



## Corporate Schuldschein: Live deals – a useful indicator for planning issuance



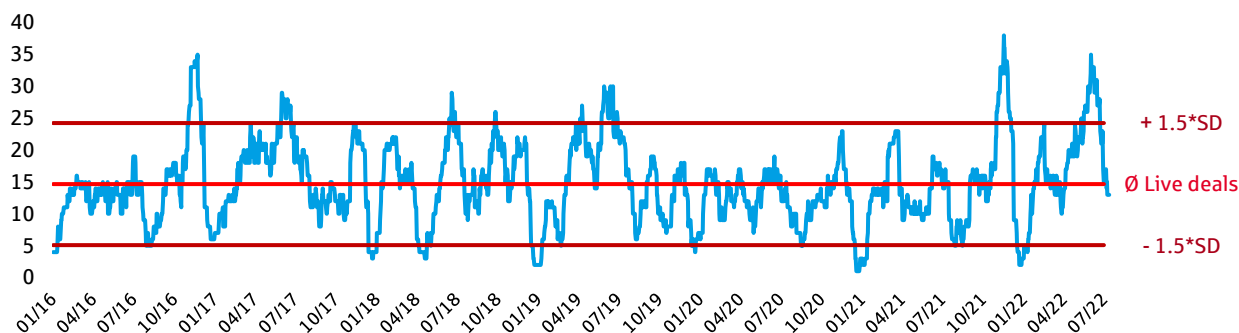
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Effective timing is becoming an increasingly important factor for the successful placement of Schuldschein issues. With issuers typically vying for the attention of investors and their limited analytical resources, especially during the months of May/June and October/November, a judicious assessment of market activity levels may help to circumvent these bottlenecks, improve the reliability of transactions and optimise the cost of capital.

Currently, the Schuldschein market is riding high (cf. [primary market Q2 2022](#)), as can be seen by the impressive placement volumes in the second quarter of the year. Nonetheless, this deluge of new transactions is proving something of a challenge for many investors, not least because the cumbersome decision-making process can often take several weeks as a result of time-consuming assessments of issuers' credit quality. That is why a lack of available resources for analysis – which in some cases also have to cover investors' own lending activities – could adversely affect the market's capacity to accommodate new transactions. Consequently, by conducting a meticulous assessment of current market activity, issuers can gain valuable insights enabling them to successfully place Schuldschein notes.

### Spike in Q2 issuance: a rarely seen occurrence

Corporate Schuldschein: Number of deals in the marketing phase (daily figures)



Sources: Bloomberg, Helaba Research & Advisory

Since the beginning of 2016, there have been an average of just under 15 daily issues in the marketing phase, while the average duration of the "live" phase has been slightly over 30 days. At 35 transactions, market activity in the second quarter of 2022 recorded its second-highest level in the past 6 years. What is more, 25<sup>1</sup> or more live deals were in the market for 37 days - the longest ever stretch.

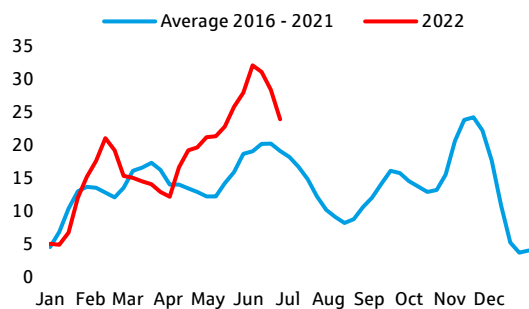
<sup>1</sup>Equivalent to 1.5 times the standard deviation above the long-term average.

## A stress test for credit analysts

Based on a comparison of the years between 2016 and 2021, the seasonal uptick in live deals in May/June is evidently quite a common phenomenon. Yet, this year, with an above-average number of transactions coming to market as early as April and this trend accelerating further in May, has been an outlier. It is highly likely that the prospect for interest rate hikes was an important driver for this development. Indeed, a surge in transactions and placement volumes coincided with a sharp widening of spreads in the corporate bond market. For many companies, this meant the Schuldschein - with its relatively more stable pricing - became the instrument of choice, especially since rising interest rates have also removed the detrimental effect of the floor. For investors, the multitude of new deals arguably put considerable strain on credit analysts.

### Higher-than-average launch activity from April

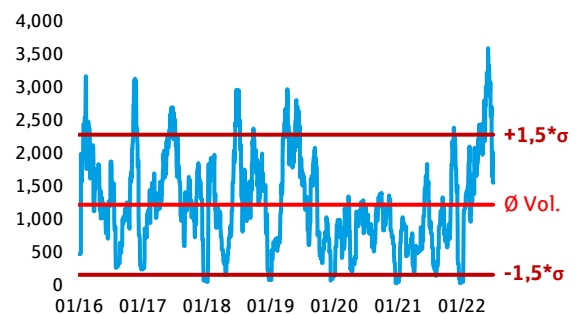
Corporate SSD: Number of deals in the marketing phase (weekly averages)



Sources: Bloomberg, Helaba Research & Advisory

### Initial offering peaks in Q2

Corporate SSD: Launch volumes in the marketing phase (daily figures, in EUR millions)



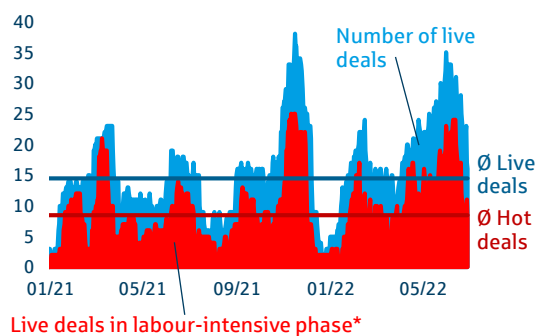
Sources: Bloomberg, Helaba Research & Advisory

## Early summer and autumn typical periods of busiest market activity

However, the length of time that a high level of resources is allocated to the credit assessment process for a new issue is usually much shorter than the entire marketing phase. For instance, most labour-intensive analytical work does not begin until a few days after the deal is launched and is generally completed a few days before closing with the drafting of an internal submission for approval by the relevant committees. We have therefore determined a condensed "hot deal" phase, which starts five working days after launch and ends five working days before closing. Using the second quarter of 2022 as an example, it is apparent that the peak number of "hot deals" (24) is significantly lower than the total number of deals in the marketing phase. Additionally, the period of above-average deal activity was considerably shorter.

### Intensive phases of credit analysis much shorter

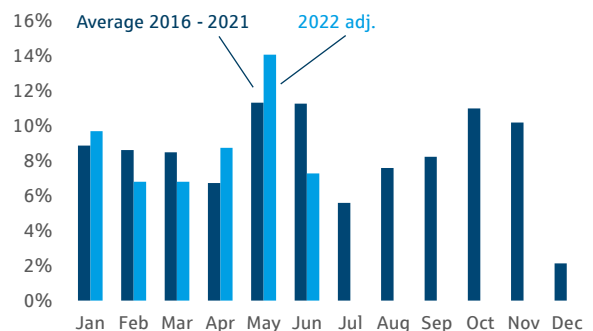
Corporate SSD: Number of deals (daily figures)



\*Period starting 5 days after deal launch and ending 5 days before closing.  
Sources: Bloomberg, Helaba Research & Advisory

### Bottlenecks highest in early summer and autumn

Corporate SSD: Deals in respective month of launch (share of full year, in %)



\*Based on assumption that number of deals in H1 2022 corresponds to average full year share of previous years.  
Sources: Bloomberg, Helaba Research & Advisory

At the same time, though, it may be advisable from the issuer's perspective to avoid phases with excessive live deals, if possible - especially when the intention is to target a broad range of investors or when a large-volume transaction requires greater market depth. However, this criterion is often not the only factor in determining the timing of an issue; both a company's liquidity needs and overall changes in the cost of capital have important roles to play as well. Moreover, some issuers apply the same potential blackout periods commonly used for the issuance of a bond to the choice of placement window for a Schuldschein, as well, albeit strictly speaking this would not be necessary for this debt instrument. Despite this, taking periods of strong demand on the Schuldschein market into account can provide issuers with useful insights for optimising their issuance planning. A comparison of the previous six years reveals that the months of May and June as well as October and November were particularly busy periods for SSD placements. This contrasts with March and April or August and September (after the summer break), when conditions for issuance often proved relatively favourable. In the latter months, for example, the number of marketing launches is typically much lower. But even beyond these seasonal patterns, issuers can benefit from favourable windows of opportunity in which they can attract investors' attention more effectively. For this reason, it would appear worthwhile keeping a regular eye on market activity levels and we will be adding this indicator to our periodic market updates.



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