

# Focus on: SSA & Financials

## 5 January 2023



## Weekly Market Update



**Primary market environment:** The primary market is off to a flying start in the new year. The volume has already more than tripled compared to the whole of December. On the market as a whole, the decline in inflation and the significant drop in the price of gas are providing support. On the other hand, German export figures continued to be weak in November.

### Primary market barometer

#### SSA



Compared to other asset classes, primary market activities in the SSA segment were still comparatively restrained. Among other things, this was due to the relatively attractive coupons for senior unsecured bonds, for example.

#### Covered Bonds



As was to be expected, issuers had a furious start to the new year. Already 13 new issues with maturities of 3-10 years were successfully placed. The flood of issues will continue in the coming weeks - not least because of high maturities.

#### Senior Unsecured

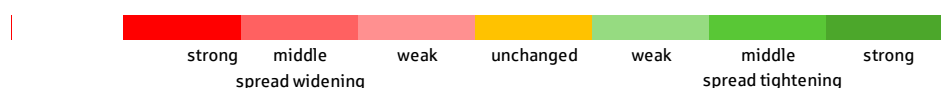


This segment also got off to an extremely active start in the new year. Although investors remained sensitive, they took advantage of attractive yields and confident credit prospects. Non-preferred issues with medium maturities have dominated so far. Issuers will continue to make active use of open market windows.

### Risk trend indicator: The colour red dominates

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,04	0,20	1,09	2,22	0,31	-0,84
European Union	0,05	0,20	0,22	1,42	2,53	2,42
Germany Covered	-0,01	0,07	0,00	0,57	0,96	0,32
EU Covered	0,00	0,04	0,01	0,34	0,65	0,46
Banks senior preferred	0,17	0,49	0,44	-0,23	1,93	1,61
Banks senior bail-in (SNP)	0,15	0,37	0,30	-0,40	2,10	1,87
Banks subordinated	0,05	0,19	0,29	-1,04	1,83	1,54
Supranational	0,04	0,19	0,19	1,38	1,92	1,65
Agencies	0,01	0,17	0,52	1,83	0,70	0,16
Sub-Sovereigns Germany	0,04	0,16	-0,03	1,04	-0,28	-0,75
Sub-Sovereigns	0,06	0,26	0,14	1,30	0,78	0,25



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

The predominant red colouring of our risk trend indicator underlines the risk aversion that continues to prevail in the market.



## SSA

In the SSA segment, the start into the new year was comparatively quiet. However, we assume that there will soon be an awakening of issuing activity in this asset class as well. For example, the EFSF is already in the starting blocks. RfPs (Request for Proposals) for a transaction, probably in the coming week, have already been sent to banks. Special attention was paid to the 10-year EUR Benchmark Landesschatzanweisung of the state of Lower Saxony, which was announced last year. The state already opened its books on Monday, while the US and the UK had not yet returned to the market due to the "substitute New Year's Day". The marketing started with an initial spread target of MS flat and generated an interim order book of EUR 1.8 bn (incl. EUR 250 m JLM) until the spread tightened to MS-2 bps. The arrangers had underestimated the spread sensitivity of the investors when narrowing the spread; as a result, the final order book was halved to only EUR 900 million (incl. EUR 250 million JLM).

**Outlook:** We expect the primary market to pick up significantly in the coming week. Possibly, one or the other federal state will show up in the short maturity segment in addition to the EFSF.

€ SSA issues week of 2 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Niedersachsen	- /-/AAA	0,750bn		10.01.2033	ms -2 bps		02.01.2023	0,900bn	ms flat area
2,750%	KFW	Aaa /AAA/AAA	6,000bn		15.03.2028	ms -11 bps		04.01.2023	19,500bn	ms - 9 area
3,000%	BNG	Aaa /AAA/AAA	1,500bn		11.01.2033	ms +11 bps		04.01.2023	2,100bn	ms + 12 area
2,875%	EIB	Aaa /AAA/AAA	5,000bn		12.01.2033	ms +6 bps		05.01.2023	22,500bn	ms + 8 area
0,000%	Rentenbank	Aaa /AAA/AAA	0,325bn	✓	27.11.2029	ms -10 bps		05.01.2023	not disclosed	ms - 10 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

The covered bond primary market started the new year with a veritable flood of issues. What is striking is the pronounced price sensitivity of investors. The order books often show significant declines after the initial spreads have been tightened. For the maturities chosen so far, the average is around 6.6 years. Last year's motto "the shorter the maturity, the higher the order books" continues to apply. Longer maturities of 7 years and more are proving increasingly challenging. Depending on the name of the issuer, new issue premiums (NIPs) in the double-digit range have to be granted. By way of comparison, the NIP for the 3.3-year Social Covered issued by Berlin Hyp was 1 bps. Overall, it is apparent that investors are no longer willing to go along with everything. Name picking is taking place, but the spread levels are also decisive. Insurance companies were on the buy side in search of duration at longer maturities, for example in CRH.

*"The focus at the start of the year is exclusively on the primary markets. The flood of daily new issues offers very generous new issue premiums. The next few days/weeks will show how the secondary commodity interacts with the new bonds. It would not be surprising if the former converges to the new spread structure, even though some new paper shows selective narrowing trends (BHH 01/26 from original MS-4 to MS -8.5, Santan 01/26 from original MS+22 to MS+19/20). In addition, one will look more than usual at the price points of new government bonds/SSA's/LSA's."*

*Comment from the Helaba trading floor*

**Outlook:** We expect issuance to remain high in the coming weeks. Large maturities and the ECB, which will remain unchanged until the end of February, will contribute to this.

## € Covered Bond issues week of 2 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	Erste Group Bank AG	Aaa /-/-	1,000bn		10.01.2029	ms +20 bps		02.01.2023	1,400bn	ms + 23 area
3,250%	Arkéa Public Sector SCF	Aaa /-/-	0,500bn		10.01.2031	ms +29 bps		02.01.2023	0,700bn	ms + 30 area
3,000%	Berlin Hyp AG	Aaa /-/-	0,500bn		11.05.2026	ms -4 bps		03.01.2023	2,500bn	ms flat area
3,000%	Berlin Hyp AG	Aaa /-/-	0,500bn		10.01.2033	ms +11 bps		03.01.2023	1,100bn	ms + 13 area
3,250%	RLB Niederösterreich-Wien AG	Aaa /-/-	0,500bn		11.01.2030	ms +33 bps		03.01.2023	0,690bn	ms + 35 area
3,375%	Banco Santander, S.A.	Aa1 /-/AA	2,500bn		11.01.2026	ms +22 bps		03.01.2023	4,600bn	ms + 25 area
3,375%	Banco Santander, S.A.	Aa1 /-/AA	1,000bn		11.01.2030	ms +47 bps		03.01.2023	1,400bn	ms + 48 area
3,000%	Aareal Bank AG	Aaa /-/-	0,750bn		11.10.2027	ms +14 bps		04.01.2023	1,080bn	ms + 16 area
3,000%	Caisse de Refinancement de l'Habitat	Aaa /-/AAA	1,650bn		11.01.2030	ms +24 bps		04.01.2023	1,950bn	ms + 26 area
3,125%	BAWAG P.S.K.	Aaa /-/-	0,800bn		12.01.2029	ms +25 bps		04.01.2023	1,050bn	ms + 27 area
2,875%	Bayerische Landesbank	Aaa /-/-	0,500bn		12.01.2033	ms +10 bps		04.01.2023	0,780bn	ms + 13 area
3,000%	UniCredit Bank AG	Aaa /-/-	1,000bn		13.07.2026	ms +3 bps		05.01.2022	2,538bn	ms + 7 area
3,125%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1,000bn		16.08.2030	ms +24 bps		05.01.2023	1,900bn	ms + 27 area

Sources: Bloomberg, Helaba DCM



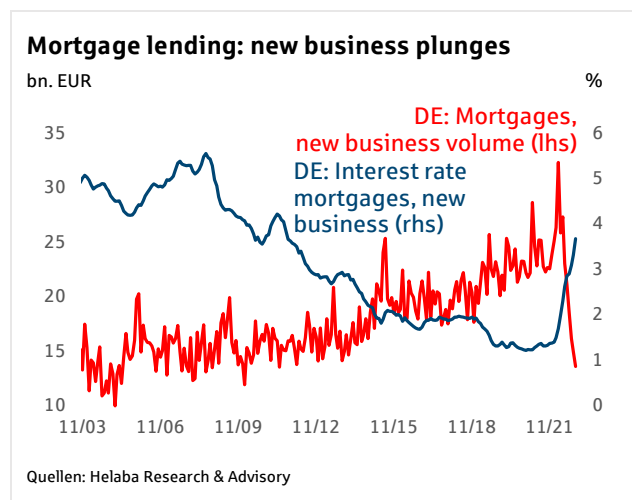
## Senior Unsecured

With nine EUR benchmark transactions on January 3 and five more on January 4, the issuance year 2023 also got off to a flying start for senior unsecured bank bonds. After a short breather due to the holidays and the end of the year, the extremely lively primary market activity in this segment in Q4 2022 continued as expected. With names such as BNP Paribas, Rabobank, BBVA and ABN AMRO, heavyweights opened the round as usual; ten of the aforementioned transactions had a volume of EUR 1 billion or more. A thoroughly friendly market environment with a confident credit rating outlook for banks - albeit with initially low turnover and cash spreads burdened by the new issues - paved the way for this.

Issuers skilfully tried to push through longer maturities and the narrowest possible spreads, which they mostly succeeded in doing on the basis of their standing. Investors, on the other hand, continue to be extremely sensitive in the volatile market environment and only went along with this up to certain thresholds. This was demonstrated, for example, by ABN AMRO Bank's dual tranche, which achieved well above-average subscription rates with maturities of two and three years and a comparatively attractive spread premium.

Nine of the 14 transactions in the first two days were non-preferred, confirming that much of the issuance activity remains regulatory driven. Overall, investors are snapping up the asset class at yields well above 4% in some cases. However, order books seem to be filling up a little more easily for preferred deals, which underlines the fact that investors are choosy.

**Outlook:** The issuance needs of European banks in 2023 are again extremely high. The main reasons for this are high maturities and regulatory requirements for total liable capital (MREL/TLAC). We therefore expect an unchanged record volume of around EUR 180 billion of EUR benchmark bank bonds with fixed coupons to come to the market in 2023 as a whole. Issuers will therefore continue to make active use of open market windows and lose no time in doing so.



„The sentiment for financials has been very positive since November 2022, and credit spreads have been tightening massively for weeks, so issuers are now finding a good environment at tight levels after the rally. In addition, some real money accounts still used the year-end tightening for profit-taking and therefore have high cash holdings, which they are now investing in the primary market. However, the new issues are struggling in the secondary market and for the most part are trading wider versus reoffer. We also see a lot of fast money selling, which puts further pressure on spreads. ETF funds are buyers in small pieces.”

Comment from the Helaba trading floor

#### € Senior Preferred issues week of 2 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,875%	BNP Paribas SA	Aa3 /A+/AA-	1,250bn		10.01.2031	ms +92 bps		03.01.2023	2,000bn	ms +110-115 bp
3m€ +35 Bp	ABN AMRO Bank NV	A /A1/A+	1,250bn		10.01.2025	ms +35 bps		03.01.2023	2,690bn	3m€ 60-65 bp
3,625%	ABN AMRO Bank NV	A /A1/A+	0,750bn		10.01.2026	ms +55 bps		03.01.2023	3,660bn	ms + 80-85 bp
4,000%	Danske Bank A/S	A3 /A+/A+	1,000bn		12.01.2027	ms +95 bps		03.01.2023	1,550bn	ms + 115 area
4,125%	Danske Bank A/S	A3 /A+/A+	1,000bn		12.01.2031	ms +125 bps	✓	03.01.2023	1,700bn	ms + 145 area
3m€+45 Bp	Société Générale	A1 /A/A	2,000bn		13.01.2025	ms +45 bps		05.01.2023	3,250bn	

Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 2 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,375%	BPCE SA	Baa1 /BBB+/A+	1,000bn		13.07.2028	ms +140 bps		03.01.2023	1,300bn	ms + 155/160 bp
4,500%	BPCE SA	Baa1 /BBB+/A+	1,250bn		13.01.2033	ms +155 bps		03.01.2023	1,450bn	ms + 175 area
4,000%	Rabobank	A3 /A-/A+	1,250bn		10.01.2030	ms +110 bps		03.01.2023	1,850bn	ms + 130 area
4,625%	BBVA	Baa2 /BBB+/BBB+	1,000bn		13.01.2031	ms +170 bps		03.01.2023	2,000bn	ms + 190/195 bp
5,375%	Deutsche Bank AG	Baa1 /BBB-/BBB+	0,500bn		11.01.2029	ms +250 bps		04.01.2023	0,850bn	ms + 255 area
4,250%	Swedbank AB	Baa1 /A-/A+	0,750bn		11.07.2028	ms +135 bps		04.01.2023	0,900bn	ms + 150 area
4,375%	UBS Group AG	- /A-/A+	1,000bn		11.01.2031	ms +155 bps		04.01.2023	1,800bn	ms + 175 area
4,500%	Lloyds Banking Group plc	A3 /BBB+/A	0,750bn		11.11.2029	ms +160 bps		04.01.2023	1,150bn	ms + 175 area
4,250%	Credit Agricole SA	A3 /A-/A+	1,000bn		11.07.2029	ms +145 bps		04.01.2023	1,400bn	ms + 165/170 bp

Sources: Bloomberg, Helaba DCM

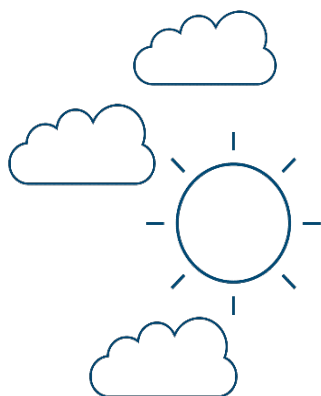
**Market Data** (current\*, vs. 1 week, vs. 4 weeks)

E-STOXX 600 Banks	149	5,73%	8,82%	iBoxx € Cov. Germany	5,2	0,6	-0,8	iTraxx Senior Financial	93,2	-7,9	-7,8
10Yr-Yield	2,3	-0,2	0,5	iBoxx € Cov. Bonds	17,7	0,9	-0,5	iBoxx € Supranational	15,2	2,23	1,50
Swap 10J	2,9	-0,3	0,3	iBoxx € Banks PS	82,8	12,6	12,2	iBoxx € Agencies	2,8	2,07	6,50
iBoxx € Germany	-46,1	2,3	15,8	iBoxx Banks NPS	125,6	14,0	12,3	iBoxx € Sub-Sov. Germany	11,0	2,53	-1,03
iBoxx € EU	21,1	2,7	2,2	iBoxx Banks Subordinated	194,2	10,3	15,1	iBoxx € Sub-Sovereign	26,3	3,17	1,31

\* Closing prices from the previous day

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

**Leisure tip for the weekend: German Gliding Museum on the Wasserkuppe**



Aviation enthusiasts should definitely visit the German Gliding Museum on the Wasserkuppe, the highest mountain in Hesse.

Here you can experience 100 years of gliding history, immerse yourself in the development of gliding and discover the development phases of gliding with the help of numerous exhibits.

Address: Wasserkuppe 2, 36129 Gersfeld (Rhön).

Opening hours: Saturday & Sunday from 10:00 a.m. to 5:00 p.m.

**More information:**

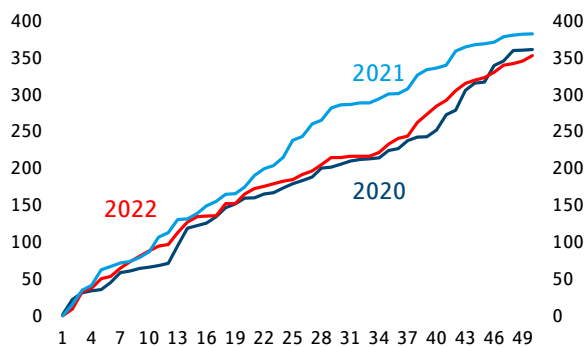
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://travellersarchive.de>

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

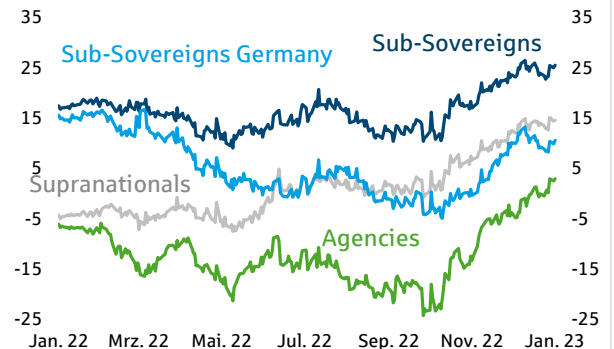
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

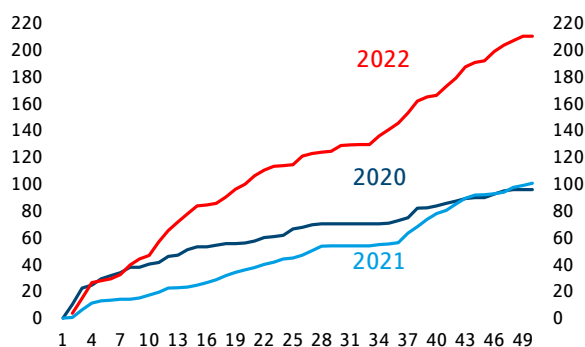
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

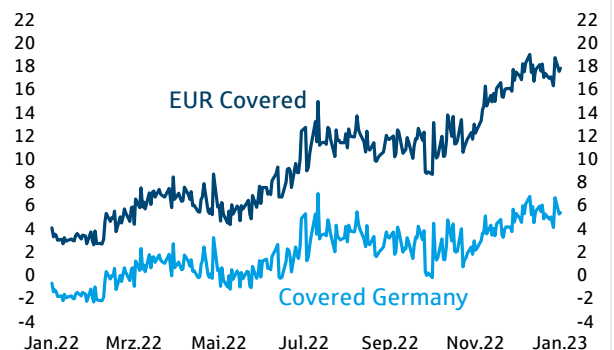
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

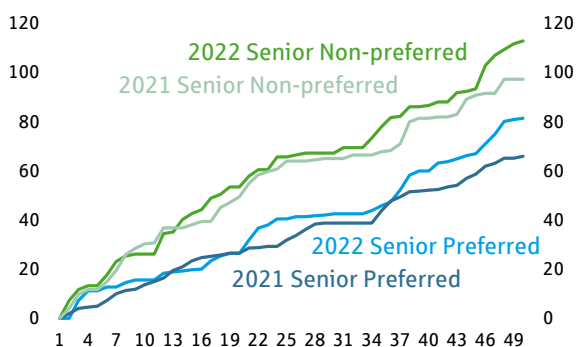
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

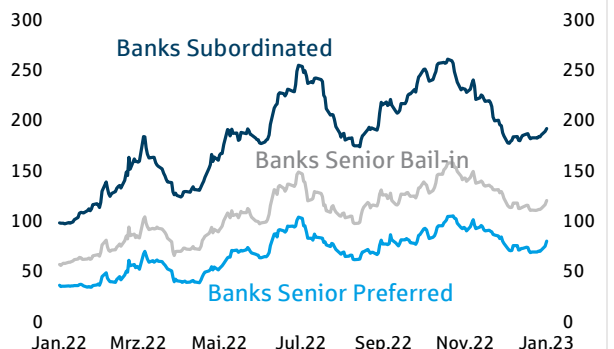
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



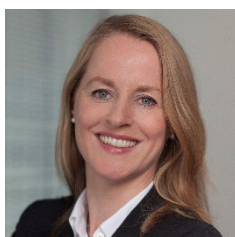
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