

# Focus on: SSA & Financials

## 10 November 2022



## Weekly Market Update



**Primary market environment:** The race for the US mid-term elections is not yet decided. Oil and gas prices are falling more sharply and crypto prices are plummeting across the board. The eagerly awaited US consumer prices were slightly lower than expected. Primary market conditions remain challenging.

### Primary market barometer

#### SSA



Market conditions in the SSA segment have changed little recently. Issuers are exercising restraint. On the one hand, issues require higher new issue premiums, on the other hand, there seems to be no need for refinancing in many places this year.

#### Covered Bonds



Due to various central bank meetings, issuing activity was quite sparse last week, but has been all the more pronounced since Monday. All deals made it across the finish line relatively well, although the new issue premiums are successively higher.

#### Senior Unsecured

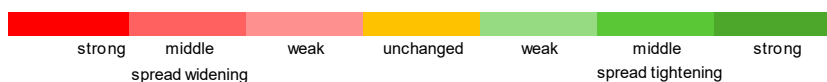


The revival on the primary market for senior unsecured bank bonds this week was even stronger than for covered bonds. Following the publication of quarterly reports and the end of the blackout period, issuers were lining up. High funding reserves are in demand in uncertain times.

### Risk trend indicator: traffic lights jump to red

Relative\* ASW spread change

| IBOXX EURO                 | 1 day | 1 week | 4 week | 13 weeks | 52 weeks | 104 weeks |
|----------------------------|-------|--------|--------|----------|----------|-----------|
| Germany                    | 0,11  | 0,54   | 1,15   | 0,86     | -0,92    | -1,79     |
| European Union             | 0,06  | 0,14   | 0,84   | 1,33     | 1,66     | 1,43      |
| Germany Covered            | 0,05  | 0,18   | 0,33   | 0,04     | 0,68     | 0,00      |
| EU Covered                 | 0,02  | 0,08   | 0,16   | 0,11     | 0,43     | 0,24      |
| Banks senior preferred     | 0,14  | 0,29   | 0,53   | 1,50     | 3,14     | 2,35      |
| Banks senior bail-in (SNP) | 0,10  | 0,20   | 0,40   | 1,47     | 3,07     | 2,39      |
| Banks subordinated         | 0,08  | 0,12   | -0,16  | 1,11     | 2,70     | 1,93      |
| Supranational              | 0,07  | 0,17   | 0,72   | 0,75     | 1,11     | 0,52      |
| Agencies                   | 0,10  | 0,36   | 0,96   | 0,63     | -0,07    | -0,62     |
| Sub-Sovereigns Germany     | 0,06  | 0,13   | 0,46   | 0,04     | -1,15    | -1,32     |
| Sub-Sovereigns             | 0,10  | 0,20   | 0,76   | 0,50     | 0,06     | -0,45     |



\* ASW levels standardized and 2T-smoothed  
Sources: Refinitiv, Helaba Research & Advisory

The deteriorating sentiment already became visible last week with the help of our risk trend indicator. This tendency intensified again recently.



## SSA

Sentiment in the SSA segment remains gloomy. Issuers are holding back for various reasons. This may be due to the fact that some institutions have already reached their funding target for the current year. Others are still waiting for fresh impetus from the European Union, which is expected to issue a dual tranche in the coming week. For most of the federal states, the holdback is probably due to a lack of funding. Higher-than-expected tax revenues are a major contributing factor.

However, this constellation is a snapshot. In the coming year, the cards will be reshuffled in view of a different starting position. Today's benchmark issue by the state of Schleswig-Holstein was an exception. The bond with a volume of EUR 500 million and a 6-year maturity was placed at MS-16.

**Outlook:** We expect the primary market to pick up in the coming week. The planned EU dual tranche alone would have a corresponding influence.

### € SSA issues week of 7 November 2022

| Coupon | Issuer                | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook     | 1st Spread-Indication |
|--------|-----------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|---------------|-----------------------|
| 3,000% | Rentenbank            | Aaa /AAA/AAA     | 0,500bn  |     | 14.11.2034 | ms -5 bps                   |     | 07.11.2022 |               | ms -5 bp              |
| 3,250% | Agence France Local   | Aa3 /AA/-        | 0,500bn  |     | 20.12.2031 | FRTRs +67 bp                |     | 07.11.2022 | 1600bn        | FRTRs +70 area        |
| 3,000% | Bpifrance Financement | Aa2 /-/AA        | 1,000bn  |     | 10.09.2026 | FRTRs +56 bp                |     | 08.11.2022 | 1,950bn       | FRTRs +60 area        |
| 2,875% | CADES                 | Aa2 /AA/-        | 5,000bn  |     | 25.05.2027 | FRTRs +56 bp                |     | 09.11.2022 | 16,500bn      | FRTRs +58 area        |
| 2,625% | Schleswig-Holstein    | -/-/AAA          | 0,500bn  |     | 17.11.2028 | ms -16 bps                  |     | 10.11.2022 | not disclosed | ms -16 area           |

Sources: Bloomberg, Helaba DCM



## Covered Bonds

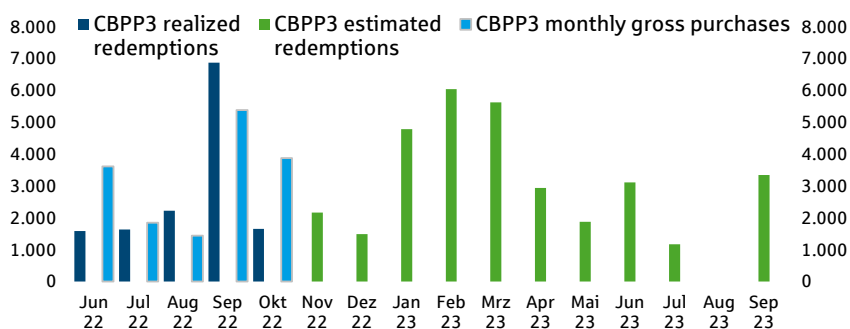
The relatively good absorption capacity of the primary market, despite an overall challenging market environment, should continue to ensure activity. This week, 10 issuers from different jurisdictions (AUS, FIN, FR, D, NO, AT) took advantage of the favourable conditions and met with good investor demand with their carefully selected medium maturities, partly supplemented by green labels.

Münchener Hypothekbank eG, for example, was solidly successful with its mortgage Pfandbrief in the face of a large number of competing issuing projects. The original marketing spread could finally be narrowed from MS +5 bp. to MS +1, so that the new issue premium was approx. +2 bp. With More Boligkreditt, Mortgage Society of Finland and Sparkasse Hannover, rarer sub-benchmark issuers also came to the market. Oma Savings Bank PLC increased its bond, which ma-

tures in 12/2026, by EUR 250 million to EUR 600 million. The smaller transactions were also successfully placed. The high maturities at the ECB in the first quarter of 2023 will give further impetus to the demand side.

### High ECB covered bond maturities in the first quarter of 2023

m EUR



\*Cross Purchases = Netpurchases + Redemption

Sources: ECB, Helaba Research & Advisory

The **secondary market** sentiment is characterised by restraint on the one hand and a clear supply overhang on the other. At least there has been a stabilisation recently, and the first buyers have appeared. Overall, however, the development on the primary market continues to play a decisive role.

*„The movements of the past days and weeks continue unabated in the covered bond market. On the one hand, we have a secondary market where more and more investors are trying to cash out and a primary market that is still heading for a new record volume this year. Even the current NIPs are not helping many issues to achieve strong secondary performance.“*

*Comment from the Helaba trading floor*

**Outlook:** The remaining issuance window this year is gradually shrinking. In this respect, all issuers who have not yet finalised their refinancing plans must hurry, and the brisk activity on the primary market is likely to continue in the coming week. The currently tightening bund/swap spreads could be an additional motivation, although recently the focus has tended to be on volume optimisation rather than spread optimisation. Pull-forward effects in anticipation of higher spreads in the coming year also play an increased role. Short to maximum medium maturities remain the first choice, especially as they offer very good credit ratings (Pfandbriefe) and a certain degree of protection. Another argument is the attractive yield level.

€ Covered Bond issues week of 7 November 2022

| Coupon | Issuer                                      | Rating<br>(M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread<br>vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-<br>Indication |
|--------|---|---------------------|----------|-----|------------|--------------------------------|-----|------------|-----------|---------------------------|
| 3,125% | Sparebanken Sør Boligkreditt AS             | Aaa /-/-            | 0,500bn  |     | 14.11.2025 | ms +11bps                      | ✓   | 07.11.2022 | 1,500bn   | ms +16 area               |
| 3,205% | Australia and New Zealand Banking Group Ltd | Aaa /-/AAA          | 2,000bn  |     | 15.11.2024 | ms +14 bps                     |     | 07.11.2022 | 2,650bn   | ms +17 area               |
| 3,125% | CFF   | Aaa /AAA/-          | 1,350bn  |     | 18.05.2027 | ms +14 bps                     |     | 07.11.2022 | 1,725bn   | ms +16 area               |
| 3,250% | Mortgage Society of Finland                 | - /AAA/-            | 0,300bn  |     | 15.11.2027 | ms +23 bps                     |     | 08.11.2022 | 0,430bn   | ms +25 area               |
| 3,000% | Münchener Hypothekbank eG                   | Aaa /-/-            | 0,700bn  |     | 04.08.2027 | ms +1bps                       |     | 08.11.2022 | 0,900bn   | ms +5 area                |
| 3,125% | CaFFIL                                      | Aaa /AA +/-         | 0,750bn  |     | 16.11.2027 | ms +11bps                      |     | 08.11.2022 | 1,600bn   | ms +15 area               |
| 3,000% | Sparkasse Hannover                          | - /-/AAA            | 0,250bn  |     | 16.11.2026 | ms +6 bps                      |     | 09.11.2022 | 0,335bn   | ms +8 area                |
| 3,125% | Møre Boligkreditt AS                        | Aaa /-/-            | 0,250bn  |     | 16.11.2027 | ms +25 bps                     |     | 09.11.2022 | 0,315bn   | ms +25 area               |
| 1,500% | Oma Saastopankki Oyj                        | - /AAA/-            | 0,350bn  |     | 18.12.2026 | ms +8 bps                      |     | 11.05.2022 | 0,600bn   | ms +10 area               |
| 3,000% | BAWAG P.S.K.                                | Aaa /-/-            | 0,750bn  |     | 17.05.2027 | ms +17 bps                     |     | 10.11.2022 | 1,050bn   | ms +18 area               |

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

The primary market for senior unsecured bank bonds came back to life this week - issuers were lining up: Since Monday, 13 bonds in EUR benchmark format with a total volume of over EUR 13 billion came to the market. Nine of these were structured with non-preferred rank, thus regulatory requirements remain a key driver of new issuance activity.

The majority of the transactions were relatively large in volume and came from major systemically important banks such as ING Group, UniCredit, Credit Suisse Group and Société Générale. In addition, less established issuers from the periphery were also able to successfully implement their issuance projects. Considering the wave of new issues this week, the subscription rates are impressive - the order books were oversubscribed by a median of almost 2 times. The Credit Suisse transaction was particularly eye-catching, raising EUR 7.5 billion. However, issuers were prepared to offer elevated spreads, which did not narrow too quickly even in the secondary market.

*„The investor flows take the new issues as a benchmark. In the secondary market, new bonds were and are sought after, whereas the old issues were sold. Nevertheless, volumes tend to remain in smaller sizes. Fast-money accounts stayed true to their line and used the good performance of the new issues for profit-taking, which in turn generated good conditions for 2-way flows.“*

*Comment from the Helaba trading floor*

The question is whether this was an early year-end rally, a closing panic or simply a favorable opportunity for issuance projects. According to our assessment, the answer is: a bit of everything. After the end of the blackout period due to the quarterly reports, issuers are also using the comparatively favorable market window for prefinancing in order to be well prepared for possibly even more difficult times in a global crisis environment and to ensure compliance with their regulatory requirements.

**Outlook:** According to our expectations, the issuance round could continue next week in a friendly market environment. As the year draws to a close, many banks have largely implemented their issuance plans, and in some cases even exceeded them. However, concerns that the market environment will remain difficult into next year mean that open market windows could continue to be used actively for prefinancing. Furthermore, the regulatory requirements for loss-absorbing capital (MREL/TLAC) will ensure ongoing issuance in this segment.

#### € Senior Preferred issues week of 7 November 2022

| Coupon | Issuer           | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 3.750% | Swedbank AB      | Aa3 /A+/AA       | 1000bn   |     | 14.11.2025 | ms +72 bps                  |     | 07.11.2022 | 1900bn    | ms +95 area           |
| 4.000% | Société Générale | A 1/A/A          | 1000bn   |     | 16.11.2027 | ms +115 bps                 |     | 09.11.2022 | 1400bn    | ms +135 area          |
| 4.250% | Société Générale | A 1/A/A          | 1250bn   |     | 16.11.2032 | ms +140 bps                 |     | 09.11.2022 | 1900bn    | ms +165 area          |
| 4.000% | BFCM             | Aa3 /A+/AA-      | 0.750bn  |     | 21.11.2029 | ms +110 bps                 |     | 09.11.2022 | 1700bn    | ms +135-140 bp        |

Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 7 November 2022

| Coupon | Issuer                 | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 4.875% | ING Groep N.V.         | Baa1/A-/A+       | 1250bn   |     | 14.11.2027 | ms +185 bps                 |     | 07.11.2022 | 2.400bn   | ms +210 area          |
| 5.250% | ING Groep N.V.         | Baa1/A-/A+       | 1000bn   |     | 14.11.2033 | ms +215 bps                 |     | 07.11.2022 | 2.600bn   | ms +240 area          |
| 5.375% | CaixaBank, S.A.        | Baa3/BBB/BBB+    | 1000bn   |     | 14.11.2030 | ms +240 bps                 |     | 07.11.2022 | 2.100bn   | ms +265 area          |
| 5.850% | UniCredit S.p.A.       | Baa3/BBB-/BBB-   | 1000bn   |     | 15.11.2027 | ms +285 bps                 |     | 08.11.2022 | 2.600bn   | ms +315 area          |
| 5.500% | Jyske Bank A/S         | -/BBB+/-         | 0.500bn  |     | 16.11.2027 | ms +250 bps                 |     | 08.11.2022 | 0.825bn   | ms +265 area          |
| 7.250% | Unicaja Banco, S.A.    | -/-/BB+          | 0.500bn  |     | 15.11.2027 | ms +425 bps                 |     | 08.11.2022 | 0.600bn   | ms +425 area          |
| 7.750% | Credit Suisse Group AG | Baa2/BBB-/BBB    | 3.000bn  |     | 01.03.2029 | ms +495 bps                 |     | 09.11.2022 | 7.500bn   | ms +525 area          |
| 5.750% | AIB Group PLC          | A3/BBB-/BBB      | 0.750bn  |     | 16.02.2029 | ms +285 bps                 |     | 09.11.2022 | 1300bn    | ms +305 area          |
| 6.693% | Česká spořitelna, a.s. | -/A-/A           | 0.500bn  |     | 14.11.2025 | ms +370 bps                 |     | 09.11.2022 | 0.950bn   | ms +400 area          |

Sources: Bloomberg, Helaba DCM



## Short news

**11/9 UN Climate Change Conference 2022:** The European Banking Authority [EBA](#) has published a report in connection with the UN Climate Change Conference 2022 (COP27). In it, it again emphasizes the importance of transparency and consideration of sustainability aspects in banks' risk management. The Basel-based Bank for International Settlements [BIS](#) has also commented on the importance of the green transformation related to the conference.

**11/9 ECB says, a green transition supports price stability:** Greening our economies faster will reduce the costs of the transition to a low-carbon economy and will help to ensure price stability in the long run. The latest blog by the [ECB](#) explains why both fighting climate change and fighting inflation can go hand-in-hand.

**11/9 Shareholder payouts at risk as ECB tells banks to hold capital:** Investors hoping for extensive payouts from EU banks may be disappointed as supervisors are urging them to preserve capital in the face of a weakening economic outlook, sources again told [Reuters](#). The news agency had already [recently](#) reported that the ECB is carefully scrutinizing euro zone banks' payout according to top supervisor Andrea Enria.

**11/8 EU Council agrees on its position on implementation of Basel III reforms:** The [EU Council](#) has agreed on a position on changes to the capital requirements for banks that will apply across Europe. This far-reaching revision of banking regulatory requirements, centered on the final implementation of Basel III, will place a significant burden on the European banking sector. (For more information on the EU Commission's proposals, see our [publication](#) dated November 9, 2022).

**11/04 EBA publishes draft templates for [2023 EU-wide stress test](#):** The European Banking Authority (EBA) published the final methodology, draft templates and template guidance for the 2023 EU-wide stress test along with the milestone dates for the exercise. The stress test exercise will be launched at the end of January 2023 with the publication of the macroeconomic scenarios. The results will be published by the end of July 2023.

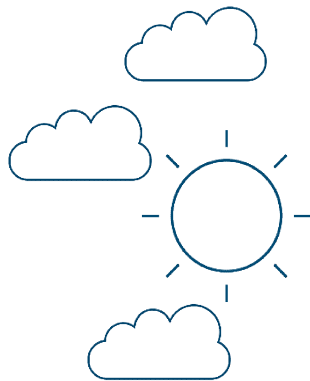
**11/4 ECB raises concerns over Spain's proposed windfall bank tax:** The ECB has criticized Spain's proposed windfall tax on its banks, warning it could damage the capital position of lenders, disrupt monetary policy, and prove difficult to enforce. As reported by the [Financial Times](#), commercial lenders have said the fact the government wants to stop them from passing the cost of the tax on to clients is incompatible with EU rules and potentially destabilizing.

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

|                   |      |       |        |                          |       |     |      |                         |       |      |       |
|-------------------|------|-------|--------|--------------------------|-------|-----|------|-------------------------|-------|------|-------|
| E-STOXX 600 Banks | 133  | 2,13% | 13,12% | iBovx€Cov. Germany       | 3,6   | 0,7 | 2,3  | iTraxx Senior Financial | 117,2 | -3,4 | -310  |
| 10Yr-Yield        | 2,18 | 0,04  | -0,17  | iBovx€Cov. Bonds         | 14,5  | 1,5 | 4,2  | iBovx€Supranational     | 8,6   | 109  | 7,75  |
| Swap 10J          | 2,94 | -0,11 | -0,36  | iBovx€Banks PS           | 1012  | 7,6 | 12,7 | iBovx€Agencies          | -7,6  | 4,86 | 13,54 |
| iBovx€Germany     | -616 | 8,28  | 16,99  | iBovx Banks NPS          | 149,5 | 6,7 | 116  | iBovx€Sub-Sov. Germany  | 2,2   | 141  | 7,15  |
| iBovx€EU          | 14,2 | 0,92  | 9,48   | iBovx Banks Subordinated | 240,2 | 8,9 | -8,4 | iBovx€Sub-Sovereign     | 20,3  | 197  | 9,16  |

\* Closing prices from the previous day  
Sources: Refinitiv, Helaba Research & Advisory, \* ASW-Spreads

**Leisure tip for the weekend: The home of Eintracht Frankfurt**



**Deutsche Bank Park-** The venue, which opened in 1925 as Frankfurt's "**Waldstadion**", has now become Deutsche Bank Park - home to Eintracht Frankfurt with 51,000 spectator seats. By booking a guided tour, you will take a journey through the **history of Eintracht**. In the first part, you will visit the Eintracht Museum, where the sports history of the Main metropolis and Eintracht is told, stories of great victories, **soccer wonders** and soccer gods. In the second part of the 90-minute tour, you'll get a guided tour of the stadium, including a look behind the scenes. By the way, tours can also be booked **at night**, which gives the experience its very own atmosphere and is not only exciting for soccer fans.

More information: [Eintracht Frankfurt Museum \(frankfurt-tourismus.de\)](https://www.frankfurt-tourismus.de)

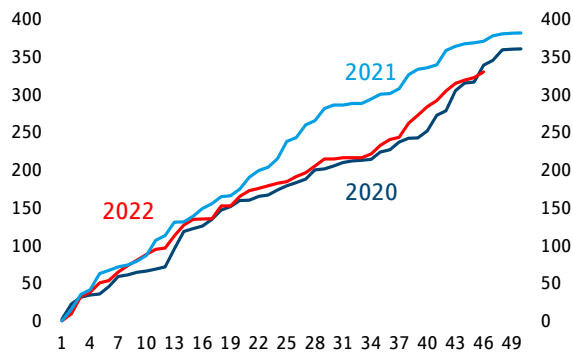
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://www.frankfurt-tourismus.de/en/Media/Attractions/Museums/Eintracht-Frankfurt-Museum#/article/0136fd90-36cd-4eee-9ffd-ba6e966f15f3>

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

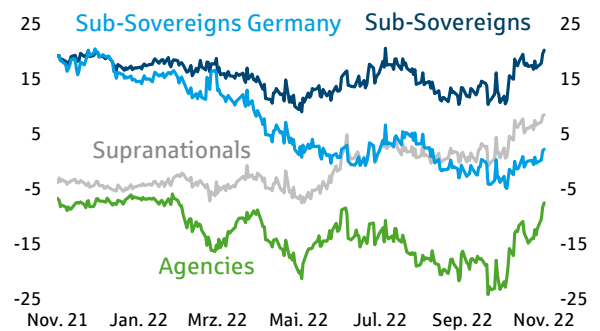
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

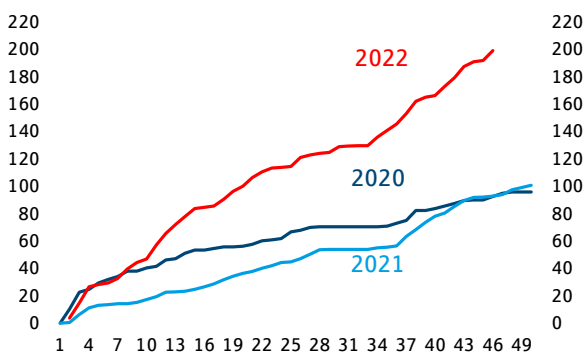
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

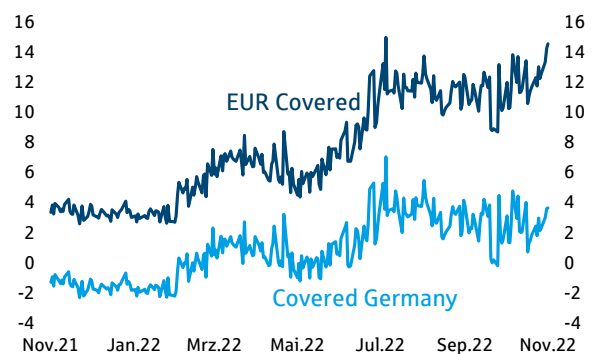
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

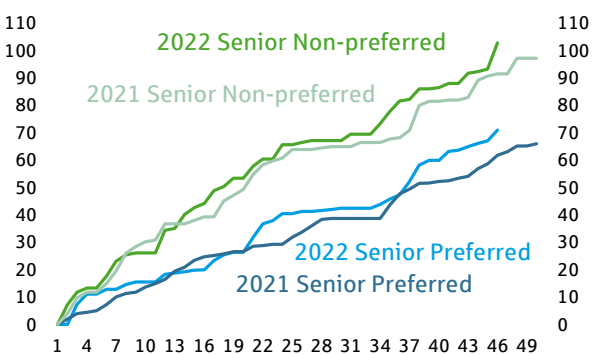
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

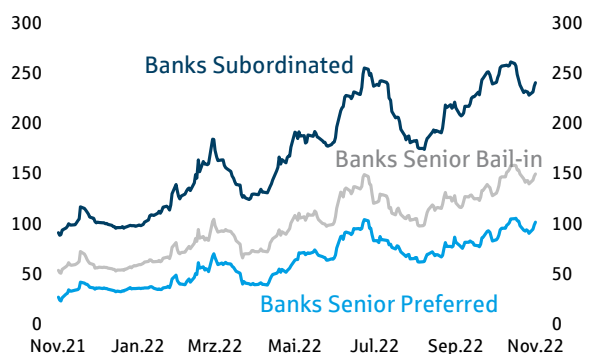
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



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- **FOCUS ON CREDITS - BASEL III AND THE EU COUNCIL'S POSITION ON THE LEGISLATIVE PACKAGE**
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## 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](http://www.helaba.com)

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