770	3,989	43
Share	0.0%	0.0%	21.4%	78.7%	37.9%	62.1%	98.9%	1.1%

Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

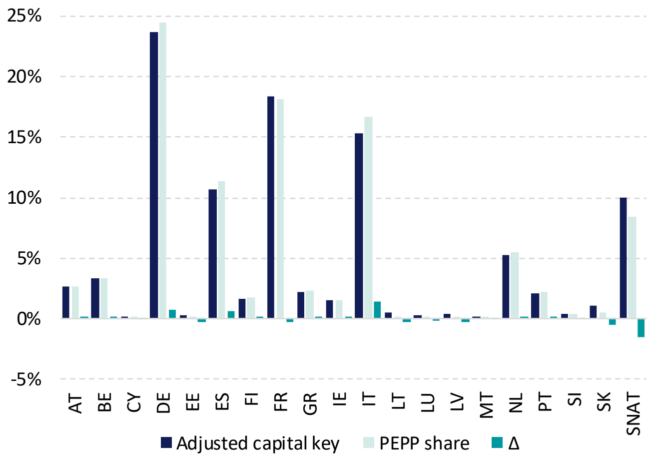
Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Adj. distribution key[1]	PEPP share	Deviations from the adj. distribution key[2]	ø time to maturity (in years)	Market average[3] (in years)	Difference (in years)
AT	40,331	2.6%	2.7%	0.1%	8.4	7.0	1.3
BE	50,666	3.3%	3.4%	0.1%	6.7	9.1	-2.4
CY	2,418	0.2%	0.2%	0.0%	8.7	8.1	0.6
DE	366,630	23.7%	24.5%	0.7%	6.2	6.8	-0.6
EE	256	0.3%	0.0%	-0.2%	8.5	6.8	1.7
ES	170,306	10.7%	11.4%	0.6%	8.0	7.6	0.4
FI	25,499	1.7%	1.7%	0.0%	7.1	7.4	-0.3
FR	271,410	18.4%	18.1%	-0.3%	8.2	7.5	0.7
GR	34,935	2.2%	2.3%	0.1%	8.9	9.6	-0.7
IE	23,549	1.5%	1.6%	0.0%	8.8	9.1	-0.3
IT	250,889	15.3%	16.7%	1.5%	7.1	6.9	0.2
LT	2,939	0.5%	0.2%	-0.3%	11.0	10.1	0.9
LU	1,904	0.3%	0.1%	-0.2%	6.5	6.1	0.4
LV	1,625	0.4%	0.1%	-0.2%	9.5	9.2	0.3
MT	480	0.1%	0.0%	-0.1%	10.8	9.1	1.7
NL	81,494	5.3%	5.4%	0.2%	7.4	8.6	-1.2
PT	33,097	2.1%	2.2%	0.1%	6.8	7.2	-0.4
SI	6,143	0.4%	0.4%	0.0%	9.4	9.2	0.1
SK	7,262	1.0%	0.5%	-0.5%	7.5	8.5	-1.0
SNAT	126,308	10.0%	8.4%	-1.6%	10.5	8.5	2.0
Total / Avg.	**1,498,141**	**100.0%**	**100.0%**	**0.0%**	**7.6**	**7.5**	**0.1**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



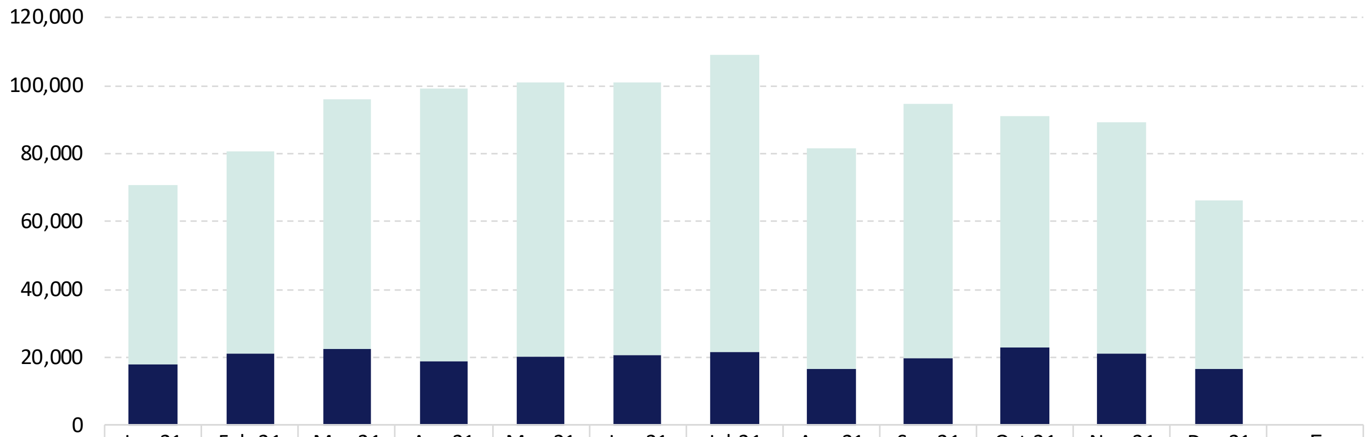
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

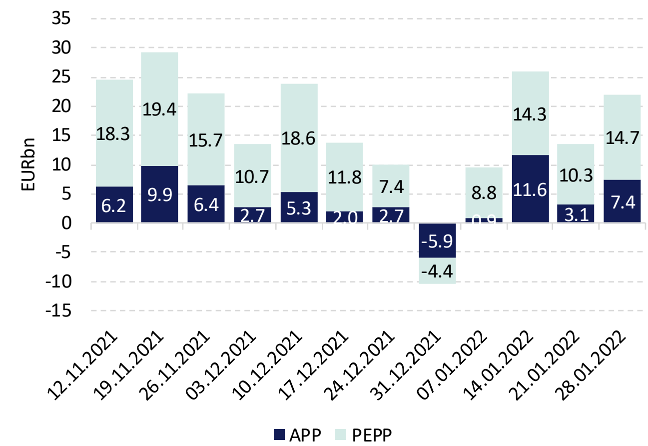
	APP	PEPP	APP & PEPP
Nov-21	3,112,499	1,548,190	4,660,689
Dec-21	3,123,456	1,597,565	4,721,021
Δ	+16,669	+49,375	+66,044

Monthly net purchases (in EURm)

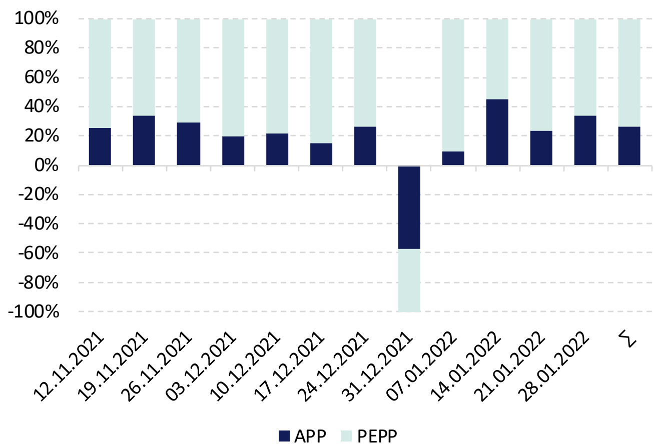


	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	∑
∑	70,892	80,829	96,082	99,036	100,841	100,808	109,154	81,799	94,710	90,872	89,244	66,044	1,080,31
PEPP	53,046	59,914	73,521	80,118	80,700	80,168	87,557	65,050	75,051	67,855	68,045	49,375	840,400
APP	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,659	23,017	21,199	16,669	239,911

Weekly purchases



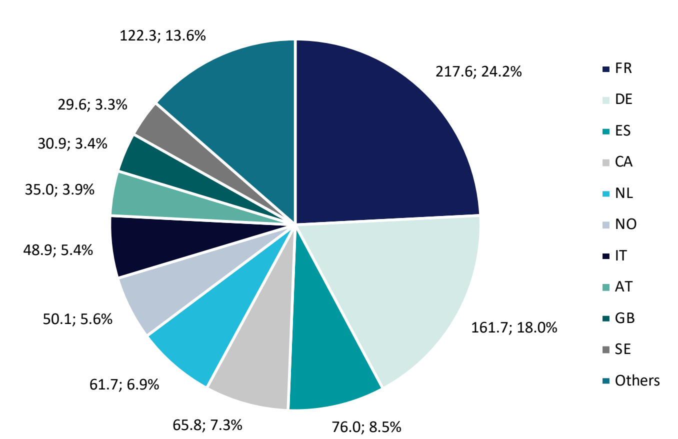
Distribution of weekly purchases



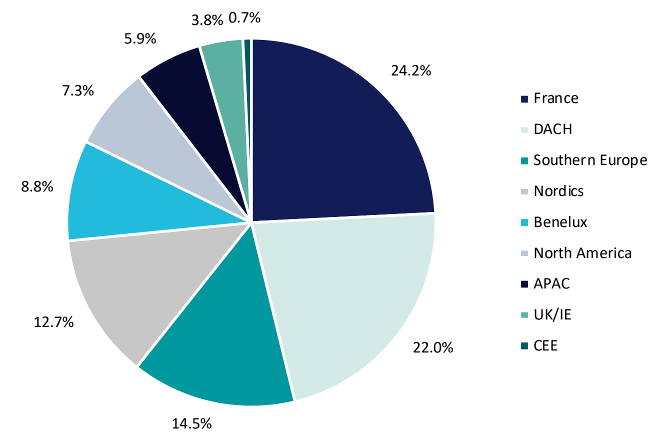
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



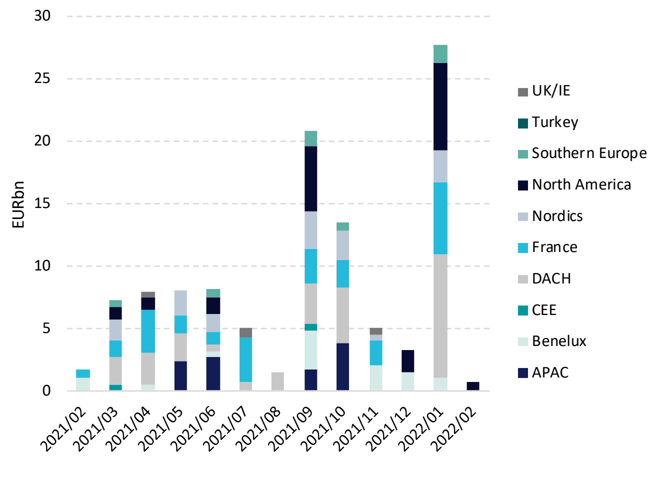
EUR benchmark volume by region (in EURbn)



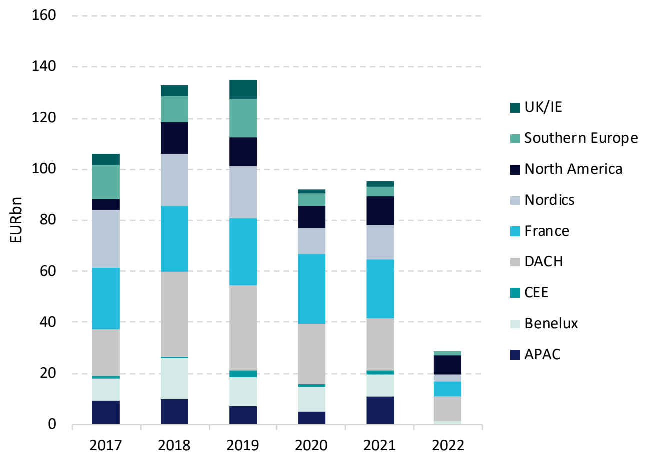
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	217.6	209	11	0.93	10.2	5.7	0.83
2	DE	161.7	238	16	0.62	8.4	4.6	0.41
3	ES	76.0	61	4	1.14	11.8	3.8	1.81
4	CA	65.8	55	0	1.16	6.0	3.3	0.21
5	NL	61.7	64	0	0.91	11.7	7.8	0.71
6	NO	50.1	58	9	0.86	7.4	4.1	0.38
7	IT	48.9	58	1	0.81	9.3	4.5	1.25
8	AT	35.0	64	2	0.54	9.9	6.3	0.57
9	GB	30.9	37	1	0.86	8.5	3.5	0.91
10	SE	29.6	36	0	0.82	7.6	3.4	0.41

EUR benchmark issue volume by month

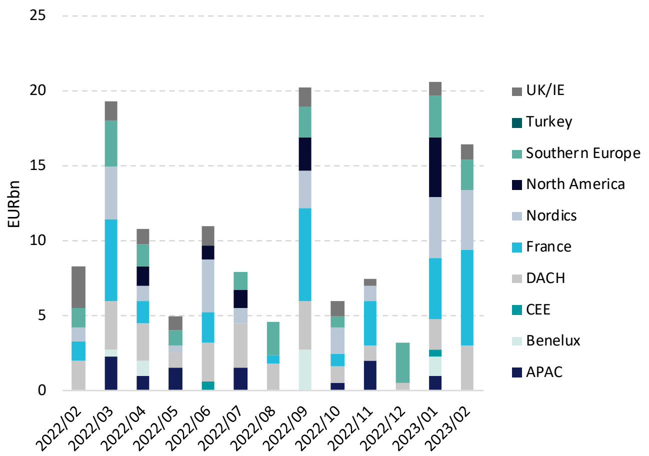


EUR benchmark issue volume by year

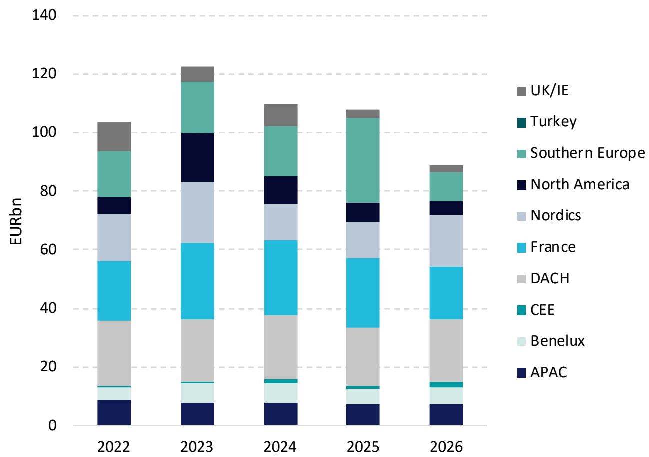


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

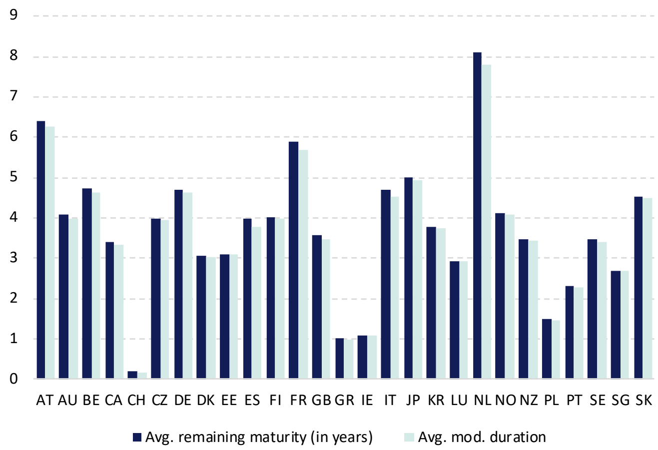
EUR benchmark maturities by month



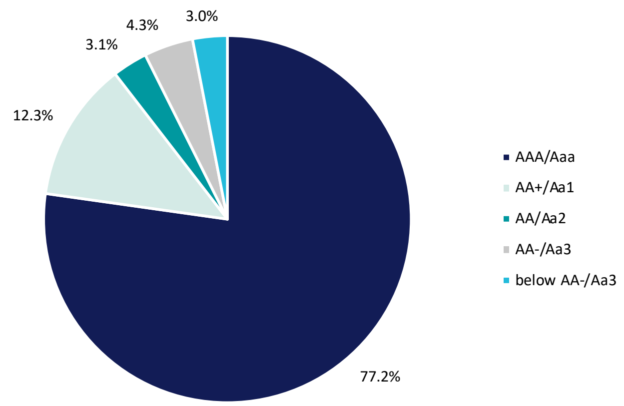
EUR benchmark maturities by year



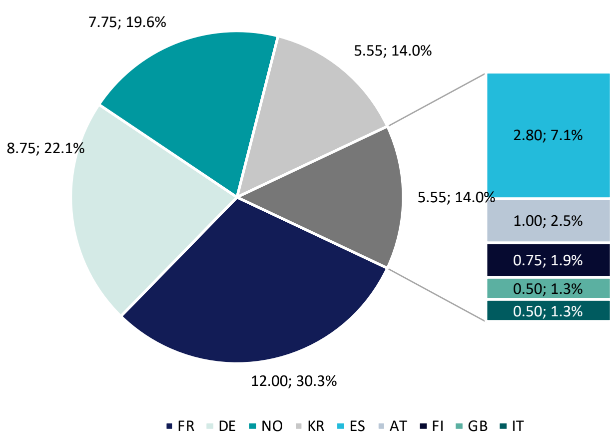
Modified duration and time to maturity by country



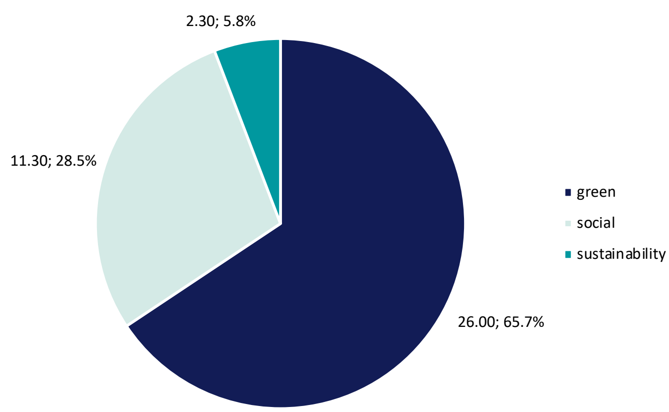
Rating distribution (volume weighted)



EUR benchmark volume (ESG) by country (in EURbn)

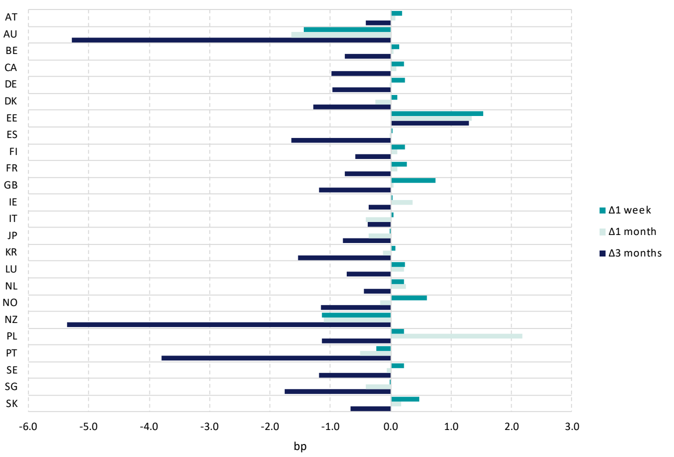


EUR benchmark volume (ESG) by type (in EURbn)

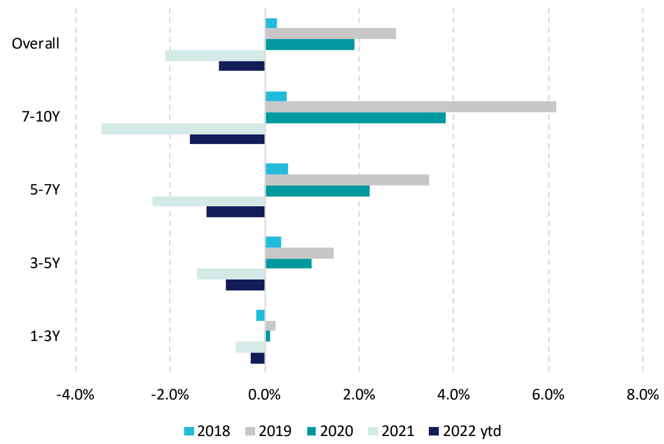


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

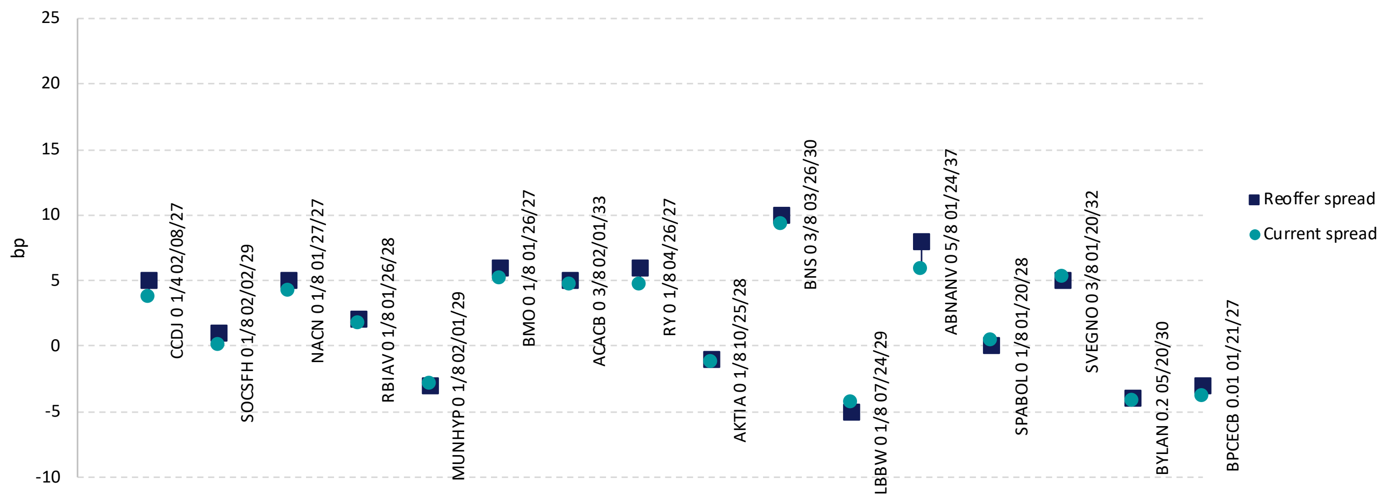
Spread development by country



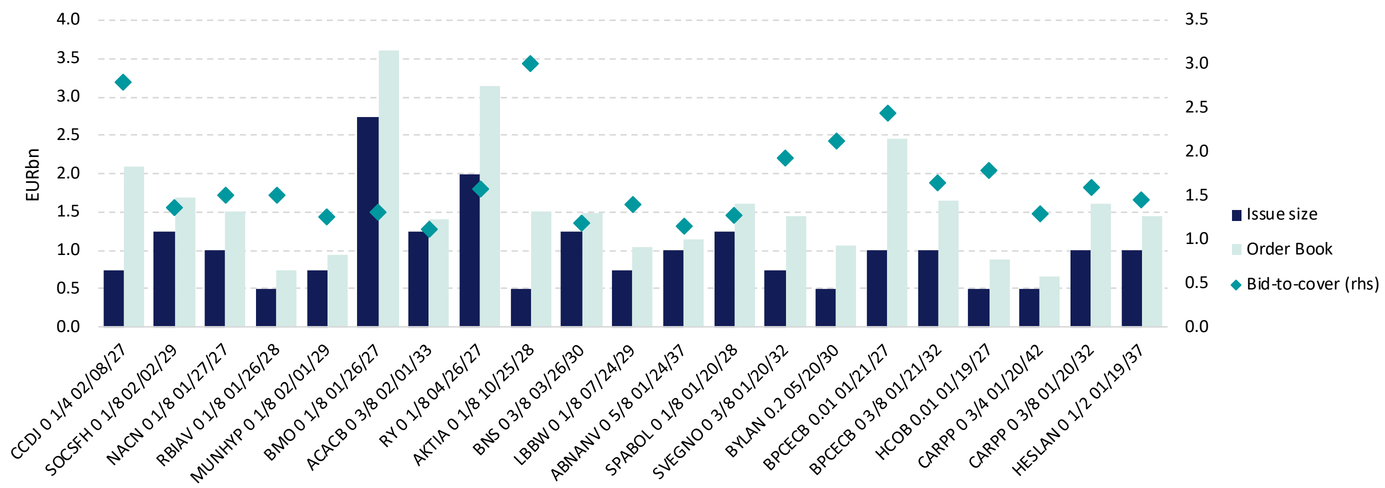
Covered bond performance (Total return)



Spread development (last 15 issues)



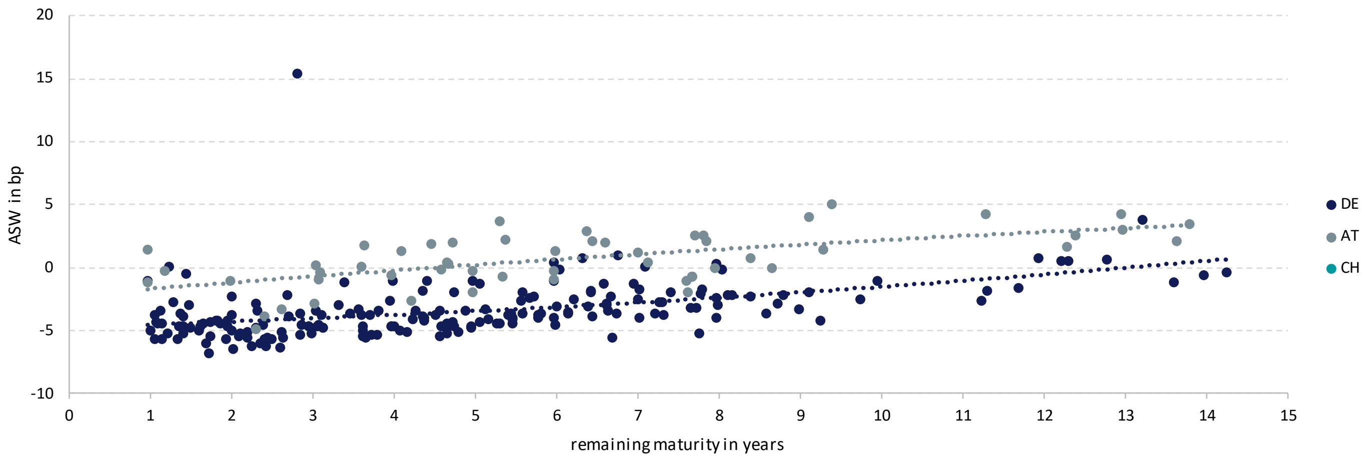
Order books (last 15 issues)



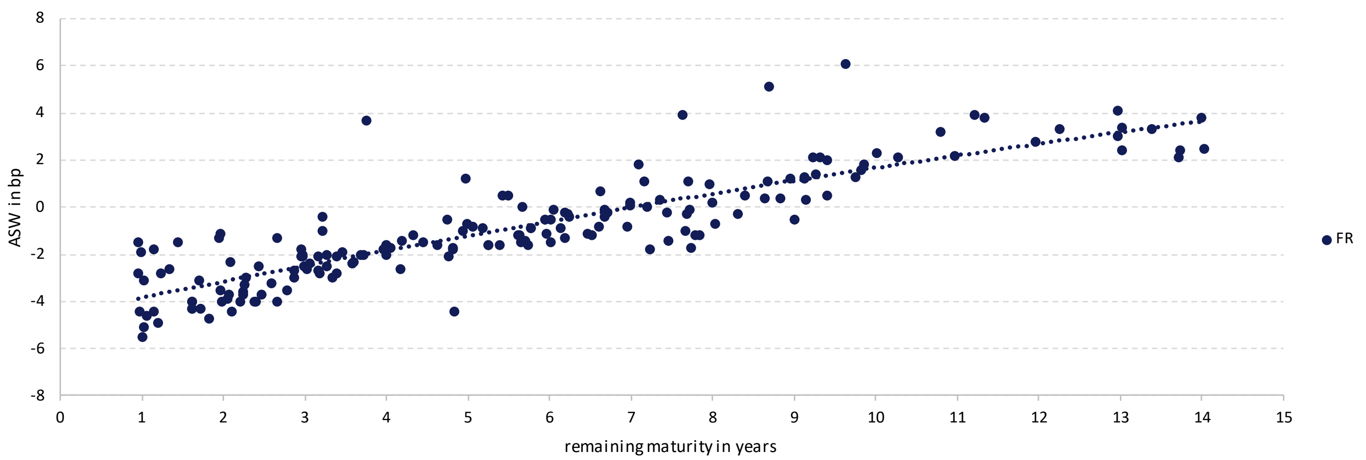
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

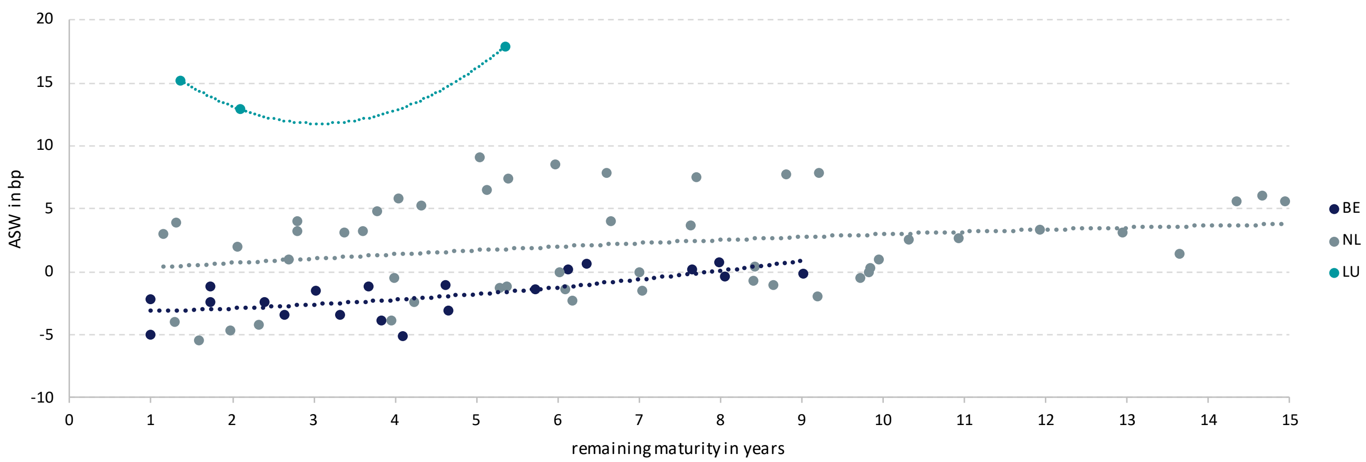
DACH



France

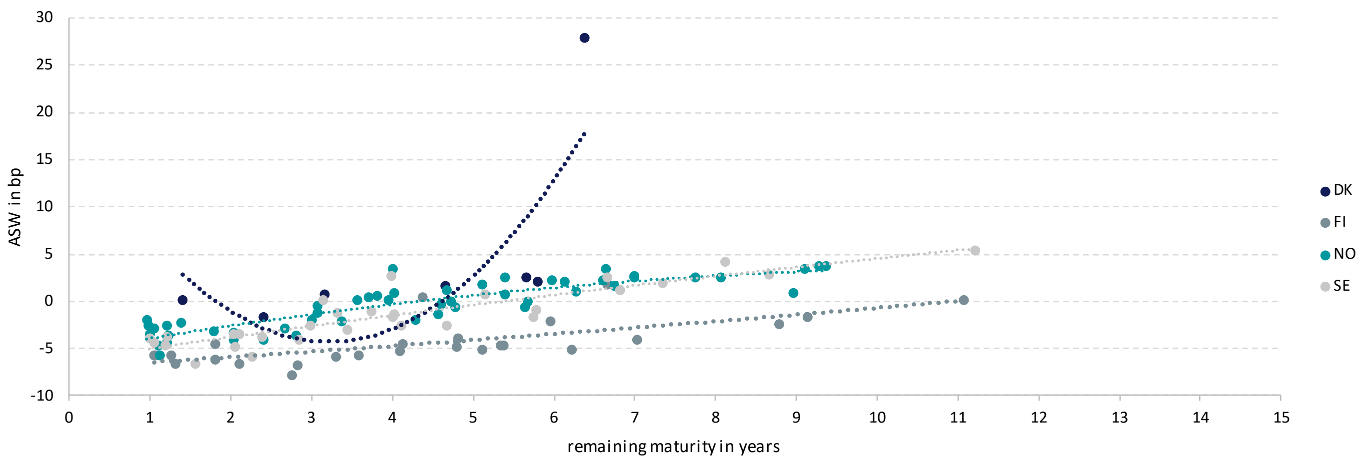


Benelux

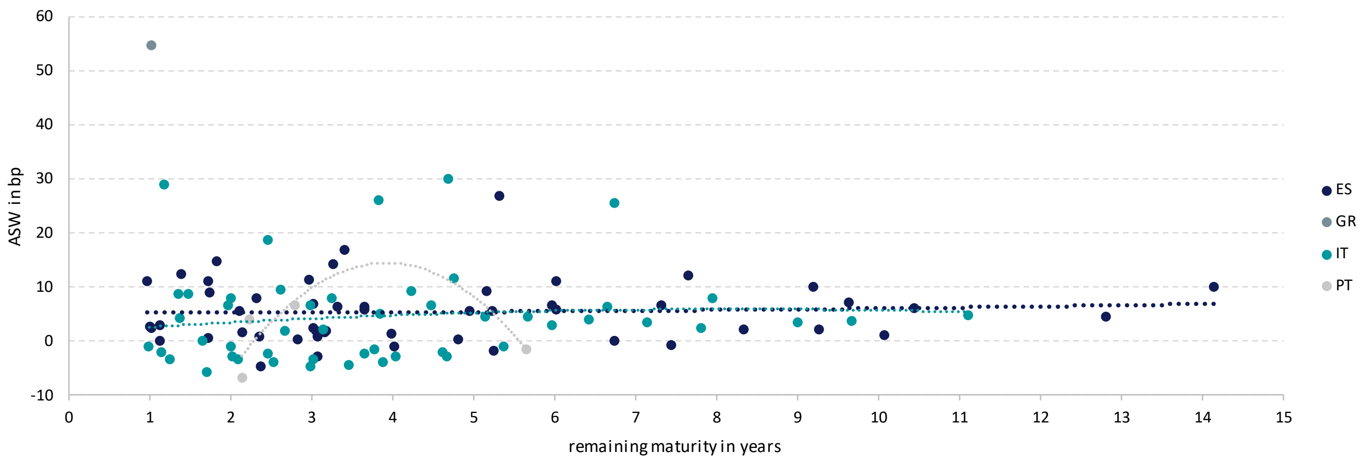


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

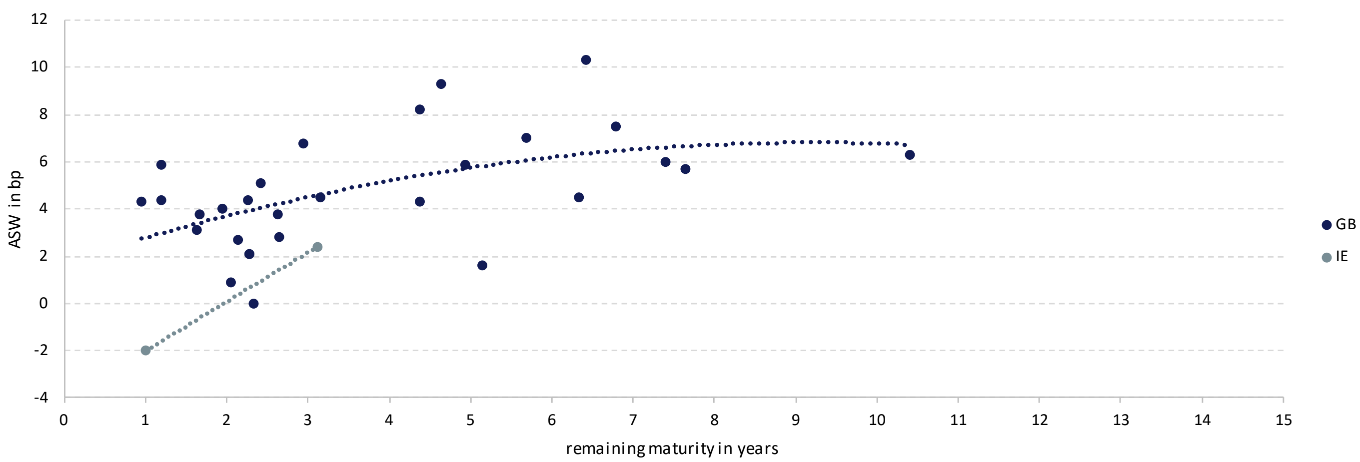
Nordics



Southern Europe

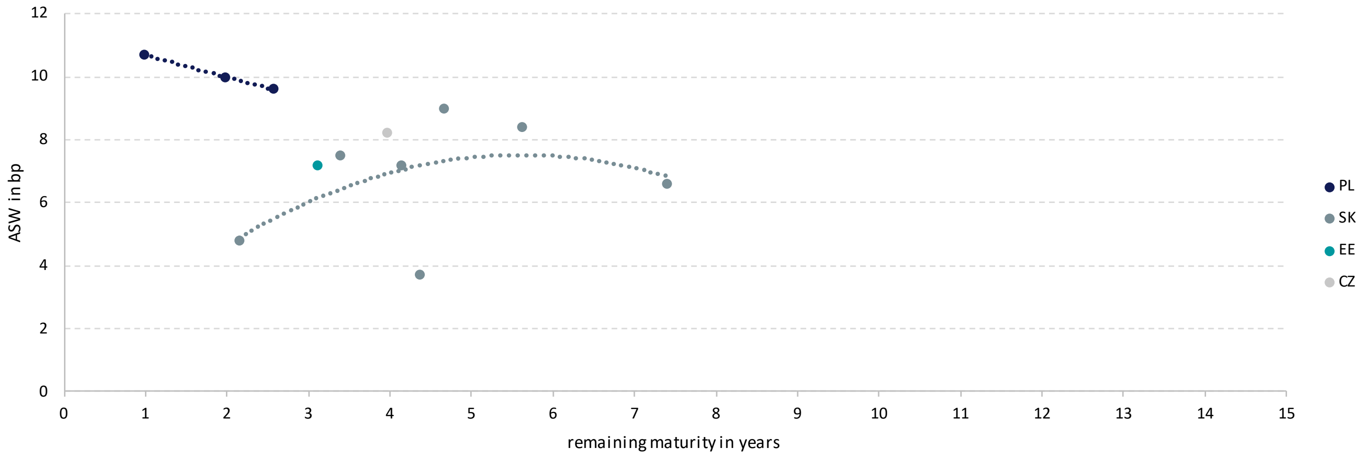


UK/IE

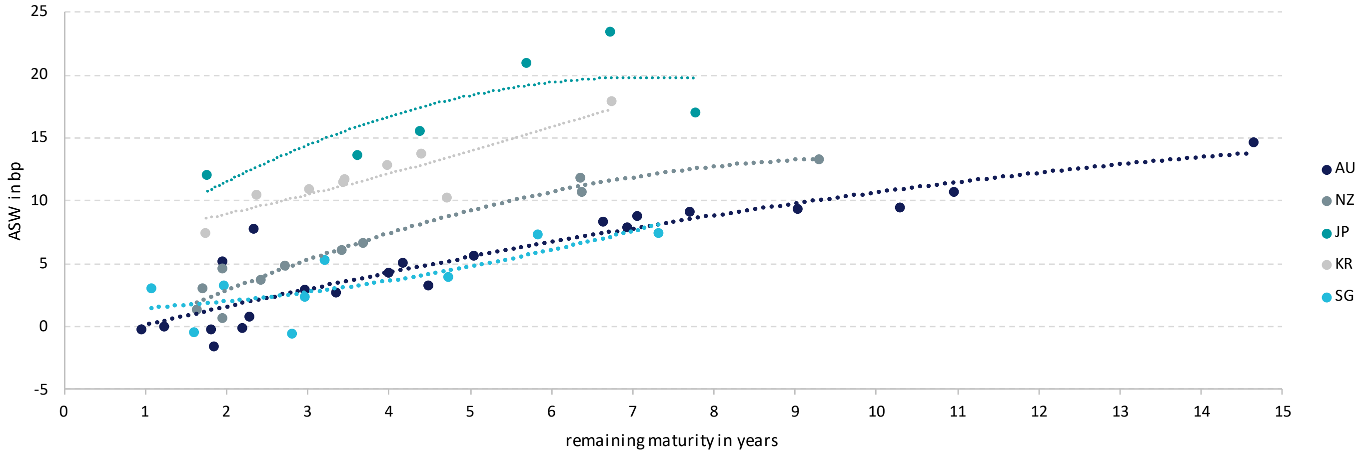


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

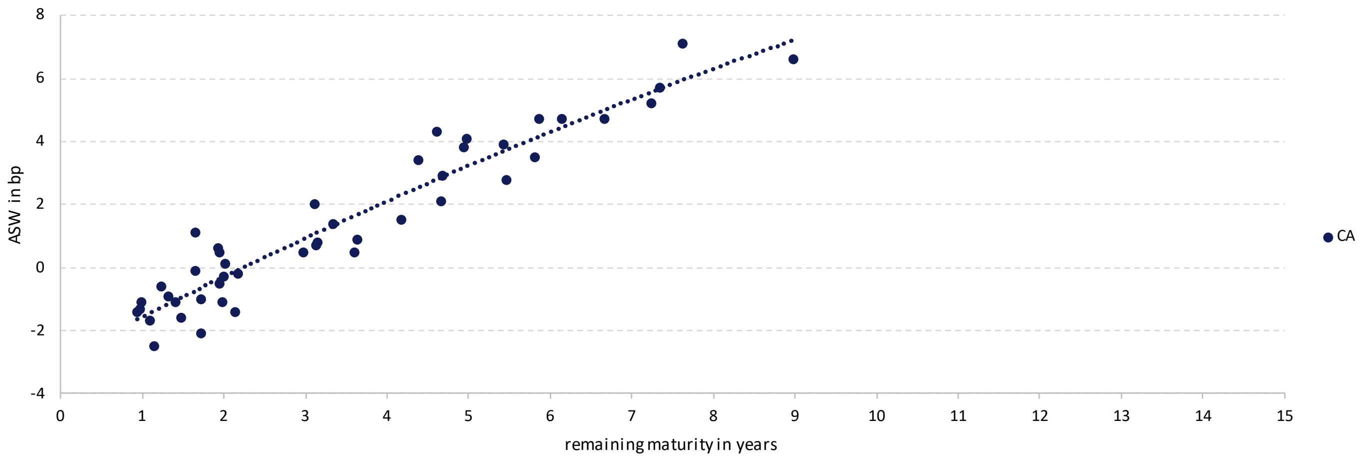
CEE



APAC



North America

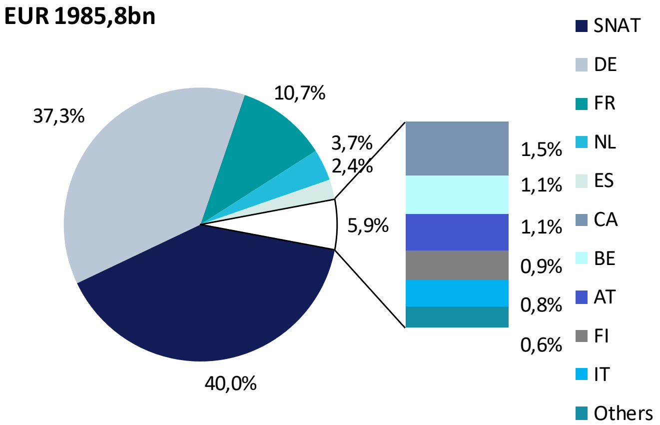


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

Charts & Figures
SSA/Public Issuers

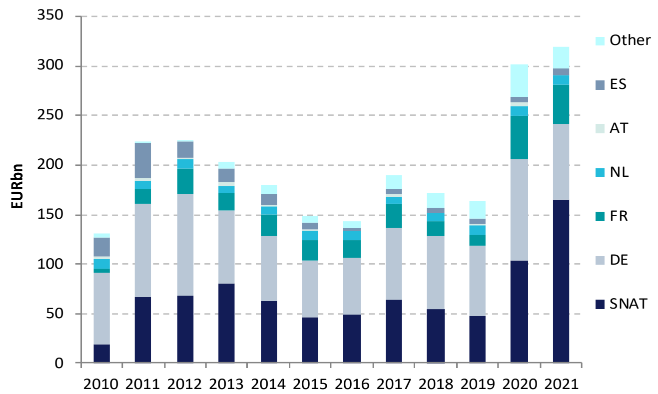
Outstanding volume (bmk)



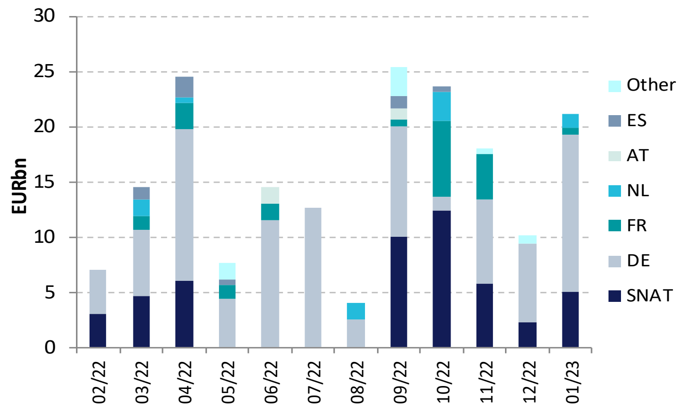
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	794,2	195	4,1	8,6
DE	740,9	574	1,3	6,9
FR	212,7	148	1,4	5,7
NL	73,7	69	1,1	6,7
ES	46,8	59	0,8	5,0
CA	30,7	21	1,5	5,5
BE	21,7	25	0,9	13,7
AT	21,2	23	0,9	4,9
FI	17,0	21	0,8	6,2
IT	15,0	19	0,8	5,5

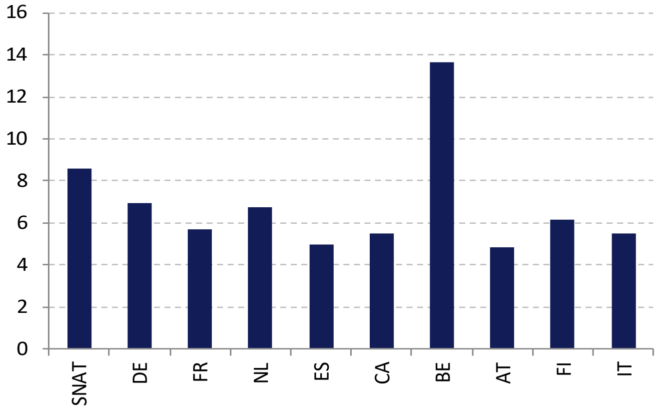
Issue volume by year (bmk)



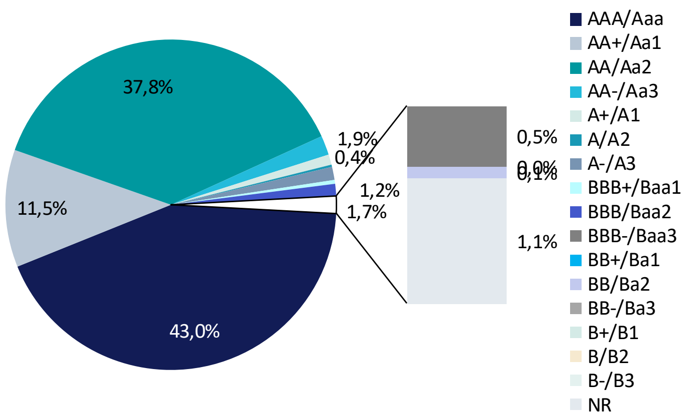
Maturities next 12 months (bmk)



Avg. mod. duration by country (vol. weighted)

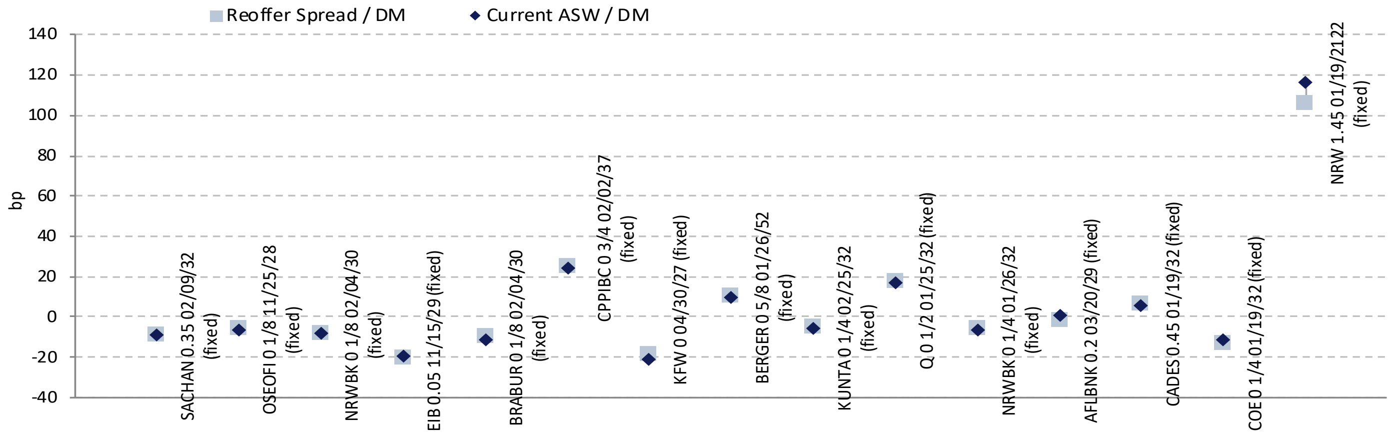


Rating distribution (vol. weighted)

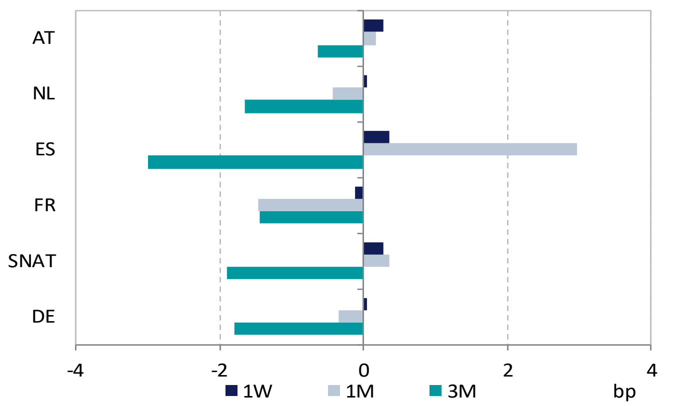


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

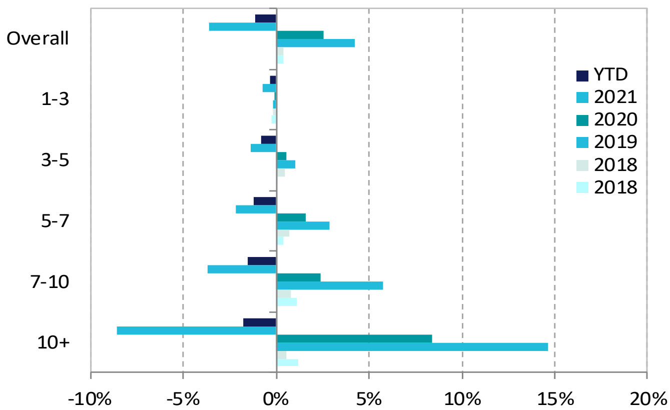
Spread development (last 15 issues)



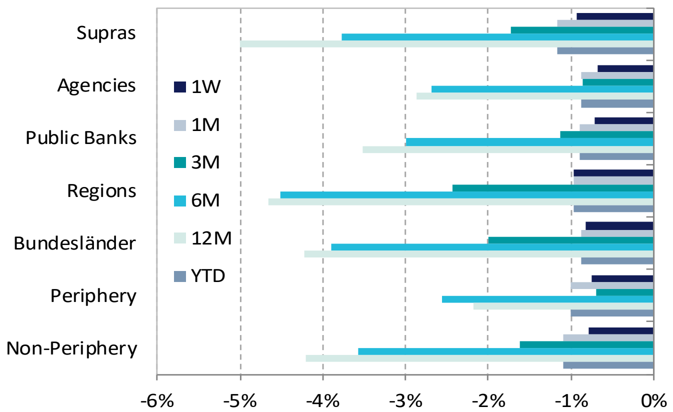
Spread development by country



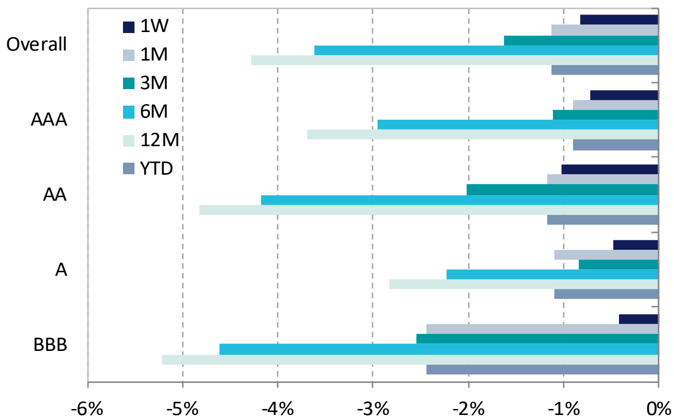
Performance (total return)



Performance (total return) by regions

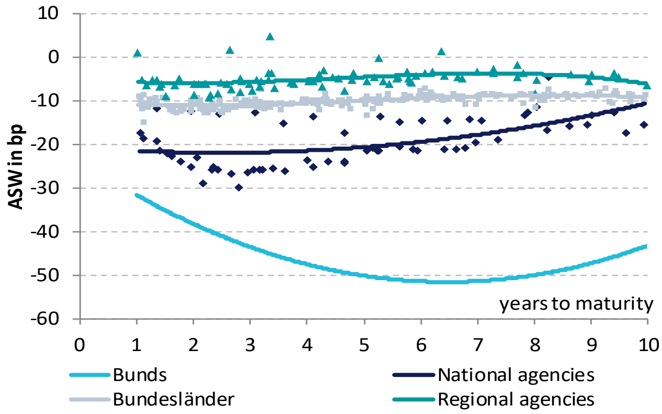


Performance (total return) by rating

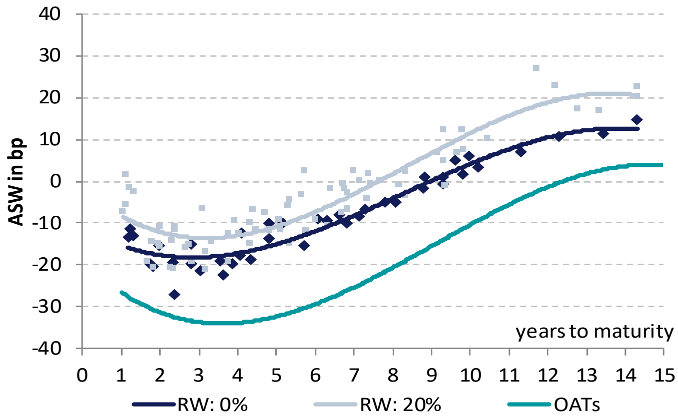


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

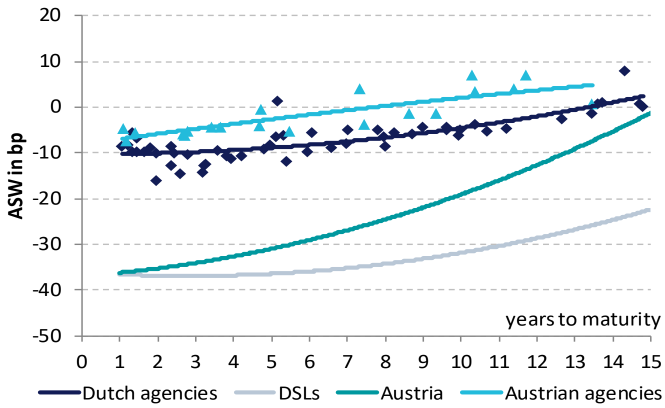
Germany (by segments)



France (by risk weight)



Netherlands & Austria



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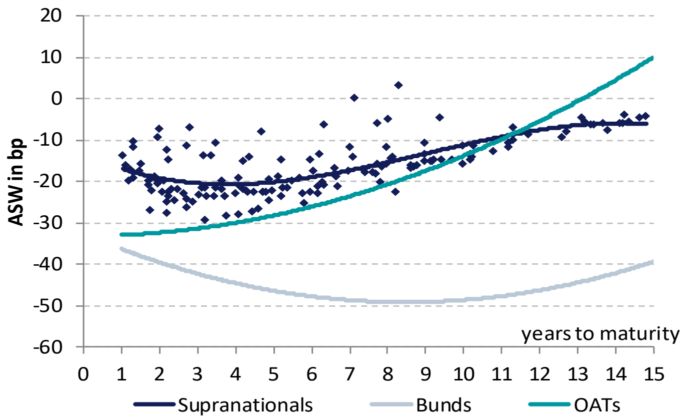

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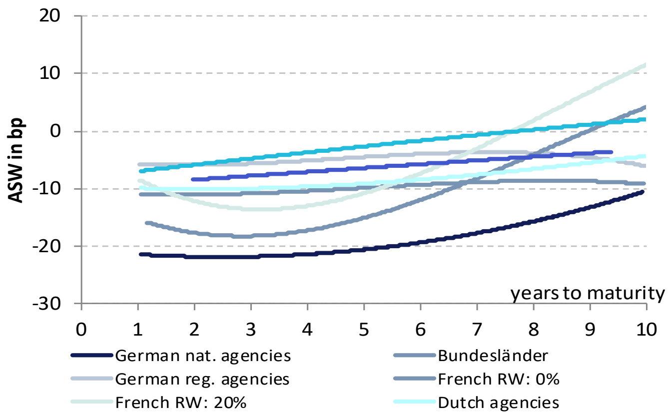

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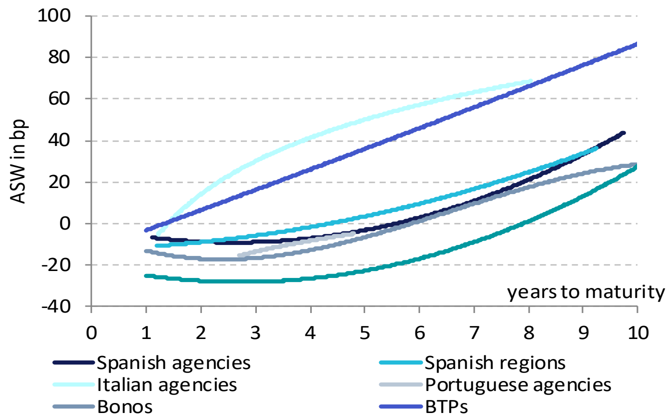

Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
03/2022 ♦ 26 January	▪ ECB preview: 10y Bund spotted in positive terrain. What's next? ▪ EUR benchmark segment in Canada: our supply forecast already null and void
02/2022 ♦ 19 January	▪ Spotlight on the EUR benchmark segment: a look at the covered bond markets in Belgium and the Netherlands ▪ 24th meeting of the Stability Council (Dec. 2021)
01/2022 ♦ 12 January	▪ Covered Bonds Annual Review 2021 ▪ The Moody's covered bond universe – an overview ▪ SSA Annual Review 2021: Record after record
40/2021 ♦ 15 December	▪ ECB preview: End of PEPP, booster for APP?! ▪ Our view of the covered bond market in 2022 ▪ SSA Outlook 2022: Public sector caught between ECB & COVID
39/2021 ♦ 08 December	▪ The ECB, monetary policy and covered bond market: Hypothetical "What if...?" considerations ▪ The Moody's rating approach
38/2021 ♦ 01 December	▪ United Kingdom: Spotlight on the EUR benchmark segment ▪ Beyond Bundeslaender: Region Pays de la Loire (PDLL)
37/2021 ♦ 24 November	▪ Benchmark deals outside the euro: momentum has returned! ▪ Transparency regulations under Section 28 of the Pfandbriefgesetz (PfandBG - German Pfandbrief Act) Q3 2021 ▪ Beyond Bundeslaender: Auvergne-Rhône-Alpes Region (ARA)
36/2021 ♦ 17 November	▪ Primary market forecast 2022: time for a comeback? ▪ Development of the German property market ▪ Beyond Bundeslaender: Spotlight on Belgian regions
35/2021 ♦ 10 November	▪ PEPP approaching notional end – will the APP be pepped up? ▪ Spain's major move – will the amended covered bond legislation breathe new life into the market?
34/2021 ♦ 03 November	▪ Repayment structures on the covered bond market: EU harmonisation is already leaving its mark ▪ Beyond Bundeslaender: Spanish regions in the spotlight
33/2021 ♦ 27 October	▪ Insurance firms as covered bond investors: A look at Solvency II and EIOPA statistics ▪ The Scope rating approach
32/2021 ♦ 20 October	▪ ECB preview: interim step before a landmark December? ▪ ECBC publishes annual statistics for 2020 ▪ Covered bonds in the context of the ECB collateral framework
31/2021 ♦ 22 September	▪ Covered bond primary market: a September to remember ▪ Announcement: Issuer Guide German Laender 2021
30/2021 ♦ 15 September	▪ Transparency requirements § 28 PfandBG Q2 2021 ▪ Fitch: rating approach covered bonds ▪ Update: Joint Laender (Ticker: LANDER)

NORD/LB:
Markets Strategy & Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuer Research

Bloomberg:
RESP NRDR <GO>

Appendix
Publication overview

Covered Bonds:

Issuer Guide Covered Bonds 2021

Risk weights and LCR levels of covered bonds

Transparency requirements §28 PfandBG

Transparenzvorschrift §28 PfandBG Sparkassen (German only)

SSA/Public Issuers:

Issuer Guide – German Bundeslaender 2021

Issuer Guide – Canadian Provinces & Territories 2020

Issuer Guide – Supranationals & Agencies 2019

Issuer Guide – Down Under 2019

Fixed Income:

ESG update

Analysis of ESG reporting

ECB decision: PEPP benched for now, APP comes in as Point Guard

ECB holds course, but ups the ante – PEPP running until 2022

ECB launches corona pandemic emergency

Appendix
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Sales MM/FX	+49 511 9818-9460
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Additional information
Time of going to press: 02 February 2022 08:44h (CET)

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Issuer / security	Date	Recommendation	Bond type	Cause