



Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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Market overview

Covered Bonds

Author: Henning Walten, CIAA

The market reveals its lively side

With four transactions with an aggregate volume of EUR 3.5bn, the primary market has again revealed its lively side in the past five trading days. It started with DNB Boligkreditt, placing its second EUR benchmark of 2021. With a term to maturity of seven years, the deal is not only shorter than the January issue, but at EUR 1.0bn is also somewhat smaller than at the beginning of the year (EUR 1.5bn). After the deal was initially marketed at ms +3bp area, it was ultimately brought to market at ms flat. With demand of EUR 1.8bn, the transaction was also almost twice oversubscribed. At around 30% each, the largest shares of the bond went to investors from the UK/Ireland and the DACH region. Additional volume went to the Benelux countries (15%), France (11%) and Scandinavia (10%). In line with the regional breakdown, two groups also dominated in terms of investor type. Banks were allocated 44%, asset managers 43%. The remaining 13% went to Central Banks/Official Institutions. SpareBank 1, from Norway, was also active in the market last week. For the first time since September 2020, the issuer approached its investors and placed at least EUR 1.0bn as usual. At EUR 1.8bn, demand was on a par with the DNB transaction, while pricing was three basis points higher at ms +3bp, which is probably due to the longer maturity, among other things. At 67%, DACH investors were by far the dominant buyer group. Smaller portions went to Benelux (11%), the Nordics (7%), Asia and France (6% each). At 53%, banks also dominated the buyer type. Central banks/OI received 26%, asset managers 19%. Yesterday, two more issuers followed. While Berlin Hyp (EUR 750m; 12.0y; ms -2bp) launched its third EUR benchmark of 2021, ASB Finance from New Zealand provided a sign of life from Down Under. The most recent EUR benchmark market activity from the region was Bank of Queensland (May 2019), whereas it has been over two years since we have seen a EUR transaction from New Zealand (Westpac NZ in January 2019). At ten years, it was not only ASB Finance's longest EUR benchmark, but also the largest deal ever issued, at EUR 750m. The soft bullet bond was initially marketed with a guidance of ms +15bp area, but was priced three basis points tighter at ms +12bp based on an order book of EUR 1.1bn. The four recent deals increased the volume of EUR benchmarks issued in 2021 from EUR 30.25bn to EUR 33.75bn, up +11.6%.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
ASB Finance	NZ	11.05.	XS2343772724	10.0y	0.75bn	ms +12bp	AAA / Aaa / -	-
Berlin Hyp	DE	11.05.	DE000BHY0HW9	12.0y	0.75bn	ms -2bp	- / Aaa / -	-
SpareBank 1	NO	06.05.	XS2342589582	10.0y	1.00bn	ms +3bp	- / Aaa / -	-
DNB	NO	05.05.	XS2341719503	7.0y	1.00bn	ms flat	- / Aaa / AAA	-

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

Amendment to the German Pfandbrief Act clears last hurdle

Last Friday, the German Bundesrat approved the [amendment of the Pfandbrief Act](#). The German Bundestag had already passed the corresponding law in mid-April. The amendments to the Pfandbrief Act contain, on the one hand, the necessary adjustments resulting from the Covered Bond Directive within the framework of the harmonisation of the European covered bond market and, on the other hand, further adjustments that are not connected with the harmonisation initiative. Some changes will already come into force on 01 July of this year, while other changes will take place together with the entry into force of the amended requirements of Article 129 CRR on 08 July 2022. The most important adjustment, which will also take effect on 01 July 2021, is the introduction of the extendable maturity structure for German Pfandbriefe. This applies to both new issues and outstanding bonds and, within a narrow legal framework, allows the cover pool administrator to extend the maturity of Pfandbriefe by up to twelve months under certain conditions. Overall, the adjustments made to the German Pfandbrief underpin its claim to be an international benchmark with regard to the design of the covered bond product. Moreover, Germany is likely to be one of the few jurisdictions to meet the specified timetable with regard to the implementation of the Covered Bond Directive. Fitch's risk experts also expressed their opinions in connection with the adjustments to the legal basis. They view the upcoming change in the maturity structure for German Pfandbriefe positively. On the one hand, the experts do not expect any direct rating upgrades, but the rating buffers against issuer downgrades are likely to increase. Specifically, the payment continuity uplift (PCU) is to be raised from four (mortgage bonds) or five (public sector bonds) to six notches due to the change to soft bullet structures. In combination with the 180-day liquidity buffer, the changed maturity structure could also lead to lower break-even OCs as a result of better asset-liability matches.

AEGON Bank launches soft bullet programme, taking NN Bank's lead

After AEGON Bank had already thought about launching a soft bullet programme in November 2020 to complement the existing CPT programme, these considerations have now [been realised](#). The institution, which currently has four outstanding EUR benchmarks with a CPT structure, therefore follows NN Bank, which as a former CPT issuer has placed two soft bullet bonds in the EUR benchmark segment since the end of June 2020. With Achmea Bank, another institution announced [at the beginning of February 2021](#) that it was working on launching a soft bullet programme. As things stand, NIBC and Van Lanschot may be the only remaining pure CPT issuers in the Netherlands, as we expect both AEGON Bank and Achmea Bank's next primary market appearances to be in the form of soft bullet bonds, as these deals offer advantages over conditional pass-through structures in terms of both maturity and investor base. Moody's recently also commented not on the continuing shift from CPT to soft bullet structures, but on [rating ratios](#). According to this, the risk experts see the development of covered bond issues and the share of funding of Dutch institutions in recent years and the upcoming legal adjustments within the framework of the harmonisation initiative as underpinning the importance of covered bonds in the Netherlands and have adjusted their assessment with regard to refinancing margins (lowering of the required margins) and TPI (increase from probable to probable-high).

Market overview

SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

KfW Municipal Panel – general information

The KfW Municipal Panel represents a survey of the finance departments of cities and municipalities with more than 2,000 inhabitants as well as all administrative districts. Since 2009, this survey and representative extrapolation has been carried out by the Deutsches Institut für Urbanistik (Difu) urban planning think tank on behalf of KfW. The survey centres on aspects regarding the financial position, investment activities and financing of local authorities. In our view, the extrapolation regarding the perceived investment backlog of local authorities merits particular attention. A different special topic, the key figures in the financial statistics and information about any current municipal policy debates complete the final report.

KfW Municipal Panel 2021

As a result of financial support from the federal government (Bund) and the Laender, local authorities closed the 2020 survey year with a small surplus. For local authorities, this certainly is a positive situation, because the Bund bears the main burden of the cost of the (consequences of the) pandemic. There is no other explanation for the Bund's record debt level in the primary market. However, the Bundeslaender are also shouldering a considerable (debt) burden. Yet, according to KfW, the major uncertainty about the further financial trend has the potential to adversely affect both public sector investment and voluntary tasks, for example in sport and culture. In our view, the current KfW Municipal Panel 2021 therefore highlights an urgent need to stabilise the options for short-term and medium-term measures of local authorities, in order to ensure that the major societal challenges and the perceived investment backlog of meanwhile an estimated EUR 149bn can be sustainably tackled. In this context, we had already criticised the fact that the federal government had not applied for more money from the EU pots (e.g. under Next Generation EU). According to KfW, the local authorities surveyed expect investment spending to rise to approx. EUR 39.2bn, with the medium-term impact of the coronavirus crisis still representing major uncertainty in terms of whether implementation of this planning will actually be possible. Despite an increase in investment spending in recent years, it was not possible to cover the rising requirement for investment. Based on the nationwide extrapolation, the perceived investment backlog at local authority level totals EUR 149bn. This represents an increase of approx. EUR 2bn on the previous year. Furthermore, at EUR 46.5bn, the major share of the investment backlog relates to schools. Highways are next at EUR 33.6bn, and the backlog relating to administrative buildings amounts to EUR 16.4bn. We believe that in the era of digital and home working, authorities should also proceed wisely and judiciously in this regard. The investment backlog accumulated over a period of many years, hardly surprisingly, differs between local authorities and areas of investment. This relates to the amount of the backlog, the assessment of urgency and the causes.

KfW: investment financing and debt burden

In addition to discussing the weaknesses (and, above all, strengths) of the survey method, we are certain of establishing a very relevant informative value of the results of this report. The method description helps the interested reader to better understand the conclusions resulting from the KfW Municipal Panel. In local authority investment financing, the share of the different instruments varies only slightly, and this also applies in the time of the coronavirus crisis. Accordingly, local authority financing is based on four stable pillars: 36% of investment was financed by local authorities from their own funds, comprising a share of 19% from general revenue (tax revenue and the code for allocation of funds) as well as liquid funds from previous years (17%). Other important aspects are development funds (20%) and earmarked investment allocation (16%). Debt financing based on public sector loans accounted for 14% of local authority investment financing. Other instruments that are highly relevant to us in the capital market, such as bonds and Schuldscheindarlehen, played a minor role overall. The importance of the various instruments differs primarily in relation to population size and the budgetary situation. In future, the finance departments expect the importance of development funds and public sector loans for their investment financing to increase, whereas the share of own funds is expected to decrease, because these funds have been particularly badly affected by the crisis.

NRW investor call – update on sustainability framework

On 11 May 2021, the NRW Funding Team provided an update on its renewed sustainability framework during an investor call. The additions and revisions seem very sensible to us in the context of Covid-19. NRW will remain loyal to the high-profile topic that is ESG on a sustained basis, with at least one annual bond issue. As well as the framework and coronavirus, the update also provided a funding outlook: from 2022, market participants should expect an amount more in the range of EUR 10bn per year rather than the EUR 20bn+ most recently seen.

Primary market

In what has been a surprisingly sparse week in terms of new bond issues, today for once started with the Federal Republic of Germany. Yesterday, the Bund placed its first 30y green bond, continuing the strategy first implemented in 2020 of facilitating access to green benchmark bonds for investors worldwide. Dr Tammo Diemer explained: “Demand for this long-dated bond issue has been very impressive, both in amount and diversity. The high level of interest received again confirms the success of our innovative twin concept. We are very motivated to continue it and, with it, contribute to the further development of a sustainable financial market.” Germany has set ambitious climate targets for itself, both nationally and internationally, and intends to achieve net zero carbon before 2050. Green Federal government securities form part of the German government’s sustainable finance strategy. As well as NRW (see above) is also on the EIB, which raised EUR 3bn for its EARN programme. The 7y deal was placed at ms -10bp. The order book amounted to EUR 7.7bn. Furthermore, we await the EU’s SURE programme. The relevant RfP has already been made available to originators worldwide. KfW also gave a mandate for 15y bonds (EUR 3bn WNG).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
EIB	SNAT	10.05.	XS2343538372	7.3y	3.00bn	ms -10bp	AAA / Aaa / AAA	-

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

Covered Bonds

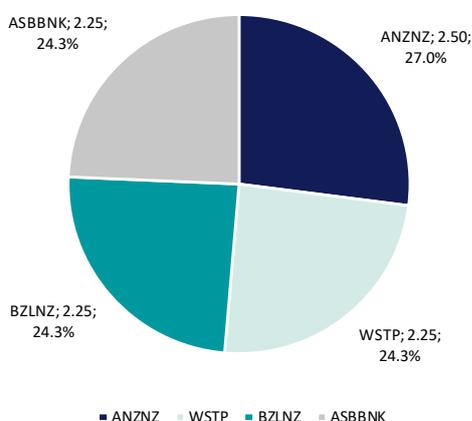
ASB Finance opens primary market “Down Under”: Our outlook for the rest of the year

Author: Dr Frederik Kunze

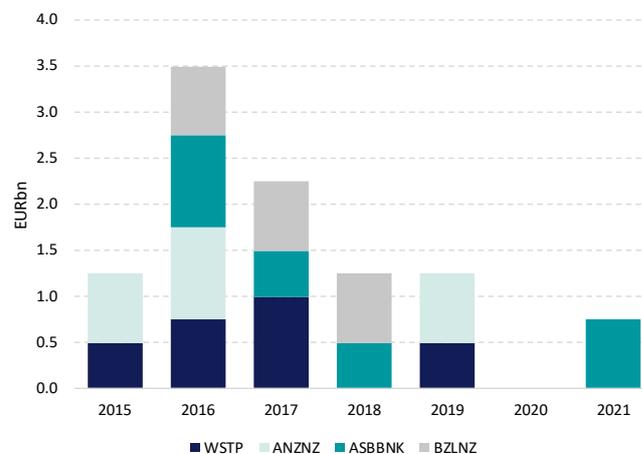
First EUR benchmark from Australia or New Zealand for almost two years - possible catalyst for a more dynamic year now?

In regard to the mandating of ASB Finance for a EUR benchmark reported on Monday at the start of the new trading week and the successful placement of the bond on the market already yesterday, we would definitely call this a pleasant surprise. After all, this is the first sign of life from the primary market Down Under for almost two years. Most recently, Bank of Queensland approached investors with an Australian covered bond at the end of May 2019. Furthermore, we had previously expected an appearance from New Zealand and Australia more in the second half of 2021 and therefore after the summer recess. Now, however, it would not surprise us if other issuers were to follow ASB Finance's example in the coming trading days or weeks. Overseas markets (especially AU, NZ, SG and CA) have seen more concentrated issuance activity in the past, not least due to the prevalence of attractive market conditions. In addition to the willingness of investors to accept new issues, considerations regarding the appropriateness of potential issue currencies or hedging opportunities are influencing investors' decisions. In the following, we would like to provide an up-to-date overview of the jurisdictions of Australia and New Zealand, focusing in particular on the composition of the respective benchmark segment. In this context, we also consider the expected issuance volume for the rest of the year.

NZ: Outstanding volume by issuer (EURbn)



NZ: Issues by year

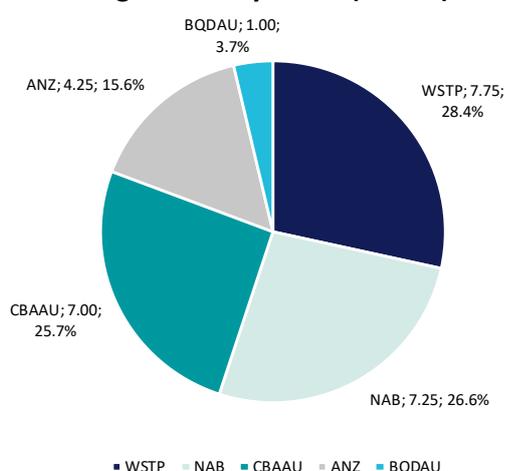


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

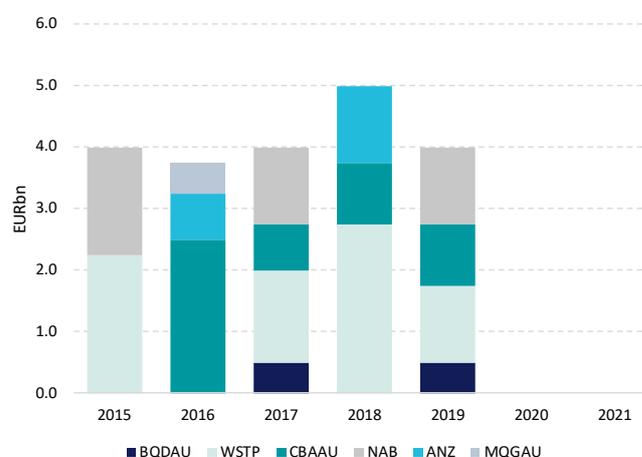
New Zealand's EUR benchmark segment: EUR 9.25bn in outstanding covered bonds

The New Zealand EUR benchmark segment currently has a total volume of EUR 9.25bn, spread over 13 bonds and four issuers. ASB Finance has an outstanding volume of EUR 2.25bn spread over four bonds. The country's other issues are also distributed among ANZ Bank New Zealand (ANZNZ; EUR 2.5bn; 3 bonds), Westpac New Zealand (WSTP; EUR 2.25bn; 3 bonds) and the Bank of New Zealand (BZLNZ; EUR 2.25bn; 3 bonds).

AU: Outstanding volume by issuer (EURbn)



AU: Issues by year



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

Australia's EUR benchmark segment: EUR 27.25bn in outstanding covered bonds

In Australia, on the other hand, a total of five issuers currently have outstanding EUR benchmarks: Westpac Banking Group (WSTP; EUR 7.75bn; 8 bonds), National Australia Bank (NAB; EUR 7.25bn, 7 bonds), Commonwealth Bank of Australia (CBAAU; EUR 7bn; 7 bonds), Australia & New Zealand Banking Group (ANZ; 4.25bn; 4 bonds) and Bank of Queensland (BQDAU; EUR 1bn; 2 bonds). There were no primary market transactions to report from Australia in 2020 and 2021. As indicated above, Bank of Queensland's most recent appearance on the market was on 23 May 2019, when it placed a EUR Benchmark bond worth EUR 500m (BQDAU 0 1/8 06/04/24). Since its last EUR benchmark (MQGAU 0 3/8 03/03/21) matured in March this year, Macquarie Bank currently has no outstanding bonds in this format.

New Zealand: is expected issuance volume for 2021 about to be revised upwards?

In terms of our expectations for the issuance volume in 2021, we had previously assumed the placement of a EUR benchmark from New Zealand (EUR 500m). Given the expected maturities (EUR 2bn), there would be a relatively significant negative net supply (EUR 1.5bn). In the course of the forecast adjustments in March, we did not make any changes here for NZ and accordingly did not adjust the expected volume downwards. New Zealand's issuance volume to date is now on par with our forecast. In fact, we consider it increasingly likely that at least one more benchmark issuer will approach investors. Should there be no copycats in the short term, a corresponding transaction for the second half of the year would remain a very realistic possibility.

Australia: certain potential for early momentum

The EUR benchmark segment in Australia is also on the verge of a significant contraction in 2021. Based on our current forecast (EUR 1bn) and the impending maturities in 2021 (EUR 5.5bn), a negative net supply of EUR 4.5bn would be recorded. However, since we do not consider the Australian and New Zealand markets as a single entity, but would certainly assume significant parallels with regard to the decision-making parameters for or against a EUR benchmark transaction, a successful New Zealand deal could also spill over to Australia. In this respect, at least the probability of early primary market appearances increases. This means that, contrary to our prior expectations, one issuer or another could already appear on the market before the summer break. This could in turn also have implications for the issuance volume. Therefore, in March we were forced to adjust the issuance expectations for Australia for 2021 from EUR 2bn to EUR 1bn. Early primary market appearances in the first half of the year could, in conjunction with an increasing momentum across all jurisdictions, make an issuance volume of EUR 2bn more likely again.

Spread trends: DE, NZ and AU (5y generic)



Spread trends: DE vs. AU and DE vs. NZ (5y generic)

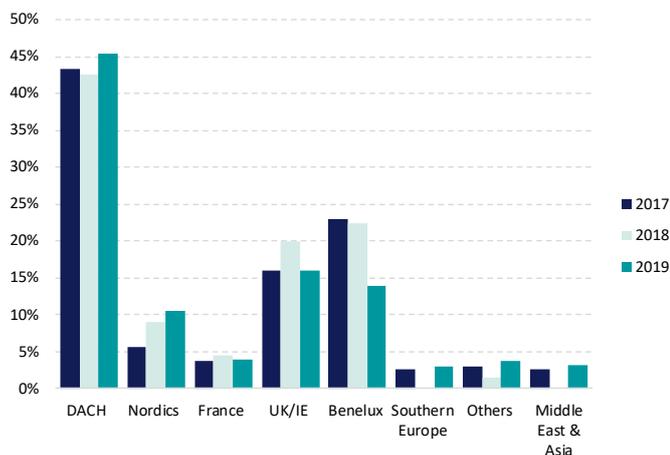


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

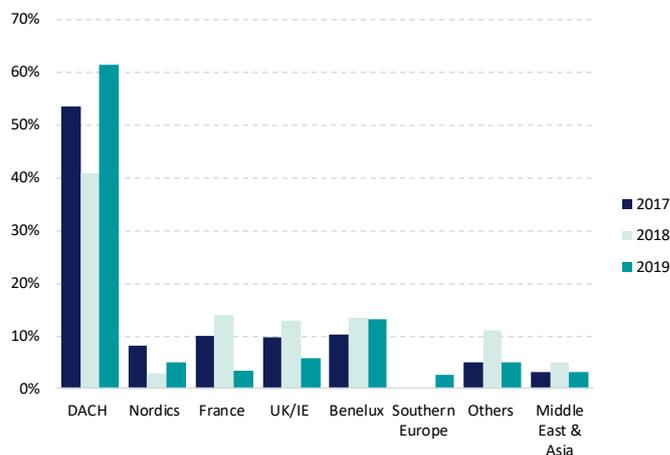
Investor interest and spread considerations

On the basis of generic spreads (5y), a stable spread compared to Pfandbriefe can be seen for both New Zealand and Australia, among others. The differences in the ASW spread that could be observed here in the wake of the outbreak of the coronavirus crisis have accordingly declined sharply. In terms of primary market allocation, the largest shares of issues from Australia and New Zealand were allocated to investors in the DACH region in the past, with the shares for deals from Australia being significantly higher here - at least at times (see figures below). New Zealand deals, on the other hand, partly recorded higher shares in the UK/Ireland and Benelux countries in terms of investor distribution. However, it should be borne in mind that no deals were recorded in 2020 and 2021, therefore providing little indication of more recent investor interest. Given low supply and tremendous Eurosystem demand for EMU deals, some investors are likely to welcome new deals from Down Under with open arms.

Primary market investor distribution: New Zealand



Primary market investor distribution: Australia



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

Conclusion

The sign of life from Down Under provided by ASB Finance is expressly an encouraging development for the EUR benchmark segment. We even see some potential for a catalytic effect in regard to revitalised issuance activity. Should there actually be increasing momentum from New Zealand and Australia before the summer break, this could even be good news for 2021 as a whole. An investor or two from the DACH region, but also from the UK/Ireland and the Benelux countries, should more than welcome such a development. In this context, we also see it as confirmation of this assessment that ASB Finance was able to successfully place its largest EUR benchmark to date on the market at EUR 750m.

Covered Bonds

Development of the German property market

Author: Henning Walten, CIAA

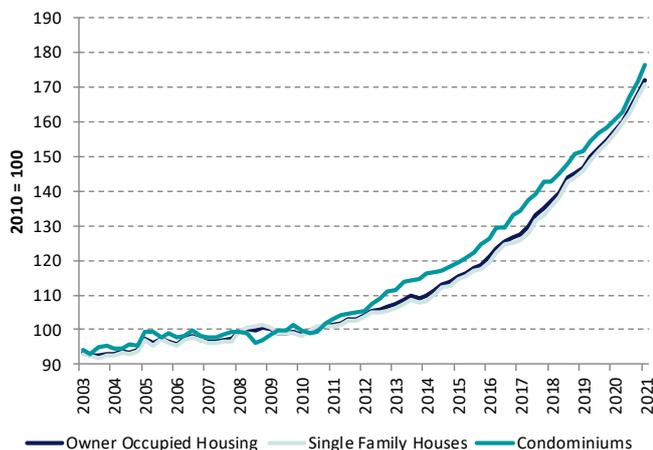
Property segments differently affected by the pandemic

The Association of German Pfandbrief Banks (vdp) has published information about the trend in its property price indices for the past twelve months. This is the first period to have been completely dominated by the pandemic, following the announcement of the first lockdown in Germany at the end of March 2020. The figures reflect the non-uniform picture, which had already started to emerge in the last few quarters. While the sub-index for residential property climbed 8.4% compared with the previous year, with the sharpest rise in prices since Q2/2018, the index for commercial property was down by 1.5%. The index for commercial property last fell in the period from Q1/2009 to Q1/2010. The overall index for the property price trend was up by 6.2% and therefore rose at a similar rate to prices in 2019. The top 7 index for residential property, which reflects the price trend in the cities Berlin, Hamburg, Frankfurt/Main, Munich, Stuttgart, Düsseldorf and Cologne climbed 5.3% in the past twelve months. The last sharp rise in this index was also a while back. Two years ago (Q1/2018 to Q1/2019), prices rose by 5.6%. The pandemic caused the price trend in the residential property market to accelerate, whereas the commercial sector was hard hit by lockdown measures and the resultant reduced use of both office and retail property.

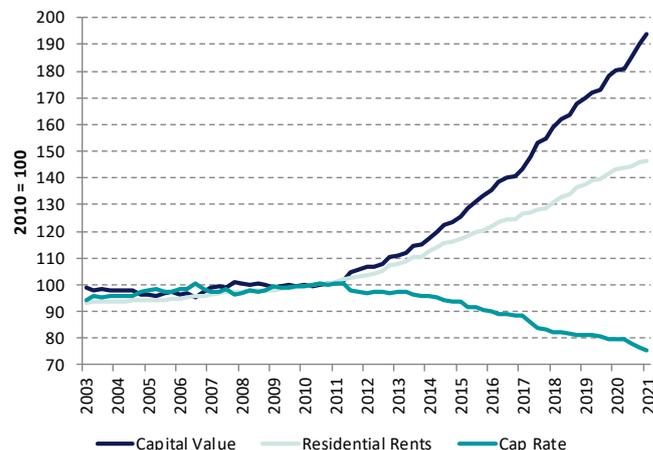
Price trend for owner-occupied property at unprecedented level

As indicated above, the various segments followed differing paths in the last twelve months. Only very few could have expected the German market for residential property to experience the trend described below during a global pandemic when the coronavirus first arrived in Europe. Since the first quarter of 2020, prices of owner-occupied property have risen by 9.4%, with the increase for owner-occupied houses amounting to 9.3% and that for owner-occupied flats to as much as 9.8%. All three rates of price increase represented record values since the introduction of the index in 2003 – and by some margin too. Key influencing factors included ongoing favourable financing terms and new construction activity, which still remains limited in some areas. At the same time, use and therefore importance is likely to have appreciated markedly in recent months, which probably further boosted demand for owner-occupied property. How long this trend will continue cannot currently be forecast, in our view. However, the gradual return to a (new) normal could certainly have a decisive influence. Unsurprisingly, monetary policy and construction activity remain other relevant factors.

Owner-occupied homes



Multi-family dwellings



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

Rent and prices of multi-family dwellings

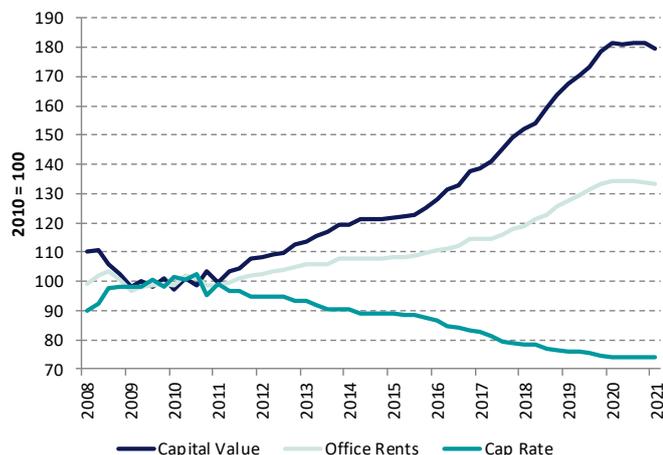
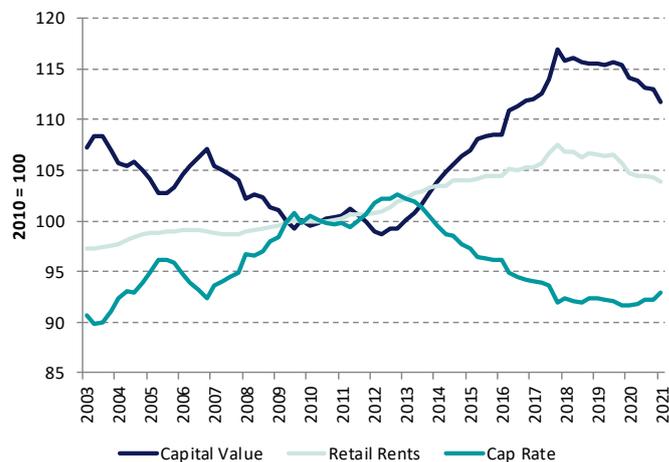
The market trend for multi-family dwellings over the 12-month period was also unaffected by the pandemic. At +7.6% (previous quarter: +6.7%), the price increase over the past twelve months was significant, although not at record level. The reasons were the same as for owner-occupied residential property: favourable financing terms and a high level of excess demand. Despite the ongoing considerable increase in prices, multi-family dwellings continue to be in high demand among German and international investors, regardless of the fact that the rise in rent under new contracts has continued to slow down at +2.3%. Consequently, the index for yields was considerably down over the 12-month period.

Prices of office property declining

Unlike the market for residential property, the commercial sector was considerably impacted by the pandemic and its side effects. Office property prices have fallen by 1.2% since the first quarter of 2020. This was the first downward trend in prices recorded over a 12-month period since Q1/2010. Office rents were also down by 0.9%. More challenging times may yet be to come for the office property market, given that the boost in digital triggered by the pandemic as well as more flexible schemes for where and when employees work are likely to result in a decline in demand for office space.

Retail property prices see marked negative impact

Just as the office sector is potentially facing accelerated change, retail has also been facing numerous challenges for some time now, which have only deepened as a result of the coronavirus pandemic. In addition, retail has been the property sector hardest hit by lockdown measures. Over the 12-month period, prices were down by 2.1%. In some areas, prices had already been decreasing before the pandemic. The index was already down by around 2% in each of the previous two quarters, considering a 12-month period in each case. The coming years and quarters will reveal the extent to which the pandemic accelerated ongoing changes in consumer behaviour or the extent to which such change might temporarily slow down in terms of retail after restrictions are lifted. For the time being, the market for retail property remains the most challenging segment of the German property market.

Office property**Retail property**

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

Top 7 in the housing market – steady growth

The separate index reflecting the trend in the housing markets of the above-mentioned top 7 cities in Germany pointed slightly more upward again over a 12-month period. Irrespective of the coronavirus pandemic, prices rose by 5.7% in the past twelve months, after increasing 'only' 2.9% a year ago. The sharpest growth was recorded in the sub-index for owner-occupied flats in the top 7 cities, with prices climbing 7.9%. Similar to the national trend in the residential property market, no negative coronavirus effect was therefore evident on the market in the top 7 German cities. In fact, prices rose at an even faster rate than immediately before the pandemic.

Conclusion

During the pandemic, the German property market has reflected both sides of the coin. While prices for residential property have been considerably boosted since the first lockdown was imposed at the end of March 2020, prices in the segment of office and retail property declined. Both trends had already begun to emerge in the previous quarters. The structural change in the segment of commercial property is likely to remain topical in the coming quarters and years. Important influencing factors remained more flexible working arrangements as well as changing consumer behaviour and demand for retail space. The rise and increasing popularity of working from home has the potential to further boost the value of homes and accordingly push demand.

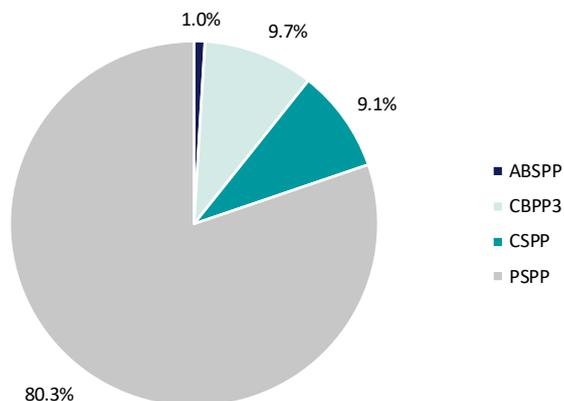
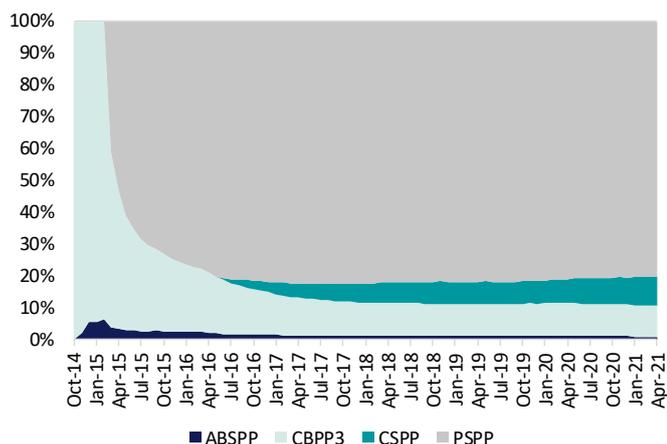
ECB tracker

Asset Purchase Programme (APP)

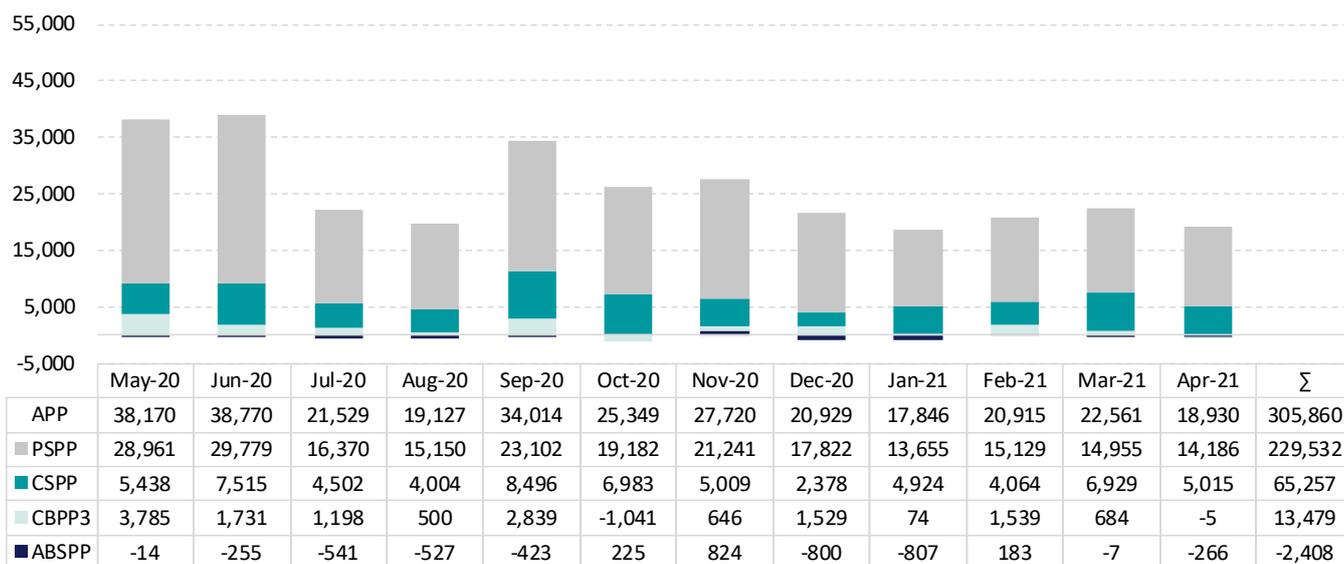
Holdings (in EURm)

	ABSPP	CBPP3	CSPP	PSPP	APP
Mar-21	28,709	289,424	266,060	2,379,053	2,963,246
Apr-21	28,443	289,418	271,075	2,393,239	2,982,176
Δ	-266	-5	+5,015	+14,186	+18,930

Portfolio structure

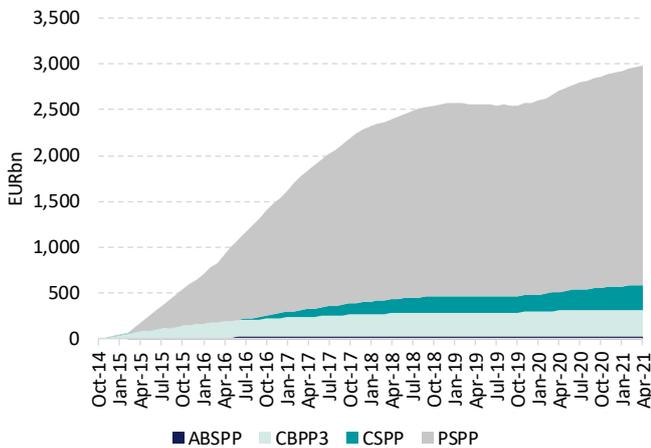


Monthly net purchases (in EURm)

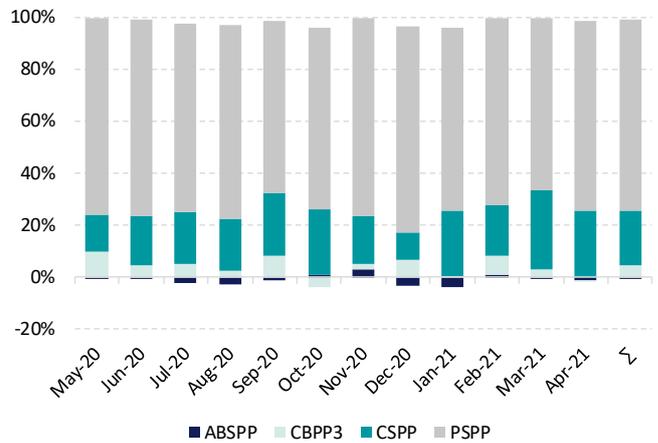


Source: ECB, NORD/LB Markets Strategy & Floor Research

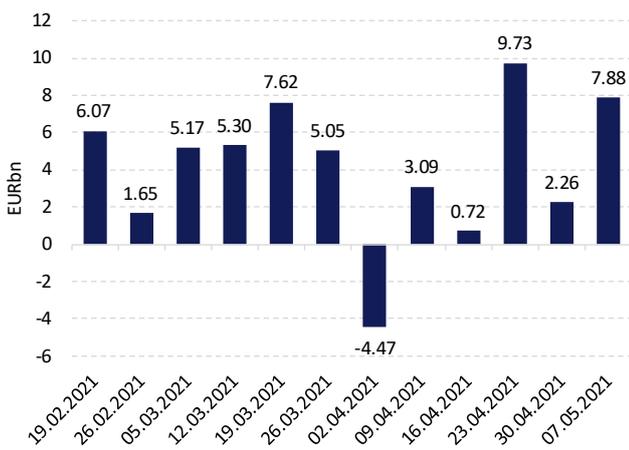
Portfolio development



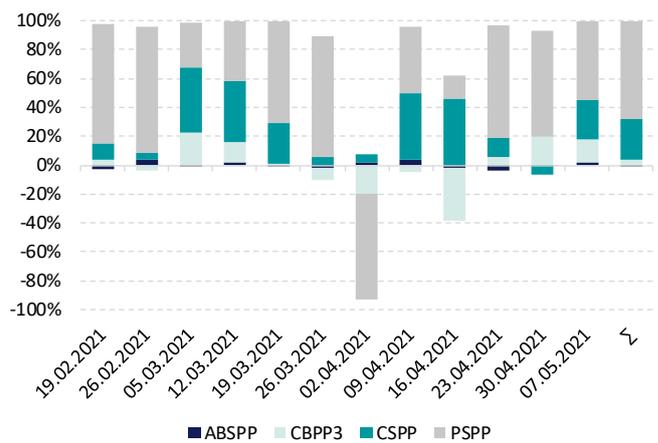
Distribution of monthly purchases



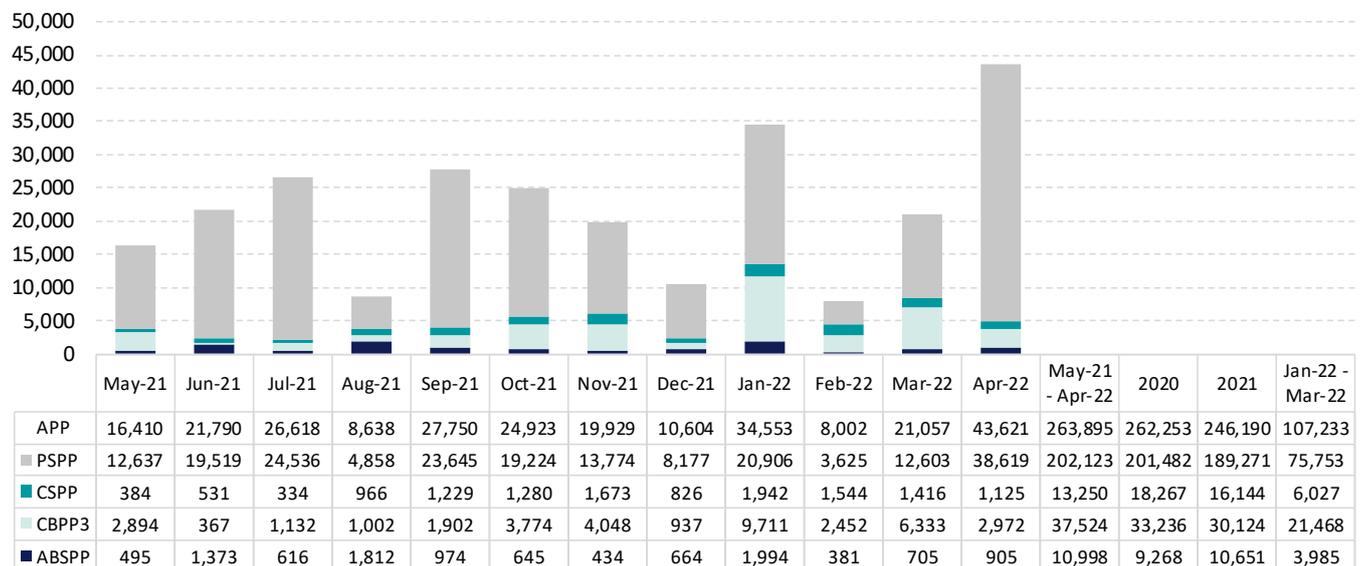
Weekly purchases



Distribution of weekly purchases



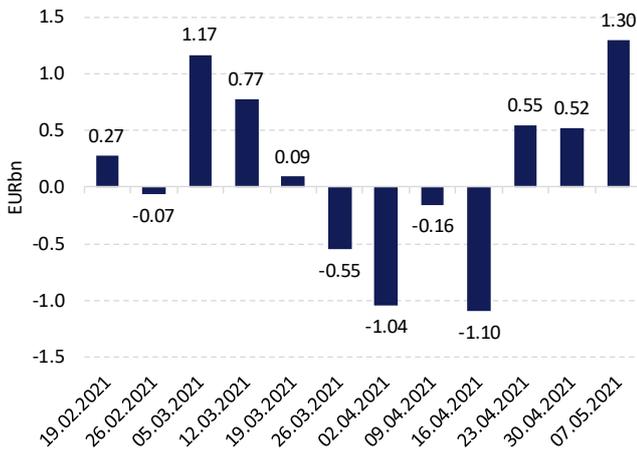
Expected monthly redemptions (in EURm)



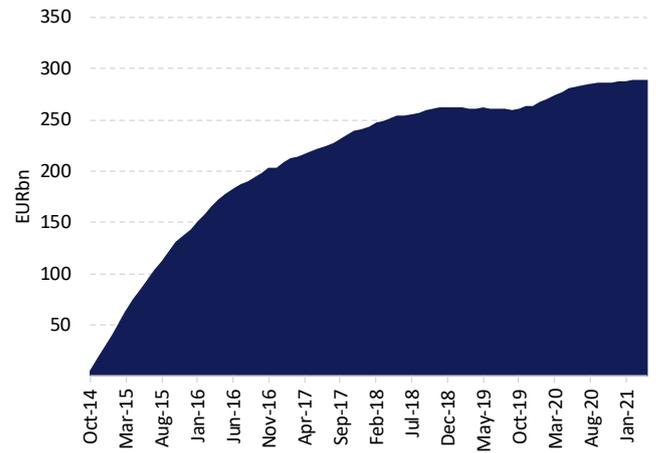
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

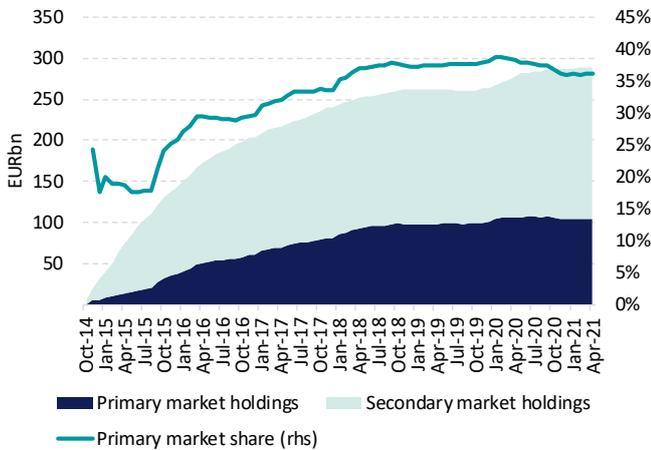
Weekly purchases



Development of CBPP3 volume



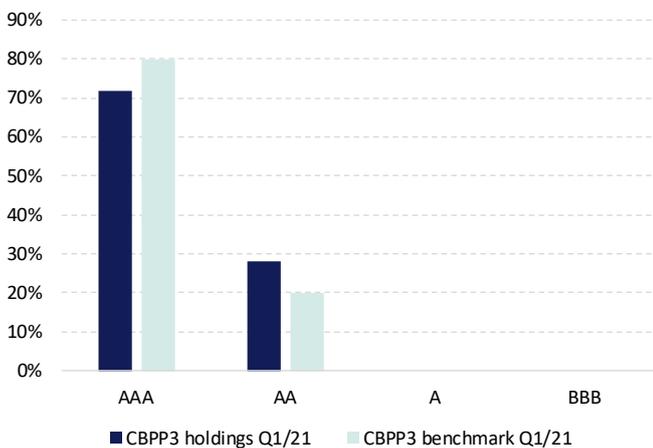
Primary and secondary market holdings



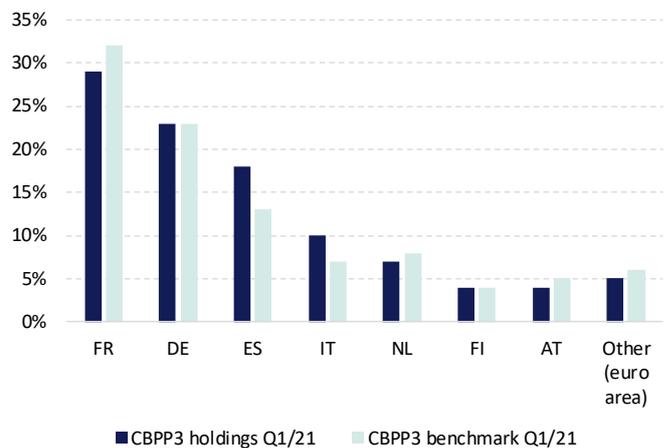
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating

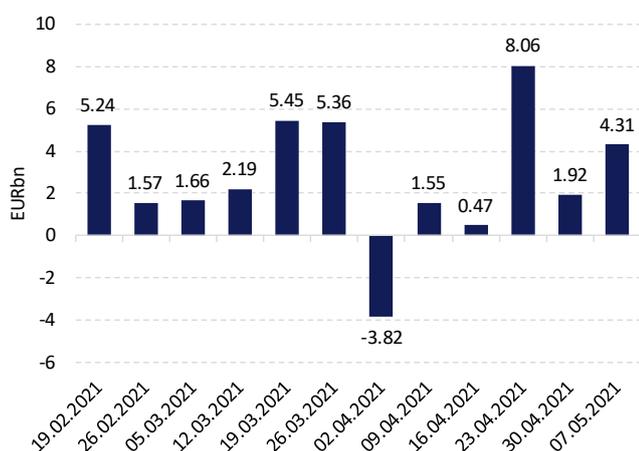


Distribution of CBPP3 by country of risk

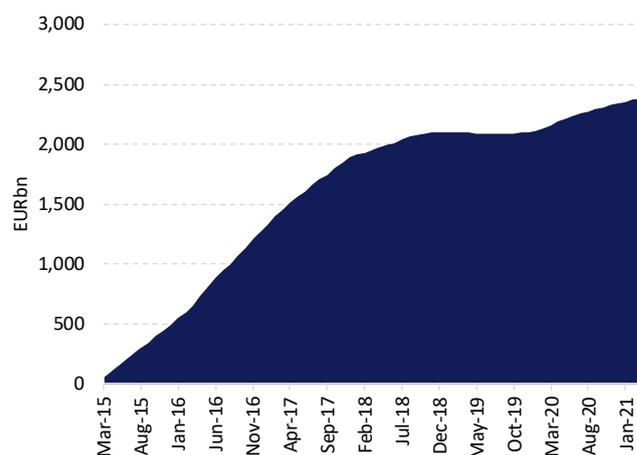


Public Sector Purchase Programme (PSPP)

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%	70,653	68,094	2,559	7.5	7.6	-0.1
BE	3.4%	89,126	84,760	4,366	8.0	10.2	-2.2
CY	0.2%	3,611	5,006	-1,395	9.9	8.8	1.1
DE	24.3%	598,996	613,295	-14,299	6.6	7.6	-1.0
EE	0.3%	372	6,554	-6,182	9.2	7.5	1.7
ES	11.0%	296,991	277,424	19,567	8.0	8.4	-0.4
FI	1.7%	36,318	42,734	-6,416	6.9	7.7	-0.8
FR	18.8%	494,566	475,168	19,398	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	38,881	39,396	-515	8.5	10.1	-1.6
IT	15.7%	424,762	395,235	29,527	7.1	7.9	-0.8
LT	0.5%	4,927	13,465	-8,538	10.2	10.6	-0.4
LU	0.3%	3,301	7,664	-4,363	5.6	7.2	-1.7
LV	0.4%	2,808	9,065	-6,257	11.3	10.4	0.9
MT	0.1%	1,229	2,440	-1,211	9.5	9.2	0.3
NL	5.4%	122,372	136,342	-13,970	7.7	9.0	-1.4
PT	2.2%	46,005	54,451	-8,446	7.0	7.2	-0.2
SI	0.4%	9,112	11,202	-2,090	9.9	10.2	-0.3
SK	1.1%	15,494	26,644	-11,150	8.2	8.3	-0.1
SNAT	10.0%	261,517	252,104	9,413	7.7	8.9	-1.2
Total / Avg.	100.0%	2,521,042	2,521,042	0	7.3	8.2	-0.9

¹ Based on the ECB capital key, adjusted to include supras and the disqualification of Greece

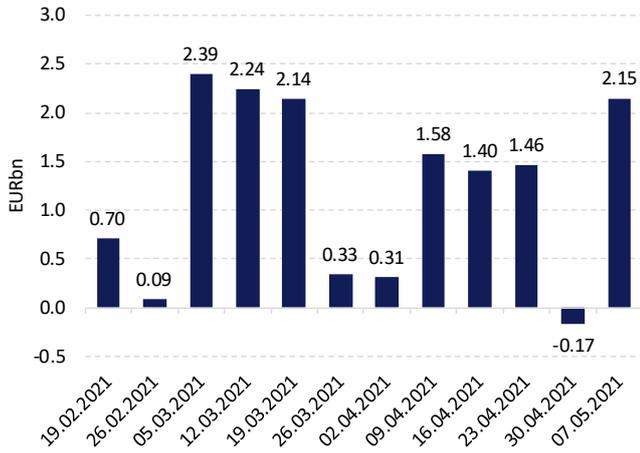
² Based on the adjusted distribution key

³ Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)

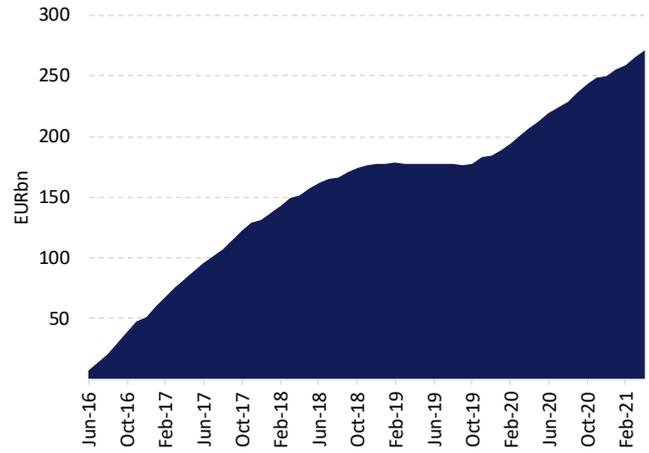
Source: ECB, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

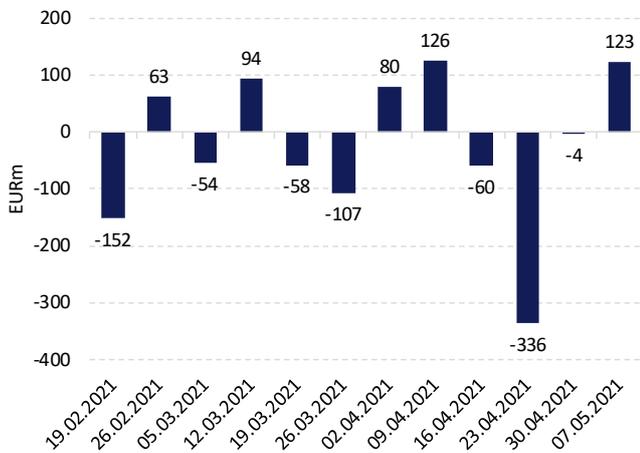


Development of CSPP volume

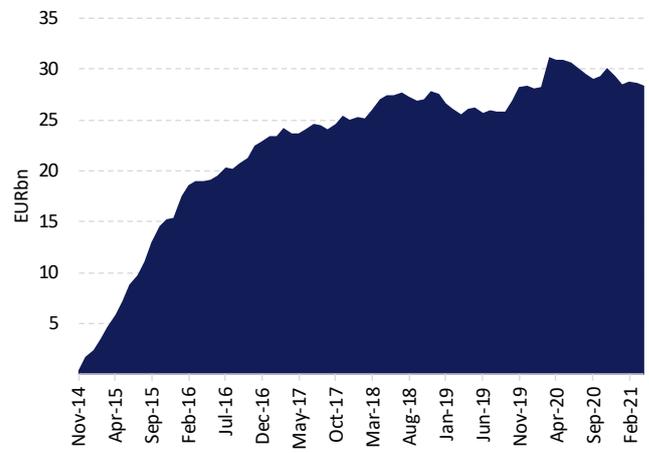


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



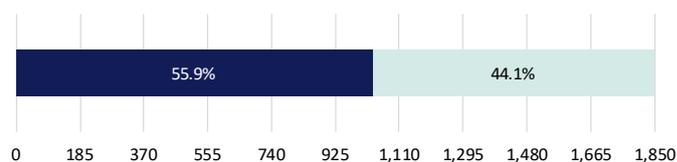
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Mar-21	943,647
Apr-21	1,023,766
Δ	+80,118

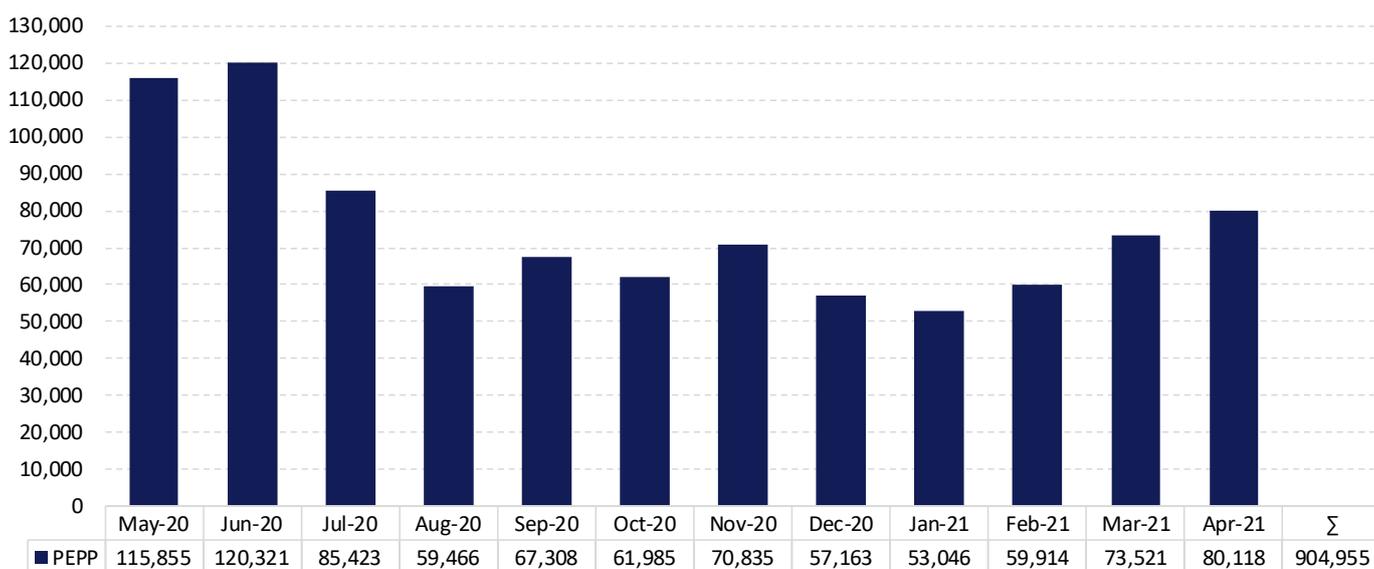
Volume already invested (in EURbn)



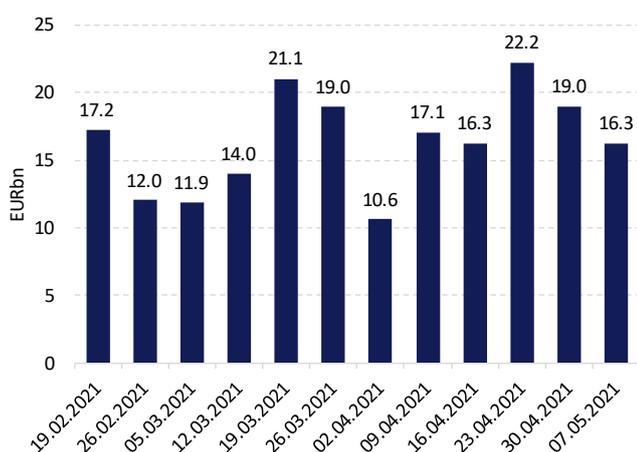
Estimated portfolio development

Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in ...
Average weekly net purchase volume so far	EUR 17.8bn	46 weeks (25.03.2022)

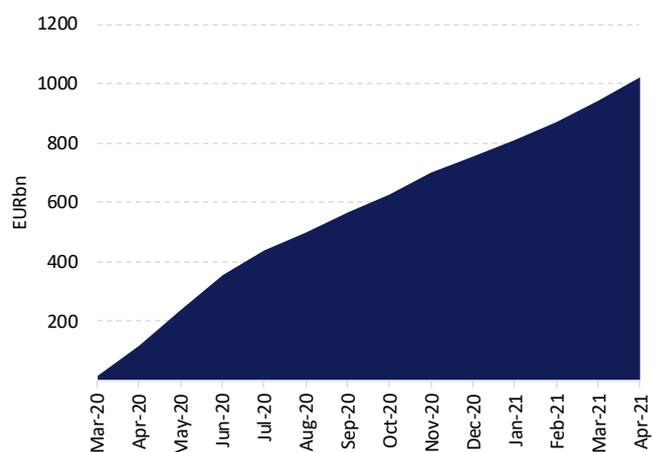
Monthly net purchases (in EURm)



Weekly purchases



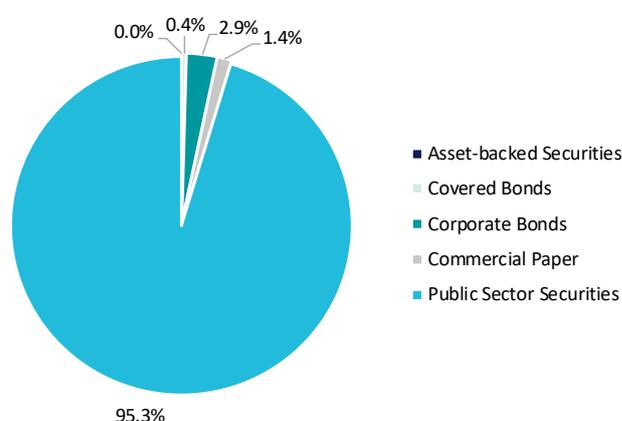
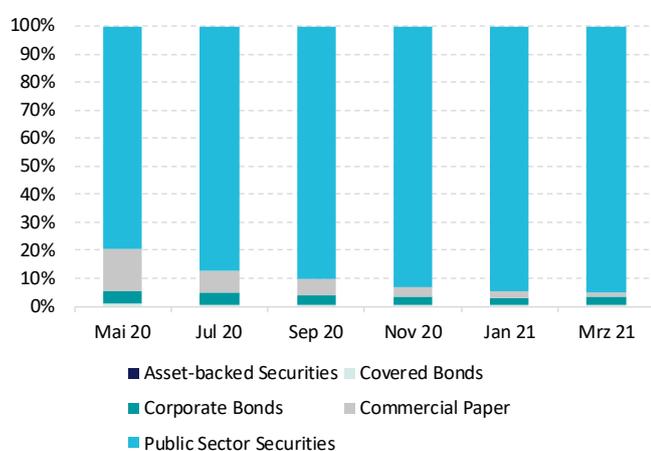
Development of PEPP volume



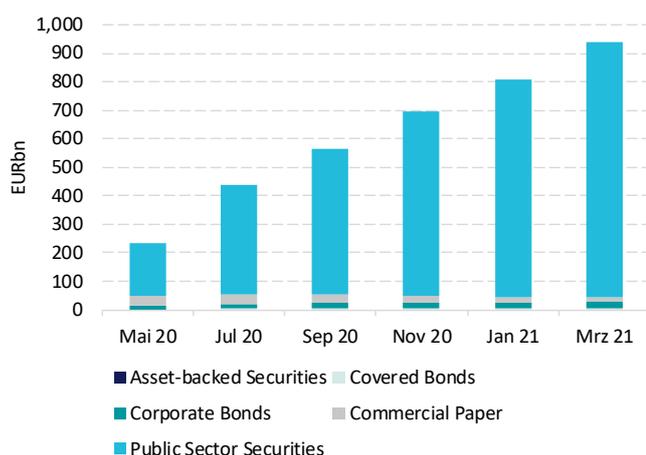
Holdings under the PEPP (in EURm)

	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Jan-21	0	3,120	22,315	16,611	764,710	806,756
Mar-21	0	4,055	27,058	12,766	893,844	937,723
Δ	0	+935	+4,743	-3,845	+129,134	+130,967

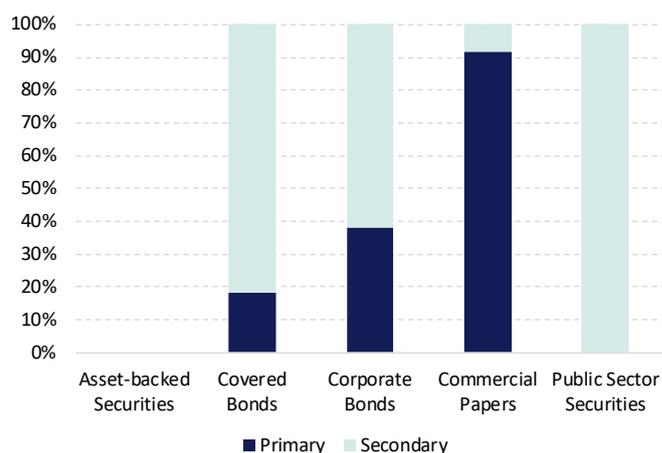
Portfolio structure



Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP as of March 2021

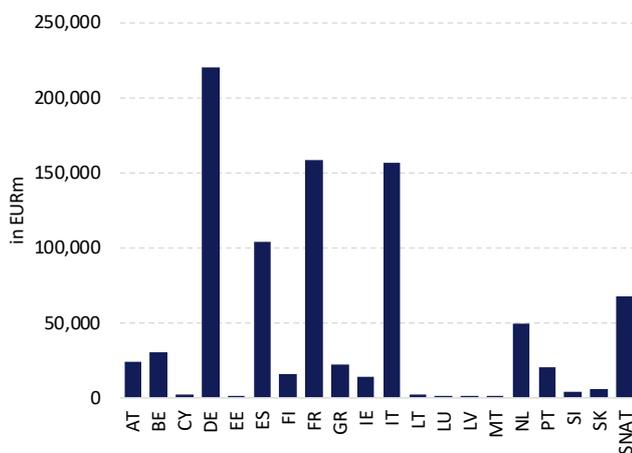
	Asset-backed securities		Covered bonds		Corporate bonds		Commercial papers	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	745	3,310	10,333	16,725	11,716	1,050
Share	0.0%	0.0%	18.4%	81.6%	38.2%	61.8%	91.8%	8.2%

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

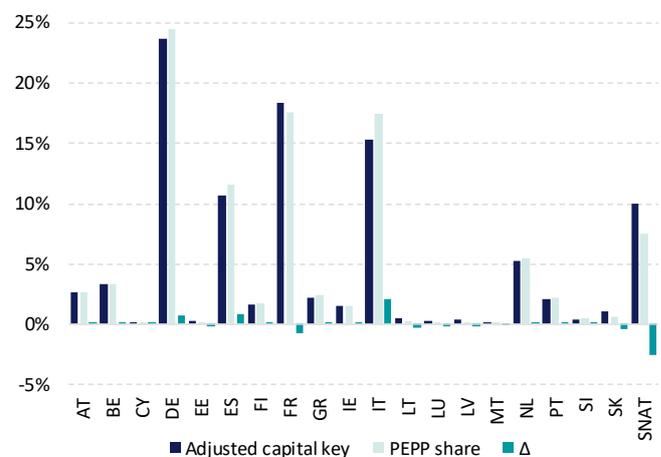
Breakdown of public sector securities under the PEPP

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	24,225	2.6%	2.7%	0.1%	9.7	7.0	2.7
BE	30,478	3.3%	3.4%	0.1%	6.7	9.3	-2.6
CY	1,899	0.2%	0.2%	0.0%	10.1	8.4	1.7
DE	220,519	23.7%	24.5%	0.8%	5.6	6.7	-1.1
EE	255	0.3%	0.0%	-0.2%	8.8	7.5	1.4
ES	104,227	10.7%	11.6%	0.9%	8.4	7.5	0.9
FI	15,347	1.7%	1.7%	0.1%	7.2	7.1	0.1
FR	158,231	18.4%	17.6%	-0.8%	8.4	7.5	0.9
GR	21,936	2.2%	2.4%	0.2%	8.8	10.1	-1.3
IE	14,162	1.5%	1.6%	0.0%	9.0	9.4	-0.4
IT	156,819	15.3%	17.4%	2.1%	6.8	7.0	-0.2
LT	2,365	0.5%	0.3%	-0.3%	11.5	10.2	1.3
LU	1,371	0.3%	0.2%	-0.1%	6.6	6.7	-0.2
LV	1,105	0.4%	0.1%	-0.2%	9.7	9.9	-0.3
MT	290	0.1%	0.0%	-0.1%	7.7	8.1	-0.4
NL	49,023	5.3%	5.4%	0.2%	5.1	7.9	-2.8
PT	20,126	2.1%	2.2%	0.1%	6.7	6.8	-0.1
SI	4,224	0.4%	0.5%	0.0%	9.6	9.5	0.1
SK	5,892	1.0%	0.7%	-0.4%	8.8	8.3	0.6
SNAT	67,236	10.0%	7.5%	-2.5%	10.3	8.2	2.1
Total / Avg.	899,731	100.0%	100.0%	0.0%	7.3	7.4	0.0

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 key³ Weighted average time to maturity of the bonds eligible for purchasing under the PEPP

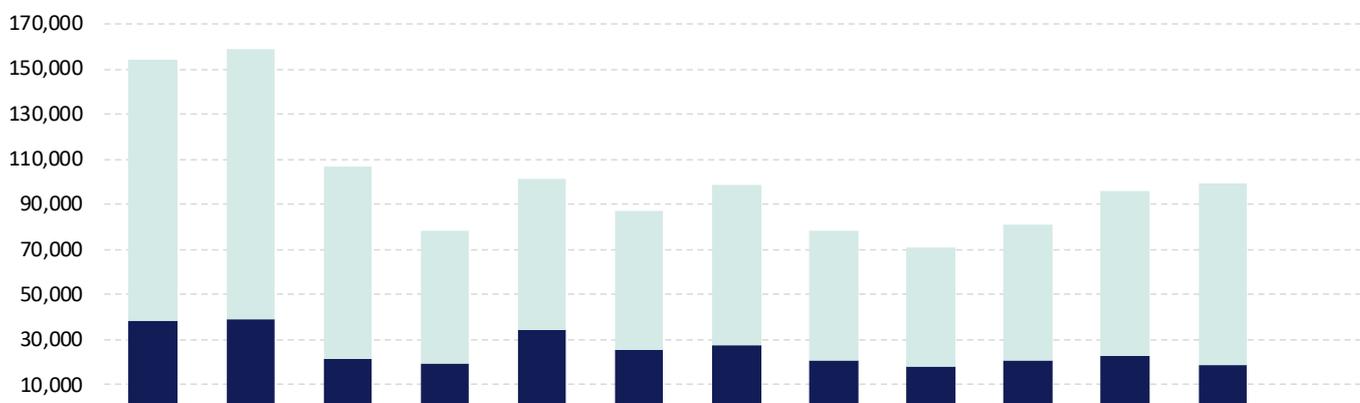
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

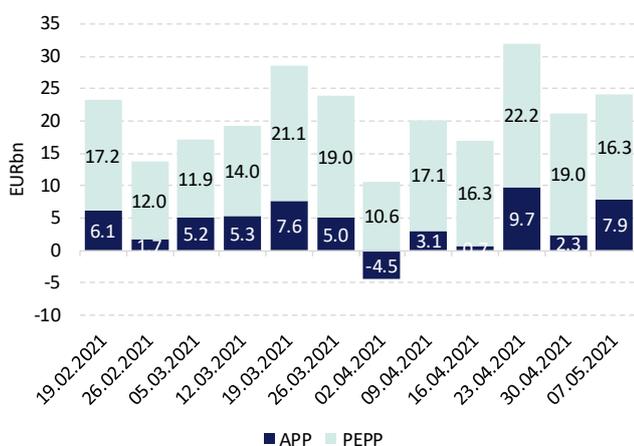
	APP	PEPP	APP & PEPP
Mar-21	2,963,246	943,647	3,906,893
Apr-21	2,982,176	1,023,766	4,005,942
Δ	+18,930	+80,118	+99,048

Monthly net purchases (in EURm)

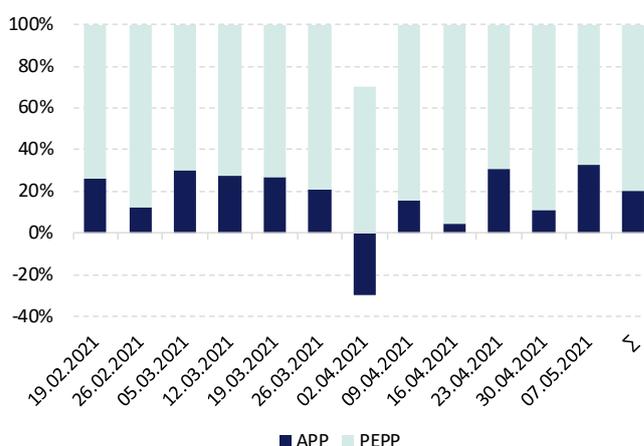


	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	Σ
Σ	154,025	159,091	106,952	78,593	101,322	87,334	98,555	78,092	70,892	80,829	96,082	99,048	1,210,81
PEPP	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	53,046	59,914	73,521	80,118	904,955
APP	38,170	38,770	21,529	19,127	34,014	25,349	27,720	20,929	17,846	20,915	22,561	18,930	305,860

Weekly purchases



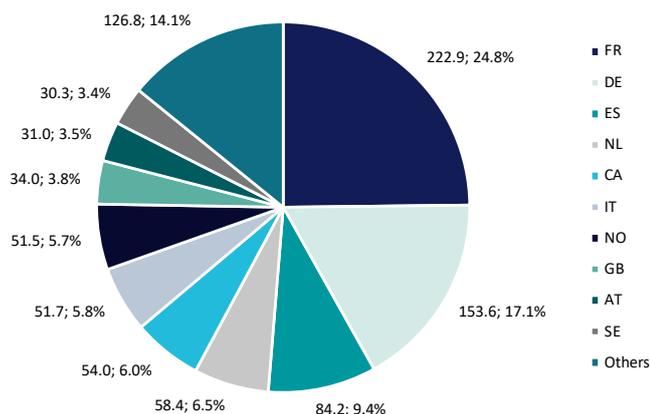
Distribution of weekly purchases



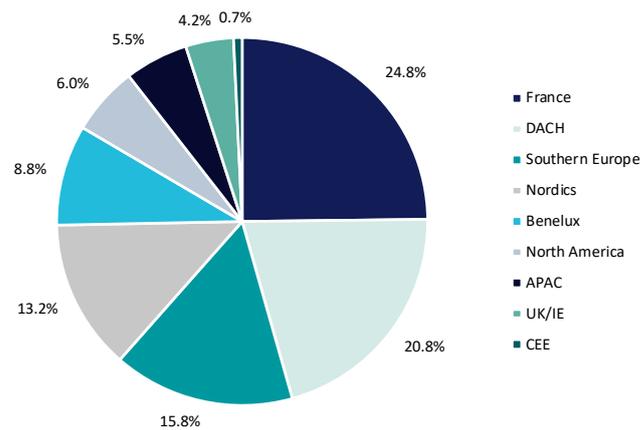
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures Covered Bonds

EUR benchmark volume by country (in EURbn)



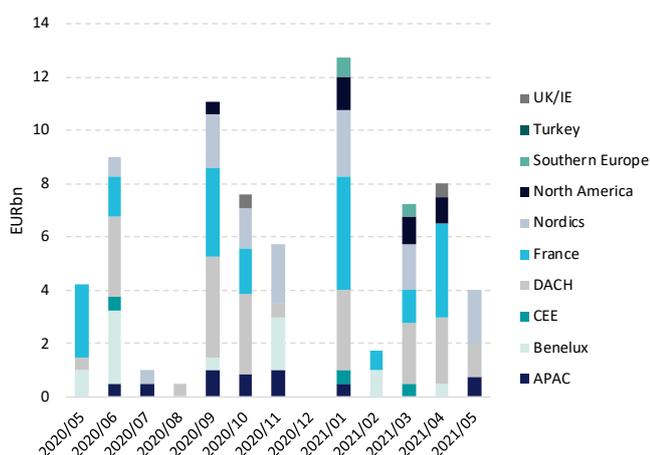
EUR benchmark volume by region (in EURbn)



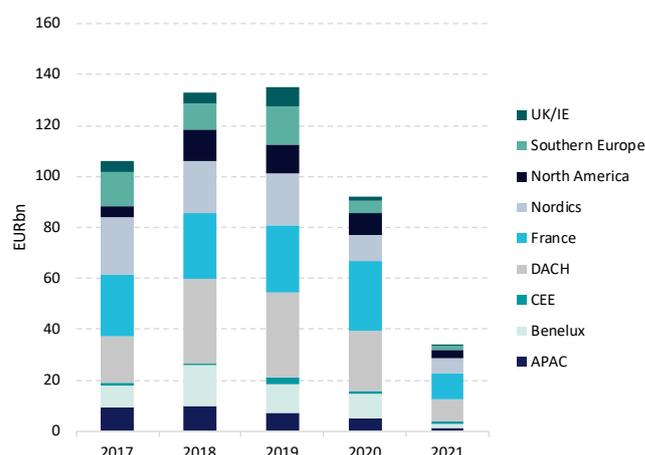
Top-10 jurisdictions

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	222.9	206	8	0.96	10.2	5.5	1.10
2	DE	153.6	229	13	0.60	8.4	4.7	0.44
3	ES	84.2	69	3	1.13	11.2	3.9	1.77
4	NL	58.4	59	0	0.93	11.2	7.3	0.90
5	CA	54.0	47	0	1.12	6.1	3.2	0.27
6	IT	51.7	60	1	0.83	9.1	4.3	1.41
7	NO	51.5	57	7	0.90	7.3	4.0	0.52
8	GB	34.0	40	0	0.88	8.5	3.6	1.02
9	AT	31.0	57	1	0.54	9.7	6.2	0.65
10	SE	30.3	36	0	0.84	7.5	3.5	0.47

EUR benchmark issue volume by month

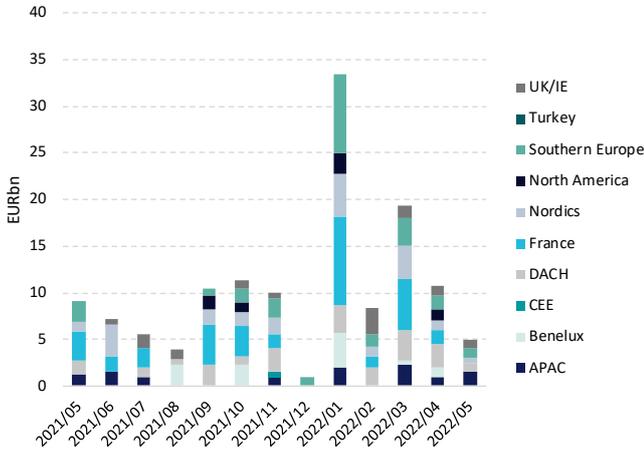


EUR benchmark issue volume by year

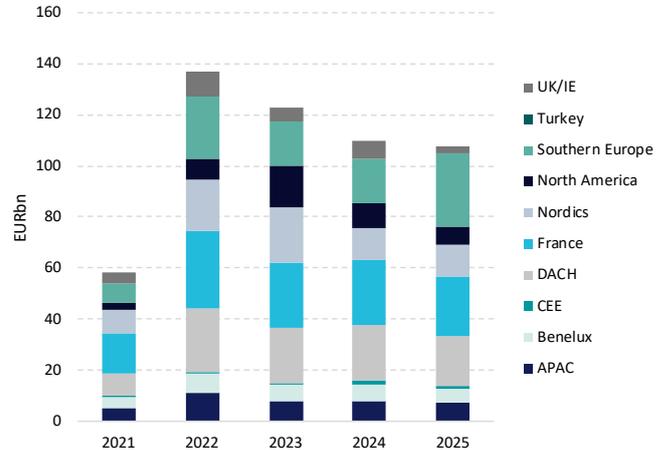


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

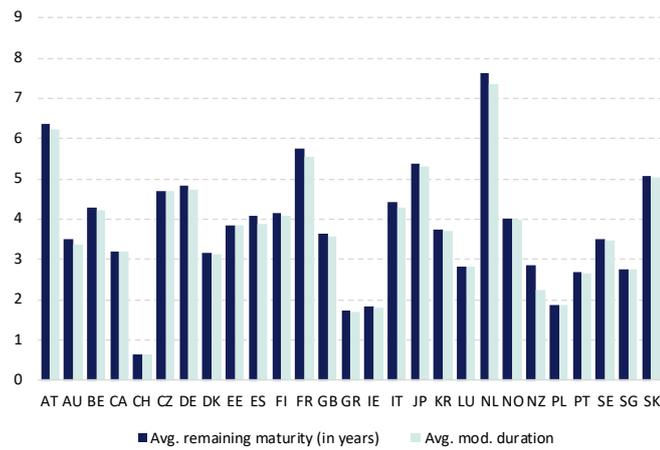
EUR benchmark maturities by month



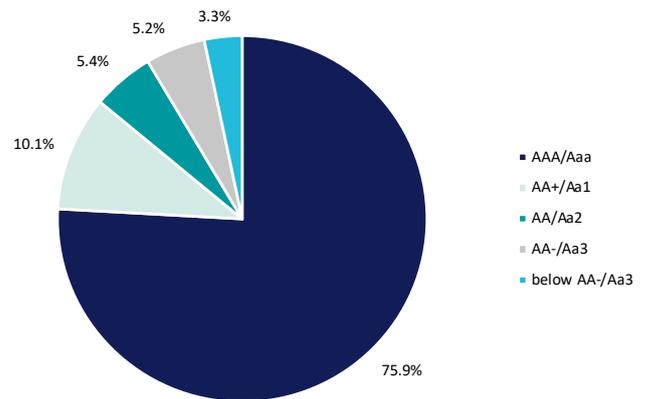
EUR benchmark maturities by year



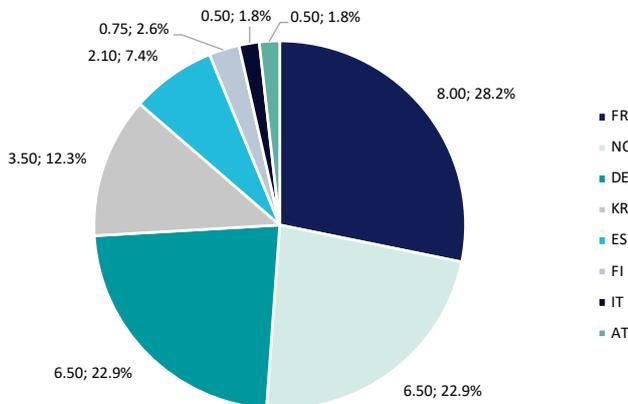
Modified duration and time to maturity by country



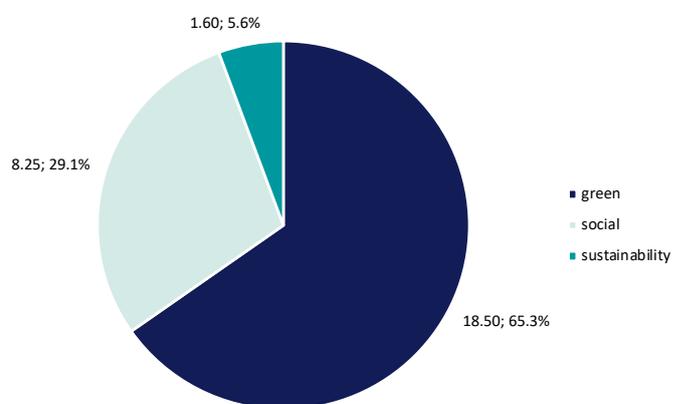
Rating distribution (volume weighted)



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

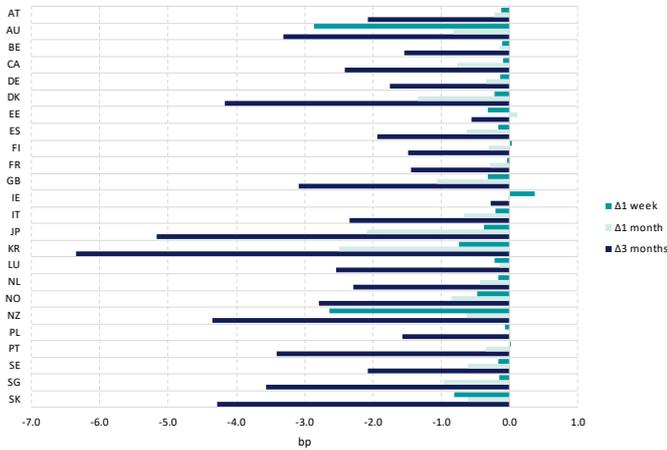


EUR benchmark volume (ESG) by type (in EURbn)

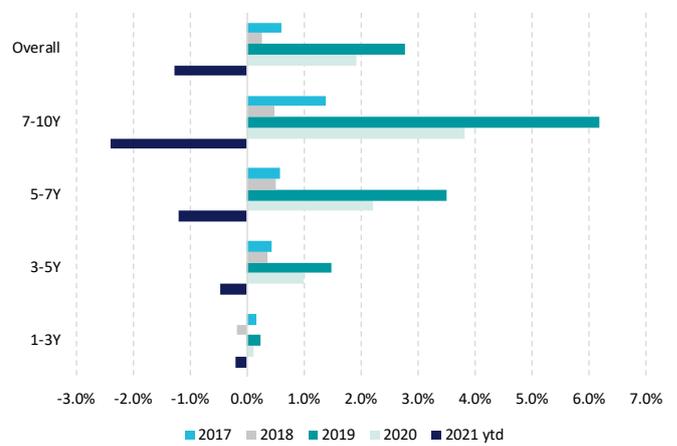


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

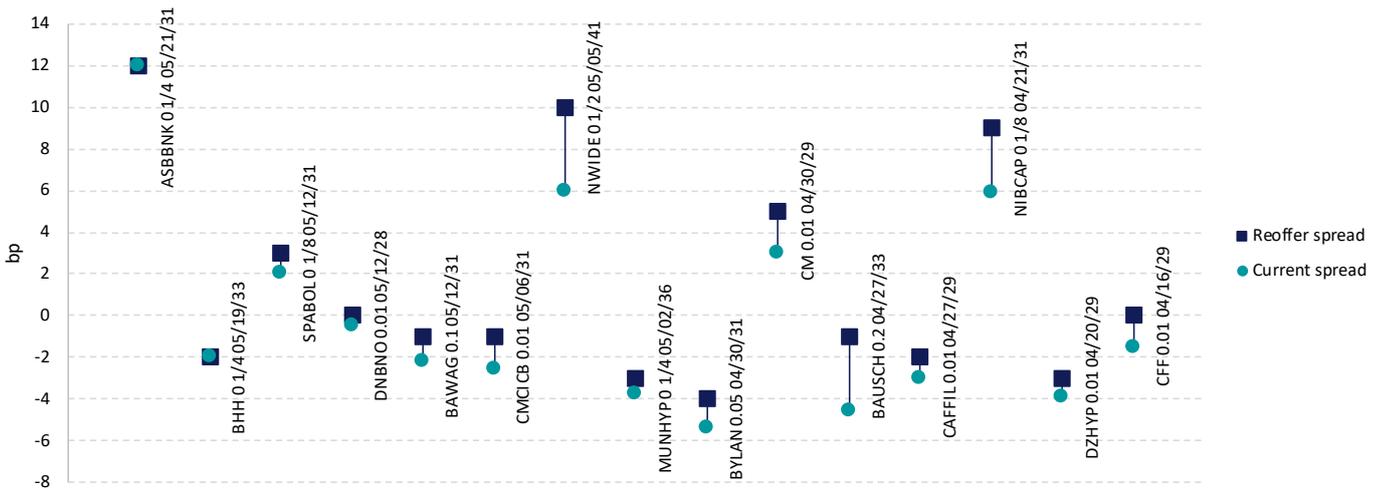
Spread development by country



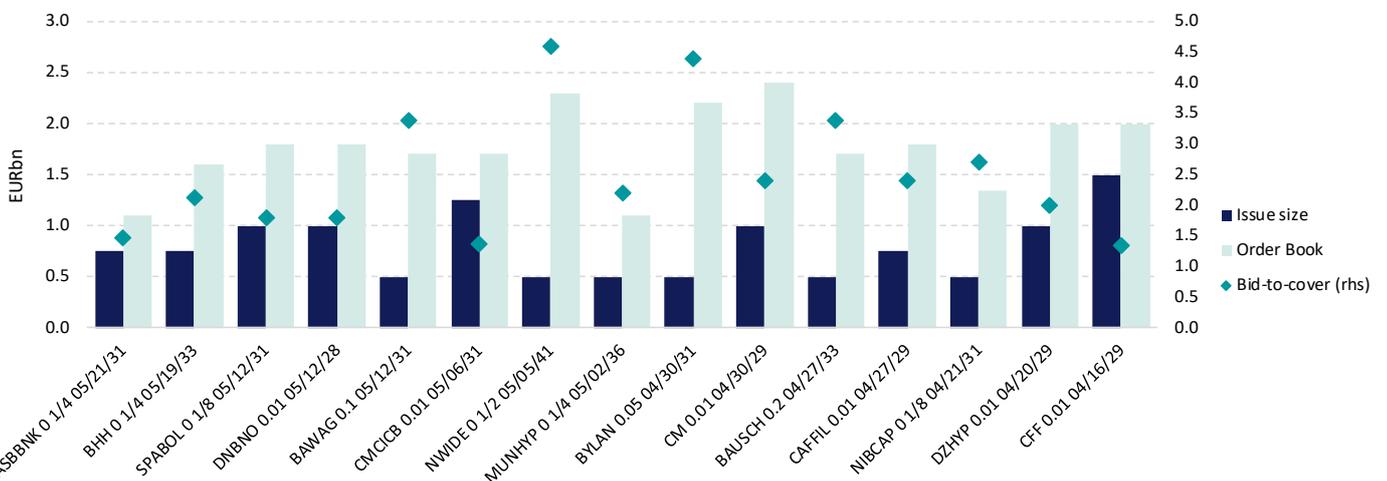
Covered bond performance (Total return)



Spread development (last 15 issues)

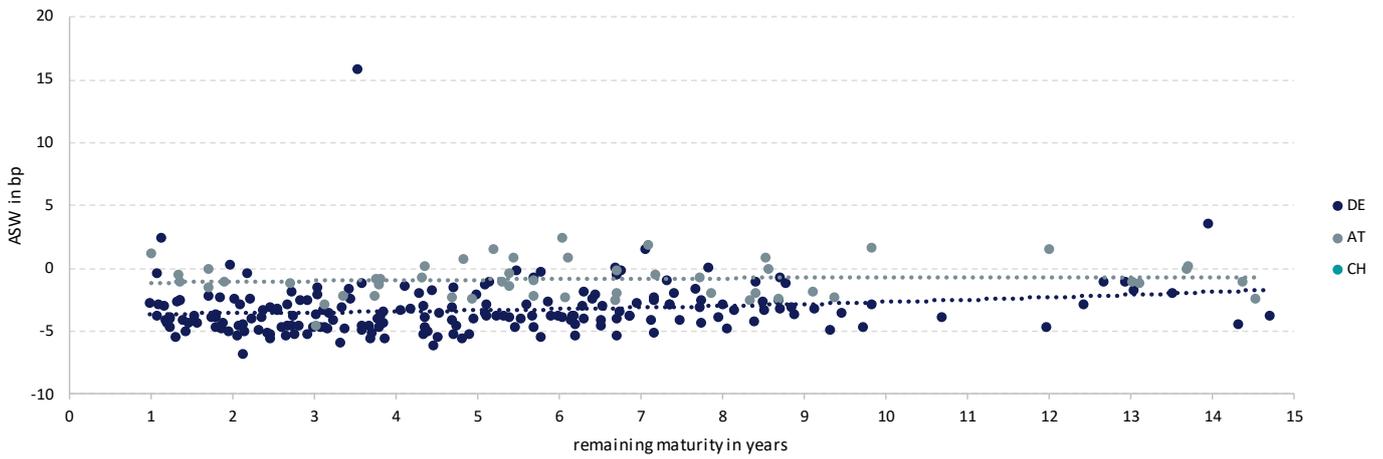


Order books (last 15 issues)

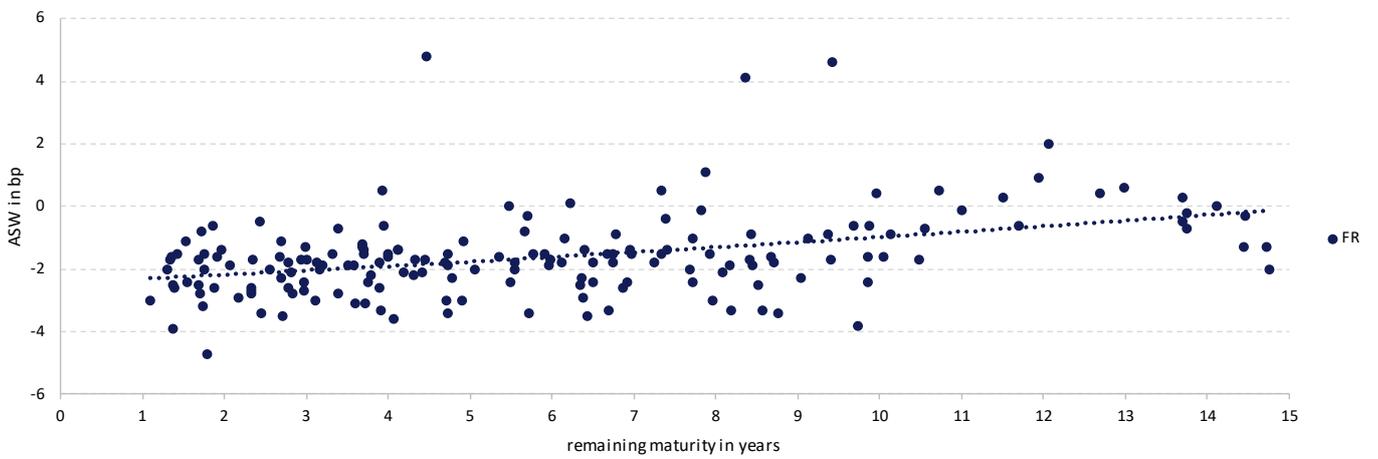


Spread overview¹

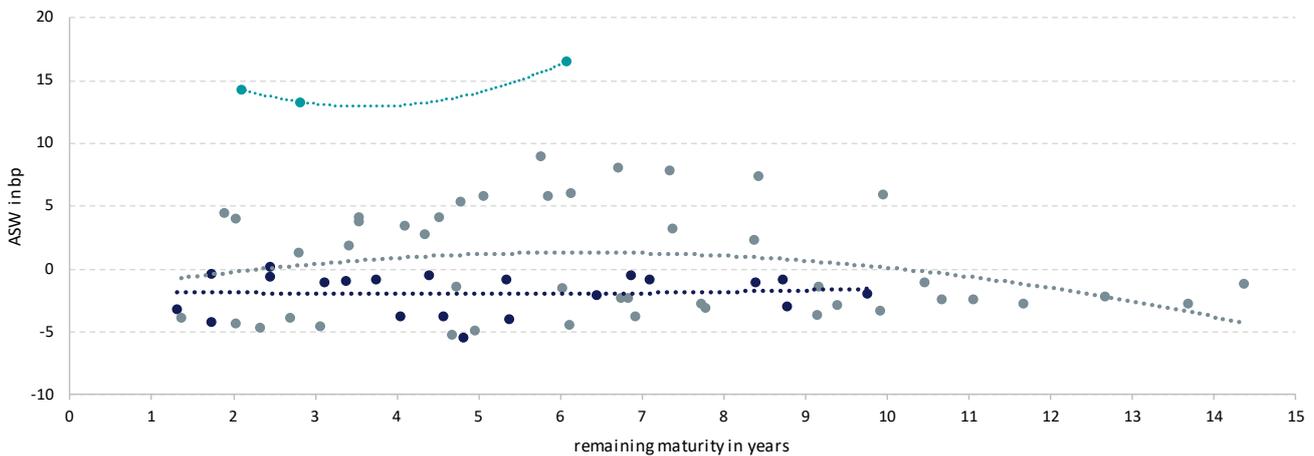
DACH



France

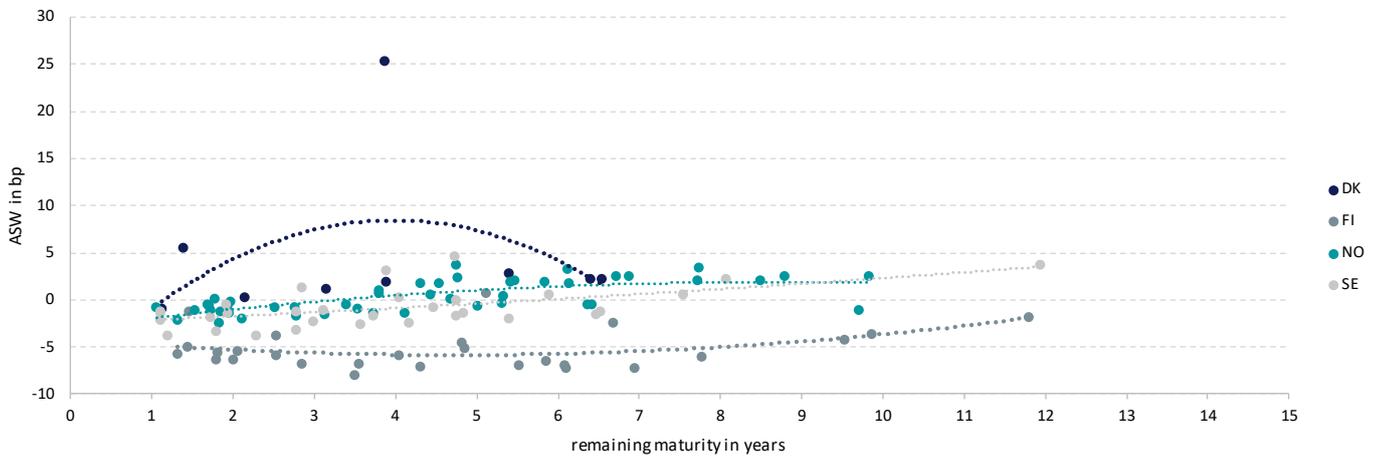


Benelux

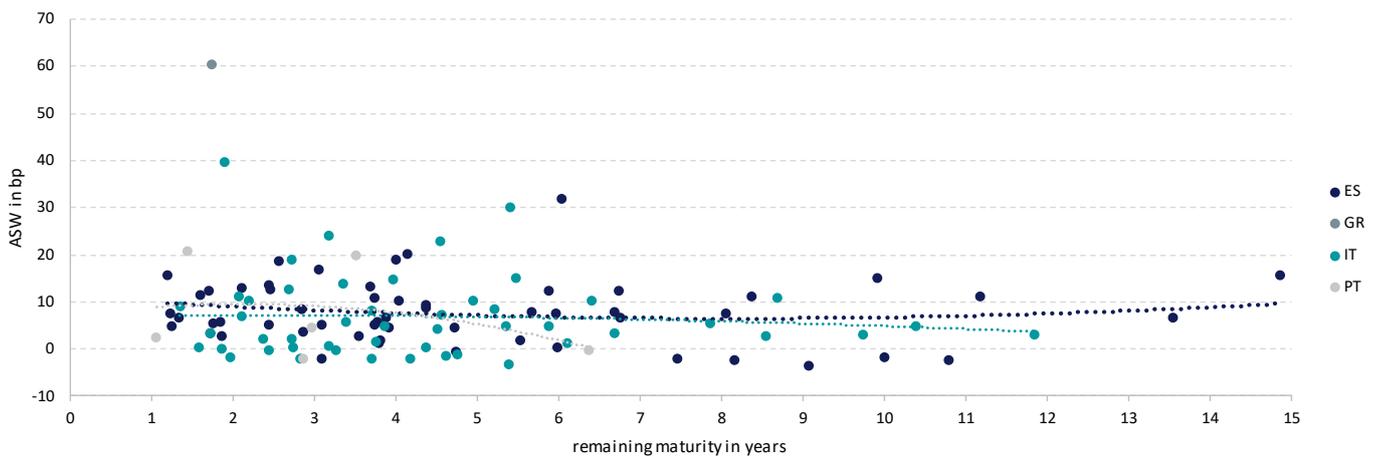


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research ¹Time to maturity 1 ≤ y ≤ 15

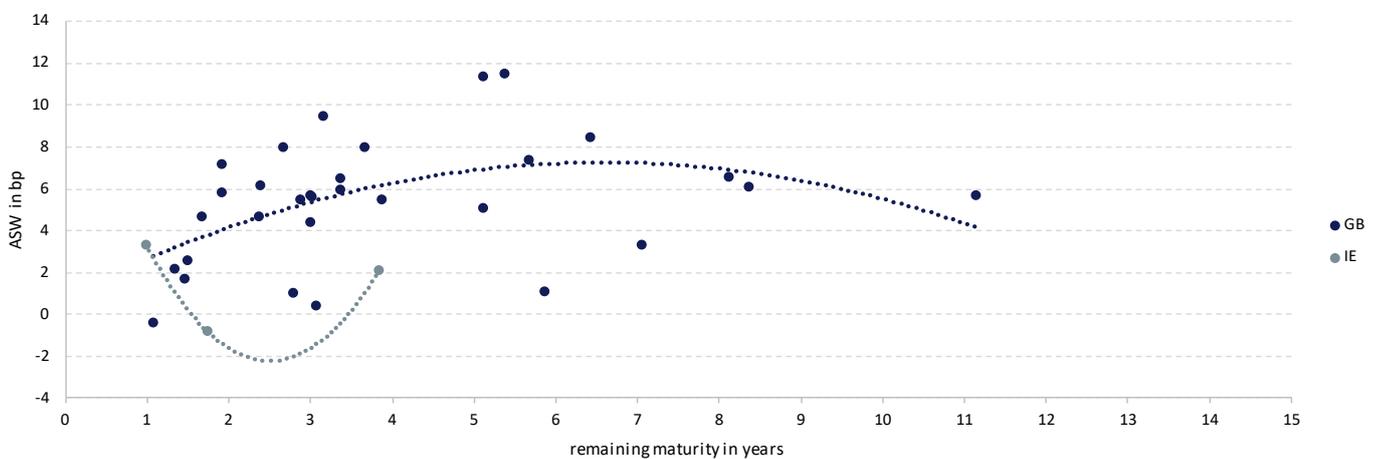
Nordics 🇩🇰 🇫🇮 🇳🇴 🇸🇪



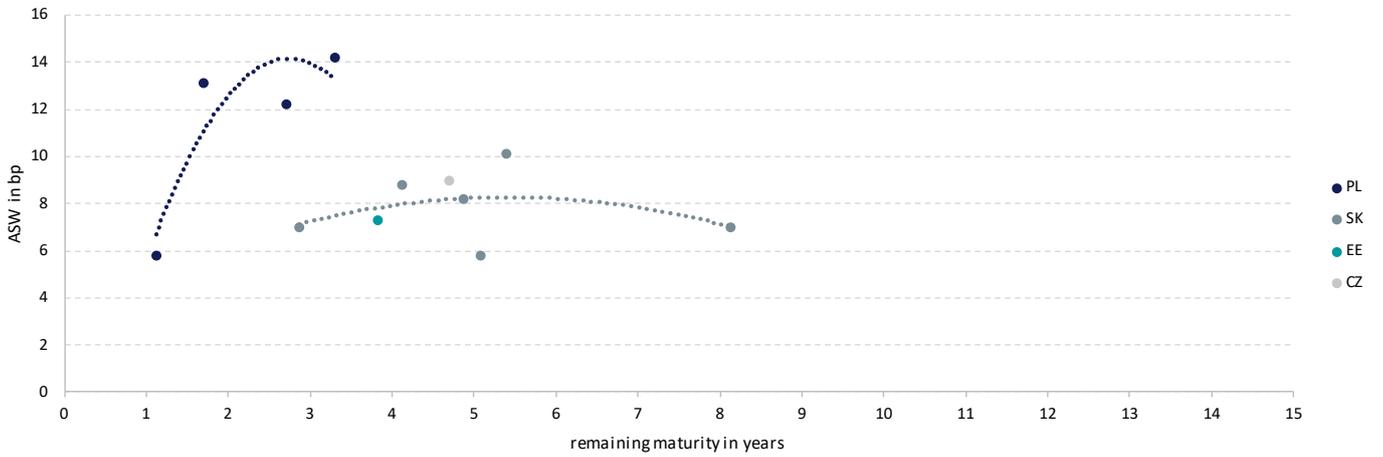
Southern Europe 🇪🇸 🇬🇷 🇮🇹 🇵🇹



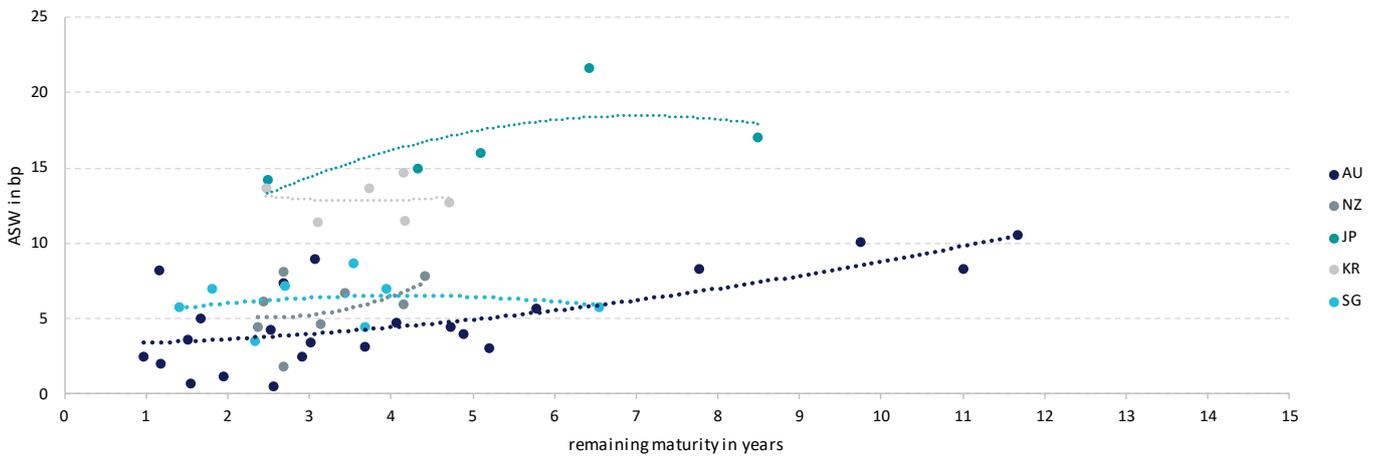
UK/IE 🇬🇧 🇮🇪



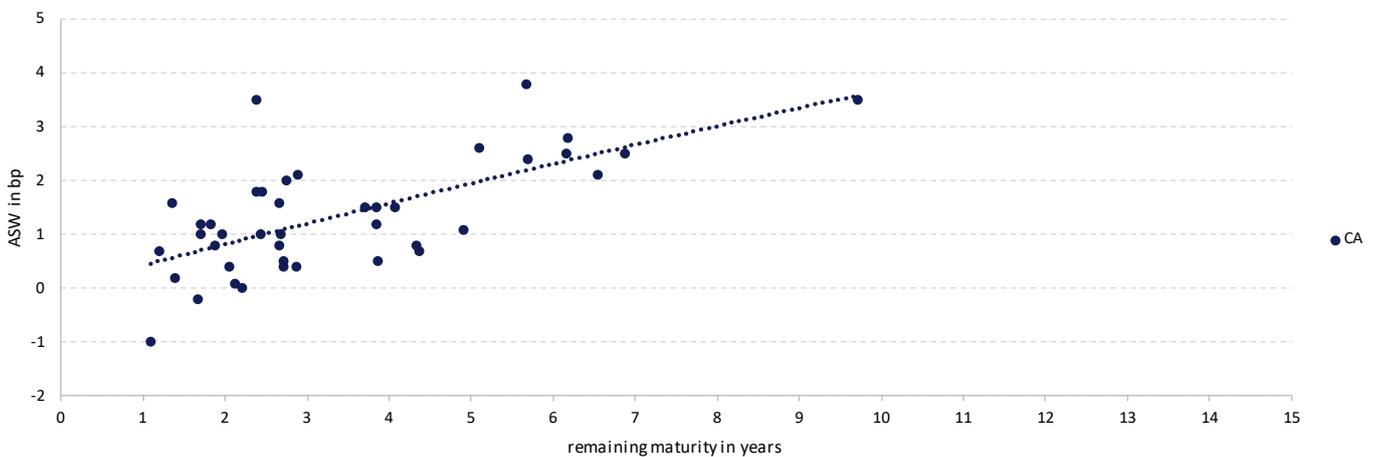
CEE 



APAC 



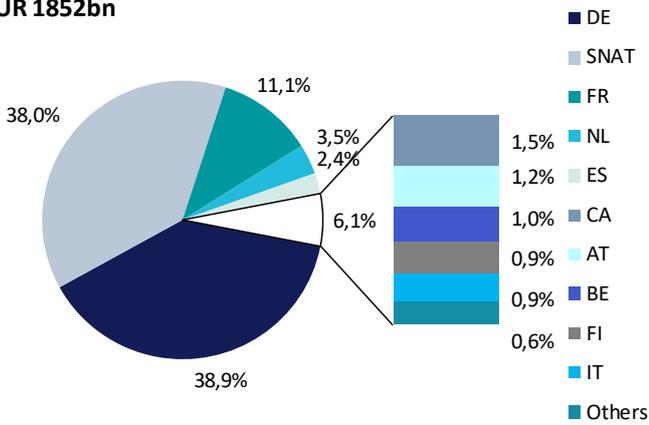
North America 



Charts & Figures SSA/Public Issuers

Outstanding volume (bmk)

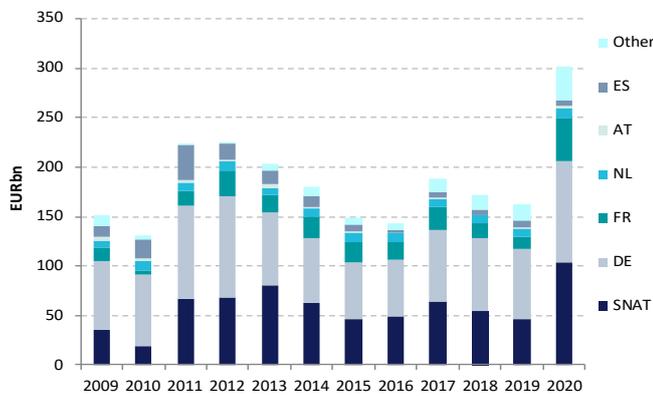
EUR 1852bn



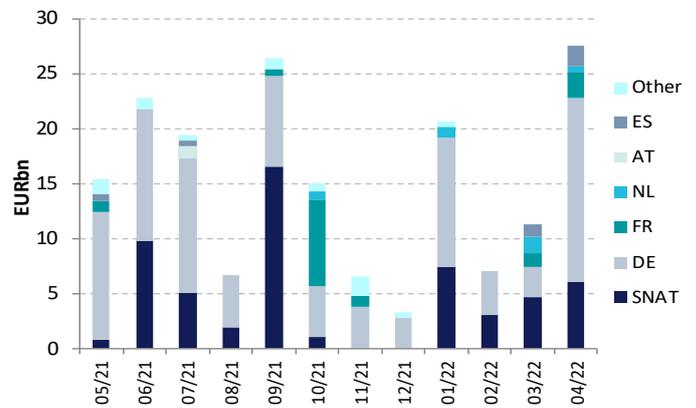
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
DE	721,0	559	1,3	6,7
SNAT	703,9	187	3,8	8,1
FR	205,7	141	1,5	5,5
NL	64,4	65	1,0	6,7
ES	44,4	54	0,8	5,3
CA	27,5	19	1,4	5,7
AT	21,8	23	0,9	5,2
BE	18,7	22	0,9	14,9
FI	17,0	22	0,8	5,9
IT	15,8	20	0,8	5,7

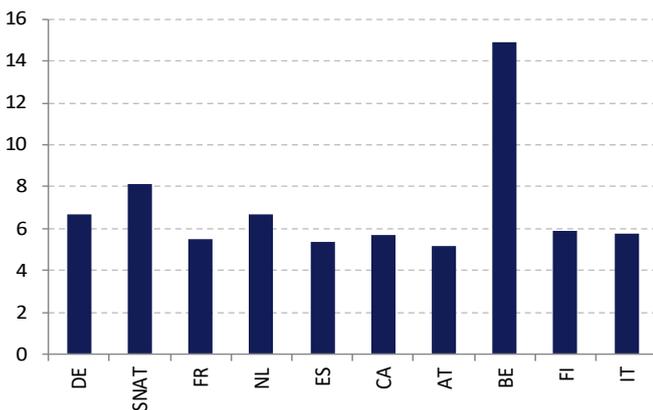
Issue volume by year (bmk)



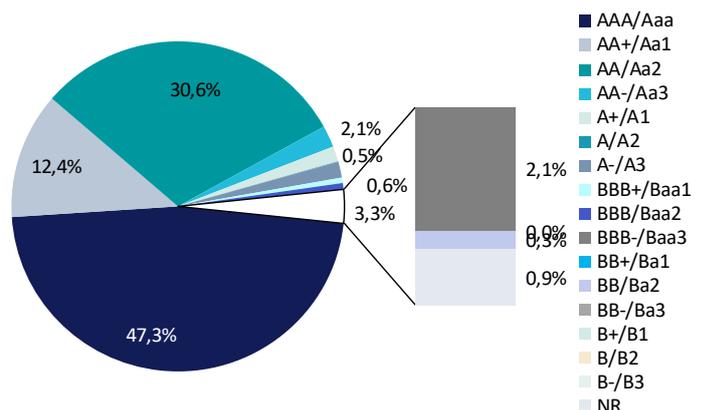
Maturities next 12 months (bmk)



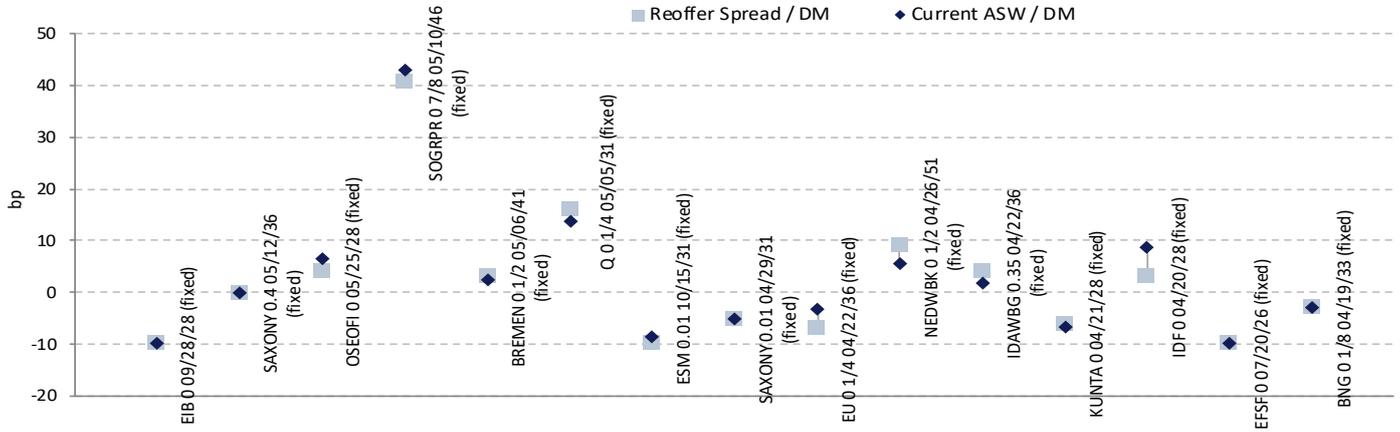
Avg. mod. duration by country (vol. weighted)



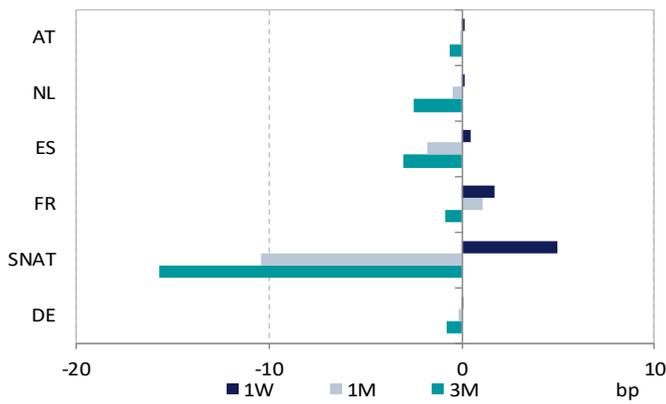
Rating distribution (vol. weighted)



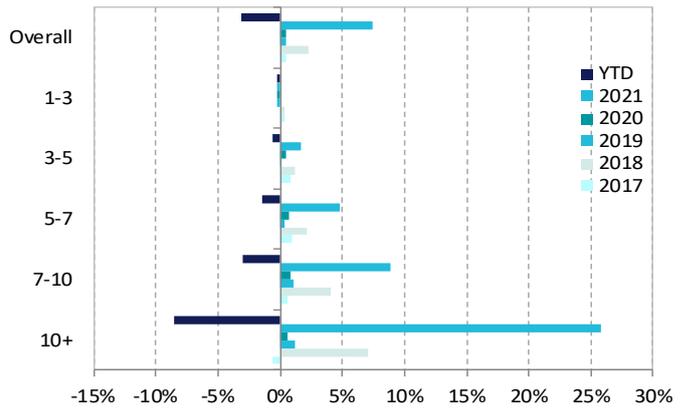
Spread development (last 15 issues)



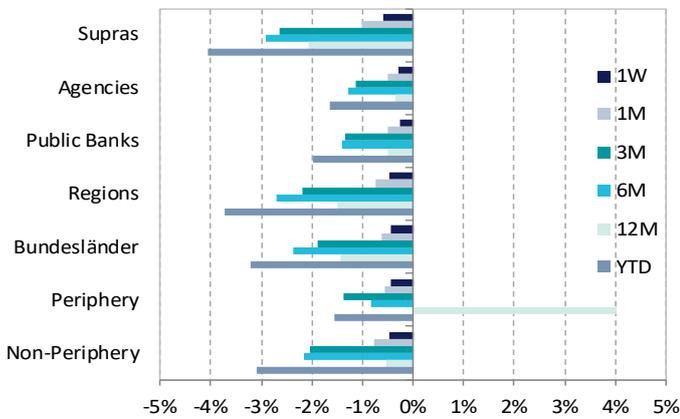
Spread development by country



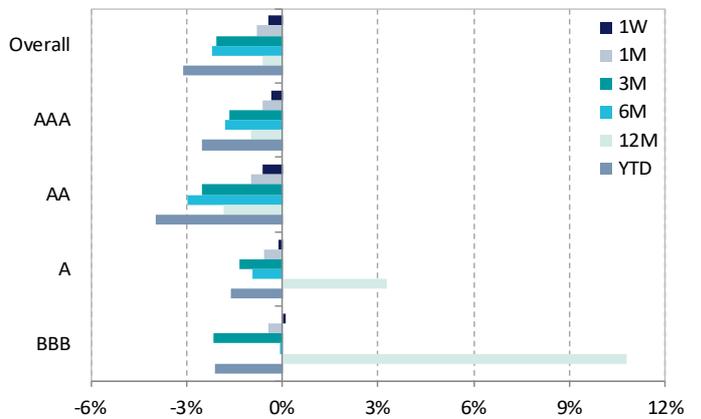
Performance (total return)



Performance (total return) by regions

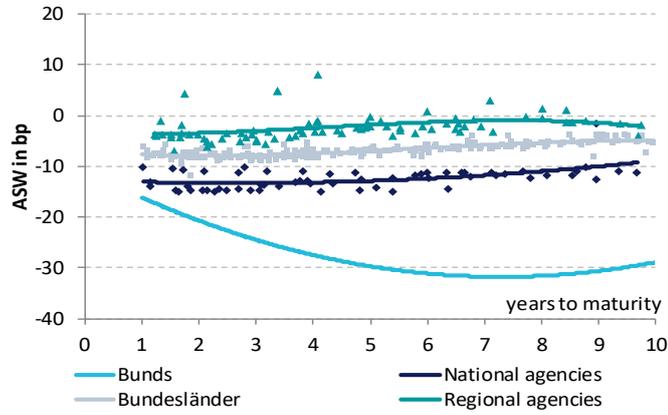


Performance (total return) by rating

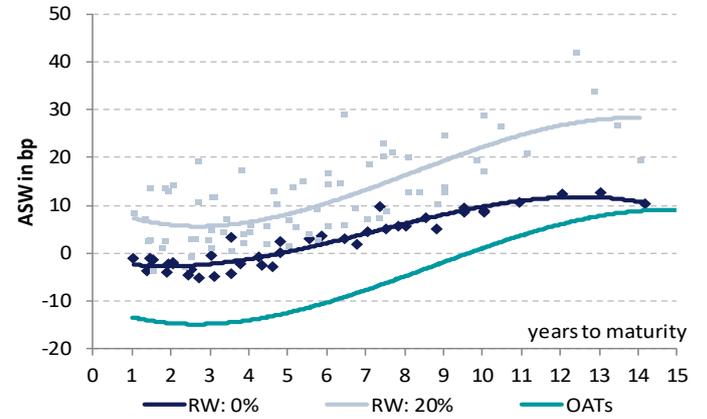


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

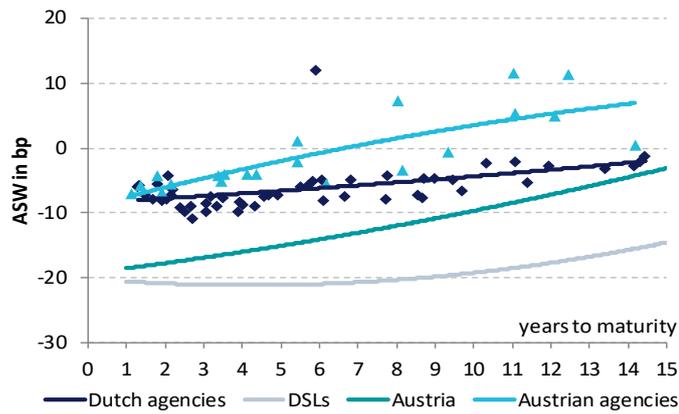
Germany (by segments)



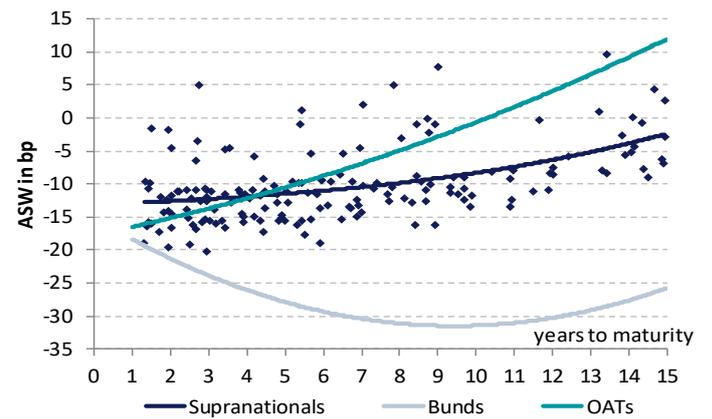
France (by risk weight)



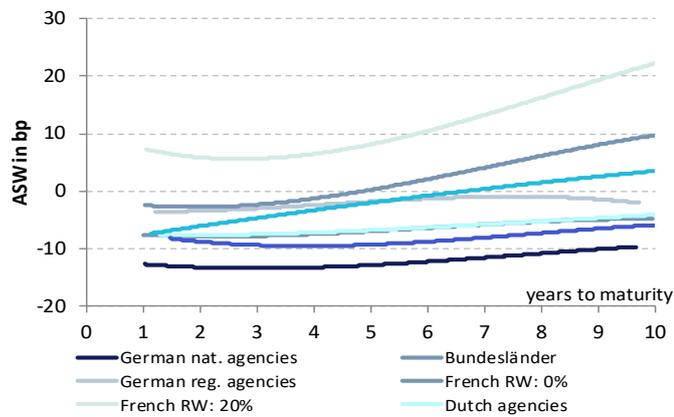
Netherlands & Austria



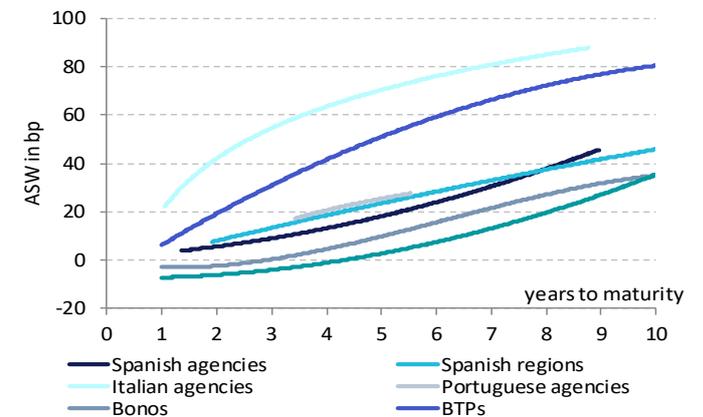
Supranationals



Core



Periphery



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

Appendix

Overview of latest Covered Bond & SSA View editions

Publication	Topics
16/2021 ♦ 05 May	<ul style="list-style-type: none"> ▪ Austria implements requirements of the covered bond directive and harmonises existing legal framework ▪ EIB goes Blockchain
15/2021 ♦ 28 April	<ul style="list-style-type: none"> ▪ EU Taxonomy meets the market for sustainable covered bonds
14/2021 ♦ 22 April	<ul style="list-style-type: none"> ▪ LCR levels and risk weights of EUR benchmarks ▪ NextGenerationEU: NGEU is taking shape
13/2021 ♦ 14 April	<ul style="list-style-type: none"> ▪ Predominant ECB strategy: wait-and-see but remain proactive ▪ PEPP reporting: First year done; a second (at least) now follows ▪ OSFI abandons temporarily increased 10% limit with immediate effect: (in)direct implications for Canadian benchmarks
12/2021 ♦ 31 March	<ul style="list-style-type: none"> ▪ Unusual Q1 and revised supply forecast for 2021 ▪ Collective Action Clauses (CACs)
11/2021 ♦ 24 March	<ul style="list-style-type: none"> ▪ Surprising dynamic: Eurosystem lends EUR 331bn to EMU banks via TLTRO III.7 ▪ German Pfandbrief savings banks in Q4 2020
10/2021 ♦ 17 March	<ul style="list-style-type: none"> ▪ Transparency requirements §28 PfandBG Q4/2020 ▪ Credit authorisations for German Bundeslaender in 2021
09/2021 ♦ 10 March	<ul style="list-style-type: none"> ▪ Moody's covered bond universe – an overview ▪ Oldenburgische Landesbank expands sub-benchmark segment
08/2021 ♦ 03 March	<ul style="list-style-type: none"> ▪ Repayment structures on the covered bond market ▪ ECB in a tight spot: litmus test for PEPP flexibility and preview of the second interest rate meeting of the year
07/2021 ♦ 24 February	<ul style="list-style-type: none"> ▪ An overview of the EUR sub-benchmark segment ▪ ECB: crowding-out effects take hold ▪ PEPP vs. PSPP: Similarities and differences
06/2021 ♦ 17 February	<ul style="list-style-type: none"> ▪ Insights into the iBoxx EUR Covered ▪ Development of the German property market
05/2021 ♦ 10 February	<ul style="list-style-type: none"> ▪ PEPP reporting: upswing in public sector assets continues; covered bonds inconsequential
04/2021 ♦ 03 February	<ul style="list-style-type: none"> ▪ Argenta Spaarbank expands Belgian market for EUR benchmarks ▪ An overview of the Fitch covered bond universe ▪ January 2021 packs a punch to kick off the new year
03/2021 ♦ 27 January	<ul style="list-style-type: none"> ▪ An unusual – albeit expected – start to the year? ▪ A look at USD benchmarks ▪ ESM reform – restructuring continues
02/2021 ♦ 20 January	<ul style="list-style-type: none"> ▪ Spread considerations – APAC covered bonds riding the wave of ECB purchase programmes? ▪ Return of the Danish market for EUR benchmark bond issues ▪ 22nd meeting of the Stability Council (Dec. 2020)

Appendix

Publication overview

Covered Bonds:

Issuer Guide Covered Bonds 2020

Risk weights and LCR levels of covered bonds

Transparency requirements §28 PfandBG

Transparenzvorschrift §28 PfandBG Sparkassen (German only)

SSA/Public Issuers:

Issuer Guide – Supranationals & Agencies 2019

Issuer Guide – Canadian Provinces & Territories 2020

Issuer Guide – German Bundeslaender 2020

Issuer Guide – Down Under 2019

Fixed Income:

ESG update

Analysis of ESG reporting

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

ECB launches corona pandemic emergency

ECB responds to corona risks

Appendix

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Sales MM/FX	+49 511 9818-9460
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Origination Corporates	+49 511 361-2911

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Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

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Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Laender/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

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Additional information

Time of going to press: 12 May 2021 08:49h (CET)

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None

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Relative Value (RV): Relative recommendation to a market segment, an individual issuer or a range of maturities.

Breakdown of recommendations (12 months)

Positive: 37%

Neutral: 55%

Negative: 8%

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Issuer / security	Date	Recommendation	Bond type	Cause
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