Helaba

Focus on: SSA & Financials

17 November 2022

Weekly Market Update

Primary market environment: Primary market conditions remain challenging despite the recent easing of tensions: Republicans achieve a majority in the House of Representatives in the US midterms, US retail sales rose by 1.3% month-on-month in October and euro area inflation rises above the 10% mark in October for the first time since the introduction of the euro.

Primary market barometer

SSA

Many issuers have largely completed their funding projects for this year. In addition, the widening of spreads on the secondary market is unsettling. We therefore do not expect any significant revival.

Covered Bonds

A historic week: On Monday, the EUR 200 billion sound barrier in issuance volume was broken for the first time. Activity continued unabated with higher spreads and in some cases decent new issue premiums. The near end of the year plays a significant role in this.

Senior Unsecured

After the surprisingly strong revival on the primary market for senior unsecured bonds in the previous week, the high level of activity continues this week. Issuers are queuing up and meeting good demand from investors based on attractive spread offers. Funding reserves continue to expand.

Risk trend indicator: traffic lights somewhat more relaxed

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0.04	0.34	0.83	1.59	-0.28	-1.35
European Union	0.00	-0.03	-0.01	1.18	1.72	1.52
Germany Covered	-0.02	0.02	0.07	0.30	0.72	0.02
EU Covered	0.00	0.04	0.11	0.22	0.47	0.28
Banks senior preferred	0.01	-0.20	-0.17	1.09	2.63	2.17
Banks senior bail-in (SNP)	-0.01	-0.29	-0.39	0.76	2.52	2.11
Banks subordinated	0.02	-0.25	-0.59	0.60	2.31	1.77
Supranational	0.02	0.04	0.17	0.84	1.21	0.66
Agencies	0.01	0.20	0.54	1.07	0.25	-0.39
Sub-Sovereigns Germany	0.05	0.10	0.28	0.34	-0.88	-1.30
Sub-Sovereigns	0.03	0.08	0.23	0.82	0.26	-0.35

strong | middle | weak | unchanged | weak | middle | strong

spread widening — spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

Sentiment has eased in recent days. Our risk trend indicator also shows moderate improvements, although the short-term easing should not be overestimated in view of the numerous fundamental risks...

SSA

In the SSA segment, it seems as if issuers have already largely completed their funding projects for this year. In addition, we believe that issuers have been unsettled by developments on the secondary market. For example, the spreads of German federal states with long maturities have widened noticeably recently. In principle, duration is avoided, as the past weeks have already shown.

Nevertheless, a heavyweight, the EU, came to the market this week with a dual tranche. The 10.25-year "green tranche" had an order book of almost EUR 42 billion. It was finally priced at MS+1 and a new issue premium of 5 bp. The 30.3-year bond also enjoyed strong investor demand. The notional bid-to-cover ratio was even higher at 11.8x. With a final marketing spread of 74 bps, the new issue premium was also 5 bps above the relevant secondary market curve. For understandable reasons, other issuers did not want to compete with this.

Outlook: We do not expect the primary market to pick up significantly in the coming week. Possibly one or the other federal state will still show itself in the short maturity segment.

€ SSA issues week of 14 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	EU	Aaa/AA+/AAA	6,000bn		04.02.2033	ms +1bps	✓	15.11.2022		ms +3 area
3,000%	EU	Aaa/AA+/AAA	2,500bn		04.03.2053	ms +74 bps		15.11.2022	29,500bn	ms +76 area
2,750%	Swedish Export Credit Corporation	Aa1/AA+/-	1,000bn		23.02.2028	ms +16 bps		16.11.2022	1,250bn	ms + 17 area

Sources: Bloomberg, Helaba DCM

Covered Bonds

As already suspected in the previous week, the momentum on the primary market continued at last. The magic barrier of EUR 200 billion since the beginning of the year was already broken at the beginning of the week. And this despite the fact that the market environment still holds one or two challenges. Higher spread concessions and the granting of new issue premiums, some of which are significant, are keeping the locomotive under steam. The approaching end of the year is also narrowing the window of opportunity for liquid markets.

> *„Turnover (secondary market) is like walking down a one-way street and consists for the most part of bid requests. The spreads vs. swaps are widening, which is also due to the fact that the primary market, which is running at full steam, only functions if generous NIPs are granted. The interaction between these same NIP's with valuations in the secondary market is causing spreads to rise. The massive relative increase in the price of covereds vs. EGBs (bund/swap tightening >20 bps in recent weeks) is another key driver.*
>
> *Comment from the Helaba trading floor*

The motto of the last few weeks has been: short maturities are the trump card. It is therefore not surprising that the issuer with the shortest covered bond maturity this week - ING Bank with a 3-year bond - generated the highest order book.

The few buyers on the **secondary market** are cherry-picking and, unsurprisingly, are clustered at the short end of the curve. Due to the structure of the curve, this area is the most suitable for venturing an investment. Central banks are largely conspicuous by their absence and do not provide any support worth mentioning. In our view, the uncertainties in a fragile overall market remain and are likely to keep spreads high.

Outlook: Although no transaction has been officially announced yet, we expect further issuance in the coming week. Pre-funding and possible TLTRO redemptions - estimates are for a redemption on 23 November of up to EUR 750 bn - could favour this. Shorter maturities remain the first choice.

€ Covered Bond issues week of 14 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	ING Bank N.V.	Aaa /AAA/AAA	1,750bn		21.11.2025	ms +2 bps		14.11.2022	2,250bn	ms +6 area
2,875%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1,000bn		23.06.2028	ms +15 bps		14.11.2022	1,300bn	ms +17 area
2,750%	OP Mortgage Bank	Aaa /AAA/-	1,250bn		22.06.2026	ms +6 bps		14.11.2022	1,400bn	ms +8 area
3,106%	Westpac Banking Corporation	Aaa /-/AAA	0,750bn		01.12.2027	ms +35 bps		15.11.2022	0,800bn	ms +35 area

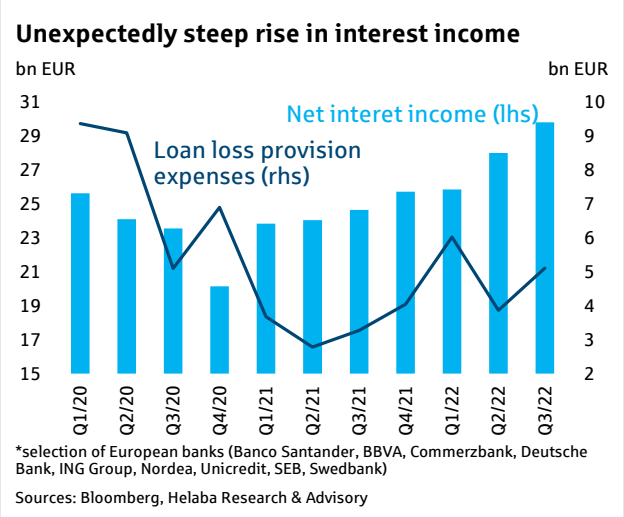
Sources: Bloomberg, Helaba DCM

Senior Unsecured

After the surprisingly strong revival last week, the busy activity in the primary market for senior unsecured bank bonds in EUR benchmark format with fixed coupon continued this week. Since Monday, EUR 6.7 billion has been placed in 9 transactions, with order books more than twice as high. The robust market environment was reflected, among other things, in the fact that longer maturities and issuers from the periphery were also able to score.

ABN AMRO Bank, for example, placed a dual tranche with non-preferred rank in the volume of EUR 1.25 billion with a maturity of 7.3 years and EUR 1.0 billion over 12 years, with the order book for the latter showing an oversubscription rate of an impressive 3x. In this environment, less familiar names such as Raiffeisen Bank Zrt. from Hungary and the Greek Piraeus Bank also came out of the woodwork. However, the houses had to offer high spreads to get desired investor interest, and spread tightening in the secondary market was not quite as strong as it was a few weeks ago. In our opinion, this reflects the high level of nervousness currently prevailing on the market.

Sentiment was supported, among other things, by the now largely completed reporting season for banks: The major European banks demonstrated very solid credit ratios for Q3 2022 and have high risk buffers in the current crisis environment. The rapid increase in net interest income in the core business is particularly encouraging. This should more than compensate for the loss of income brought about by the ECB's TLTRO III program. The repayment announcement tomorrow (Nov. 18) is eagerly awaited. According to our expectation, it could even be lower than the consensus estimate because banks want to maintain their liquidity ratios for the time being. (see our publication **"European banks: Q3 results instil confidence"** of Nov. 16, 2022).



Outlook: Issuers are taking advantage of the comparatively favorable market window for prefinancing in order to be well prepared for potentially even more difficult times in the global crisis environment and to ensure compliance with their regulatory requirements (MREL/TLAC). The brisk primary market activity could therefore continue next week, as we expect, in a friendly market environment. However, the year is drawing to a close and many issuers have largely implemented their issuance plans, in some cases even exceeding them. We therefore expect a slowdown in activity in December at the latest.

> *„New issues are pursued in all maturities and liability ranks with high coupons, the likes of which have not been seen for many years. However, the secondary market has shown a split performance. On the one hand, last week's new bonds benefited from the squeeze after the US CPI data and are trading much tighter - e.g. Jyske 11/27, and the new UCGIM 11/27 as the high flyer - carried by the good market sentiment. This week's new issues are still trading slightly higher.*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 14 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3.250%	SEB	Aa3/A+/AA	1.000bn		24.11.2025	ms +55 bps		15.11.2022	1.500bn	ms +80 area
5.035%	Banca Mediolanum S.p.A,	-/BBB/BBB	0.300bn		22.01.2027	ms +225 bps		15.11.2022	0.740bn	ms +255 area
7.250%	National Bank of Greece S.A.	Ba3/B+/-	0.500bn		22.11.2027	ms +474 bps		15.11.2022	1.050bn	7.75% area
8.750%	Raiffeisen Bank, Zrt.	Baa3/-/-	0.300bn		22.11.2025	ms +590 bps		16.11.2022	0.650bn	9% area
8.250%	Piraeus Bank S.A.	B1/B/-	0.350bn		28.01.2027	ms +580 Bp		17.11.2022	0.750bn	8.5% area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 14 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,250%	ABN AMRO Bank NV	Baa1/BBB/A	1,250bn		21.02.2030	ms +145 bps	✓	14.11.2022	2,500bn	ms +170 area
4,500%	ABN AMRO Bank NV	Baa1/BBB/A	1,000bn		21.11.2034	ms +165 bps		14.11.2022	3,000bn	ms +190 area
6,250%	Hamburg Commercial Bank AG	Baa2/-/-	0,500bn		18.11.2024	ms +340 bps		14.11.2022	0,750bn	ms +350 area
6,000%	Banco BPM S.p.A.	Ba2/-/BB+	0,500bn		21.01.2028	ms +330 bps		14.11.2022	1,100bn	ms +360 area
4,375%	KBC Group N.V.	Baa1/A-/A	1,000bn		23.11.2027	ms +170 bps		16.11.2022	3,000bn	ms +195 area

Sources: Bloomberg, Helaba DCM

Short news

11/15 Reuters: Euro banks face 'direct hit' to profits from house price slide: Europe's banks risk a significant hit to their profits if house prices across the region begin to slide, regulators and rating agencies warn. While banks' robust balance sheets mean declining house prices are unlikely to pose a systemic risk, the scale of lenders' exposure to the property sector means they could face a hit to earnings, **Reuters** reports.

11/15 European Supervisory authorities launch joint Call for Evidence on greenwashing: The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) today **published** a Call for Evidence on greenwashing to gather input from stakeholders on how to understand the key features, drivers and risks associated with greenwashing and to collect examples of potential greenwashing practices.

11/11 Fitch Ratings: Spanish Covered Bonds Are Now Aligned with EU Standards: Spanish cédulas hipotecarias (CH) are more closely aligned with their European peers owing to new mandatory liquidity mechanisms offering payment continuity in stress scenarios, and selected mortgage pools securing outstanding covered bonds, Fitch Ratings says in a new report.Spain's implementation of the EU Covered Bonds Directive on 8 July 2022 represents a "big-bang" for the cédulas market, in Fitch's view. It strengthens the governance framework, adds liquidity protection, and enables maturity extensions.

11/10 Russia activities RBI: Russia's VTB Bank PJSC is **discussing a scheme** to exchange its European assets for the Russian assets of Austria-based Raiffeisen Bank International AG, but no solution has been found regarding

the potential scheme at the political level, news agency TASS reported, citing VTB CEO Andrey Kostin. RBI's Russian unit is one of Russia's systemically important banks.

11/10 ESG Due Diligence framework: Several EU member states, including Germany, France and Italy, are calling on the European Commission to shield or fully exclude the financial sector from the proposed Corporate Sustainability Due Diligence framework, EU documents seen by **Reuters** showed.

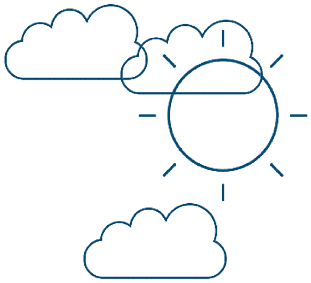
11/10 Spanish bank tax: Spain's ruling coalition put forward amendments to its banking tax proposal, widening its scope to include local units of foreign financial institutions under direct ECB supervision, regardless of the amount of their revenue, Reuters **reported**. The move comes after the ECB raised concerns over the temporary bank levy, which aims to raise €3 billion by 2024, saying it could hurt banks' capital and negatively impact competition and financial sector stability.

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

E-STOXX 600 Banks	135	1.55%	7.05%	iBoxx €Cov. Germany	4.0	0.4	2.0	iTraxx Senior Financial	105.7	-11.5	-31.8
10Yr-Yield	2.01	-0.17	-0.36	iBoxx €Cov. Bonds	15.6	1.1	4.3	iBoxx €Supranational	9.3	0.77	2.80
Swap 10J	2.70	-0.24	-0.55	iBoxx €Banks PS	94.2	-7.0	-5.3	iBoxx €Agencies	-5.0	2.57	7.72
iBoxx €Germany	-57.4	4.19	11.21	iBoxx Banks NPS	138.5	-10.9	-13.7	iBoxx €Sub-Sov. Germany	4.4	2.21	5.65
iBoxx €EU	14.1	-0.15	0.21	iBoxx Banks Subordinated	224.3	-16.0	-32.4	iBoxx €Sub-Sovereign	21.3	1.05	3.60

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

Leisure tip for the weekend: Bergpark Wilhelmshöhe in Kassel



Bergpark Wilhelmshöhe - With an area of 2.4 square kilometers, Bergpark Wilhelmshöhe in Kassel is the largest mountain park in Europe and has been a **UNESCO World Heritage** since 2013. The impressive sight in Hesse was created as a park as early as 1696 and expanded again and again in the following 150 years. The Bergpark Wilhelmshöhe offers not only a beautiful view over Kassel, but also many architectural highlights, such as the **Wilhelmshöhe Palace**, which today houses, among other things, the **art gallery "Old Masters"** and presents about 500 paintings, and shows an excellent overview of the European painting series from the late Gothic to Classicism. Another highlight in the Bergpark is the 11.3 m tall **statue of Hercules**, which is enthroned on the top of a steep pyramid on a grotto structure on the summit of the Karlsberg.

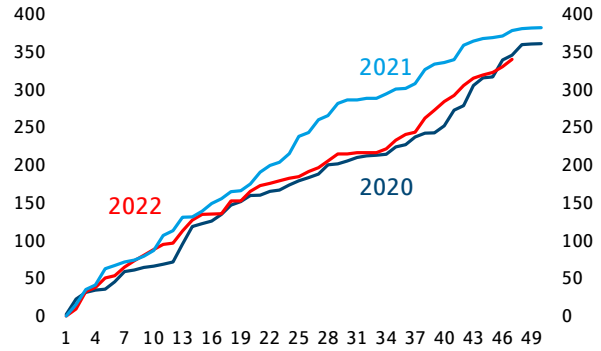
More information: **wilhelmshöhe palace | Museumslandschaft Hessen Kassel (museum-kassel.de)**

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: https://museum-kassel.de/en/museums-parks-palaces/unesco-world-heritage-site-of-bergpark-wilhelmshoehe/wilhelmshoehe-palace

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

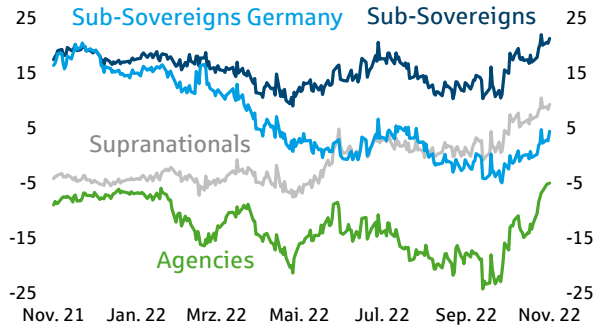
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

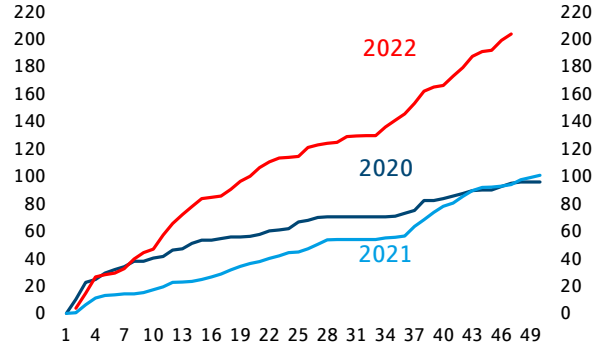
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

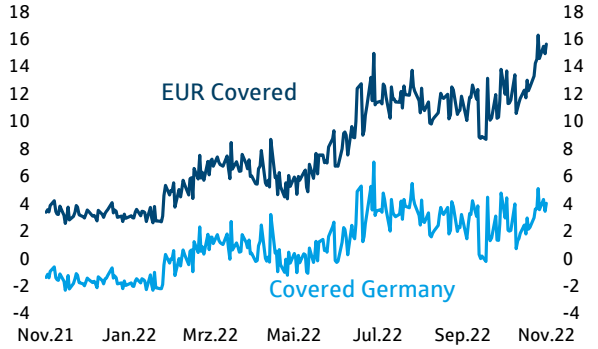
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

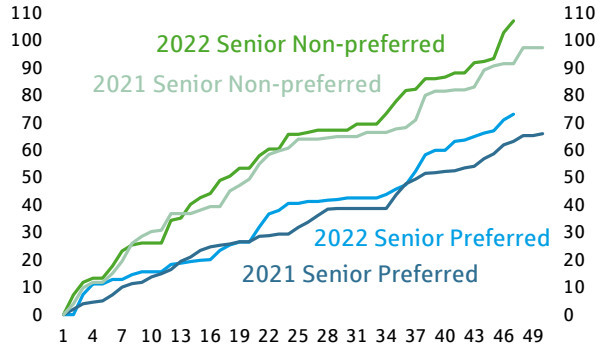
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

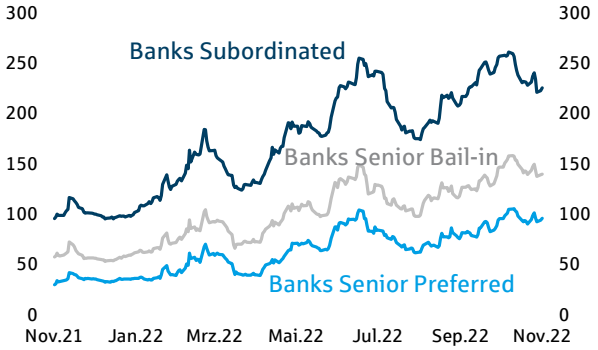
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → Focus on Credits - **European banks: Q3 results instil confidence**
- → Focus on credits - Basel III and the EU Council's position on the legislative package
- → Focus on: Sustainable Finance - The rendezvous clause
- → Focus on: Credits - Primary market update EUR benchmark bank bonds: Q3 2022
- → Focus on: Credits - EUR Corporate bonds: Primary market Q3 2022
- → Focus on: Credits – Bank and Covered Bond Profiles Germany
- → Focus on: SSAs – German Agencies
- → Focus on: Covered Bonds – European covered bonds: central website provides claritiy
- → Focus on: Credits – European Banks: Climate risk stress test highlights need for furhter action
- → 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/