

Focus on: SSA & Financials

23 September 2022



Weekly Market Update



Primary market environment: The market environment continues to hold various challenges in store. Influencing factors such as high energy prices, inflation and economic concerns dominate, especially as these are underpinned by the latest data. Based on the central banks' statements, further interest rate hikes can be considered likely.

Primary market barometer

SSA



With an issuing volume of EUR 10.55 billion, the music clearly played in the SSA segment this week. Cades (EUR 5 billion) and the ESM (EUR 2 billion) contributed significantly to this. Only two of the eight new placements narrowed the final spread vs. the initial indication.

Sources: Helaba Research & Advisory

Covered Bonds



Compared to previous weeks, issuance was limited this week, which may be due to the absence of many market participants at the ECBC conference and the increasingly difficult market environment.

Senior Unsecured



Conditions in the highly volatile market environment remain difficult, although the primary market for senior unsecured bank bonds continues to be receptive. Issuers are taking advantage of open market windows as soon as those show up, albeit at elevated spread levels.

Spread widening tends to increase

Spread trend indicator*, ASWspread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,03	0,35	0,87	0,10	-1,91	-2,65
European Union	0,08	0,21	0,31	0,33	0,64	-0,37
Germany Covered	0,04	0,07	0,21	0,18	0,44	-0,20
EU Covered	0,01	0,01	0,06	0,08	0,25	0,06
Banks senior preferred	-0,03	0,21	0,57	-0,72	2,19	1,02
Banks senior bail-in (SNP)	-0,03	0,24	0,43	-0,48	2,38	0,94
Banks subordinated	0,06	0,28	0,57	-0,28	2,38	1,04
Supranational	0,06	0,12	0,19	0,12	0,25	-0,55
Agencies	-0,02	0,07	0,16	-0,23	-0,88	-1,35
Sub-Sovereigns Germany	0,05	0,03	0,04	-0,12	-1,29	-1,74
Sub-Sovereigns	0,04	0,10	0,19	-0,12	-0,49	-1,39

*ASW levels standardized and 2T-smoothed, since 14.2.22 changed calculation of ASW levels by Markit.

Sources: Refinitiv, Helaba Research & Advisory

The recently started Trend towards spread widening is continuing. The increasing red colouring of our spread trend indicator underlines this impression.



SSA

With its rate hike of 75 bps, the US Federal Reserve underpinned market participants' expectations of further interest rate increases late on Wednesday. In wise foresight, almost all SSA transactions in the run-up to the Fed were carried out in the first half of the week. Most of the issues were well oversubscribed. For the first time this week, three development banks also issued a social bond together, analogous to the German federal states. The 7-year transaction by ILB Brandenburg (30%), IFB Hamburg (35%) and ISB Rheinland-Pfalz (35%) had a volume of EUR 500 million.

Outlook: We expect another high issue volume in the coming week. One or the other SSA issuer is in the pipeline. Overall, however, uncertainties remain and with the inverted curve the demand focus is likely to be on short to medium maturities.

€-SSA-Issues week of 19 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	CADES	Aa2 /AA/-	5,000 Mrd.		25.11.2032	FRTRs +35 bp	✓	20.09.2022	11,500 Mrd.	FRTRs +36 area
1,000%	ESM	Aaa /AAA/AAA	2,000 Mrd.		23.09.2025	ms -33 Bp		20.09.2022	26,000 Mrd.	ms - 30 area
1,125%	KfW	Aaa /AAA/AAA	1,000 Mrd.		15.09.2032	ms -21 Bp		20.09.2022	4,500 Mrd.	ms - 19 area
3,000%	Ville de Paris	- /AA/AA-	0,300 Mrd.		27.09.2042	FRTRs +36 Bp		20.09.2022	0,845 Mrd.	FRTRs +38 area
2,500%	CCCIF	Aa2 /-/AA	0,500 Mrd.		29.09.2027	FRTRs +48Bp		21.09.2022	0,720 Mrd.	FRTRs +50 area
3,125%	Action Logement Services	Aa2 /-/AA	0,750 Mrd.		28.09.2037	FRTRs +53 Bp		21.09.2022	0,770 Mrd.	FRTRs +53 area
2,650%	ICO	Baa1 /A/A-	0,500 Mrd.		31.01.2028	SPGB +14 Bp	✓	21.09.2022	1,100 Mrd.	SPGB +16 area
2,500%	Gemeinsame Landesförderinstitut	- /-/AAA	0,500 Mrd.		28.09.2029	ms -7 Bp		22.09.2022	0,173 Mrd.	ms - 7 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Most recently, we have referred to the deteriorating market conditions. From the 5-year maturity band onwards it becomes challenging and new issues require higher new issue premiums to be successful. On the other hand, short and medium maturities are sought after, the curves become flatter and flatter and an interest rate advantage in the longer maturity band is virtually non-existent. Swap decoupling continues and the performance of high-quality German Pfandbriefe in particular speaks for itself. For example, the HESLAN 2 ¾ 09/21/26 has narrowed by a whopping 7 basis points within a week since the new issue.

Outlook: A large part of the covered bond community met for the ECBC conference in Vienna. After this "time out" and with a view to the security character of the asset class, which was also emphasised in many cases at the conference, as well as the still outstanding financing needs, we expect a few more issues in the coming weeks.

Representatives of the ECB, such as Kazaks, have taken a clear position that interest rates will continue to rise. In the meantime, central banks are also accepting a recession in order to counter inflation. For issuers with capital needs, refinancing will become even more expensive.

"Short and medium maturities remain on fire! Due to the recent movements on the interest rate curve in general and the swap curve in particular, there is currently no difference in absolute terms between 2-year and 8-year maturities. Therefore, the attractiveness of short duration is increasing for investors who want or need to invest liquidity!"

Comment from the Helaba trading floor

The upcoming election in Italy is also a source of tension. Giorgia Meloni seems to be on a very good path to becoming the new prime minister. Her alliance Fratelli d'Italia (FDI), which belongs to the right-wing camp, is clearly

ahead according to the polls. Although she has pledged to maintain Mario Draghi's fiscal stance, she may give in to pressure from coalition partners to increase spending to cushion the impact of the energy crisis on Italians.

€-Covered Bond-Issues week of 19 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,375%	LBBW	Aaa /-/-	1,000 Mrd.		26.02.2027	ms -4 Bp		19.09.2022	2,900 Mrd.	ms + 1 area
2,875%	Raiffeisen Bank International AG	Aa1 /-/-	0,500 Mrd.		28.09.2026	ms +24 Bp		20.09.2022	0,500 Mrd.	ms + 24 area
2,625%	UniCredit Bank AG	Aaa /-/-	0,500 Mrd.		27.04.2028	ms +0 Bp		20.09.2022	3,250 Mrd.	ms + 6 area
2,625%	Stadshypotek AB	Aaa /-/-	1,000 Mrd.		27.09.2029	ms +12 Bp		20.09.2022	1,450 Mrd.	ms + 16 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

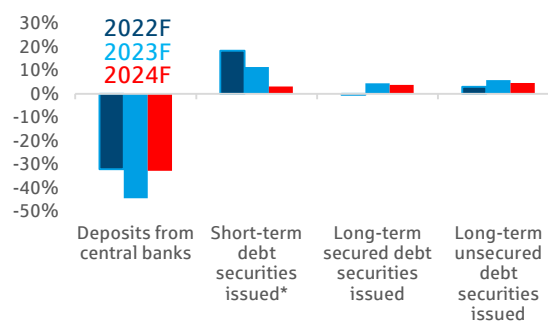
Conditions on the primary market for senior unsecured bank bonds remain extremely difficult. On top of the burdensome geopolitical news flow, this week - once again - saw 'time-outs' caused by public holidays (on Monday in the UK) and interest rate decisions (led by the FED on Wednesday). At its meeting, the US Federal Reserve raised the key interest rate band by 75 bps to 3.00-3.25% and holds out the prospect of further rate hikes. In this environment, spreads on senior unsecured bank bonds widened further compared with the previous week. The comparatively high spreads of bonds from Italy were surprisingly stable, while bonds from US banks in particular suffered to an above-average extent from the interest rate hike fantasy triggered by the Fed.

On Tuesday, Banco Santander came to the market with a EUR 1.5 billion 4NC3 preferred bond, which it successfully executed on books of over EUR 2 billion and a new issue premium of 20 bps. The day before, Finnish Oma Saastopankki placed a sub-benchmark bond - also in preferred rank - with a volume of EUR 150 million, but had to offer a generous spread premium to fill the books.

Outlook: This week again confirmed that conditions in the highly volatile environment are becoming increasingly difficult. Issuers expect interest rates to rise further and are taking advantage of market windows that present themselves to fill their issuance plans, which have been expanded by high maturities and credit growth, as quickly as possible. They are thus encountering increasingly selective investors. After all, the [report on banks' funding plans](#) recently published by the EBA once again shows that institutions have a high demand for capital market issues in the coming years, and are focusing on bail-in capable non-preferred paper. Even though the underlying data are from the end of 2021, we believe that this picture should not have changed in principle.

Banks aim to reduce central bank funding

Banks' growth expectations for selected liability classes



* original maturity < 1 year

Sources: EBA report on banks funding plans, Helaba Research & Advisory

"- Here today and gone tomorrow - it is said for bonds from Germany and France, which have given up their gains of the past week again. Underperformers, however, are by far U.S. bonds, which, driven by inflation and economic data and the resulting interest rate hike fantasies on the part of the FED, extended over the entire curve. Fast-money accounts continue to be sellers in the new issues. Insurers and asset managers are again following events from the sidelines. Even yields above 5 % are not enticing at present.."

Comment from the Helaba trading floor

€-Senior Preferred-Issues week of 19 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,625%	Banco Santander, S.A.	A2 /A+/A	1,500bn		27.09.2026	ms +105 bps		20.09.2022	2,000bn	ms +125 arera

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 19 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
--------	--------	------------------	----------	-----	----------	-----------------------------	-----	--------	-----------	-----------------------

keine

Bloomberg, Helaba DCM



Short news

9/22 Interest rate environment: Further central banks raise key interest rates, including the Bank of England, the Swiss National Bank and the Norwegian central bank.

9/21 Interest rate environment: The U.S. Federal Reserve raises the key interest rate band by 75 bps to 3.00-3.25% and holds out the prospect of further rate hikes. (see our [daily](#))

9/19 ECB supervision and energy sector risks: The ECB's supervisory body is urging credit institutions to scrutinize their exposure to energy-intensive industries. Andrea Enria, who leads the ECB's supervisory board reiterated his call for banks to factor in a potential "severe" economic downturn in their projections of how capital ratios will evolve. ([Bloomberg](#))

9/19 Moody's takes rating actions on Czech covered bonds: Moody's Investors Service has upgraded (1) to Aa1 from Aa2 the ratings of the mortgage covered bonds issued by Raiffeisenbank a.s., (2) to Aa2 from Aa3 the ratings of the mortgage covered bonds issued by UniCredit Bank Czech Republic and Slovakia, a.s.

9/19 Single Resolution Board Annual Conference: At the seventh annual conference of the Single Resolution Board (SRB), its Chair [Elke König speaks](#) about bank resolvability and reiterates that promoting financial stability by ensuring a robust bank resolution regime in uncertain times is key.

9/15 EBA report on banks' funding plans in the period 2022 - 2024: The EBA has published its annual [report on banks' funding plans](#). In 2021, customer deposits and central bank refinancing (TLTRO) in particular had risen strongly. The banks probably expect a noticeable decline in deposit growth and plan to increase their funding via the capital market. However, the latter will not fully replace the expiring central bank refinancing (TLTRO).

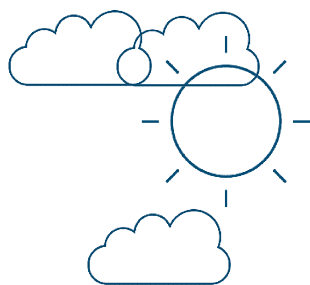
Market Data (current*, vs. 1 week, vs. 4 weeks)

E-STOXX 600 Banks	131	-2,24%	3,87%	iBoxx € Cov. Germany	3,2	0,0	1,4	iTraxx Senior Financial	137,7	20,6	22,3
10Yr-Yield	1,98	0,25	0,66	iBoxx € Cov. Bonds	11,7	-0,1	1,6	iBoxx € Supranational	2,3	0,73	2,17
Swap 10J	2,77	0,21	0,57	iBoxx € Banks PS	81,0	3,3	12,3	iBoxx € Agencies	-17,8	0,03	1,96
iBoxx € Germany	-68,4	3,77	13,93	iBoxx Banks NPS	126,0	4,0	10,8	iBoxx € Sub-Sov. Germany	-1,0	-0,24	0,46
iBoxx € EU	4,2	1,88	3,71	iBoxx Banks Subordinated	226,3	16,1	33,6	iBoxx € Sub-Sovereign	13,7	0,42	2,08

* Closing prices from the previous day

Sources: Refinitiv, Helaba Research & Advisory, * ASW-Spreads

Leisure tip for the weekend: Drachenfels in Königswinter near Bonn



The Drachenfels between Königswinter and Bad Honnef is popular for day trips. At an altitude of 321 meters, it offers a unique view over the Rhine Valley. The ruins of the Drachenfels Castle, dating back to 1167, are enthroned on the top. This place has always fascinated people, and numerous stories, legends and myths have grown up around it. It can be reached by hiking or by rack railroad. On the way, you will pass by Drachenburg Castle, which can be visited. Nearby are the publicly accessible Hotel Petersberg (former government guesthouse) and Rhöndorf (Bad Honnef), the former residence of Konrad Adenauer.

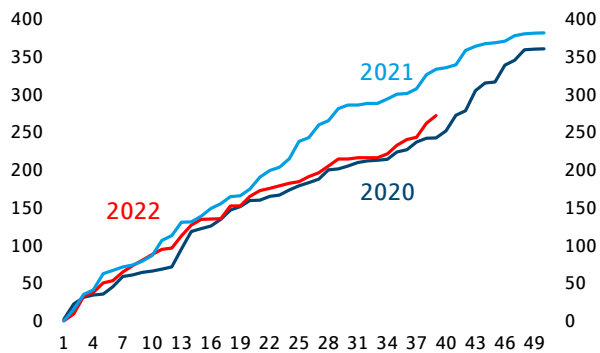
More information: [Der Drachenfels](#)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: www.keltenwelt-glauberg.de

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

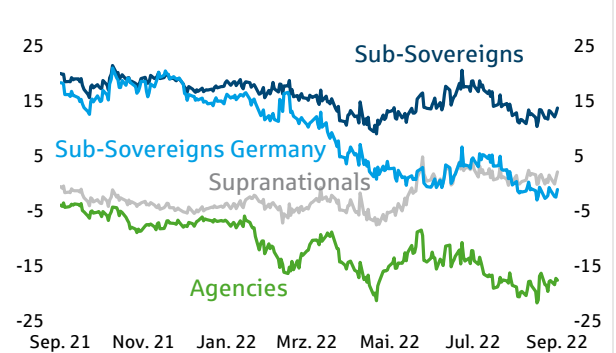
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

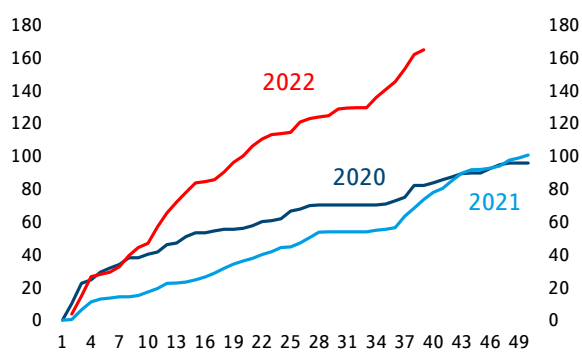
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

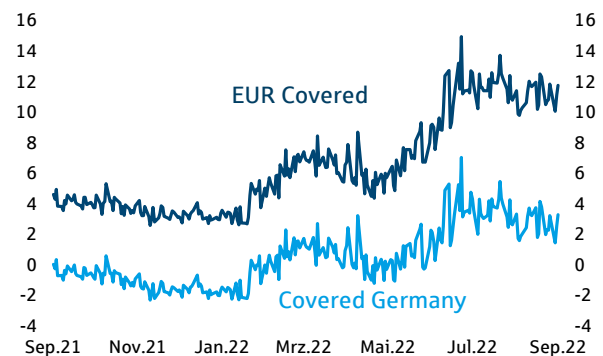
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

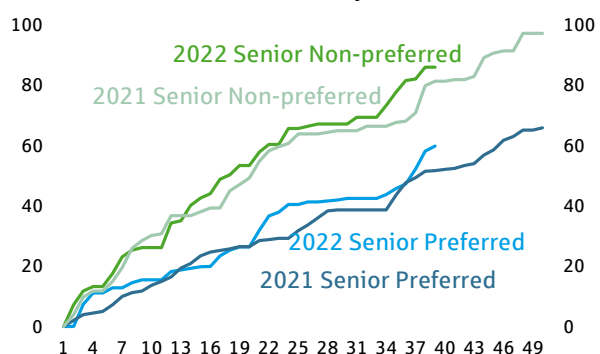
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

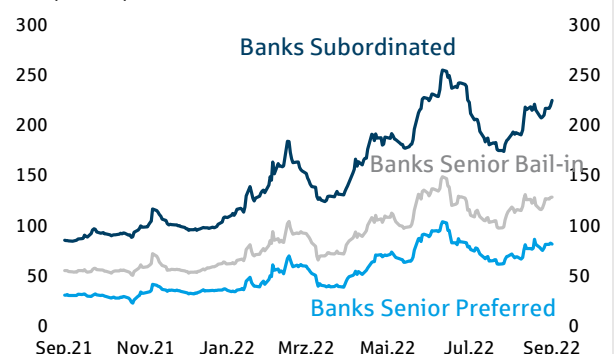
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



News from Research & Advisory

- **FOCUS ON: CREDITS – BANK AND COVERED BOND PROFILES GERMANY**
- **FOCUS ON: SSAs – GERMAN AGENCIES**
- **FOCUS ON: CREDITS – EUROPEAN BANKS: NET INTEREST INCOME RISES SHARPLY IN Q2 2022**
- **FOCUS ON: COVERED BONDS – EUROPEAN COVERED BONDS: CENTRAL WEBSITE PROVIDES CLARITY**
- **FOCUS ON: CREDITS – LIVE DEALS – A USEFUL INDICATOR FOR PLANNING ISSUANCE**
- **FOCUS ON: CREDITS – PRIMARY MARKET UPDATE EUR BENCHMARK BANK BONDS: Q2 2022**
- **FOCUS ON: CREDITS – EUROPEAN BANKS: CLIMATE RISK STRESS TEST HIGHLIGHTS NEED FOR FURTHER ACTION**
- **EUR CORPORATE BONDS: PRIMARY MARKET Q2 2022**
- **EUROPEAN BANKS: ACTIVITIES BECOMING EVER GREENER**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE: SPAIN VERSUS FRANCE AND GERMANY (VIDEO)**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE – STATE OF PLAY: AUSTRIA VERSUS FRANCE AND GERMANY (VIDEO)**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE – STATE OF PLAY IN FRANCE AND GERMANY (VIDEO)**
- **COVERED-BOND-LAWS: IMPLEMENTATION OF THE EU REGULATION (VIDEO)**

Team of authors



Sabrina Miehs, CESGA
Head of FI & SSA Research
Senior Advisor Sustainable
Finance
T 069/91 32-48 90



Dr. Susanne Knips
Senior Credit Analyst
T 069/91 32-32 11



Christian Schmidt
Covered Bond & SSA
Analyst
T 069/91 32-23 88

Publisher and editorial office

Helaba Research & Advisory

Editor:

Stefan Rausch

Corporate Research & Advisory

Responsible:

Dr. Gertrud R. Traud

Chefvolkswirtin/

Head of Research & Advisory

Neue Mainzer Str. 52-58

60311 Frankfurt am Main

T +49 69 / 91 32 - 20

Internet: www.helaba.com

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.



Here you can subscribe to our newsletter:

<https://news.helaba.de/research/>

