

# Focus on: SSA & Financials

## 1 December 2022



## Weekly Market Update



**Primary market environment:** With inflation figures easing in Spain and Germany, the mood on the primary market brightened. In the wake of this, hopes were raised that the ECB will opt for a rate hike of 50 bps at its next meeting. Speaking of the ECB, statements on possible QT tapering in 2023 are also eagerly awaited.

### Primary market barometer

#### SSA



In the SSA segment, the picture has hardly changed compared with the previous weeks. There are still hardly any transactions. The funding plans seem to be completed for this year. One highlight was that the EIB used blockchain technology to issue a bond.

#### Covered Bonds



Somewhat declining inflation figures and the associated interest rate expectations made themselves felt positively on the primary market. This week's new issues went through smoothly. However, as the end of the year approaches, the opportunities for issuance are becoming fewer.

#### Senior Unsecured

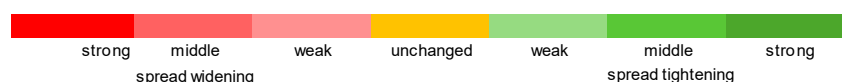


After a slowdown at the beginning of the week, the primary market for senior unsecured bank bonds picked up noticeably again today. Issuers took advantage of the constructive market environment also for non-preferred transactions. Yet, the year is drawing to a close and a pause in activity is foreseeable.

### Risk trend indicator: End of the year casts a shadow

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,06	-0,10	0,62	141	-0,28	-187
European Union	0,08	0,17	0,28	137	190	192
Germany Covered	0,11	0,19	0,34	0,40	0,98	0,21
EU Covered	0,03	0,06	0,18	0,27	0,58	0,37
Banks senior preferred	-0,02	-0,26	-0,40	0,26	182	166
Banks senior bail-in (SNP)	-0,03	-0,17	-0,42	0,18	199	188
Banks subordinated	-0,05	-0,38	-0,67	-0,38	154	139
Supranational	0,08	0,19	0,43	108	148	116
Agencies	0,04	0,17	0,70	127	0,32	-0,31
Sub-Sovereigns Germany	0,07	0,20	0,58	0,77	-0,67	-0,89
Sub-Sovereigns	0,06	0,14	0,46	103	0,30	-0,06



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

The risk trend indicator has turned from green to red for bonds from the SSA and covered bond segments. Not necessarily untypical for the end of the year with reduced demand. At least the market environment for the issuance of senior unsecured bank bonds was once again quite constructive.



## SSA

The activities in the SSA segment are currently manageable and thus only play a secondary role. It is noteworthy that the EIB issued a EUR 100 million bond (MS-33) on Tuesday using a private **block-chain technology** (Ethereum). The focus was to gain further insights in the use of digital technology and the settlement process. The transaction was the second tranche based on a digital process, although the initial placement was still conducted via a public platform. Already on Monday, the EU was active in the classic format (auction). Two outstanding benchmark issues were raised by a total of EUR 16.27 billion.

**Outlook:** The bulk of issuers have already closed the books for this year. For example, the lack of financing requirements at the federal states contributed to this. As January is traditionally one of the strongest months of the year in terms of issuance, a contrasting picture can be expected right at the start of the new year, and thus a significant increase in issuance activity. This is despite the fact that it can be assumed that advance financing has already been provided in anticipation of rising interest rates and a widening of spreads.

€ SSA issues week of 28 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,000%	EU	Aaa / AA+ / AAA	2,265bn	✓	04.10.2027	Auction		28.11.2022	2,330bn	Auction
1250%	EU	Aaa / AA+ / AAA	1000bn	✓	04.02.2043	Auction	✓	28.11.2022	1930bn	Auction
2,507%	EIB	Aaa / AAA / AAA	0,100bn		29.11.2024	ms -33 bps		29.11.2022	not disclosed	ms - 33 area
0,625%	KommuneKredit	Aaa / AAA / -	0,300bn	✓	11.05.2026	ms -7 bps		30.11.2022	0,300bn	ms - 7 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

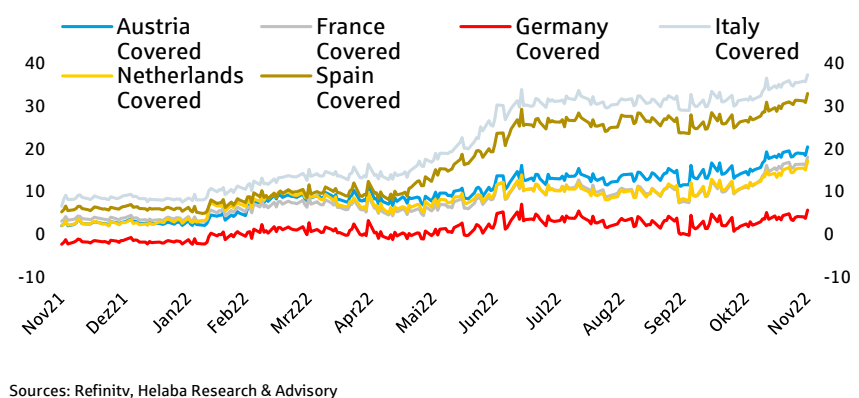
As the end of the year approaches, issuers whose funding plans have not yet been fully completed are under time pressure. At least, the somewhat softening inflation figures have been conducive to moderate interest rate declines. At the same time, expectations of the next ECB rate hike were reduced, so that the majority of the market now assumes a 50 bps increase. Primary market activity also benefited from this development.

Since Monday, 4 issues with a longest maturity of 5 years have been successfully placed.

France's **Credit Mutuel Home Loan SFH** generated an order book of EUR1.45 billion for the covered (EUR1 billion, 5-year), which is 100% secured by prime residential loans. The final spread of MS+18 was 2 bps below the marketing spread. **Commerzbank** chose a 3-year maturity for its Pfandbrief issue. In view of good demand - the order book was oversubscribed by almost 1.8 times - the bond (UR 1 billion) was ultimately priced at MS+1 vs. MS+ 5 in marketing and a new issue premium of 3 bps. The latest issue increased Cofa's placement volume this year to EUR 5.25 billion. **Credit Suisse** (Switzerland) probably closed the constructive week in the segment with its euro-comeback today.

### Risk premiums increase differently and force differentiation

iBoxx Covered Bond-Indices, ASW in bps



Since April of this year, the **spreads of various jurisdictions have been continuously diverging**, illustrating increased differentiation. German **Pfandbriefe**, as recently issued by Commerzbank, thus remain relatively more expensive. In our view, this trend will continue in the new year.

*"The secondary market continues to work off increased swap levels! A sustainable recovery is not discernible in view of the unchanged framework conditions (no support from central banks, compression pressure in the Bund / swap spreads). At best, with the latest new issues <5Y, such as CMZB 2 ¾ 12/08/25 Corp -issued at MS+1- the NIP's are gradually pricing themselves out. It is quite conceivable that with primary market activity expected to close soon for the year, the pressure will ease somewhat."*

*Comment from the Helaba trading floor*

In the **secondary market**, there are widespread fears that there will be renewed upward pressure on spreads when activity resumes in January 2023. There are also fears that the coming months will be very challenging, particularly with respect to the ability of market makers to smooth. A gradual **pullback by central banks** seems to be a foregone conclusion, although analyses conclude that QE played a rather subordinate role in terms of overall volume. Our traders do not share the result of these studies in terms of spread effects, especially since the covered bond market has not been structurally homogeneous for many years, supposedly small changes in the adjusting screws are significant.

In the week ending November 25, 2022, the **ECB reduced its CBPP3 holdings** by a relatively significant EUR 453 million compared to the previous week, as we expected at the end of the year. In terms of APP, holding positions in the amount of EUR 2.28 billion were reduced.

**Outlook:** The remaining issuance window this year is steadily shrinking. The recent brightening of sentiment could encourage issuers to become active in the short term, especially as the primary market is expected to be very crowded in January.

#### € Covered Bond issues week of 28 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%	Credit Mutuel Home Loan SFH	Aaa /AAA/AAA	1,000bn		08.12.2027	ms +18 bps		29.11.2022	1,450bn	ms +20 area
2,750%	Commerzbank AG	Aaa /-/-	1,000bn		08.12.2025	ms +1bps		29.11.2022	1,800bn	ms +5 area
2,750%	Arkéa Home Loans SFH	Aaa /-/AAA	0,500bn		22.12.2026	ms +16 bps		30.11.2022	0,600bn	ms +16 area
t.b.d.	Credit Suisse (Schweiz) AG	-/-/AAA	0,750 bn		05.12.2025	ms +73 bps		01.12.2022	1,160 bn	ms +75 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

After it initially appeared at the beginning of the week as if the expected year-end calm had already set in, the primary market for senior unsecured bonds picked up again noticeably today. A total of five transactions in EUR benchmark format with fixed coupons were realized since Monday. Of these, three were non-preferred bonds. The Maltese Bank of Valetta was able to finalize its project for a non-preferred issue with a volume of EUR 325 million, which had already been announced in September. Issuers thus took advantage of the quite constructive market environment to issue bonds with weaker ratings. Medium to longer maturities were also in good demand, provided adequate spread premiums.

**Outlook:** The primary market for senior unsecured bank bonds has been surprisingly active since the summer break, albeit at higher risk premiums. Many banks have overfulfilled their issuance plans; high funding reserves are in demand in uncertain times. In addition, the institutions want to ensure that they can meet their regulatory

requirements (MREL/TLAC) even in the case of a more difficult market environment. The year is now drawing to a close and the books will soon be closed. A significant slowdown in activity is therefore foreseeable in our view.

„Due to the holiday day (Thanksgiving) and the shortened trading day on Black Friday, flows were rather below average; they were balanced between buyers and sellers overall - also in terms of maturities - but in relatively small volumes. ETF funds were active on both the bid and ask side. Asset managers and insurance companies took advantage of the still attractive spreads and tended to act as buyers. Here, yesterday's "Monthly Rebalancing" could provide some momentum again.

Einschätzungen aus dem Handelsraum der Helaba

#### € Senior Preferred issues week of 28 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,625%	Mediobanca SpA	Baa1/BBB/BBB	0,500bn		07.02.2029	ms +195 bps	✓	28.11.2022	1,600bn	ms +225 area
6,625%	Ilimity Bank SpA	-/-/BB-	0,300bn		09.12.2025	6,625%		01.12.2022	0,500 bn	7,00% area

Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 28 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
10,000%	Bank of Valetta	-/-/BBB-	0,325bn		06.12.2027	ms +730 bps		29.11.2022	0,460bn	10% area
6,125%	BPER Banca S.p.A.	Ba2/-/BB-	0,500bn		01.02.2028	ms +360 bps		01.12.2022	2,100bn	ms +400 area
tbd	Société Générale	Baa2/BBB/A-	1,500bn		06.12.2030	ms +180 bps		01.12.2022	5,500bn	ms +220 area

Sources: Bloomberg, Helaba DCM



### Short news

**11/31 ESG is taking over the loan market:** Bankers expect at least half of the loan deals for investment-grade firms in Europe, the Middle East, and Africa to be tied to environmental, social, and governance (ESG) targets in 2023, based on interviews conducted by [Bloomberg](#). Firms are putting greater emphasis on this amid a push from regulators to force banks to pay closer attention to ESG.

**11/26 Fitch Ratings on covered bonds in Singapore:** According to Fitch Singapore covered bonds are on the right track to achieve equivalence with the European Union covered bonds, as they comply with most aspects of the EU Directive. The rating agency stressed that Singapore's covered bonds are rated AAA, equal to or higher than covered bonds in the EU.

**11/26 Moody's on planned credit register in Estonia:** On 22 November, the Estonian Finance Ministry and banking association advanced plans to introduce a credit register to provide a comprehensive account of loan applicants' existing debt. According to the agency, the measure is credit positive for the asset quality of Estonian banks and their covered bonds because it will increase the transparency of household indebtedness. The Ministry plans to establish the necessary legal framework in 2023 to operate the register from 2025.

**11/25 ECB hits banks with leveraged-loan capital charges:** The European Central Bank (ECB) is imposing higher capital requirements on lenders including BNP Paribas and Deutsche Bank, arguing that they have ignored warnings to cut risk in the lucrative business of leveraged finance, according to people familiar with the matter heard by [Bloomberg](#).

**11/24 Spain to push ahead with windfall tax on banks and energy groups:** Spain will push ahead with its controversial plan to impose windfall taxes on banks and energy companies with lawmakers set to approve the move despite the concerns of international institutions. As reported by the [Financial Times](#), an amendment says that at the end of 2024 the Spanish authorities should evaluate whether the taxes should be made permanent.

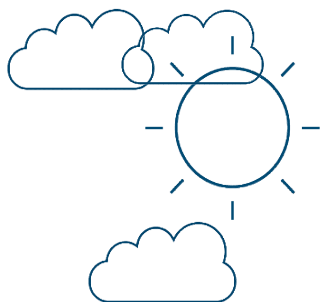
**11/22 S&P on credit outlook for Danish covered bonds:** According to the agency's view, stable issuer ratings and outlooks and a strong sovereign will continue to support ratings stability for Danish covered bonds despite increasing interest rates and continued inflationary pressure.

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

E-STOXX 600 Banks	140	1,20%	8,13%	iBovx€Cov. Germany	5,7	2,4	2,7	iTraxx Senior Financial	102,4	3,4	-18,3
10Yr-Yield	1,95	0,02	-0,19	iBovx€Cov. Bonds	17,7	2,4	4,7	iBovx€Supranational	12,3	3,04	4,84
Swap 10J	2,61	-0,05	-0,45	iBovx€Banks PS	84,0	-5,3	-9,5	iBovx€Agencies	-2,3	3,78	10,13
iBovx€Germany	-59,5	0,33	10,41	iBovx€Banks NPS	129,2	-4,6	-13,5	iBovx€Sub-Sov. Germany	10,0	3,80	9,21
iBovx€EU	16,7	3,02	3,40	iBovx€Banks Subordinated	194,9	-19,0	-36,5	iBovx€Sub-Sovereign	24,0	2,71	5,70

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

**Leisure tip for the weekend: Christmas tree felling at Schloss Wissen, Weeze**



**Schloss Wissen, Weeze** - With a self-cut tree your Christmas celebration gets a very individual touch. Children in particular are proud and happy when they return from their winter adventure from the forest with their favorite tree. The forestry operation plants several thousand Nordmann firs every year, which are lovingly cared for at least eight years until they have grown into magnificent Christmas trees and bring a sparkle to children's eyes. But it is not only the appearance of the Nordmann fir that brings joy: as it neither needles nor pricks, it is particularly easy to care for. By the way: a 2m tree needs about 2L of water per day. After cutting the fir tree, mulled wine and various delicacies await you at the huts.

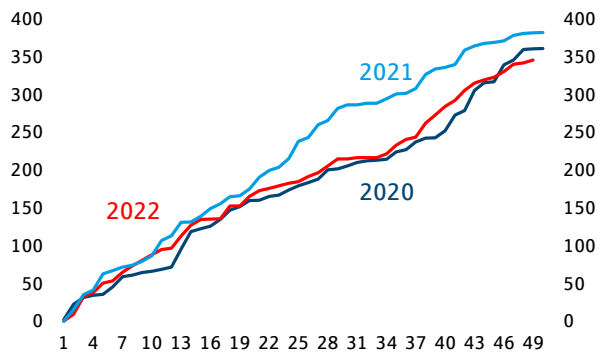
More information: [Felling your own Christmas tree – Schloss Wissen \(schloss-wissen.de\)](#)

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://schloss-wissen.de/en/felling-your-own-christmas-tree/>

## Chartbook SSA, Covered Bonds, Senior Unsecured

## SSA: Primary volumes

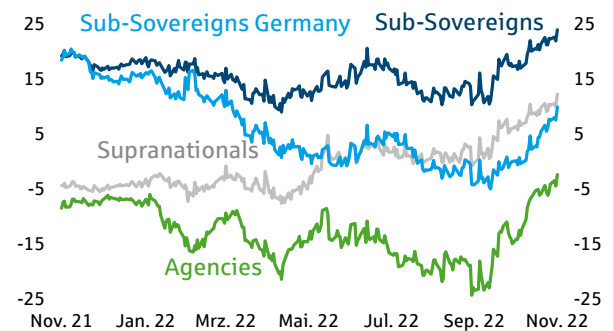
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## SSA: Spread development

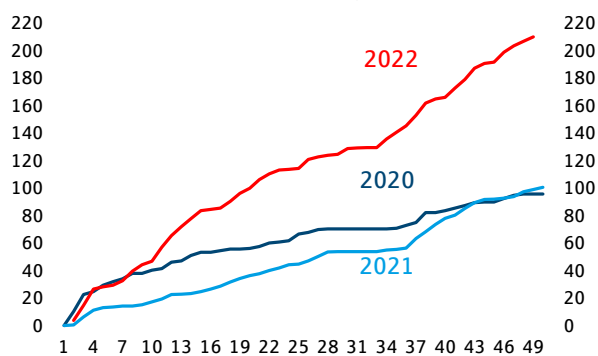
ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory

## Covered Primary volumes

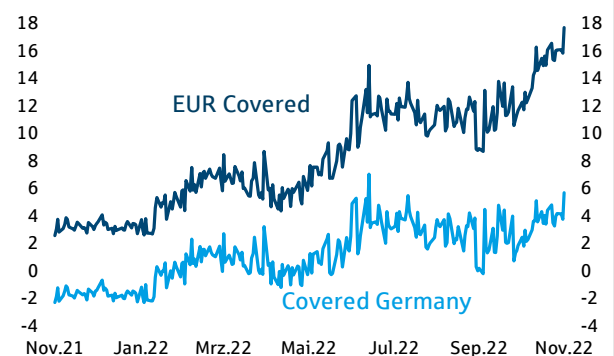
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## Covered Bonds: Spread development

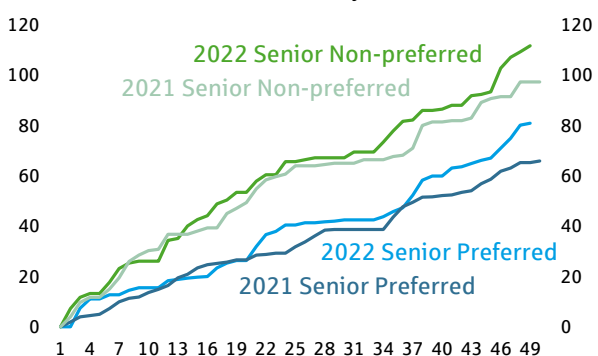
ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory

## Senior Primary volumes

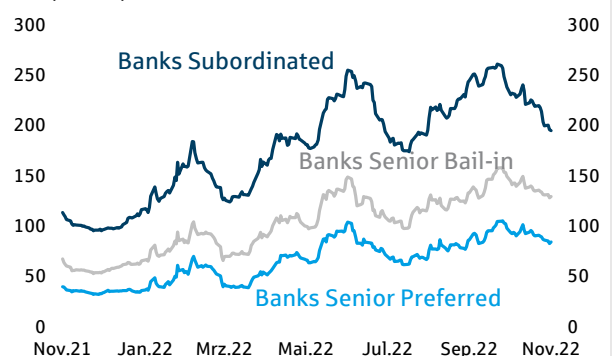
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory



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