

Covered Bond & RMBS Comment

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Issuance breaches EUR 100bn mark

- Year-to-date issuance of euro benchmark covered bonds above EUR 100bn
- French issuers account for 25% of year to date supply
- Net supply still EUR 8bn negative
- Deal flow to continue this week – Deutsche Hypo expected with first green...
- ...while Achmea Bank will complete roadshow for return to the market
- Italy, Ireland and Portuguese covered bonds outperformed last week...
- ...supported by still relatively high spreads, scarcity, and CBPP3
- But room for further spread tightening seems limited

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Issuance past the EUR 100bn mark

Last week, CFF, SEB, and DNBNO got the primary market going for euro benchmark covered bonds, issuing a total of EUR 2.75bn. As a result, year-to date issuance broke through the EUR 100bn mark, now amounting to EUR 101bn. This compares to EUR 109bn of redemptions, which results in negative net supply of EUR 8bn.

French issuer leading the way

A country breakdown shows that French banks have issued most covered bonds so far this year, being responsible for roughly 25% of year-to-date issuance. France is followed by Germany (15%) and the Netherlands (9%), which is followed by Norway and Sweden (7% each). Almost 70% of all deals had a maturity between 6y and 10y, while some 12% had a tenor longer than 10yrs, leaving 19% for the shorter part of the curve.

Deal flow to continue this week

The flow of new deals is expected to continue this week. **Deutsche Hypothekbank** is likely to issue its first green covered benchmark, while **Achmea Bank** will complete its roadshow for a EUR 500mn 7y conditional pass-through covered bond this week (*ABN AMRO involved in both deals*). Meanwhile, **Sparkasse Hannover** and **Wuestenrot Bausparkasse** are expected to sell inaugural sub-benchmarks mortgage Pfandbriefe in coming days.

Periphery continues to outperform

Italian covered bonds outperformed last week, with the asw-spread of the country's iBoxx index tightening by some 4bps. Portugal and Ireland came second and third, as spreads tightened by some 3bps and 2bp, respectively. This likely reflects strong buying interest from the Eurosystem, the fact that spreads still offer a pickup versus the (semi) core, as well as scarcity due to lack of new supply.

Looking forward, these factors will probably continue to exert downward pressure on spreads, although room for further spread tightening seems limited in our view. With the spread differential between peripheral names and (semi) core paper reaching all-time lows in some cases, it seems worth considering switching out of the periphery, as this paper will be most vulnerable for a spread widening.

Other news

* Fitch upgraded the rating of the class B notes of Dutch RMBS transaction **Candide 2011-1** to BBB- from BB. It affirmed the AAA rating of the class A notes. The upgrade was due to an improved performance of the underlying mortgages.

Other recent publications:

Green Bond Monthly – [Financials lead green charge](#)

Financials Watch - [Foundations arise for a new bank funding mix](#)

Global Daily – [ECB signals prolonged monetary stimulus](#)

Covered Bond Watch – [No tapering of covered bonds](#)

Financials Watch – [European bank issuance outlook for 2018](#)

Housing Market Monitor – [Home sales growth decelerates](#)

| New issue monitor (EUR benchmarks) | | | | | | | | |
|------------------------------------|---------|---------------|------------|------------|-------------------------|--------------------------|------------------------------|--------|
| Date | Name | Size (EUR bn) | Coupon (%) | Maturity | Rating (M/S&P/Fitch) | New issue spread (ms) | Current spread (CBBT, ms) | Change |
| 09-Nov | DNBNO | 1.50 | 0.375 | 20/11/2024 | Aaa/AAA/-/- | -9 | -9 | 0 |
| 07-Nov | SEB | 0.75 | 0.750 | 15/11/2027 | Aaa/-/-/- | -5 | -6 | -1 |
| 07-Nov | CFF | 0.50 | 1.250 | 15/11/2032 | Aaa/AAA/-/- | 8 | 4 | -4 |
| 24-Oct | SHBASS | 0.50 | 0.750 | 01/11/2027 | Aaa/-/-/- | -5 | -6 | -1 |
| 19-Oct | BMO | 1.50 | 0.200 | 26/01/2023 | Aaa/-/AAA/AAA | -4 | -7 | -3 |
| 17-Oct | KBC | 0.50 | 0.750 | 24/10/2027 | Aaa/-/AAA/- | -6 | -8 | -2 |
| 17-Oct | SPMTBK | 0.50 | 0.125 | 24/10/2022 | -/AAA/-/- | -2 | -7 | -5 |
| 09-Oct | MONTP1 | 0.75 | 0.875 | 17/10/2022 | A3/-/A/- | 65 | 49 | -16 |
| 09-Oct | ASBBNK | 0.50 | 0.625 | 18/10/2024 | Aaa/-/AAA/- | 10 | 4 | -6 |
| 05-Oct | SOCSEFH | 1.00 | 0.750 | 18/10/2027 | Aaa/-/AAA/- | -4 | -9 | -5 |
| 04-Oct | BPCECB | 1.00 | 0.875 | 13/04/2028 | Aaa/AAA/-/- | 0 | -6 | -6 |
| 04-Oct | NNGRNV | 0.50 | 0.500 | 10/10/2024 | -/AAA/-/- | 0 | -8 | -8 |
| 28-Sep | OCBCSP | 0.50 | 0.250 | 05/10/2022 | Aaa/-/AAA/- | 0 | -5 | -5 |
| 28-Sep | NBD | 0.50 | 0.375 | 09/10/2024 | Aa1/-/-/- | -9 | -12 | -3 |
| 27-Sep | DAA | 0.50 | 0.750 | 05/10/2027 | -/AAA/-/- | -13 | -15 | -2 |
| 26-Sep | SRBANK | 0.50 | 0.375 | 03/10/2024 | Aaa/-/-/- | 0 | -7 | -7 |
| 25-Sep | UBIIM | 1.25 | 1.125 | 04/10/2027 | Aa2/-/-/AA | 35 | 19 | -16 |
| 25-Sep | CMARK | 0.50 | 0.750 | 05/10/2027 | -/AAA/-/- | -2 | -7 | -5 |
| 20-Sep | PKOBHB | 0.50 | 0.750 | 27/08/2024 | Aa3/-/-/- | 28 | 23 | -5 |
| 19-Sep | SANTAN | 1.00 | 1.250 | 26/09/2027 | A1/-/A/A | 48 | 30 | -18 |
| 18-Sep | CAFFIL | 0.75 | 0.750 | 27/09/2027 | Aaa/AA+/AA/- | -2 | -9 | -7 |
| 06-Sep | CMCIB | 1.25 | 0.750 | 15/09/2027 | Aaa/AAA/AAA/- | 0 | -8 | -8 |
| 05-Sep | BANDES | 0.50 | 0.875 | 12/09/2024 | -/-/AA/-/- | 57 | 3 | -54 |
| 05-Sep | RFLBNI | 0.50 | 0.375 | 13/09/2024 | Aaa/-/-/- | -3 | -9 | -6 |
| 04-Sep | CFF | 1.25 | 0.375 | 11/12/2024 | Aaa/AAA/-/- | -2 | -15 | -13 |
| 29-Aug | PBBGR | 0.50 | 0.050 | 05/09/2022 | Aa1/-/-/- | -10 | -15 | -5 |
| 23-Aug | BRF | 0.50 | 0.375 | 01/07/2024 | -/AAA/-/- | 2 | -15 | -17 |
| 22-Aug | WLBK | 0.50 | 0.625 | 30/08/2027 | -/AAA/-/- | -12 | -17 | -5 |
| 17-Aug | CMZB | 0.75 | 0.625 | 24/08/2027 | Aaa/-/-/- | -11 | -16 | -5 |
| 16-Aug | MUNHYP | 0.75 | 0.625 | 23/10/2026 | Aaa/-/-/- | -13 | -19 | -6 |
| 11-Jul | HSHN | 0.50 | 0.100 | 20/07/2020 | Aa2/-/-/- | 10 | 2 | -8 |
| 03-Jul | ACASCF | 0.50 | 0.875 | 02/08/2027 | Aaa/-/AAA/- | 3 | -10 | -13 |
| 29-Jun | BQDAU | 0.50 | 0.500 | 10/07/2022 | Aaa/-/AAA/- | 25 | 2 | -23 |
| 26-Jun | LEED | 0.50 | 0.500 | 03/07/2024 | Aaa/-/AAA/- | 17 | 7 | -10 |
| 22-Jun | NWIDE | 1.00 | 1.375 | 29/06/2032 | Aaa/AAA/AAA/- | 30 | 6 | -24 |
| 22-Jun | BZLNZ | 0.75 | 0.500 | 03/07/2024 | Aaa/-/AAA/- | 15 | 3 | -12 |
| 20-Jun | HVB | 0.50 | 0.125 | 26/10/2023 | Aaa/-/AAA/- | -10 | -15 | -5 |
| 20-Jun | AEGON | 0.50 | 0.750 | 27/06/2027 | -/AAA/AAA/- | 12 | 2 | -10 |
| 19-Jun | SPABOL | 1.00 | 0.375 | 26/06/2024 | Aaa/-/AAA/- | 0 | -10 | -10 |
| 19-Jun | ACACB | 1.00 | 0.375 | 30/09/2024 | Aaa/AAA/AAA/- | -5 | -15 | -10 |
| 14-Jun | DHY | 0.50 | 0.375 | 20/06/2025 | Aa1/-/-/- | -10 | -13 | -3 |
| 14-Jun | LBPSFH | 0.50 | 0.625 | 23/06/2027 | -/AAA/-/- | 0 | -9 | -9 |
| 13-Jun | SEB | 1.00 | 0.250 | 20/06/2024 | Aaa/-/-/- | -5 | -14 | -9 |
| 07-Jun | BHH | 0.50 | 0.125 | 23/10/2023 | Aaa/-/-/- | -14 | -24 | -10 |

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