



## Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

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## Market overview

### Covered Bonds

Authors: Lukas Kühne // Dr Frederik Kunze

#### Primary market: that's all for 2024 – what will 2025 bring?

Over the past five trading days, no further covered bond issuers appeared on the primary market in the EUR benchmark segment, which should not really come as a massive surprise. Looking back at issuance activities over the past few trading weeks, we are forced to conclude that 2024 is coming to a rather bumpy end. While at the start of the year the primary market and spreads in secondary trading came under pressure due to sentiment-driven factors, the relative value compared with Govies and the public issuers/SSA sub-market has been causing real headaches across the asset class of covered bonds. Unsurprisingly, this overall state of play has also seen the primary market come under pressure, with the issuance volume of EUR benchmarks ultimately falling well short of original expectations at EUR 146.5bn. At this point, we feel that it is apt to highlight that the difficulties facing the covered bond market at the end of the year are not comparable with the uncertainties that affected mortgage covered bonds in particular at the beginning of this year. The recently observed repricing movement comes as a direct consequence of the trend in the Bund-swap-spread and other spreads within the public issuers/SSA asset class. As usual for this time of year, we will be presenting our outlook for covered bonds in 2025 as part of a [Covered Bond focus article](#) in this present edition of the NORD/LB Covered Bond & SSA View. Our projection of a gross issuance volume of EUR 170bn alone can probably be interpreted as a sign that we are again taking an optimistic view of the next 12 months. In fact, we are expecting more dynamic mortgage lending in the EUR benchmark jurisdictions that form part of our coverage, while we would also consider an opposing trend in relation to customer deposits to be extremely likely. Moreover, we are of the view that a repricing movement on the market for senior preferred and senior non-preferred bonds is now overdue. Therefore, on balance, the refinancing requirement via covered bonds is set to rise.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
-	-	-	-	-	-	-	-	-

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

#### Secondary market: outlook for 2025

In terms of secondary trading, a Christmas lull has also set in. This also applies in the sense that we usually see heightened levels of activity at the start of a month. The mood is slightly more progressive overall, which we would put down, among other aspects, to the comparatively high purchase demand in the 6y and 7y maturity segments. However, liquidity remains thin on the ground in general, with trading activities dwindling from day to day. Attention is now beginning to turn towards the start of 2025. We again expect issuance activities to be brisk in the new year, which in terms of the demand side is likely to see the focus more on the primary market. As a result of this, starting from current levels we again expect to see widening in re-offer spreads. In turn, this is likely to encourage widening in secondary market prices.

**Increasing volume of property financing in the first nine months of the year**

Last week, the real estate experts from the Association of German Pfandbrief Banks (vdp) presented current figures on new business in the area of property financing (cf. [press release](#)). The reporting period covers the first nine months of 2024. The volume of newly granted loans during this period came to EUR 89.6bn, reflecting an increase of +6.9% compared with the first nine months of 2023. According to the vdp, this development has largely been driven by new business in the area of residential mortgages. As against the first nine months of 2023, the volume of lending in this segment rose by +16% to EUR 56.7bn (Q1-Q3 2023: EUR 48.9bn). Compared with the third quarter of 2023, growth here was slightly lower at +12.8%. However, the upward trend in new lending business over the course of the year has been confirmed. At EUR 28.3bn, around half of the new residential real estate lending was attributable to the segment of detached and semi-detached housing. At +39.1%, the sharpest growth against the same period of the prior year, however, was seen in the condominium segment. For Jens Tolckmitt, Chief Executive of the vdp, this development is “a further clear sign that the residential property market [...] is stabilising.” While Tolckmitt did go on to say that the trend in commercial property financing “remains considerably more restrained”, he also emphasised that “the decline has slowed down appreciably during the course of this year.” For example, at EUR 11.8bn, new lending in the area of commercial real estate remained largely constant in a quarter-on-quarter comparison. However, this reflects a reduction of -5.7% against the first three quarters of 2023, which can be mainly explained by the decline in lending in the areas of office properties and hotels, as well as industrial and other buildings. In terms of the covered bond market, we view this stabilisation or slight upward trend in new property financing business as a positive signal.

**S&P discusses challenges and opportunities in relation to digital covered bonds**

In a recently published analysis on blockchain-based covered bonds, the rating experts at S&P offered an overview of the opportunities and challenges in relation to digital bonds. Following the first issuance of a digital covered bond back in 2019, S&P writes that a new dynamic has emerged in 2024. In particular, this development is being driven by the European Central Bank (ECB) and the Swiss National Bank (SNB), which integrated blockchain-based transaction settlement for their digital bonds. However, covered bond issuers have not yet gone this far. At present, issuers are more focused on the digitalisation of primary market transactions than on the secondary market. The rating experts from S&P see the advantages of a digital covered bond in an ability for immediate or same-day transaction settlement as well as improved transparency and accuracy by automating or optimizing operational processes associated with a new bond issue. According to S&P, one challenge is that there is currently no established secondary market for digital covered bonds, with the low levels of secondary market activity put down to low issuance volumes and short terms to maturity. The rating experts go on to explain that the secondary market is also partially limited by the use of private blockchains, as intermediaries, among other players, restrict access. In addition, payment transactions must also be processed via the blockchain in order to offer added value to investors. The rating experts at S&P point out that they will dynamically adapt their covered bond rating approach to reflect changes in the area of digital bonds. The focus here will, in particular, be on operational risks and dependencies in connection with a digital covered bond.

## Market overview

### SSA/Public Issuers

Authors: Dr Norman Rudschuck, CIAA // Lukas-Finn Frese // Tobias Cordes

#### **Hesse presents draft budget for 2025**

On 26 November 2024, Prof. Dr Alexander Lorz, Finance Minister of the German federal state of Hesse (ticker: HESSEN), presented the regional government's draft budget for 2025. Despite Germany's weak economy and the associated lower tax receipts, the budget proposes to continue investing in education, internal security, Hesse's economy and social cohesion. Accordingly, total spending in 2025 is to amount to EUR 38bn while the calculated revenue totals EUR 36.8bn. After offsetting against withdrawals from reserves, planned new borrowing would amount to EUR 670m. As such, the federal state looks set to comply with the debt brake in the coming year. Proposed investments under the budget amount to EUR 3.3bn in total, which would be at the current year's level, excluding a one-off investment of EUR 2bn for the Landesbank Hessen-Thüringen (Helaba; cf. [weekly publication of 04 September 2024](#)). The financial equalisation system at municipal level is to be increased by a further EUR 196m compared with 2024 and would therefore amount to EUR 7.1bn. In view of weak economic growth in Germany and pessimistic tax expectations, the draft budget additionally provides for consolidation measures. The reserve of the overall budget amounting to around EUR 500m would be released in full, with all departments having to make area-specific consolidation contributions. In particular human resources – being the biggest expense item and accounting for more than one-third of the budget – must not be excluded from these measures. The Finance Minister called for “deliberate consolidation and targeted investing”, both of which he said are a must for keeping both the budget and the federal state on track. He continued that the federal state would no longer be able to afford everything, stating that what Hesse certainly would no longer be able to afford was an economic policy which opposes growth. He went on to express his hope that the next federal government would spring into action quickly and be willing to act. According to Finance Minister Lorz, it is one of the factors that will determine how fast Hesse is able to regain the greater room for manoeuvre it enjoyed in previous years. The draft budget is to be presented to Hesse's state parliament on 11 December 2024, where it will then be debated in three readings and is expected to be approved in March 2025.

#### **Bremen submits recovery plan**

The Senate of the Free Hanseatic City of Bremen (ticker: BREMEN) and Germany's Stability Council resolved a three-year recovery plan last week to boost Bremen's budget, together with the associated administrative agreement. The plan is legally binding on Bremen, since the Stability Council had already established a looming budget emergency in December 2022. To achieve the recovery aim, at the end of the three-year period, both the budget balance and net borrowing must, by the Stability Council's definition, be in the black (schwarze Null). Quantifiable recovery effects that have been determined to date amount to just over EUR 155m in total for the period from 2025 to the end of 2027. Quantification of recovery effects beyond this is outstanding and set to be calculated in the period up to 31 May 2025, in the wake of further ascertainment and implementation of the recovery measures resolved by the Senate in September 2024. Incidentally, the 30th meeting of the Stability Council will take place tomorrow, on Thursday, 05 December.

**EAA presents interim report as at 30 September 2024**

The German winding-up vehicle Erste Abwicklungsanstalt (EAA, ticker: ERSTAA) has published its official report for the first nine months of the current year. EAA's financial situation was primarily determined by the winding-up purpose. The key performance indicator at EAA is a reduction in the nominal volume of the portfolio. The nominal volume of the banking book was down by -6.8% on the same period in the previous year to EUR 5.8bn. The nominal volume of the trading book decreased by -6.1% to EUR 46.8bn in the same period. The net loss after tax of EUR -0.5m primarily reflected general and administrative expenses of EUR 37.9m, net commission income of EUR -15.1m and income from financial investments as well as expenses from loan loss provisions, which together totalled EUR -3.9m. These were essentially offset by net interest income of EUR 45.3m, net profit on the trading book of EUR 7.4m and the balance of other expenses and income amounting to EUR 3.7m. EAA's total assets decreased from EUR 13.8bn in the previous year to EUR 13.0bn. The reasons for this reduction included the decreased banking book and the lower trading book. The business volume, which also included off-balance sheet items, decreased by -6.0% to EUR 13.9bn (previous year: EUR 14.8bn).

**Finnvera: loan commitments lower than last year; expectations cautiously optimistic**

The Finnish export finance agency Finnvera (ticker: FINNVE) has granted insights into its books by presenting a report for the first nine months of the 2024 financial year. According to the relevant press release, the results were up by EUR +10m on the same period in the previous year to EUR 182m in total, following a pleasing trend in business across all divisions. In the period from January to September 2024, Finnvera granted domestic loans and guarantees worth EUR 0.7bn (previous year: EUR 0.9bn). The reduction was mainly attributable to one high-volume financing transaction in the same period of the previous year. Overall, climate and digital loans totalling EUR 54m (previous year: EUR 15m) were extended in cooperation with the European Investment Fund as part of the InvestEU facility. The loans are aimed at speeding up the green transformation and digitalisation of the economy. These loans started to be granted in June last year. Furthermore, a challenging economic environment in combination with high interest rates resulted in a sharp decline (-33%) in the granting of export credit guarantees, export guarantees and other specific guarantees. In the period under review, these decreased from the EUR 3.8bn recorded in the previous year to 2.5bn. Conversely, demand for export credit rose slightly to EUR 0.5bn (previous year: 0.4bn). Irrespective of the lower total lending volume compared with the previous year, operating income of EUR 97m was achieved in the third quarter of 2024, which was significantly higher than the figure for Q3/2023 (EUR 24m). Material contributions to the operating income result were attributable to the reversal of provisions on the one hand and on the other, an increase in both interest and commission income (+24% and +8% respectively). A glance at the balance sheet highlighted that the Finnish agency recorded an upward trend in key balance sheet ratios. For example, the export finance provider achieved an increase in its equity ratio of 9.3% as at the 2023 balance sheet date to 9.8%, while total assets rose by +7% to EUR 15.4bn. In addition, the cost-income ratio, which is important for banks, was down to 15.8% compared with the same period in the previous year – January to September 2023 (previous year: 18.5%).

### NRW.BANK.ifo business climate – brighter economic outlook in NRW

In October 2024, the economic trend in North Rhine-Westphalia (ticker: NRW) strengthened, according to the NRW.BANK.ifo business climate. The 1,500 companies surveyed rated both the business situation and their expectations as better than in the previous month. Starting from a low level, the leading indicator for the economic trend was robust and climbed by +2.1 points to -11.1 balance points. The enhanced figure was primarily due to business expectations of companies for the next six months, which rose by +3.5 points to -14.2 balance points. With regard to survey findings on the current business situation, this result was also up by +0.7 points to -8.1 points. Eckhard Forst, Chairman of the Management Board at NRW.BANK, said: “Given that economic sentiment in North Rhine-Westphalia has seen a solid upturn, this increases the chance that the economic slowdown will not be excessive. Rising consumer spending is providing hope, in particular, with consumers no longer being quite as cautious as before.” A brighter economic outlook was recorded across almost all sectors of the economy. The business climate in the service sector saw a reversal into positive range, and retail also recorded a very slight upward trend in sentiment, although the trend in wholesale and retail differed markedly. While wholesalers assessed both their current business situation and their business expectations as better, sentiment was considerably gloomier in retail. In the manufacturing industry, sentiment was also noticeably more upbeat, above all in the chemicals industry. However, the current business situation was assessed as subdued against the backdrop of an ongoing shortage of orders. October’s business climate only fell in the main construction industry. This was caused by construction companies stating more pessimistic business expectations and dissatisfaction with the current business situation in view of an insufficient level of orders.

### Primary market

December is here, the SSA primary market is gradually becoming more and more contemplative during the Advent season and activities are increasingly shifting to the Christmas market. With funding targets largely achieved, many issuers have already turned their backs on the primary market for this year. Consequently, we have no transactions to report on in today’s issue of our weekly publication. Instead, we take a look at what the coming trading week might bring: the German federal state of Baden-Wuerttemberg (ticker: BADWUR) intends to make good use of the pre-Christmas calm in order to launch an issue worth EUR 500m (WNG, 3y) in the form of a floating rate note. In addition, Kreditanstalt für Wiederaufbau (ticker: KfW) has sent out invitations to its Global Investor Broadcast on 10 December 2024, during which Germany’s biggest development bank will also announce its funding target for 2025. We expect an issue in the same format from the European Union (ticker: EU) in the coming days. As always, the EIB will distribute a press release, and the ESM and EFSF will send out a joint press release. We have outlined our expectations in the [Outlook for 2025](#), which is included as part of this publication.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
-	-	-	-	-	-	-	-	-

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

# Covered Bonds

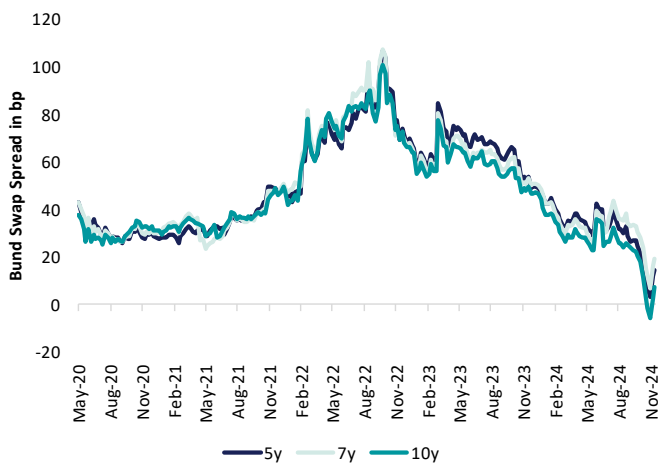
## Our outlook for the covered bond market in 2025

Authors: Lukas Kühne // Dr Frederik Kunze

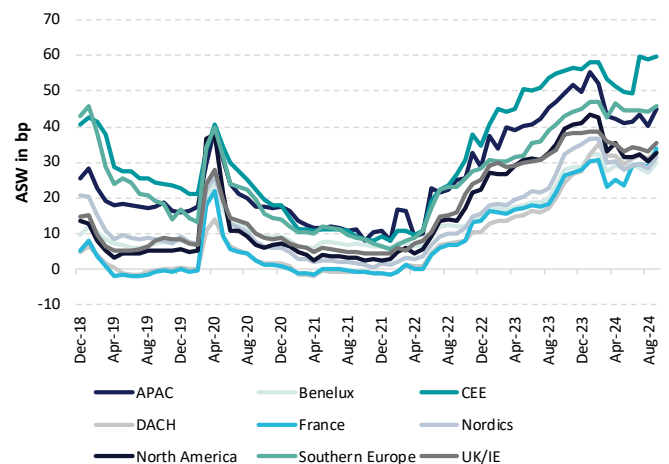
### The covered bond market in 2025 – how heavy a burden is the previous year’s Bund-swap-spread?

The 2024 covered bond year is coming to an end. The primary market already seems to have started its winter break. With an issue volume of EUR 146.5bn to date in 2024, the total of new deals fell considerably short of our projection for the year of EUR 168.8bn, which we presented at the end of 2023. Sentiment on the primary market has been essentially driven by the spread trend in the “neighbouring” asset categories of Public Issuers/SSA and Sovereigns over the past few weeks. The narrowing of the spread differential between Bunds and swaps made covered bonds seem increasingly unattractive from a relative value perspective. In conjunction with this, it is also important to look at the observable spread trend in the EUR benchmark segment for EU issuances, German Laender bonds and KfW bonds. For many investors, the spread premiums which are considered “fair value” for covered bonds that could and can be seen in the secondary market tend to reduce the appeal of less privileged covered bonds in regulatory terms, among other factors, versus the asset class of public issuers. In our view, this is also true in consideration of the fact that the covered bond segment has already worked through a significant repricing cycle in some maturity segments and that the absolute spread level can be regarded as high (by historical comparison). For 2025, the key question is now how greatly this “burden” for the covered bond segment will impact in future – although a series of other factors will play a part in determining issue supply and the spread trend in the coming twelve months. In the following, we will once again seek to provide a brief outlook for 2025 in the covered bond world.

**Bund-swap-spread**



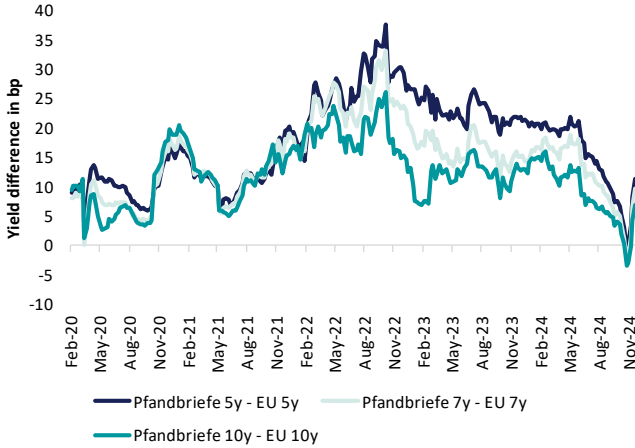
**EUR BMK: spread trend (5y, generic)**



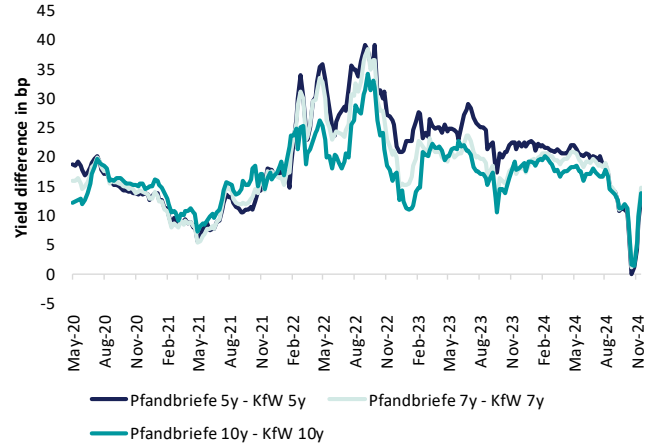
Source: Market data, Bloomberg, NORD/LB Floor Research



**Yield differential: Pfandbriefe vs. EU**



**Yield differential: Pfandbriefe vs. KfW**

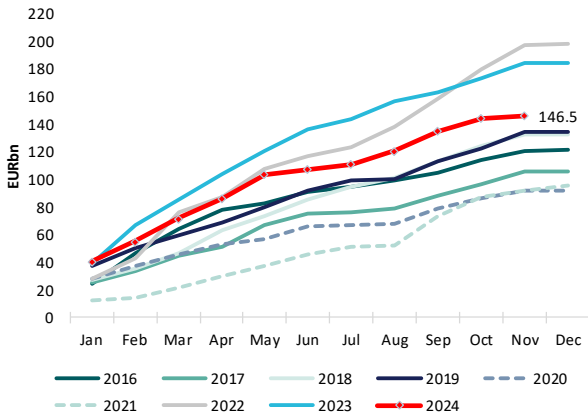


Source: Market data, Bloomberg, NORD/LB Floor Research

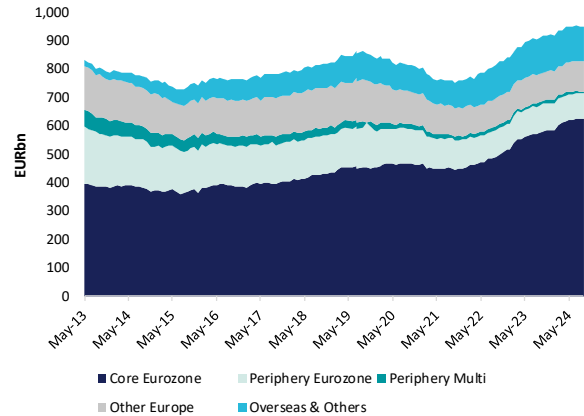
**A quick look back: historical classification of the 2024 primary market year**

With a gross issuance volume amounting to EUR 146.5bn, the 2024 issue year is looking considerably more reserved than the preceding years of 2023 (EUR 184.7bn) and 2022 (EUR 198.6bn). This also applies with regard to the calculated net new supply, which in our view is often the market-related reason for the development of spreads. The figure for 2024 is EUR 29.5bn, down from growth of EUR 61.3bn and EUR 60.6bn in 2022 and 2023, respectively. At this point we would like to say that we project further growth for the covered bond universe that forms our coverage in 2025. However, 2024 clearly demonstrated that the technical market view is by no means the only factor influencing spread developments. It must therefore be established that the relative value perspective most recently impacted on spread structure (and will continue to do so in 2025) in a way that we had not seen in recent years. In periods of “wide” Bund-swap-spreads, covered bonds do certainly seem more appealing, but the influence on spreads (reflected in narrowing) is by our estimation considerably weaker than the recent widening for covered bonds.

**EUR BMK: issuance activity**

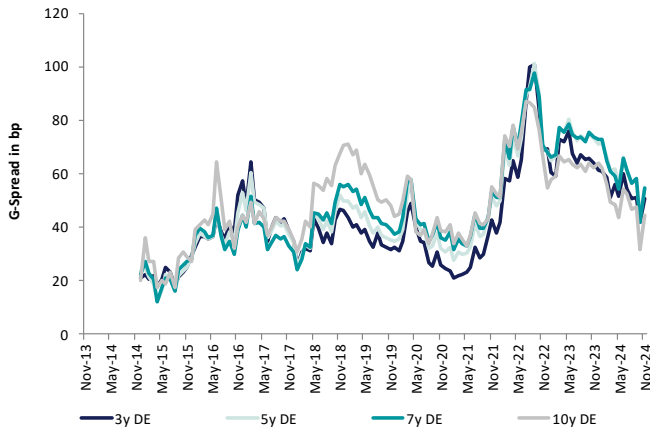


**EUR BMK: volume outstanding**

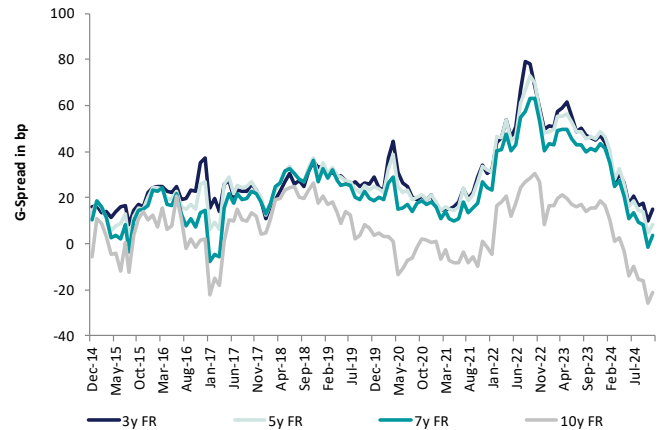


Source: Market data, Bloomberg, NORD/LB Floor Research

**EUR BMK DE: Sovereign vs. Covered (generic)**



**EUR BMK FR: Sovereign vs. Covered (generic)**

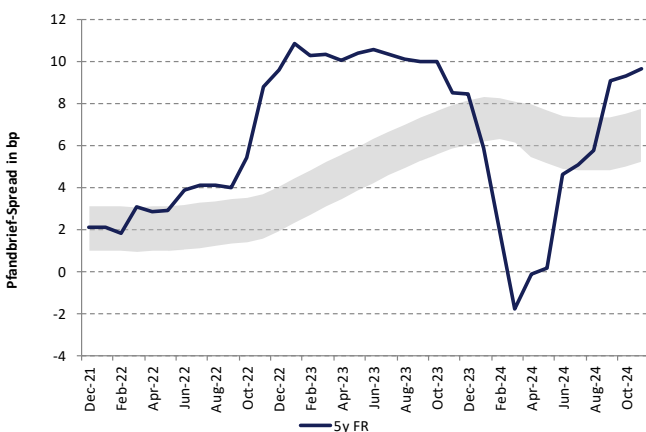


Source: Market data, Bloomberg, NORD/LB Floor Research

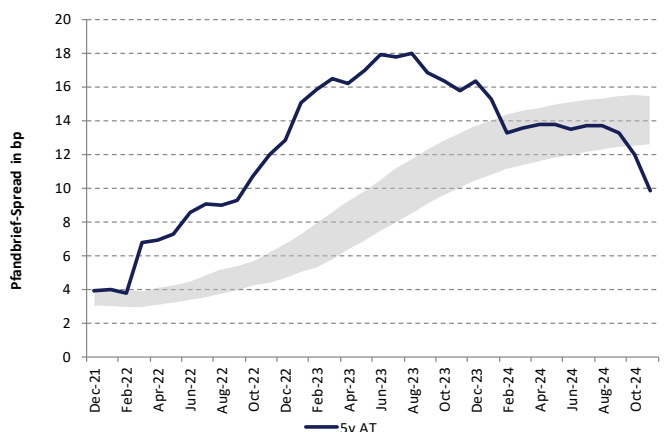
**Spreads in EUR benchmark segment in the “old” year: repricing not complete!**

In part due to the extremely restrained issuing activity over the past few trading weeks, the momentum was lacking to more or less complete the repricing, especially at the long end. As a result, volatility in the secondary market and price uncertainties among issuers and investors with regard to newly placed deals can be expected to remain high at the start of next year, in particular. In the generic view, for example, Pfandbriefe are trading too narrowly versus Bunds. When it comes to French covered bonds, covered bonds at the long end can be seen trading wide within OATs. In our view it is still too soon to call out circumstances relating to Italian bonds at the point. At the same time, given the political situation in France, the weightiest covered bond jurisdiction in the EUR benchmark segment, the G-spread for the country will be a hard-to-predict variable for 2025. However, as we detail later, issuers from France are not likely to be unduly deterred with respect to their funding behaviour. In fact, we attach strong weight to other (fundamental) factors that will keep the issue volume high.

**EUR BMK FR: relative value Pfandbriefe (generic)<sup>1</sup>**



**EUR BMK AT: relative value Pfandbriefe (generic)<sup>1</sup>**



Source: Market data, Bloomberg, NORD/LB Floor Research

<sup>1</sup> grey zone = ±10% margin as a rolling 36m average

**Primary market for 2025: comparatively strong issue year once again expected**

Before we explore the expected spread trend, we first want to present our net new supply forecast. In 2025, we again expect the EUR benchmark segment to grow. Maturities amounting to EUR 126.9bn are likely to be offset by new deals placed with a volume of EUR 170bn overall (excluding any taps and floaters). Given upcoming maturities of EUR 126.9bn, net supply would therefore amount to EUR 43.1bn and consequently significantly exceed the previous year's net supply (2024 ytd: EUR 29.5bn). However, this would still fall short of the figures from 2023 and 2022. Based on our bottom-up approach, the "growth candidates" for 2025 are France (net supply: EUR 16.2bn), Germany (EUR 7.5bn), the Netherlands (EUR 6.8bn) and Austria (EUR 4.7bn). In our opinion, the advancements in bank consolidation, preference for unsecured funding and very high customer deposits will cause the Spanish EUR benchmark segment to once again shrink markedly (net supply Spain: EUR -11.8bn).

**NORD/LB forecast for 2025: issuances and maturities by jurisdiction**

Jurisdiction	Issues 2024 as at 3 December 2024 (EURbn)	Outstanding volume as at 3 December 2024 (EURbn)	Maturities 2025 (EURbn)	Issues 2025e (EURbn)	Net supply 2025e (EURbn)
AT	6.50	59.60	2.80	7.50	4.70
AU	4.85	33.65	7.50	6.50	-1.00
BE	3.00	23.70	3.75	5.00	1.25
CA	11.25	82.45	9.50	12.00	2.50
CH	3.00	3.75	0.75	1.00	0.25
CZ	0.50	2.50	0.00	1.00	1.00
DE	29.50	210.79	21.50	29.00	7.50
DK	1.50	6.50	1.00	2.50	1.50
EE	0.00	1.00	0.50	1.00	0.50
ES	2.85	68.60	17.25	5.50	-11.75
FI	5.50	40.50	4.25	5.00	0.75
FR	38.50	268.77	21.35	37.50	16.15
GB	5.00	22.91	2.00	7.00	5.00
GR	0.00	0.00	0.00	0.00	0.00
HU	0.00	0.00	0.00	0.50	0.50
IE	0.00	0.75	0.75	0.00	-0.75
IS	0.00	0.50	0.00	1.00	1.00
IT	9.50	49.75	9.50	10.00	0.50
JP	0.00	5.60	1.00	2.00	1.00
KR	2.15	11.15	2.60	3.00	0.40
LU	0.00	0.50	0.00	0.00	0.00
NL	9.65	81.72	3.25	10.00	6.75
NO	6.25	47.25	5.75	8.00	2.25
NZ	0.00	7.95	1.25	2.50	1.25
PL	0.00	0.50	0.50	0.50	0.00
PT	2.00	5.35	0.00	3.00	3.00
SE	1.25	29.33	5.90	4.00	-1.90
SG	4.25	10.00	3.25	3.00	-0.25
SK	1.50	9.00	1.00	2.00	1.00
<b>Total</b>	<b>148.50</b>	<b>1084.06</b>	<b>126.90</b>	<b>170.00</b>	<b>43.10</b>

Source: Market data, Bloomberg, NORD/LB Floor Research

**Supply in 2025: basic considerations on the prognostic framework parameters...**

As usual, we need to make a number of assumptions for our supply forecast. This applies with regard to both actual funding requirements and the funding mix. In addition, for 2025, it will also be important to take into account the aforementioned special factors with regard to Bund-swap-spreads and relative value considerations. Especially at the start of the year, the question of execution risk is likely to play a not insignificant role for some investors and syndicates. Here, we see reciprocal influences on the selection of the guidance, the targeted issue size and the initial residual maturity of a new product. Looking at the more fundamental view, we see a positive impetus for covered bond funding demand from more dynamic lending, a rather cautious development in deposits and (finally, in 2025) more expensive refinancing via senior preferred and senior non-preferred bonds. Admittedly, we have been expecting a widening of spreads for the senior segment for some time, but have not yet been able to observe this “correction” due to the absolute spread and yield levels seemingly still appealing to investors. For 2025, we believe there is again a high probability that the spread between covered bonds and seniors will widen considerably. Another likely driver of issuances is the momentum in real estate markets in the jurisdictions included in our assessments. The ECB’s rate cut cycle and sustained high demand for housing are also expected to push corresponding demand for credit. This is especially true with regard to residential property finance. In the commercial property finance submarket, we anticipate a stabilisation overall, though risk will remain elevated, especially with regard to expiring interest rate fixes and upcoming follow-up financing.

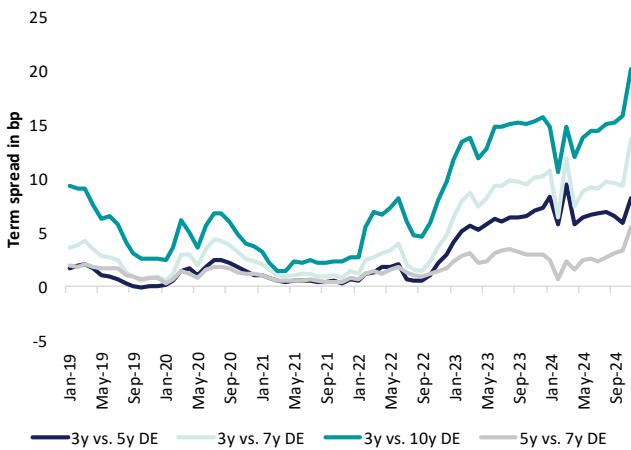
**... again reveal a wide range of forecast risks**

Our expectations for primary market activity in 2025 are again subject to a significant forecast risk. For jurisdictions outside the euro area – i.e. Canada, APAC, the Nordics and the UK, in particular – this is based on the choice of issue currency, for example. In our base-line scenario, the euro remains a very important funding currency for the majority of issuers. However, uncertainty in the context of relative value could make a move away from the EUR submarket seem a safer alternative for some institutions. However, for the majority of issuers, “foreign currencies” (from the perspective of the EUR benchmark segment) will still tend to be regarded as an opportunistic admixture. Denmark, Norway, Sweden and the UK are likely to be exceptions in this regard. The composition of funding according to refinancing instruments also gives rise to significant forecast risk, which can differ greatly from jurisdiction to jurisdiction. For this, Belgium can be seen as a representative example. Covered bond funding in 2024 was influenced by the rapid outflow of customer deposits, which was caused by the investment alternative of a government bond with attractive conditions tailored to the retail customer. Accordingly, the 2024 funding year was dominated by the refinancing of deposits outflows. The extent to which the issue volume will remain at a comparable level in 2025 remains to be seen (we expect a high EUR 5bn again). From today’s standpoint, the biggest factor of uncertainty for 2025 is to what extent a slowdown will be caused by relative value considerations and the possible lack of “willingness to pay” on the part of issuers.

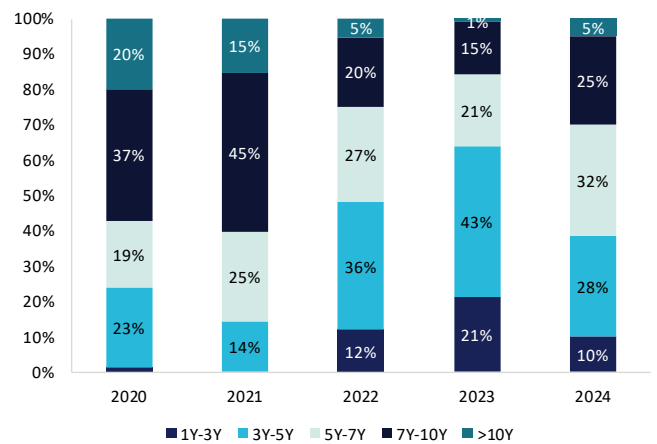
**The maturity question: when is expensive too expensive for issuers and...**

In the past, we have also repeatedly linked the avoidance of excessively high issue spreads to the emergence of deals with longer maturities. Looking at the 2024 issue year, it is evident that the longer maturity segments (7y-10y or >10y; see chart below) made a minor comeback. Nevertheless, the combined shares of these two maturity segments have not yet reached levels observed in the past. In 2025, we would continue to expect isolated deals with maturities of seven years or more, especially at the beginning of the year. Nevertheless, there is a question of what constitutes an “adequate” share of longer bonds in the primary market, as reference to previous years, which were characterised by extremely low interest rates and yields, in our opinion makes for a weak comparison. However, overall it must be stated that covered refinancing (relative to non-covered funding) is headed more for the long end. For maturities (based on the outstanding EUR benchmark volume) to be more balanced long term, shares in the primary market must first increase more significantly, also in order to slow down the additional build-up of an imbalance between the asset and liability sides of the issuing institutions. In our opinion, the maturity premium remains an obstacle here. This is especially the case because spreads observed in the secondary market are likely to be skewed downwards due to insufficient liquidity on account of a lack of issue momentum. This should be noted once more with a view to the long end, in particular. The generically derived maturity premiums for German Pfandbriefe are an example of premiums in the market as a whole.

**EUR BMK: maturity premium based on Pfandbriefe**



**EUR BMK: issue share by maturity segments**



Source: Market data, NORD/LB Floor Research

**... when is it sufficiently appealing to investors?**

The fact that opinions differ to a certain extent when it comes to maturity is also shown by a look at the investor perspective. From various customer discussions and enquiries on the trading side, we know that the “sweet spot” tends to be at around five years. It is our impression that this is also down to the maturity premium. For investors, the additional spread offered by a deal from the seven-year segment versus five years does not appear to be sufficient to offset the greater duration and any associated risk this entails. Overall, these factors speak in favour of stronger repricing at the long end in 2025.

**NORD/LB spread opinion**

At the start of next year, we expect a sharp widening of spreads for EUR benchmarks. As in previous years, this development will above all be driven by the high issue volumes that we habitually expect in these months. In particular, deals in the longer maturity segments (though probably few and far between) are likely to trigger strong repricing, including periods in which we would not rule out widening of more than 10bp in individual jurisdictions. Over the further course of the year, there should be a clear consolidation overall, so that moderate narrowing might be possible by the middle of the year. In addition to the three influencing factors otherwise discussed in our spread opinion (I. technical market aspects, II. fundamental data and III. sentiment), another key variable impacting spread development is the relative value perspective, which has generally been implicitly included in our usual consideration. In this context, we believe that a reciprocal perspective must also be taken into account. The covered bond segment definitely performs a hinge function here. While the spreads are too narrow for some “rate investors” (e.g. bank treasurers) or the covered bonds are too expensive, the covered bond levels tend to seem attractive for real money and credit investors. In fact, we see the composition and motivation of investors as an important variable for 2025 as well. After all, it must be assumed that the banking sector, like other investors (e.g. real money accounts), keeps spreads narrow for seniors via investments in the “credit” universe (key words: credit substitute business). As “real” lending increases, this effect is likely to weaken in the future. Less than a year ago, market players were much less focused on the effect that issue volumes in the “adjacent” asset classes had on covered bond spreads. This makes concrete EUR funding from one of the major issuers in the public sector all the more important, for example. It is quite common for issuers such as KfW or the European Investment Bank (EIB) to turn to other currencies as soon as this appears to be advantageous from a cross-currency consideration. A lower issue volume (especially when it comes to the “sweet spot” of five years) could provide some relief to the covered bond segment on the spread side.

**NORD/LB spread forecast**

Current levels					as of 30/06/2025(e)					Expected spread change				
<i>in bp</i>	3y	5y	7y	10y	<i>in bp</i>	3y	5y	7y	10y	<i>in bp</i>	3y	5y	7y	10y
AT	35.2	44.6	50.9	55.5	AT	38.5	47.5	57.0	63.0	AT	3.3	2.9	6.1	7.5
AU	32.9	45.6	54.5	59.5	AU	36.5	48.5	61.0	67.0	AU	3.6	2.9	6.5	7.5
BE	28.9	40.1	50.3	59.6	BE	32.5	43.5	57.0	67.0	BE	3.6	3.4	6.7	7.4
CA	30.9	42.9	54.4	61.2	CA	34.5	46.5	61.0	69.0	CA	3.6	3.6	6.6	7.8
CZ	51.2	60.6			CZ	54.5	63.5			CZ	3.3	2.9		
DE	26.9	35.1	40.7	47.2	DE	30.5	38.5	47.0	55.0	DE	3.6	3.4	6.3	7.8
DK	35.1	38.9	38.6		DK	38.0	42.5	45.0		DK	2.9	3.6	6.4	
EE	32.6				EE	36.5				EE	3.9			
ES_Single	34.6	46.6	47.9	55.9	ES_Single	38.5	49.5	54.0	64.0	ES_Single	3.9	2.9	6.1	8.1
FI	24.4	36.1	40.7	42.0	FI	27.5	39.5	47.0	50.0	FI	3.1	3.4	6.3	8.0
FR	30.2	44.7	54.4	59.8	FR	33.5	48.5	61.0	68.0	FR	3.3	3.8	6.6	8.2
GB	33.1	42.6	47.3	50.5	GB	36.5	45.5	54.0	58.0	GB	3.4	2.9	6.7	7.5
IS	36.6	44.6	59.0	65.1	IS	40.5	47.5	65.0	73.0	IS	3.9	2.9	6.0	7.9
IT	44.6	59.0	65.1	74.4	IT	48.5	62.5	71.0	82.0	IT	3.9	3.5	5.9	7.6
JP	51.3	63.0	65.1		JP	54.5	66.5	71.0		JP	3.2	3.5	5.9	
KR	35.1	39.0			KR	38.5	42.5			KR	3.4	3.5		
LU	36.3				LU	39.5				LU	3.2			
NL	27.1	38.8	46.5	54.1	NL	30.5	42.5	53.0	62.0	NL	3.4	3.7	6.5	7.9
NO	23.6	36.9	46.2	50.7	NO	27.5	40.5	53.0	59.0	NO	3.9	3.6	6.8	8.3
NZ	34.8	52.0	54.9		NZ	38.5	55.5	61.0		NZ	3.7	3.5	6.1	
PL					PL					PL				
PT	37.8	50.2	54.5		PT	41.5	53.5	61.0		PT	3.7	3.3	6.5	
SE	22.0	33.8	41.7	45.7	SE	25.5	37.5	48.0	54.0	SE	3.5	3.7	6.3	8.3
SG	31.8	38.9			SG	35.5	42.5			SG	3.7	3.6		

Source: Bloomberg, NORD/LB Floor Research

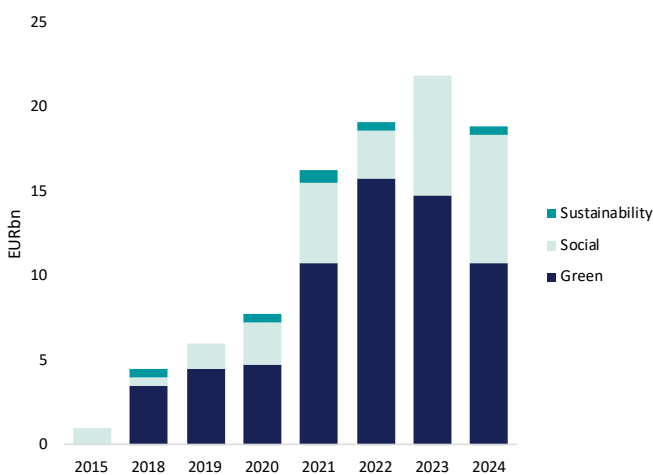
**Forecast risk for spread trend in 2025**

Based on the determining factors of spread developments, the deviation risk for our point forecast are derived in the jurisdiction and maturity combinations. However, the relative value aspect will be the greatest influence in the current market environment at the start of 2025. This is also to be regarded in connection with the supply-side perspective. In fact, we identify an inverse cause-and-effect relationship between supply and spreads for 2025. If spreads widen too much at the beginning of the year and covered bonds continue to look “expensive” to investors in relative value terms due to other factors, this could lead to pronounced restraint in issuance behaviours. In the context of the fundamental view – also taking into account the challenging macroeconomic environment – we do not see any significant issues that would potentially trouble our 2025 forecast. The banking sector should be stable in terms of capitalisation, liquidity and rating outlook. The real estate market is also showing signs of a continuation in the trend towards recovery and an end to price corrections.

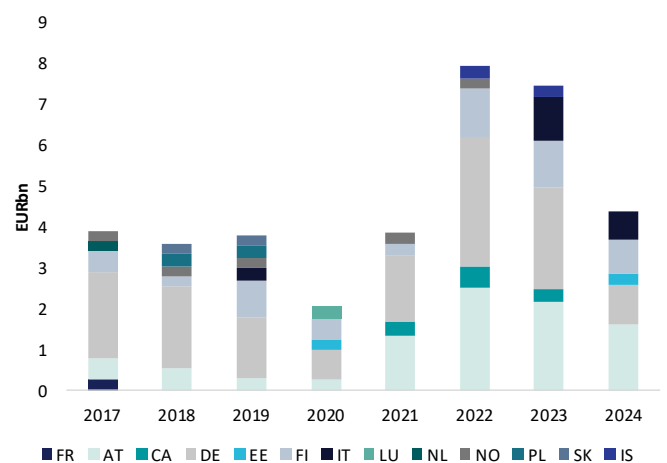
**ESG in 2025**

In the submarket for sustainable issuances, 2025 is likely to be similar to the previous year. We expect issuance volumes to be solid, although it would appear doubtful that the ESG primary market can match the record year of 2022. In our view, the share of ESG deals in the primary market is likely to be just over 10%, which would correspond to an issue volume of just over EUR 17bn in our supply forecast. The stringent requirements of the EU taxonomy are likely to remain a challenge, in particular for the green covered bond submarket, so that hardly any issuing banks are likely to base their green covered bonds on the EU Green Bond Standard, which will apply from 1 January 2025. In 2025, too, we see little potential for pronounced green premiums on the secondary market.

**EUR BMK: ESG issuances**



**EUR SBMK: issuances**



Source: Market data, NORD/LB Floor Research

**EUR sub-benchmark segment will remain a hot topic in 2025**

For us, the submarket of covered bond issues in EUR sub-benchmark format continues to be a very relevant niche market. Ultimately, these smaller volumes also enable covered bond issuers with lower funding requirements or smaller cover pools to appear on the market regularly. For some investors, the less liquid bonds (following the regulatory interpretation of the LCR Regulation) due to a spread premium appear to be an interesting investment opportunity. Although the issue volume in 2024 fell slightly short of our expectations, we do not believe that it detracts from this interpretation. Compared with 2024, we expect the primary market for EUR sub-benchmarks to be somewhat more active in the coming 12 months. This is not least attributable to the high level of momentum coming from Germany. We anticipate increased activity in the savings bank sector, in particular.

**Conclusion**

The covered bond segment will start the new year carrying a considerable burden. The starting point for the primary market is very challenging given the current level of Bund-swap-spreads in conjunction with the spread levels of public issuers. In this context, the influence on execution risk and therefore also on the structuring of new deals (size, spread, maturity) is unusually strong. The first deals in the new year are likely to set the course, as they can have a lasting impact on future market sentiment. Quite apart from these general conditions, we would say the covered bond segment is in fine fettle from a fundamental point of view. Nevertheless, the repricing cannot yet be considered complete. A “blind spot” might also remain at the long end, where repricing has yet to start. This should produce significantly wider spread levels than can currently be observed on the secondary market.



## SSA/Public Issuers

# SSA Outlook 2025: Risk premiums are back in town

Authors: Dr Norman Rudschuck, CIIA // Lukas-Finn Frese

### **Public issuers in thrall to fiscal challenges and political crises**

The 2024 SSA year, which is slowly but surely drawing to a close, once again provided plenty to talk about, but we want to save that for the annual review in the first weekly publication of the new year. Today, we would instead like to look ahead and provide an outlook for the coming twelve months, in which some landmark decisions will have to be taken – from an economic, monetary policy and (geo)political perspective. These will directly affect the framework conditions under which the issuers based on our SSA definition (i.e. excluding sovereigns) operate. In 2025, the SSA segment is likely to be mainly influenced by fiscal developments. In this context, the current focus is on the debate about France's budget and public debt that has been rumbling on for months as well as the new uncertainty about the political and economic situation in Germany. Both flashpoints have led to turmoil on the capital markets this year. At the end of November, the French 10-year government bond yield was for the first time at the level of bonds issued by the Greek state, which was hit particularly hard by the European sovereign debt crisis and was only able to regain its investment grade status last year. Worries about the budget situation and government debt will probably continue to occupy the capital markets in the coming year and will, in the short term, mean higher refinancing costs in particular for French agencies, whose ratings are often equated with those of the French state. Regarding the current situation in Germany, we would have had federal elections next year anyway, but in September instead of February, as is now the case. One of the reasons for the ultimate failure of the 'traffic light coalition' was the question of suspending the German debt brake, even though there had been sand in the government's gears for some time in many respects. That very debt brake will come into focus again in the coming year, especially if it comes to calls for a possible (sensible) reform. We have to get the elections out of the way first, although forming a coalition swiftly and without conflict afterwards could prove rather difficult. On the capital markets, political uncertainty in Germany led to a significant narrowing of the Bund-swap-spread, which even slipped into negative territory at times. For German issuers from the SSA segment, such as KfW and the German Laender, this meant a new repricing dynamic, where old patterns and regularities broke down and Laender bonds were at times more expensive than those of KfW. Here, too, we therefore see further scope for spread widening in the first half of 2025. As the third trouble spot, Ukraine should, of course, not be forgotten. Here, the re-election of Donald Trump as US president is a cause for concern in terms of financial aid. If the USA were to drastically reduce its financial support, the European states and supnationals would have to increase their aid and refinance these funds accordingly, which could lead to more issues from the EU or EIB, for example.

**(Net) supply still needs to be viewed on a highly differentiated basis**

In the meantime (i.e. at the time of going to press) most issuers have now completed their refinancing for the current year or are on the funding home stretch. Since the beginning of the year, there have been a total of 198 EUR benchmark issues (of the SSAs we analysed) with a volume of around EUR 282bn. This was the third-highest figure ever in the SSA segment. Especially compared to the values prior to the COVID-19 pandemic – e.g. EUR 190bn in 2017 or EUR 166bn in 2019 – this is a very high figure, albeit lower than in two of the three years during the pandemic (2020: EUR 303bn; 2021: EUR 325bn; 2022: EUR 270bn). After all, German Laender also managed without additional credit authorisations in 2024. In addition, the first habituation effects set in, although not only the ECB has once again operated with and handled huge amounts of money, rather the EU, as a relatively new “mega issuer”, has also acted decisively to date and still has a lot to do until 2026. This will furthermore have a significant impact on the funding volume in 2025 (and beyond). In the coming year we therefore expect, subject to a certain degree of uncertainty, EUR benchmark issues of once again over EUR 275bn. This figure will yet again exceed the pre-crisis volume and therefore stabilise at a very high level, although the drivers are different every year.

**Focus: German Laender**

After a disproportionately high supply still came up against huge demand at times in 2022, the situation increasingly normalised in 2023 and 2024. Only Bavaria did not issue a single bond in benchmark format in the year-to-date, which is also in line with the Free State’s low credit authorisations. Spreads and maturities will remain the issue in 2025. For the 16 Laender, we expect (gross) credit authorisations of around EUR 87bn in the coming year. This figure would once again represent a decline compared to the previous year and underpin the focus of the sub-sovereigns on reducing the (absolute) debt mountain in the long term. However, we assume that all the Laender will comply with the debt brake in 2025 and therefore see little scope for supplementary budgets.

**Credit authorisations of German Laender: 2024 vs. 2025e (in EURbn)**

	2024	2025e
Baden-Wuerttemberg	32.36	35
Bavaria	1.94	1
Berlin	8.43	5
Brandenburg	3.11	1
Bremen	3.82	1
Hamburg	2.30	3
Hesse	5.91	6
Mecklenburg-Western Pomerania	2.00	1
Lower Saxony	7.06	7
North Rhine-Westphalia	10.10	13
Rhineland-Palatinate	4.30	5
Saarland	0.00	1
Saxony	0.24	1
Saxony-Anhalt	2.10	2
Schleswig-Holstein	6.94	4
Thuringia	1.00	1
<b>Total</b>	<b>91.6</b>	<b>87</b>

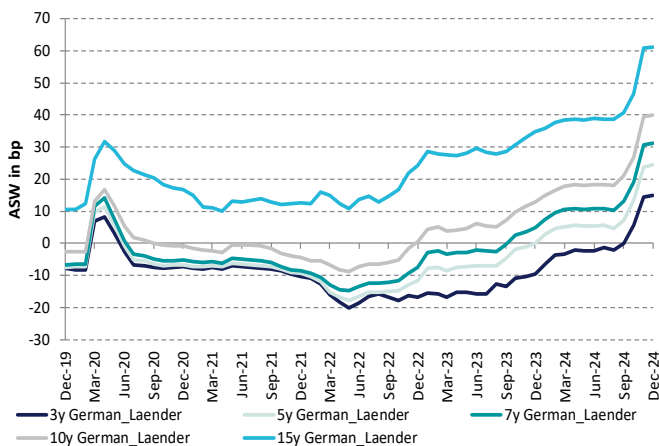
e = estimate

Source: Bloomberg, NORD/LB Floor Research

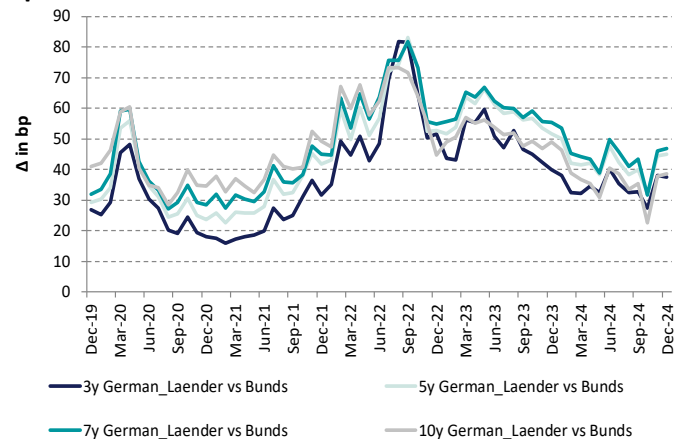
**Lower funding from German Laender expected in 2025 – If the debt brake is not significantly revised**

In the regional bond segment, the bonds of [German Laender](#) still represent by far the most important sub-sovereign market – in 2020 in particular, but also in 2021, the 16 Laender again increased their lead and therefore their importance at the same time. Before that, however, a decline in funding volumes had been observed for years. For 2025, we anticipate a gross placement of new bonds totalling EUR 50-55bn (assumption: EUR 52.5bn), unless the debt brake is made fit for the future and accordingly can allow more investment. This is offset by maturities totalling just under EUR 51bn in 2025, resulting in a slightly positive net supply of around EUR +1.5bn. In both cases, it is not just EUR benchmark bonds, but also foreign currencies and SSD deals. Regardless of the volume, the relevance of German Laender bonds in this key segment will continue. In addition, we expect Laender jumbos via the vehicle of Joint Laender (Ticker: LANDER) totalling EUR 2.0-2.5bn. It will be interesting to see whether a newly elected federal government is willing to engage in an investment-related reform of the debt brake next year and how this will affect the 16 Laender. German growth prospects continue to give little cause for optimism. Consequently, expectations for tax revenues at Laender level are also not looking good at the moment, which should shift the focus to seeking additional funding on the capital market given that expenditure is likely to increase slightly. Austerity measures in the budgets of the Laender will probably dampen this effect somewhat. In terms of spread movements in the coming year, we expect the greatly accelerated repricing in mid-November, triggered by a drastic narrowing of the Bund-swap-spread in the wake of the collapse of the traffic light coalition, to continue to a limited extent. An additional driver will be the final expiry of the PEPP by the end of 2024, meaning that the ECB’s last active purchase programme will now also be discontinued. German Laender bonds are by far the most sought-after SSA bonds by the Eurosystem. As at 02 December, a total of 631 different German bonds had been purchased since 2015 under the PSPP or PEPP. All in all, we see scope for additional spread widening in H1/2025 due to the ongoing political uncertainty in Germany and the future lack of demand from the Eurosystem.

**Spread movements of German Laender**



**Spreads of German Laender vs. Bunds**

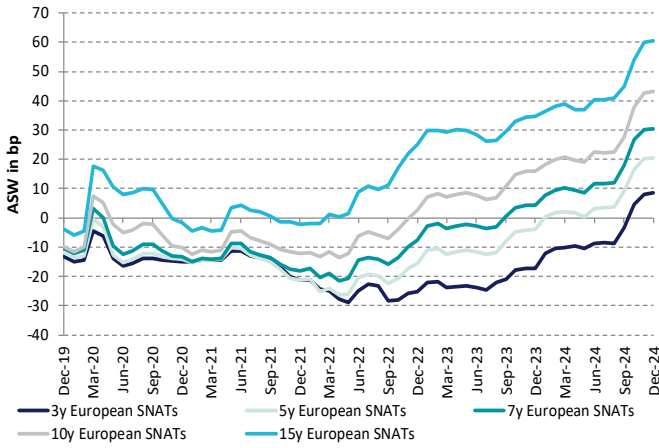


Source: Bloomberg, NORD/LB Floor Research; data as of 03. December 2024

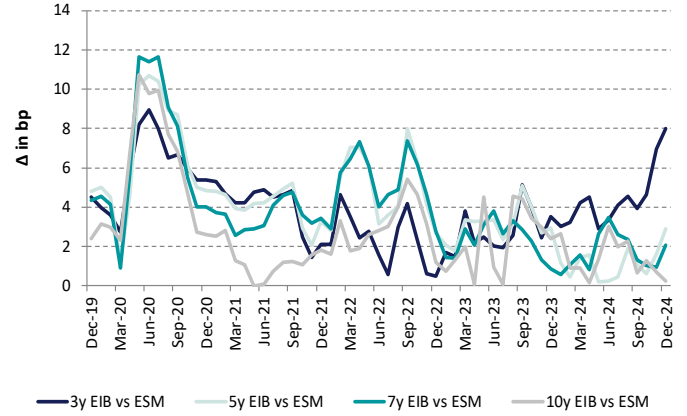
**Supranationals caught between (geo)political decisions and green transformation**

The (few) [E-Supranationals](#) still represent an important category in the SSA universe and since 2021 are now larger than all German EUR benchmark issuers combined in our delineation of the segment. A generally (still) very good rating, high liquidity and regulatory advantages continue to favour bonds from this segment. The EIB will of course remain a regular player on the primary market in 2025. We expect it to reach a slightly higher funding target of EUR 65-70bn, again spread over a wide range of currencies. This will be offset by maturities of around EUR 62bn next year. At European level, the overall picture is dominated by a few big names: for example, the increase in EUR benchmark issues this year can be attributed in large part to the noticeably increased funding needs of the EU under its NGEU programme, specifically the Recovery and Resilience Facility (RRF), which will also go up in the coming year. In addition, we believe that additional financial aid for Ukraine is very likely, as US support could be reduced significantly following the re-election of Donald Trump as US president, unless he ends the war by telephone as announced. The EU would then have to fill this vacuum and refinance the corresponding funds itself. We expect the European Commission to publish the funding plan for H1/2025 in the coming days and issue an invitation to the global investor call. For 2025 as a whole, we expect a funding target for the EU of EUR 155-165bn, which would again represent an increase on the previous year. EU-Bills always complement these values and are therefore not included. As part of its actual activities, the EU often had a neutral net supply until 2020. The maturities in 2025 of EUR 28.6bn also include SURE and NGEU bonds for the first time. We assume that at least the latter will be extended. It will be interesting to see whether the market is ready for the inclusion of EU bonds in Govie indices next year, after the index provider MSCI refused to include them in June of this year despite divided investor opinions, which subsequently led to widening spreads along the curve. For the ESM, we expect a negative net supply of EUR 5bn for next year, while EUR 7bn of fresh supply will enter the market (maturities: EUR 12bn). For the EFSF, we expect new issuances to increase again to EUR 21.5bn, up from EUR 20bn in 2024. In the past, there was always a (significant) reduction in new issues (after e.g. EUR 19.5bn in 2022, EUR 28.0bn in 2018 and as much as EUR 49.0bn in 2017). On the other hand, maturities of EUR 21.5bn will again be due in 2025, resulting in a net supply of zero. We do not assume there will be any change of plan here either. We also expect the ESM to issue a USD bond again on the market next year and to further expand the digital bond segment. If France, for example, suffers a further downgrade from one of the three major agencies, the top ratings of the four large E-names could also come under pressure. In 2025, we will continue to focus on how the EIB's capital market structure, which is currently being renewed and restructured, and the (corporate) political realignment will affect the entire ESG segment and in particular the "green bonds" asset class – keyword EU Green Bond Standard. We will provide an outlook for the ESG segment on the last page of this article.

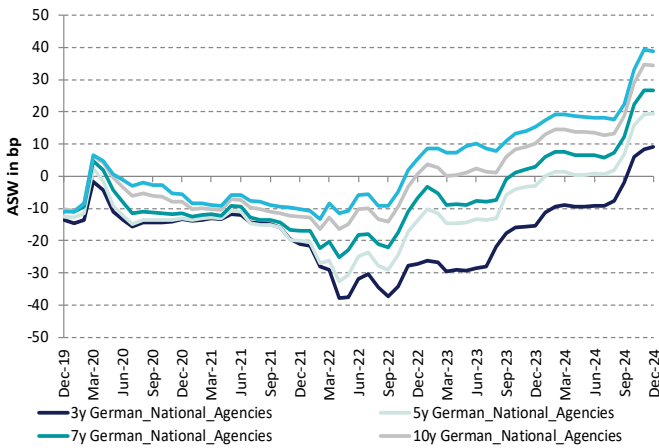
### Spread trend of European supranationals



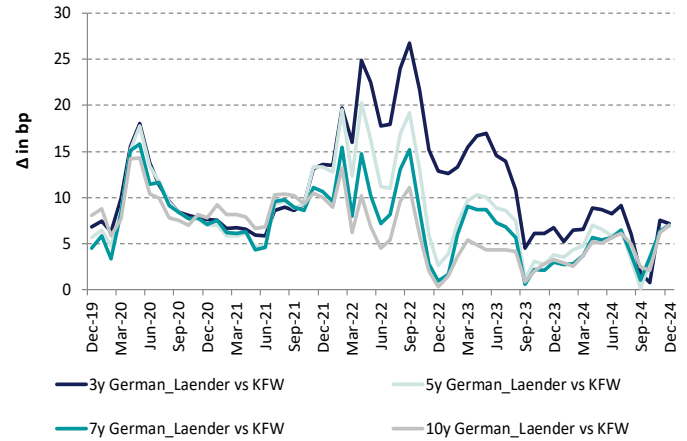
### Spread differences: EIB vs. ESM



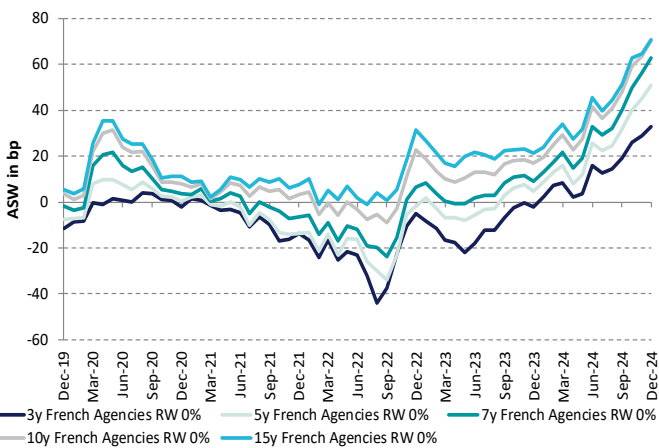
### Spread trend of German national agencies



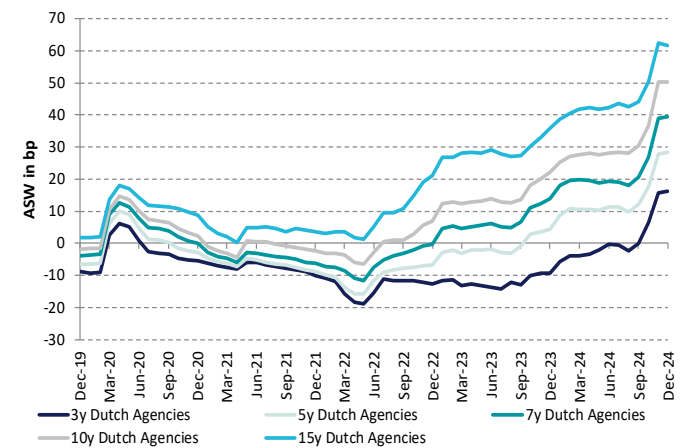
### Spread differences: German Laender vs. KfW



### Spread trend of French agencies (0%)



### Spread trend of Dutch agencies



Source: Bloomberg, NORD/LB Floor Research; data as of 03 December 2024

**German agencies with stable net supply overall**

For the [German agency market](#), we expect net supply to remain stable or even positive overall, with promotional volumes likely to normalise again and remain at the level seen before the outbreak of the COVID-19 pandemic. We have already observed a corresponding trend in the current year. The most dominant market participant, KfW, will announce its funding target for 2025 at the upcoming Global Investor Broadcast on 10 December. We predict a funding requirement of more than EUR 80bn, traditionally spread over a large number of currencies. In the medium term, we believe that KfW's funding volume is likely to settle in a corridor around this figure. The promotional bank was already forced to downgrade its original target this year. This contrasts with a maturity volume of around EUR 75bn in 2025. Net supply would accordingly be positive (minimum EUR 5bn). As the second national agency, we also anticipate that Landwirtschaftliche Rentenbank will have a stable funding requirement. The maturities here amount to EUR 10.8bn for 2025, so we expect Rentenbank to have a target in the region of EUR 9-11bn. In terms of the regional development institutions, we assume that NRW.BANK will raise fresh funds of EUR 11-13bn, which would again be in line with this year's target. The maturities here amount to EUR 9.9bn, resulting in a slightly positive net supply. At the beginning of the year, we also see scope for further increases in spread levels among the well-known agencies, with a countermovement setting in from Q2/2025 at the earliest.

**French issuers dominate heterogeneous agency market ahead of Dutch and Nordics, overseas regions remain active**

After the German agency market, the French agency market is the second largest sub-market in Europe. As a result of the pandemic, there were also some significant upward adjustments to funding targets; Unédic in particular started with EUR 3bn in 2020 and then ended up at around EUR 20bn. In the following years there were significant downward adjustments again, resulting in an annual target of EUR 1bn in 2022 up to and including 2024. We predict the same for the coming year. Players such as CADES or Bpifrance (forecast: EUR 20bn and EUR 10bn respectively) in this segment will, however, continue to place considerable funding volumes on the primary market and will also be active in the ESG format. Next year, French agencies will continue to be affected by (budgetary) policy uncertainty and the associated potential rating changes and spread movements. Other important issuers in the European SSA segment are [Dutch promotional banks](#). BNG's funding for 2025, for example, is expected to be EUR 15-17bn. Moreover, their [sustainability bonds](#) (in the form of social housing bonds) are already very well established instruments. The same goes for the NWB: it issues EUR equivalents totalling EUR 10bn every year in several currencies. ESG criteria in the form of [water bonds](#) and [SDG housing bonds](#) (until 2019: affordable housing) turn up here. Both Dutch companies also diversify strongly across currencies – only the [Nordics](#) diversify more strongly. EUR benchmarks of the [Canadian provinces](#) are difficult to predict. All the issuers primarily prefer their home currency, turning to the euro only opportunistically at times. We do not expect a repeat of the strong year 2024 with EUR 10.3bn, but rather anticipate EUR benchmark issues of around EUR 5-7bn in 2025.

**ESG – far from just a green segment: green, social and sustainability bonds**

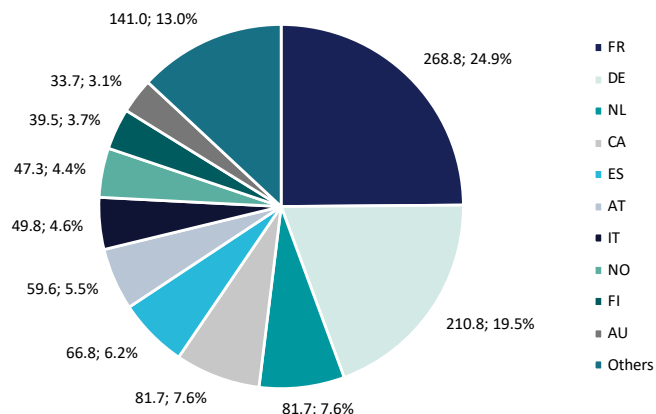
The volume of green bonds issued has increased sharply over time since the first green bond issue by the [EIB](#) in 2007. The ESG segment received an additional boost from the social bonds issued by the EU. The EU's SURE programme alone consists cumulatively of almost EUR 100bn in social bonds, but expired on 31 December 2022. As described above, the first maturities are therefore set to fall due next year. From 2021 to the end of 2026, the EU will also become the world's largest green issuer with a planned volume of EUR 250bn as part of the [NGEU](#). For 2025, we anticipate new issues of EUR 50bn in this respect. The French issuers [Unédic](#), [CADES](#), [AFD](#) and the now rebranded [Société des Grands Projets](#), which operates throughout France, have large volumes and various ESG formats. In addition, the EIB's green transformation process will continue in 2025. The pioneering role played by the inventor of the green bond therefore remains undisputed. However, [KfW](#) and [North Rhine-Westphalia](#) have long been building up a sustainable, green and at the same time extremely liquid curve too, which will also be supported next year with fresh supplies. Perhaps another German sub-sovereign will surprise us with a corresponding framework and a first new issue. We still see considerable growth potential here. We anticipate that the Laender segment will bring new ESG deals in the amount of at least EUR 3bn to the table next year. Moreover, it will be interesting to see what changes the ESG segment undergoes next year due to the possible application of the EU Green Bond Standard as early as 21 December 2024. We expect that only a very limited number of issuers from the SSA segment will decide to place corresponding green bonds. We believe that the large E-supras in particular have a responsibility here to do pioneering work and drive the label forward with new issues. We take a rather critical view of the extensive reporting requirements in relation to smaller issuers in particular.

**Conclusion and outlook**

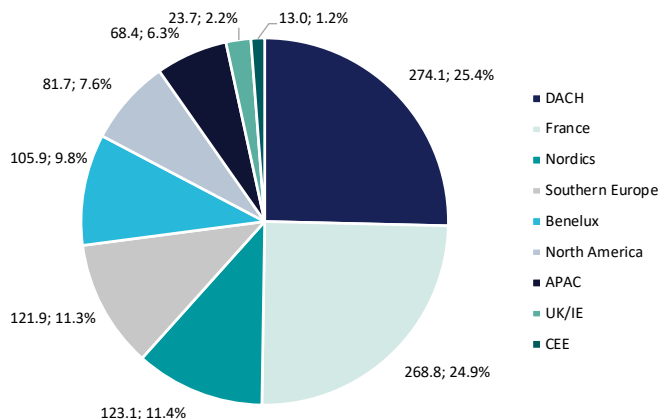
We expect the SSA segment in 2025 to continue to be dominated by current geopolitical crises, economic and budget policy challenges, further interest rate cuts and the final end of reinvestments in the ECB's purchasing programmes. We will provide a detailed outlook for future monetary policy measures in the Eurozone in a separate preview in the near future. In our baseline scenario for the coming year, we initially anticipate the possibility of a sustained widening of spreads in the SSA segment at least in Q1/2025. We are also curious to see how the seasonal patterns play out, such as how strong January will be and what spreads will then be priced in after the strong repricing of recent weeks. In view of the maturity structure, the focus could be more on the months of March and April and the start to the new year could therefore be somewhat slower in terms of new issues. It remains difficult to predict the outcome of the debates surrounding the French budget and sovereign debt situation as well as the political situation in Germany in the context of the new elections at the end of February, which could potentially see a return of protracted coalition negotiations. The situation in Ukraine could also develop in one direction or another after the inauguration of US president Donald Trump. There are therefore still significant uncertainties, but these could realistically be resolved by the middle of the year. In this respect, we expect a less volatile market situation from Q2/2025 at the earliest, which could accordingly have a positive effect on spread movements.

# Charts & Figures Covered Bonds

EUR benchmark volume by country (in EURbn)



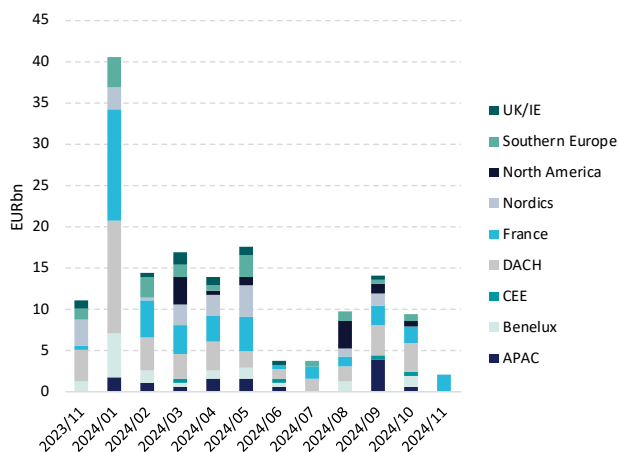
EUR benchmark volume by region (in EURbn)



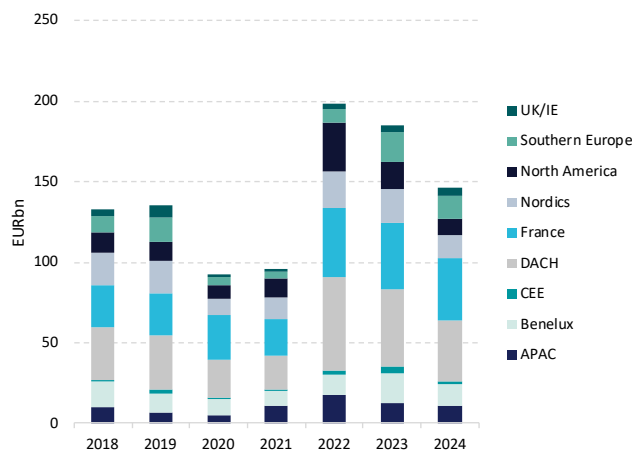
Top-10 jurisdictions

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	268.8	258	29	0.98	9.2	4.7	1.49
2	DE	210.8	299	46	0.65	7.8	3.8	1.52
3	NL	81.7	82	3	0.93	10.5	5.9	1.40
4	CA	81.7	60	1	1.34	5.6	2.6	1.43
5	ES	66.8	53	5	1.14	11.1	3.1	2.19
6	AT	59.6	100	5	0.59	8.0	4.0	1.56
7	IT	49.8	64	5	0.76	8.5	3.9	2.01
8	NO	47.3	58	12	0.81	7.2	3.4	1.11
9	FI	39.5	45	4	0.86	6.7	3.4	1.77
10	AU	33.7	32	0	1.05	7.2	3.3	1.79

EUR benchmark issue volume by month



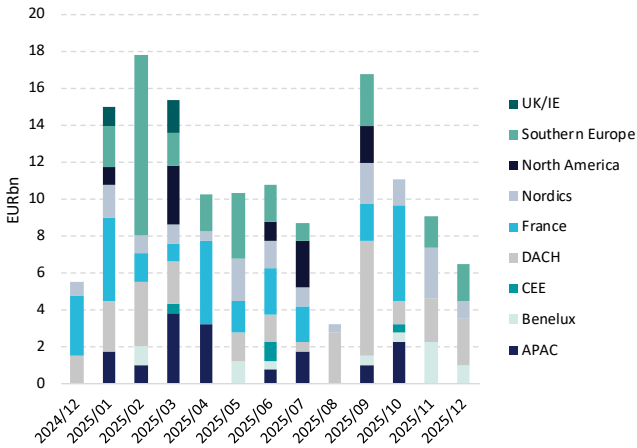
EUR benchmark issue volume by year



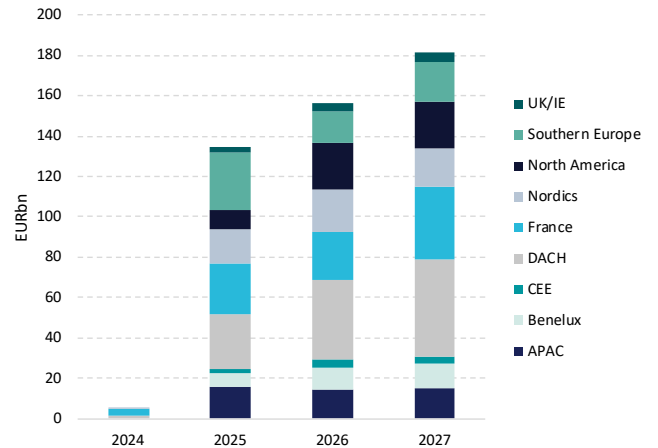
Source: Market data, Bloomberg, NORD/LB Floor Research



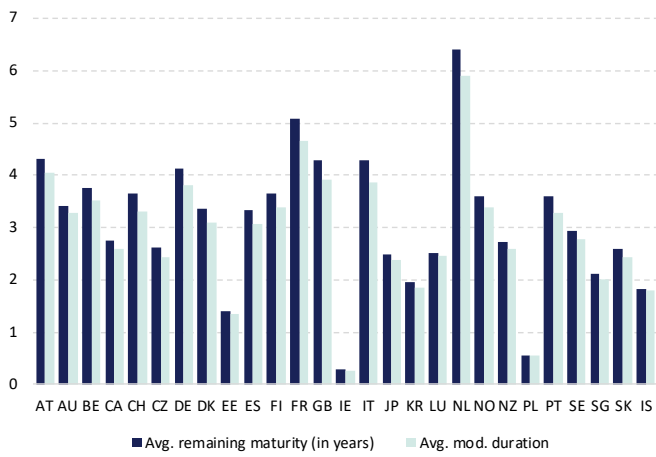
**EUR benchmark maturities by month**



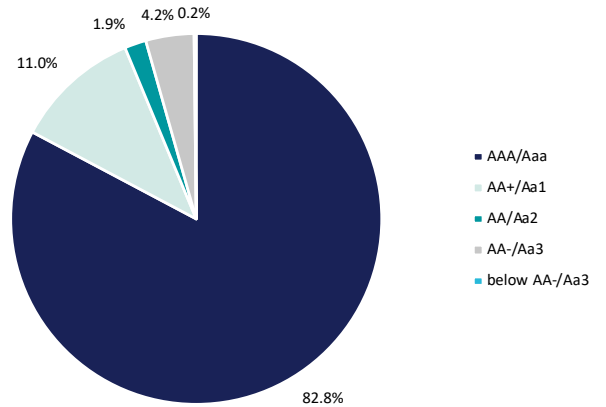
**EUR benchmark maturities by year**



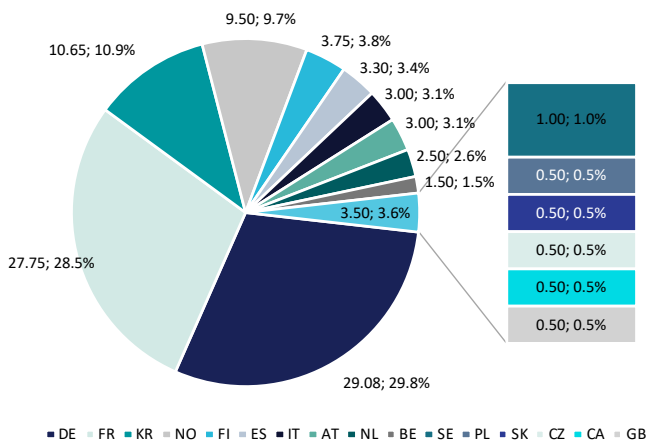
**Modified duration and time to maturity by country**



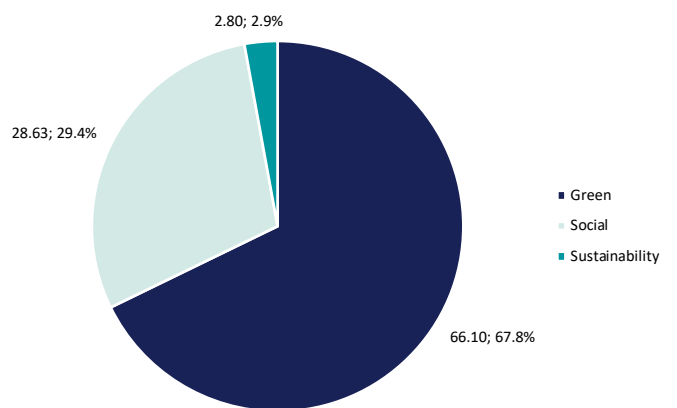
**Rating distribution (volume weighted)**



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

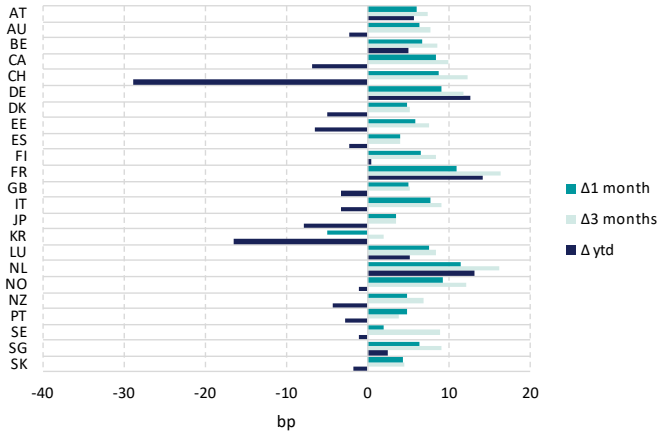


**EUR benchmark volume (ESG) by type (in EURbn)**

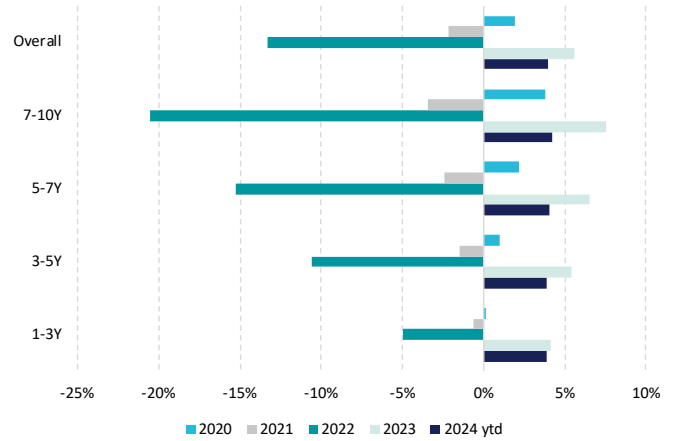


Source: Market data, Bloomberg, NORD/LB Floor Research

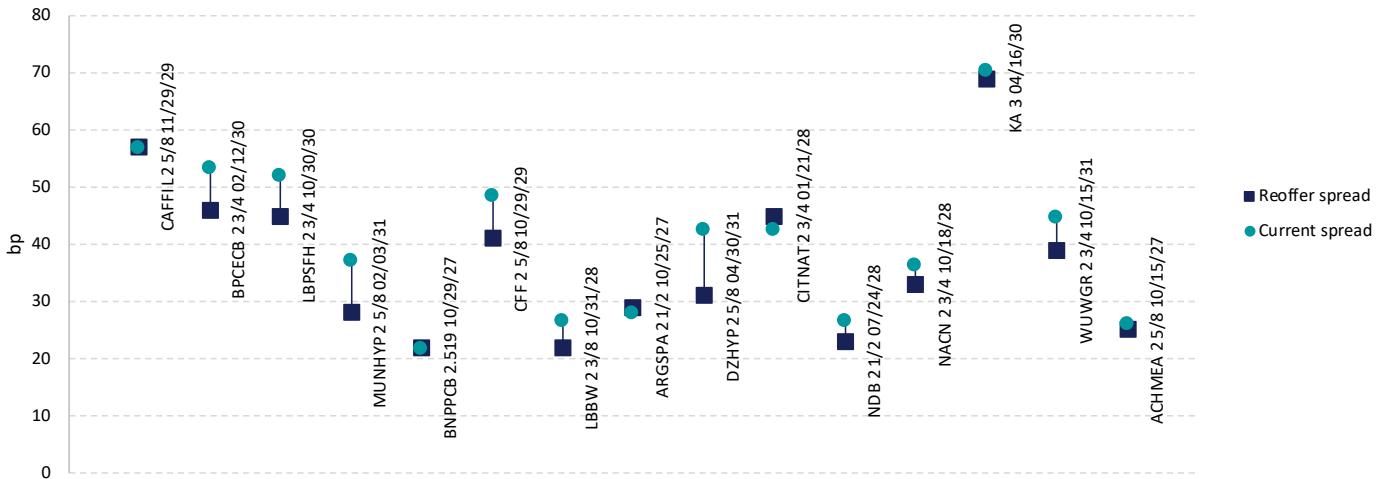
### EUR benchmark emission pattern



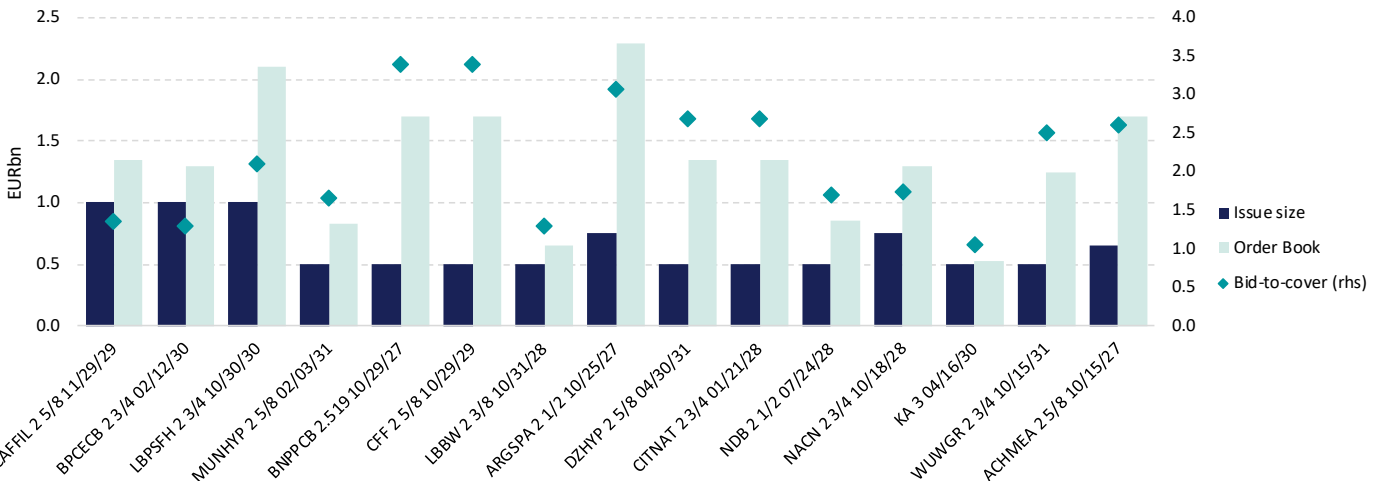
### Covered bond performance (Total return)



### Spread development (last 15 issues)

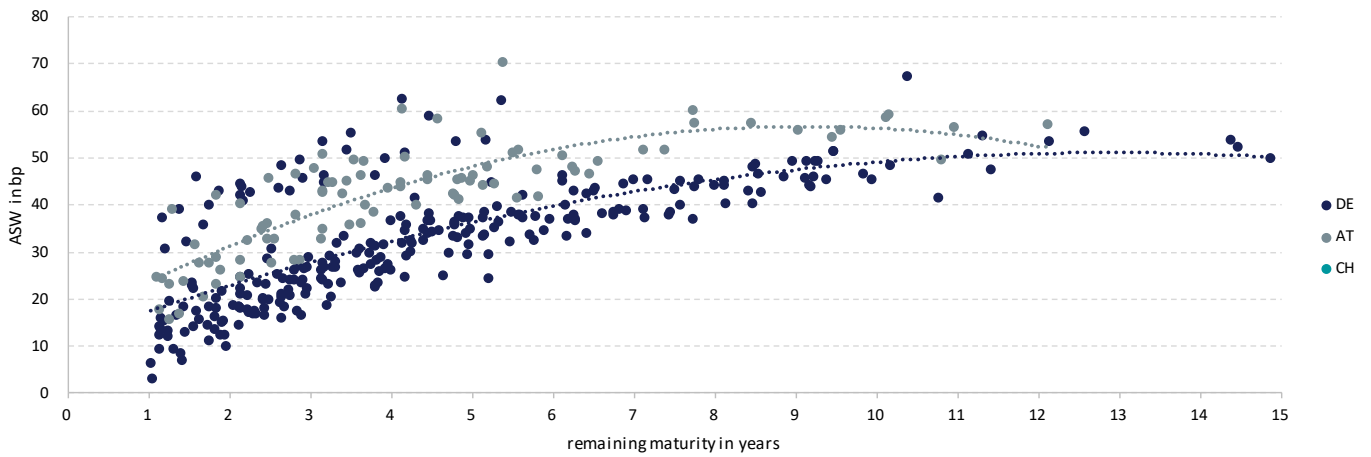


### Order books (last 15 issues)

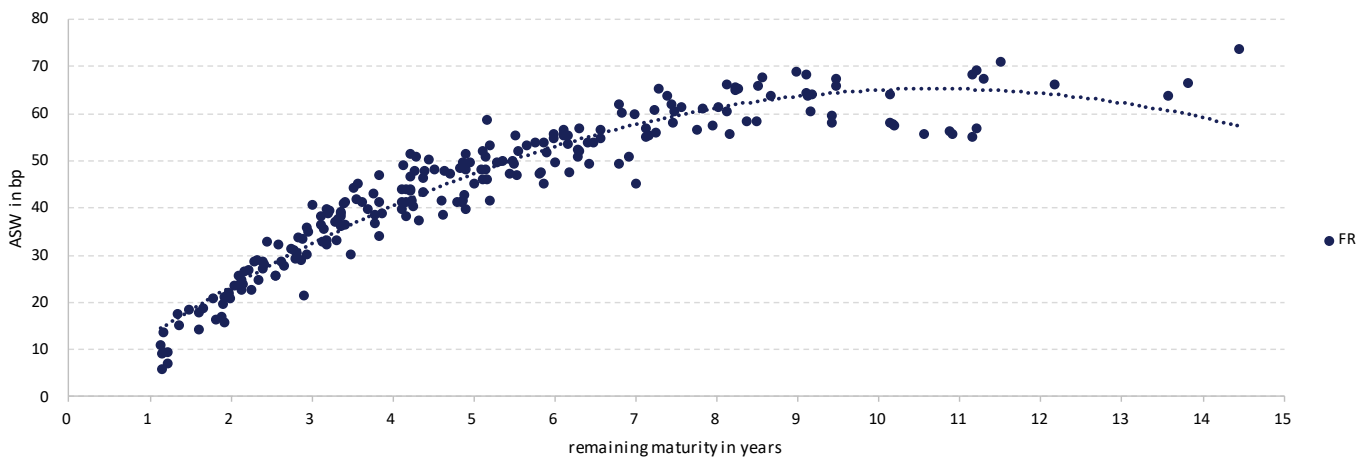


**Spread overview<sup>1</sup>**

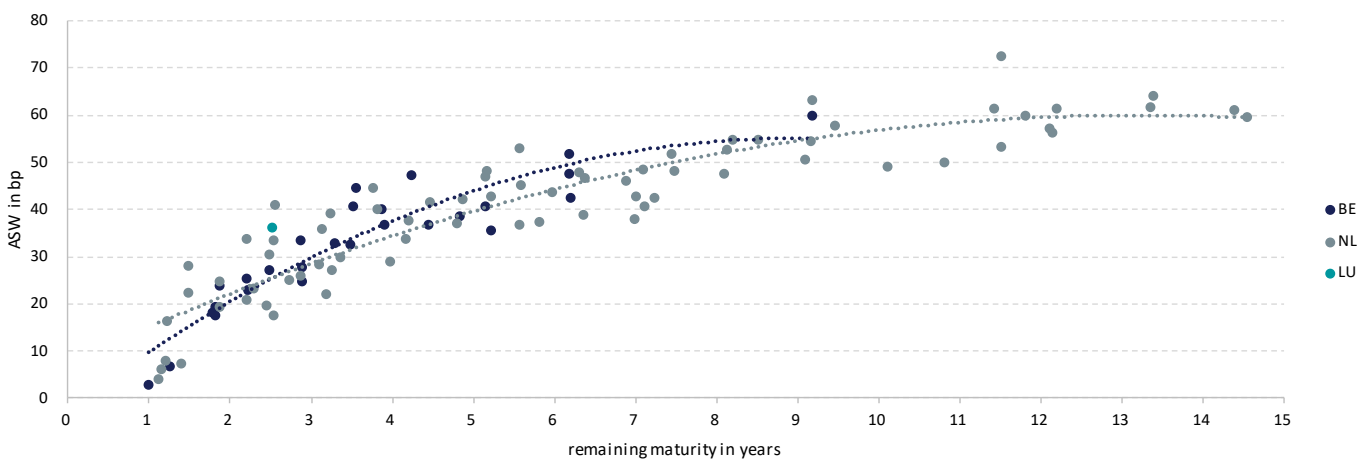
**DACH** 



**France** 

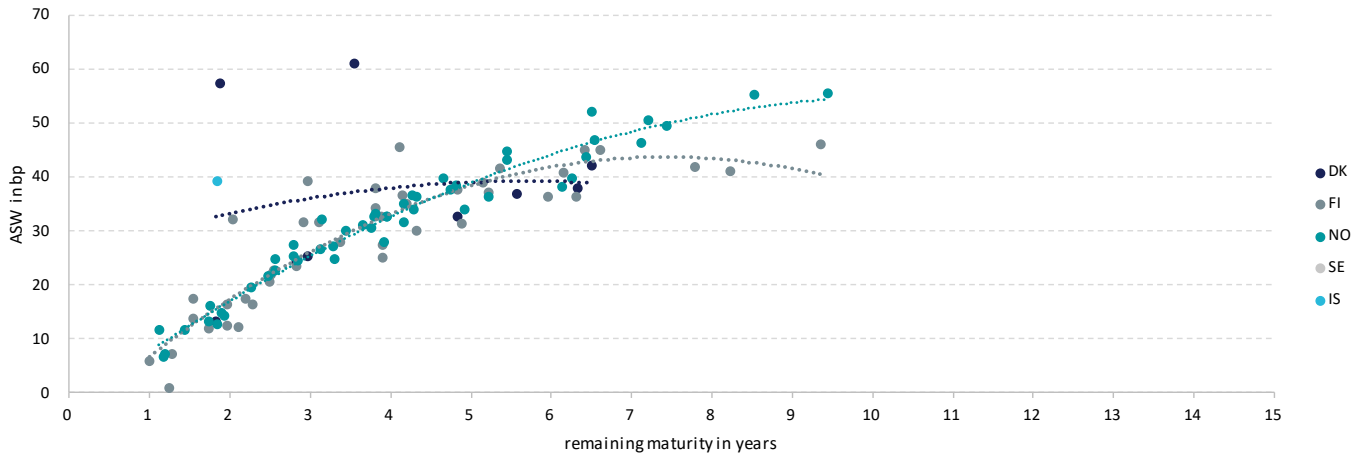


**Benelux** 

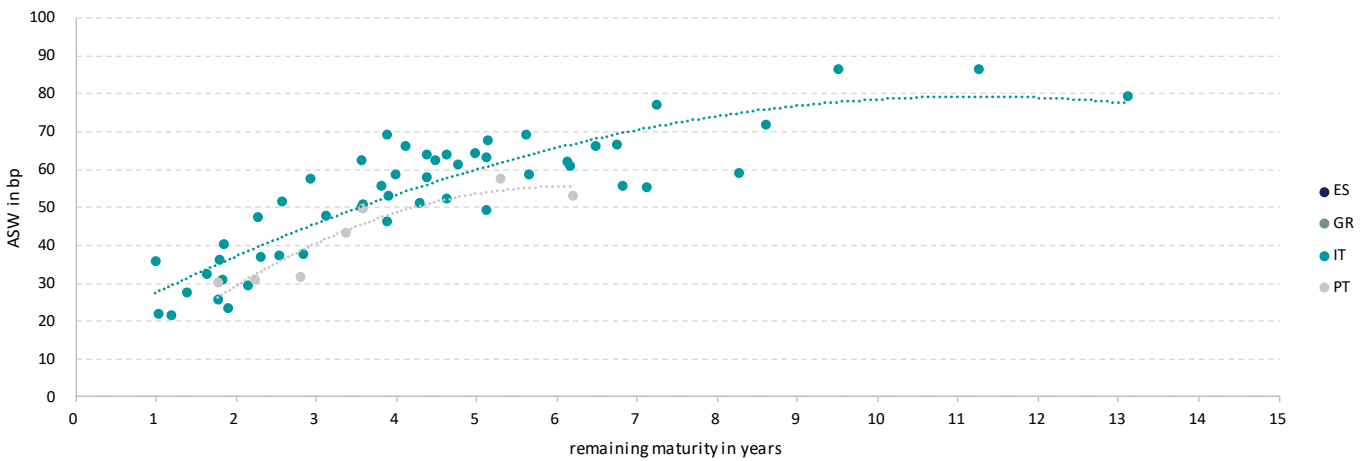


Source: Market data, Bloomberg, NORD/LB Floor Research <sup>1</sup>Time to maturity 1 ≤ y ≤ 15

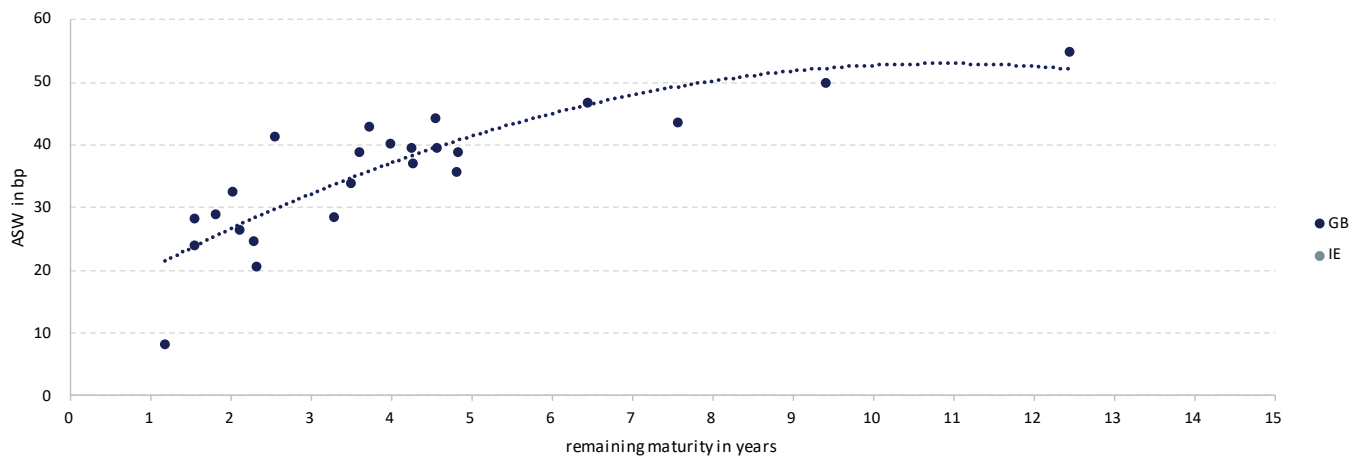
**Nordics** 🇩🇰 🇸🇪 🇳🇴 🇫🇮 🇮🇸



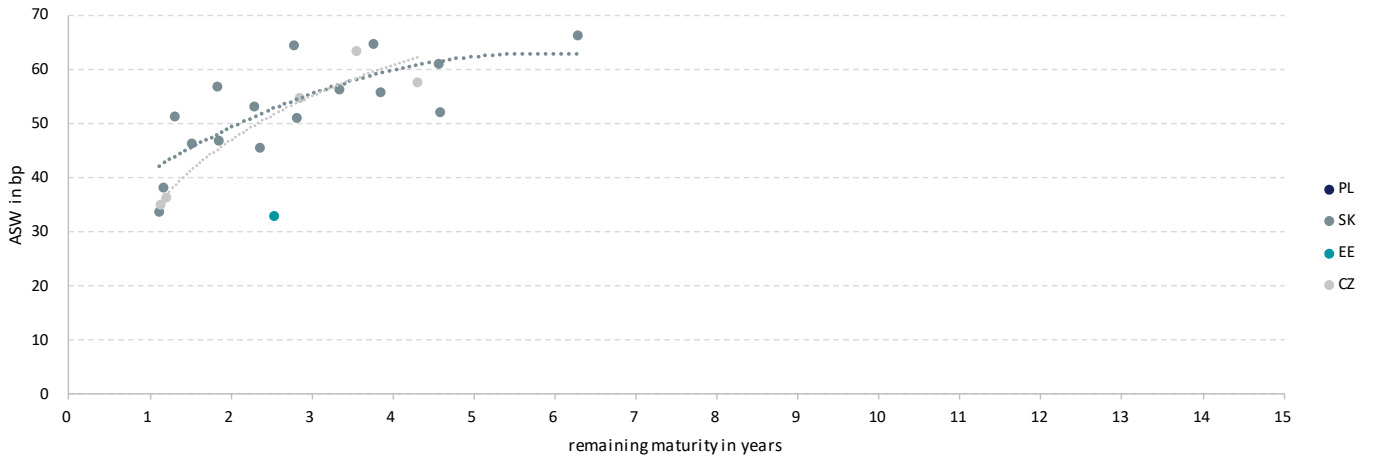
**Southern Europe** 🇪🇸 🇬🇷 🇮🇹 🇵🇹



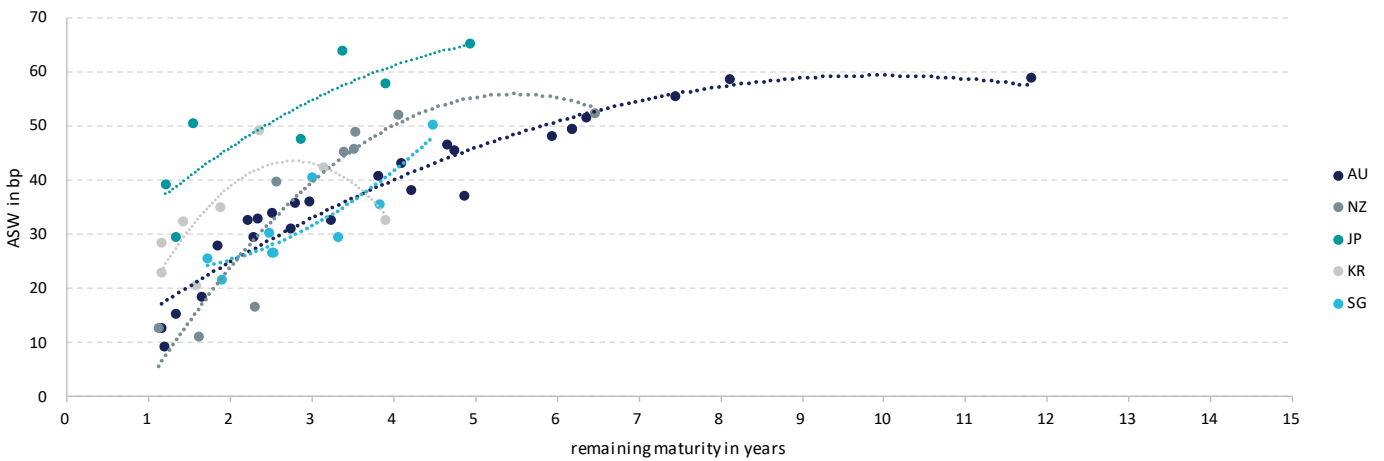
**UK/IE** 🇬🇧 🇮🇪



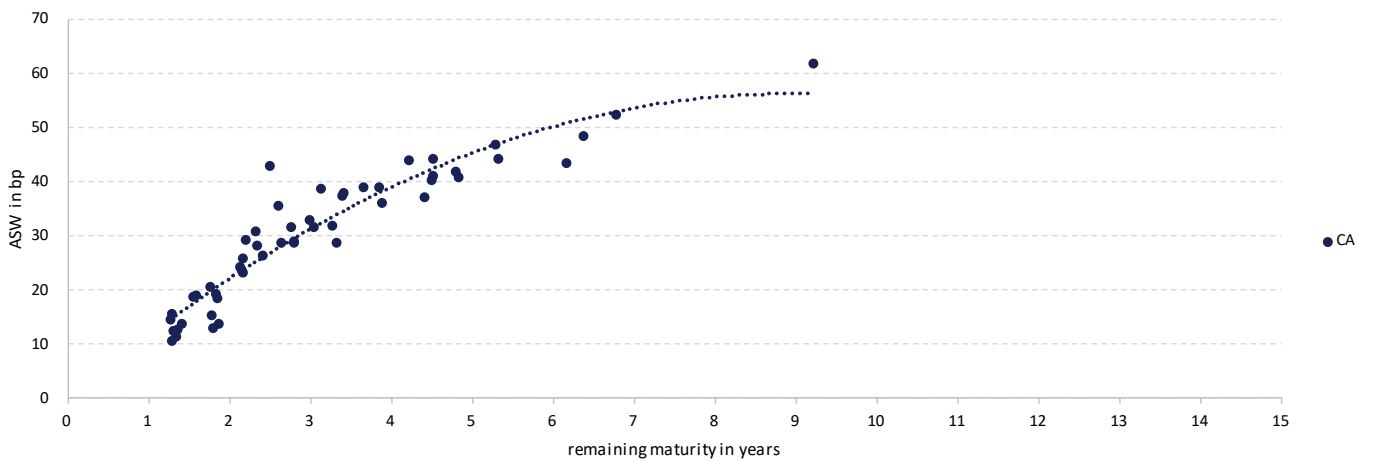
**CEE** 



**APAC** 



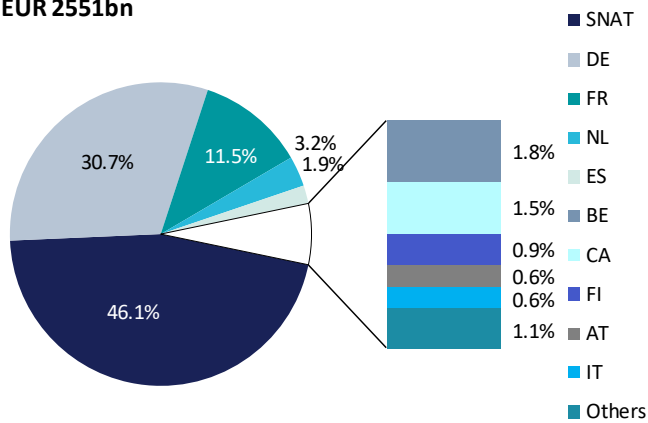
**North America** 



## Charts & Figures SSA/Public Issuers

### Outstanding volume (bmk)

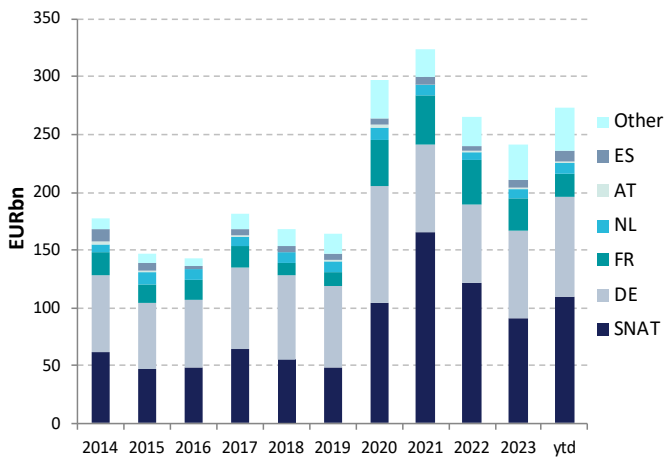
EUR 2551bn



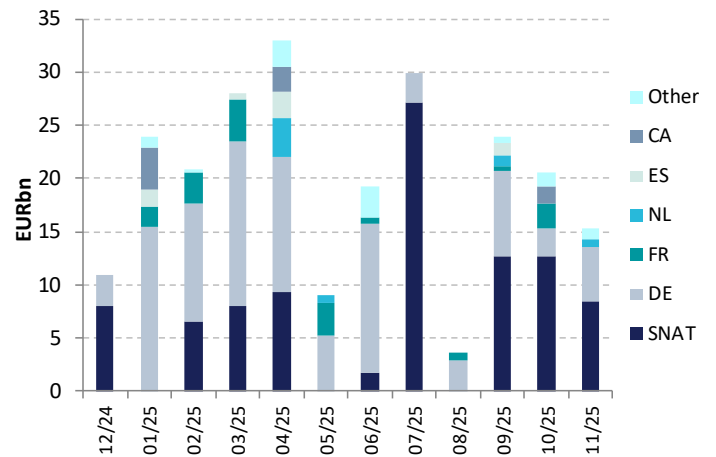
### Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,175.4	243	4.8	7.9
DE	784.5	590	1.3	6.1
FR	294.2	198	1.5	5.8
NL	82.3	67	1.2	6.4
ES	49.4	69	0.7	4.8
BE	45.0	46	1.0	10.1
CA	37.3	28	1.3	4.7
FI	23.3	25	0.9	4.5
AT	16.0	21	0.8	4.9
IT	15.6	20	0.8	4.3

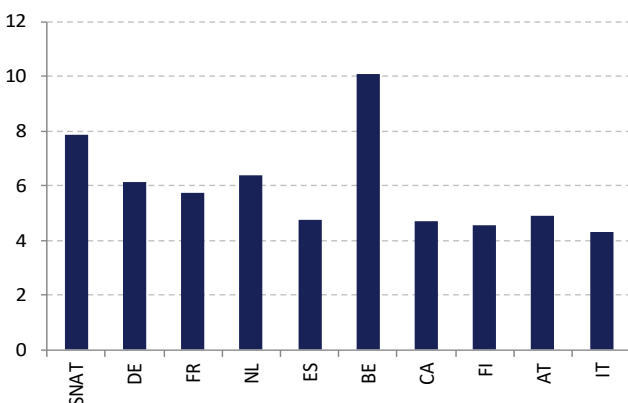
### Issue volume by year (bmk)



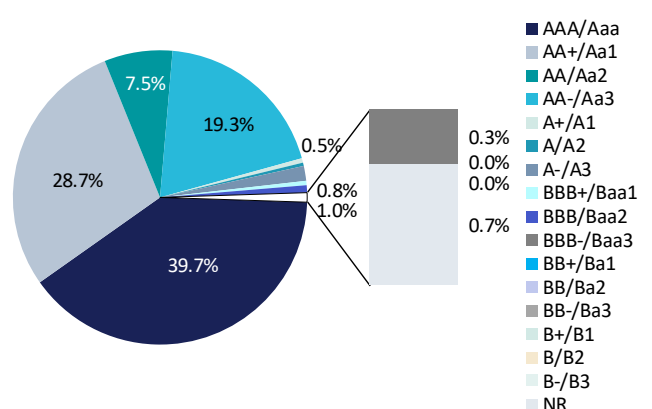
### Maturities next 12 months (bmk)



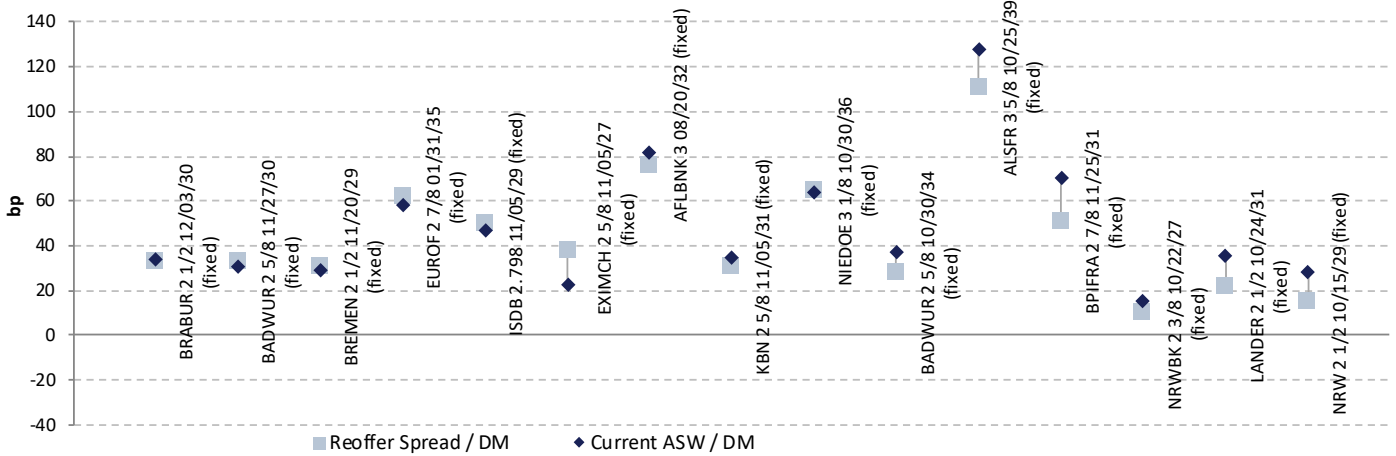
### Avg. mod. duration by country (vol. weighted)



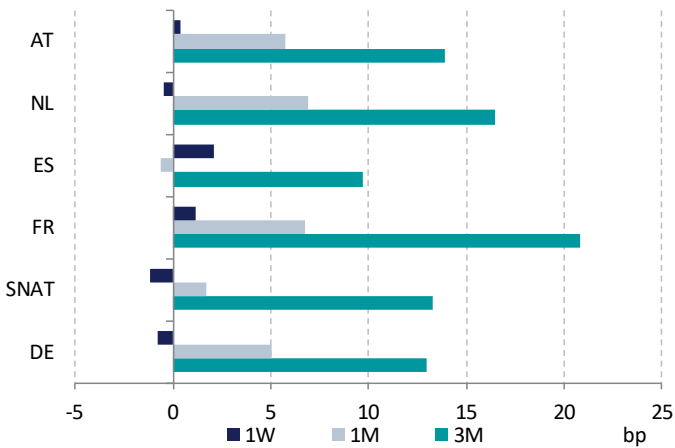
### Rating distribution (vol. weighted)



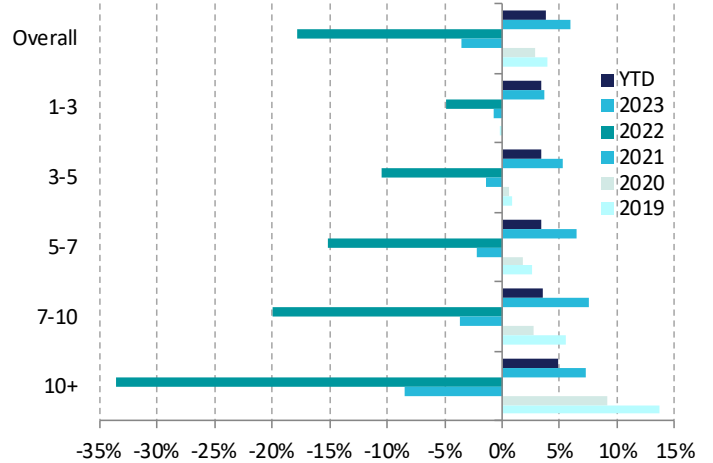
### Spread development (last 15 issues)



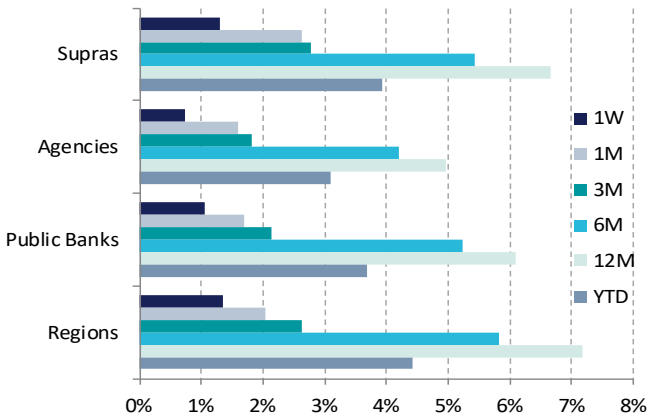
### Spread development by country



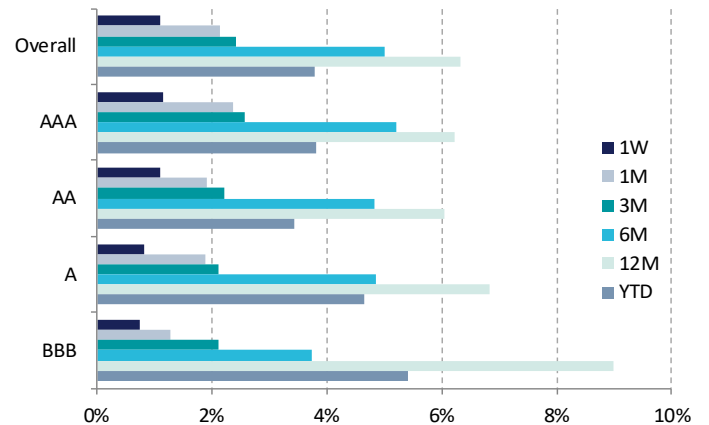
### Performance (total return)



### Performance (total return) by segments

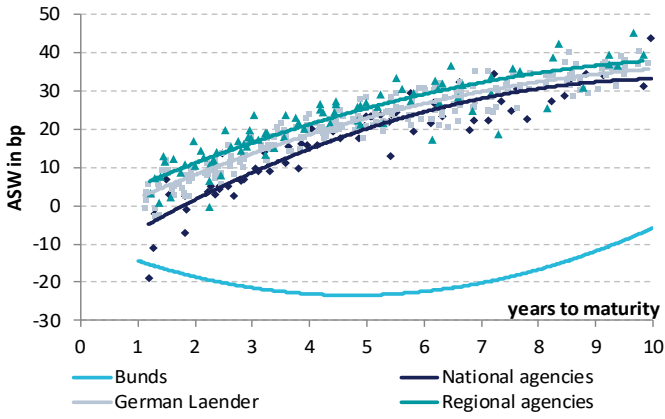


### Performance (total return) by rating

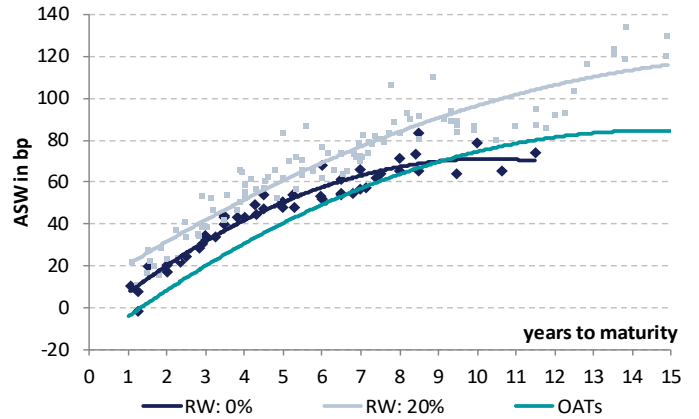


Source: Bloomberg, NORD/LB Floor Research

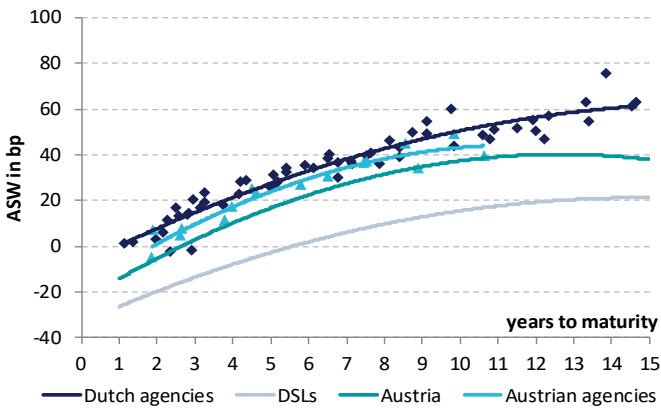
**Germany (by segments)**



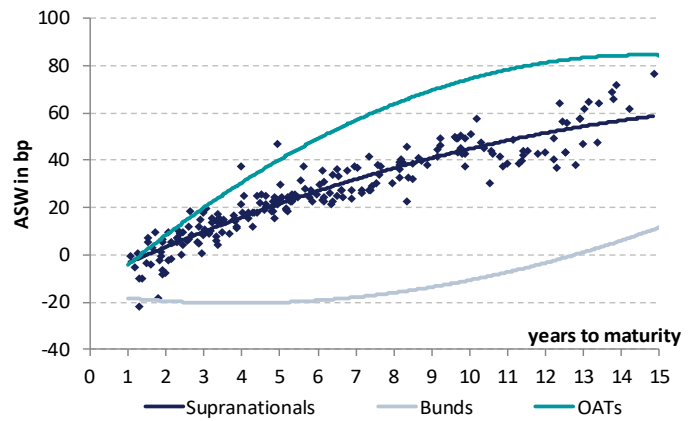
**France (by risk weight)**



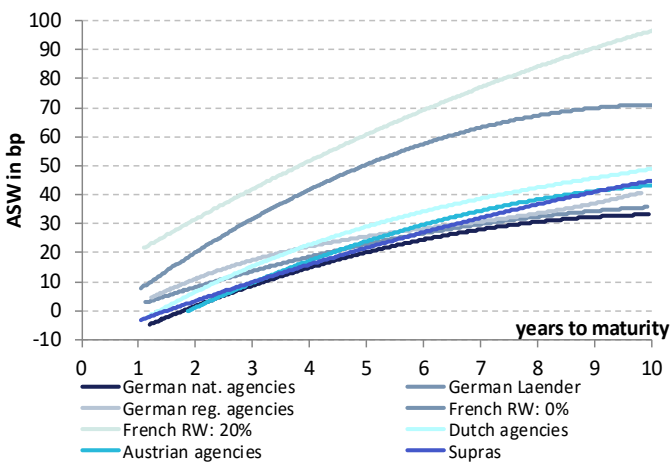
**Netherlands & Austria**



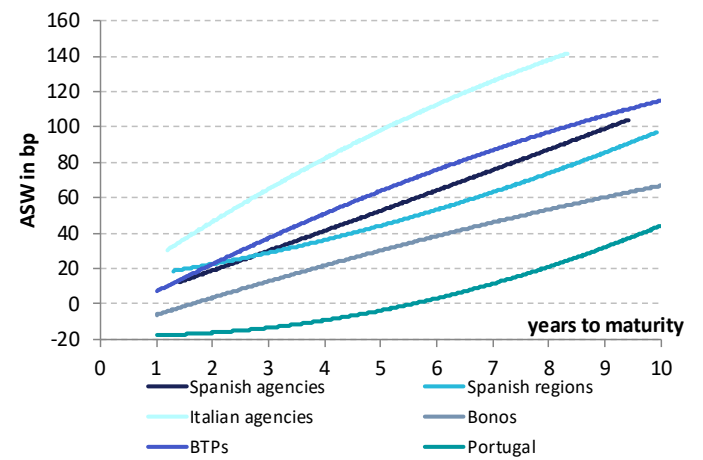
**Supranationals**



**Core**



**Periphery**



Source: Bloomberg, NORD/LB Floor Research

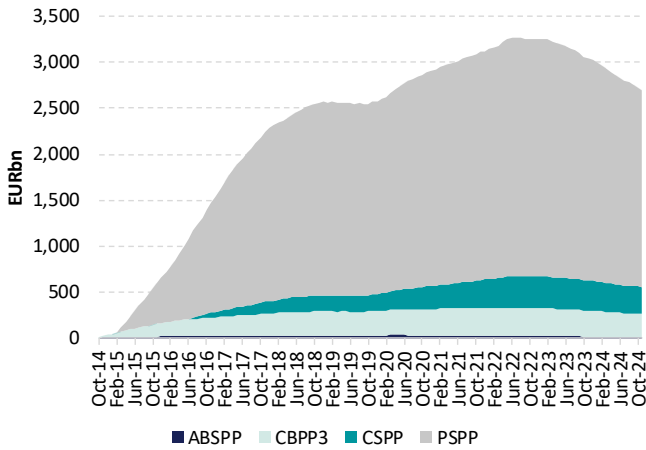


# ECB tracker

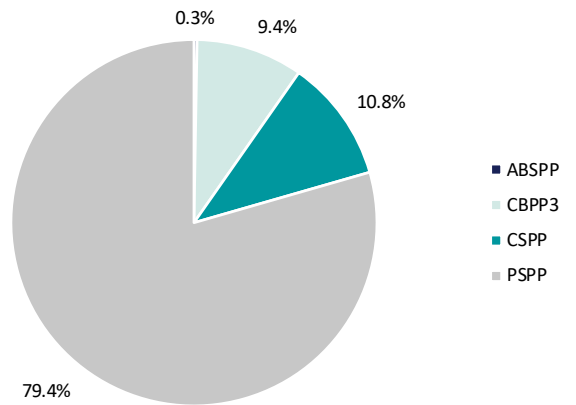
## Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
<b>Oct-24</b>	7,607	258,032	294,507	2,165,737	2,725,883
<b>Nov-24</b>	7,425	254,896	292,299	2,143,646	2,698,266
<b>Δ</b>	-182	-3,136	-2,208	-22,091	-27,617

### Portfolio development

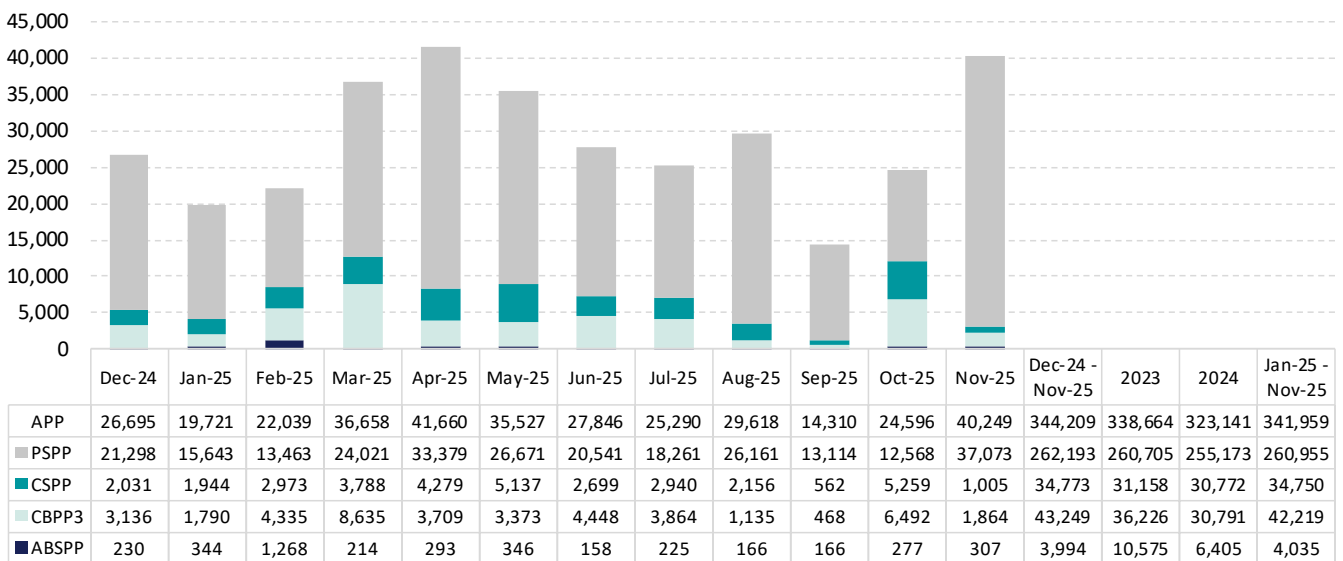


### Portfolio structure



Source: ECB, NORD/LB Floor Research

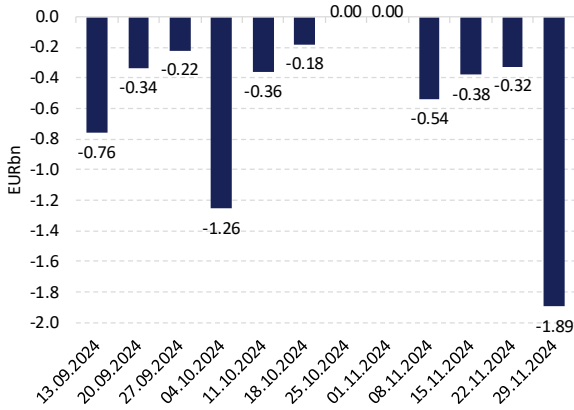
## Expected monthly redemptions (in EURm)



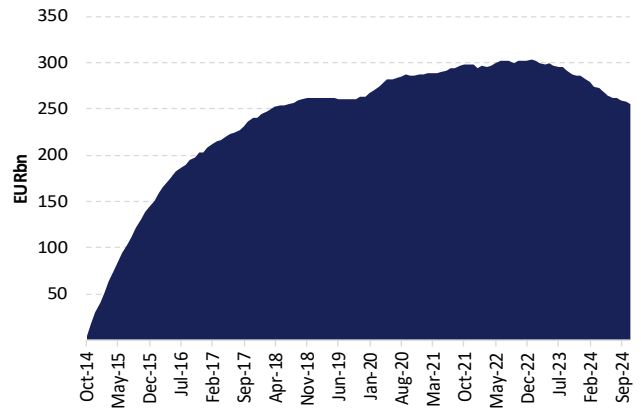
Source: ECB, Bloomberg, NORD/LB Floor Research

### Covered Bond Purchase Programme 3 (CBPP3)

Weekly purchases

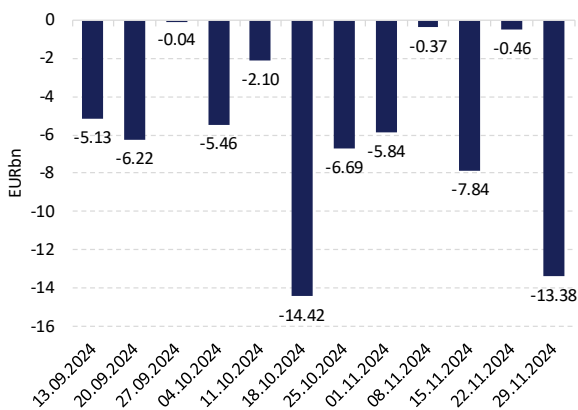


Development of CBPP3 volume

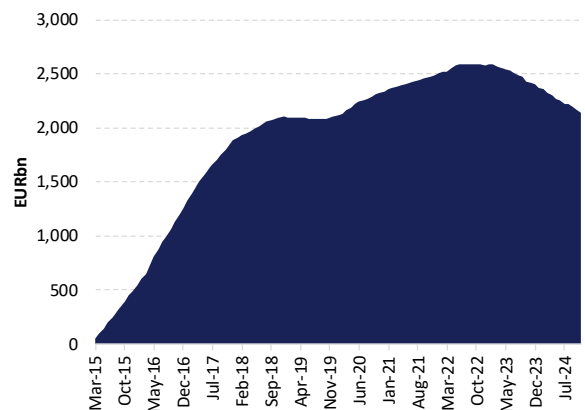


### Public Sector Purchase Programme (PSPP)

Weekly purchases



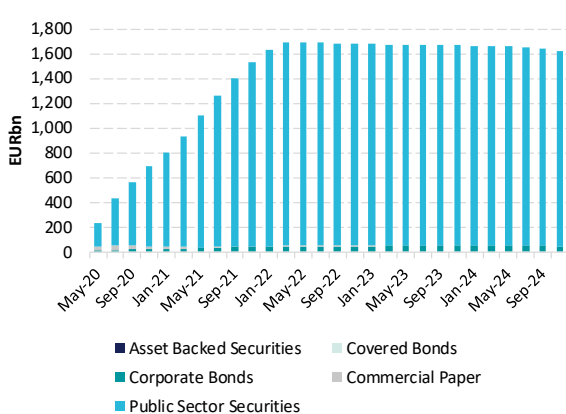
Development of PSPP volume



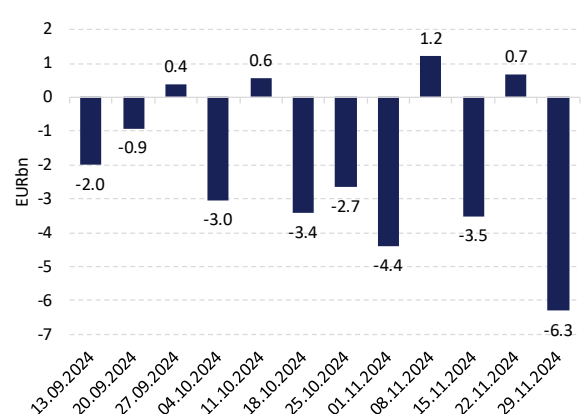
Source: ECB, Bloomberg, NORD/LB Floor Research

### Pandemic Emergency Purchase Programme (PEPP)

Portfolio development



Weekly purchases



Source: ECB, Bloomberg, NORD/LB Floor Research

## Appendix

# Overview of latest Covered Bond & SSA View editions

Publication	Topics
<a href="#">39/2024 ♦ 27 November</a>	<ul style="list-style-type: none"> <li>What's going on outside of the EUR benchmark segment?</li> <li>Teaser: Issuer Guide – Down Under 2024</li> </ul>
<a href="#">38/2024 ♦ 20 November</a>	<ul style="list-style-type: none"> <li>Transparency requirements §28 PfandBG Q3/2024</li> <li>ECB repo collateral rules and their implications for Supranationals &amp; Agencies</li> </ul>
<a href="#">37/2024 ♦ 13 November</a>	<ul style="list-style-type: none"> <li>Development of German property market (vdp index)</li> <li>Auvergne-Rhône-Alpes Region – spotlight on REGRHO</li> </ul>
<a href="#">36/2024 ♦ 06 November</a>	<ul style="list-style-type: none"> <li>ESG covered bonds: Benchmark segment on a growth trajectory</li> <li>Current LCR classification for our SSA coverage</li> </ul>
<a href="#">35/2024 ♦ 30 October</a>	<ul style="list-style-type: none"> <li>Maturities the future driver in the primary market?</li> <li>German-speaking Community of Belgium – spotlight on DGBE</li> </ul>
<a href="#">34/2024 ♦ 23 October</a>	<ul style="list-style-type: none"> <li>A relative value investigation of covered bonds</li> <li>Current risk weight of supranationals &amp; agencies</li> </ul>
<a href="#">33/2024 ♦ 16 October</a>	<ul style="list-style-type: none"> <li>The covered bond universe of Moody's: an overview</li> <li>Teaser: Issuer Guide – European Supranationals 2024</li> </ul>
<a href="#">32/2024 ♦ 09 October</a>	<ul style="list-style-type: none"> <li>A look at the CEE covered bond market</li> <li>NGEU: Green Bond Dashboard</li> </ul>
<a href="#">31/2024 ♦ 02 October</a>	<ul style="list-style-type: none"> <li>A review of Q3 in the Covered Bond segment</li> <li>Teaser: Beyond Bundeslaender – Spanish Regions</li> </ul>
<a href="#">30/2024 ♦ 25 September</a>	<ul style="list-style-type: none"> <li>The EUR benchmark segment after the summer break</li> <li>Update on German municipality bonds: DEUSTD and NRWGK</li> </ul>
<a href="#">29/2024 ♦ 18 September</a>	<ul style="list-style-type: none"> <li>ECBC publishes annual statistics for 2023</li> <li>Sukuk bonds – an update on sharia-compliant investments</li> </ul>
<a href="#">28/2024 ♦ 11 September</a>	<ul style="list-style-type: none"> <li>Banca Sella joins the EUR sub-benchmark segment</li> <li>Teaser: Beyond Bundeslaender – Autonomous Portuguese regions</li> </ul>
<a href="#">27/2024 ♦ 04 September</a>	<ul style="list-style-type: none"> <li>New Pfandbrief issuer: Lloyds Bank GmbH</li> <li>Agencies and resolution instruments of the BRRD</li> </ul>
<a href="#">26/2024 ♦ 21 August</a>	<ul style="list-style-type: none"> <li>Central bank eligibility of covered bonds</li> <li>Teaser: Issuer Guide – German Agencies 2024</li> </ul>
<a href="#">25/2024 ♦ 14 August</a>	<ul style="list-style-type: none"> <li>Development of the German property market (vdp index)</li> <li>Classification of Supranationals and Agencies under Solvency II</li> </ul>
<a href="#">24/2024 ♦ 07 August</a>	<ul style="list-style-type: none"> <li>Transparency requirements §28 PfandBG Q2/2024</li> <li>Teaser: Issuer Guide – Spanish Agencies 2024</li> </ul>
<a href="#">23/2024 ♦ 10 July</a>	<ul style="list-style-type: none"> <li>Repayment structures on the covered bond market: An update</li> <li>SSA review: EUR-ESG benchmarks in H1/2024</li> </ul>

**NORD/LB:**  
[Floor Research](#)

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[SSA/Public Issuers Research](#)

**Bloomberg:**  
[RESP NRDR <GO>](#)

## Appendix

### Publication overview

#### Covered Bonds:

[Issuer Guide – Covered Bonds 2024](#)

[Covered Bond Laws](#)

[Covered Bond Directive: Impact on risk weights and LCR levels](#)

[Risk weights and LCR levels of covered bonds](#) (updated semi-annually)

[Transparency requirements §28 PfandBG Q3/2024](#) (quarterly update)

[Transparency requirements §28 PfandBG Q3/2024 Sparkassen](#) (quarterly update)

#### SSA/Public Issuers:

[Issuer Guide – German Laender 2024](#)

[Issuer Guide – German Agencies 2024](#)

[Issuer Guide – Canadian Provinces & Territories 2024](#)

[Issuer Guide – European Supranationals 2024](#)

[Issuer Guide – French Agencies 2023](#)

[Issuer Guide – Nordic Agencies 2024](#)

[Issuer Guide – Dutch Agencies 2024](#)

[Issuer Guide – Non-European Supranationals \(MDBs\) 2024](#)

[Beyond Bundeslaender: Belgium](#)

[Beyond Bundeslaender: Greater Paris \(IDF/VDP\)](#)

[Beyond Bundeslaender: Spanish regions](#)

#### Fixed Income Specials:

[ESG-Update 2024](#)

[ECB: An autumn of interest rate cuts that wasn't supposed to be?](#)

## Appendix

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