

# Focus on: Credits

## 12 July 2022



### Primary Market Update EUR benchmark bank bonds: Q2 2022

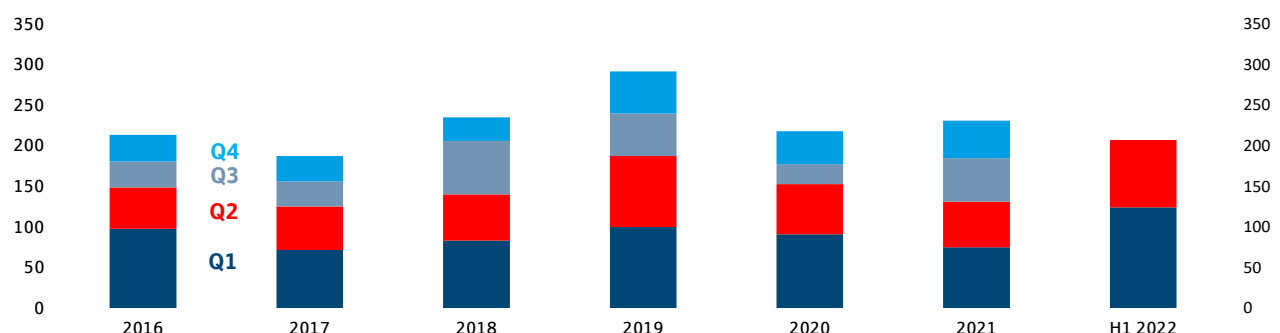
sk/ The volume of **euro-denominated senior unsecured benchmark bank bonds** reached EUR 44 billion in Q2 2022 – 23 % less than in the strong opening quarter of the year and 34 % more than in Q2 2021. Total volume in the first half of 2022, which amounted to just over EUR 100 billion, was 18 % up on H1 2021. On the one hand, a variety of factors weighed on the market environment (such as commodity prices, supply chain disruption and the war in Ukraine), while on the other, soaring interest rates and concerns of rising refinancing costs going forward led issuers to take full advantage of any opportunity to raise funds.

US issuers were especially active on the market in Q2, given that they were able to benefit from cheap euro funding. Conversely, primary market activity among euro-area issuers has been plummeting since the middle of May. In view of the considerable volatility, traders have been reluctant to take positions onto their own books. This situation is now being compounded by the imminent summer break and the blackout period ahead of the quarterly reporting season. Issuers still have considerable refinancing needs, particularly given stringent requirements for bail-in capital and a substantial volume of upcoming maturities. For the time being, though, they can afford to take a wait-and-see stance thanks to the sizeable issues they have already placed. Moreover, they could also fall back on outstanding TLTRO funds, if necessary - initial repayments here have so far been rather modest. Many issuers are delaying planned transactions and hoping that markets will settle down after the summer holidays in September. For 2022 as a whole, our forecast remains that primary market volumes could top the EUR 140-billion mark yet again.

cs/ The first half of the year saw a total issuance volume of EUR 117.5 billion in **benchmark covered bonds**. Following a historically robust first quarter (EUR 76.1 billion), the pace understandably eased off somewhat in Q2 (EUR 41.4 billion). ASW spreads had already widened noticeably in the first quarter. As a result of rising refinancing costs, many issuers nevertheless felt compelled to bring forward their capital market plans in the second quarter. On top of that, grandfathering provisions in accordance with the EU Covered Bond Directive and CRR Article 129, which are applicable until 8 July, played an important role for some institutions (see also our **June Markets & Trends** report). In the first three months of 2022, the country ranking was led by none other than Canada with an issuance volume of EUR 18.5 billion, while Germany pipped France and Austria to the post in Q2. There were also changes in terms of maturity ranges. The "sweet spot", which was previously around 5 years, shifted to an average of 6.8 years. In the meantime, we expect a full-year placement volume of roughly EUR 145 billion. In light of current risk drivers, there is likely to be further appetite for safe haven assets. In addition, there is still a need for refinancing - both in terms of new business as well as to replace maturing debt. Finally, we assume that the remaining six months will see more ESG-related transactions coming to market.

#### EUR benchmark\* issues Q2 2022: Covered bond issuance remains buoyant

EUR billions (fixed rate, covered and senior unsecured benchmark issuance)



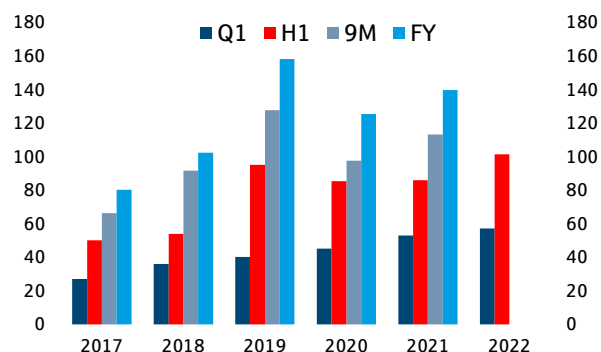
\*Issuance volume exceeding EUR 500 million

Sources: Bloomberg, Helaba Research & Advisory

## 1. Senior unsecured bonds with fixed coupons

### Q2 2022: Slowdown towards end of quarter

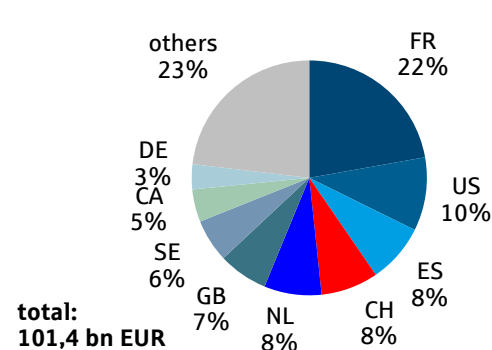
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

### Exceptional activity among French banks

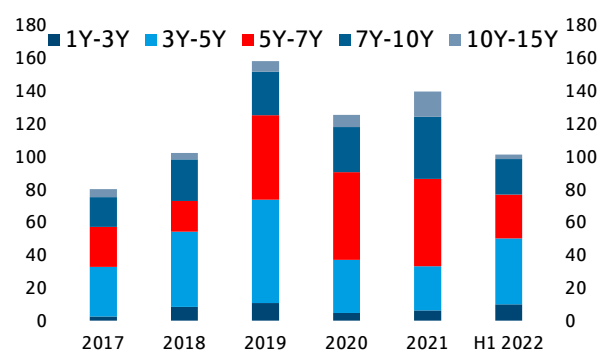
EUR billions (benchmark issuance volume by country)



Sources: Bloomberg, Helaba Research & Advisory

### Sharp rise in proportion of shorter maturities

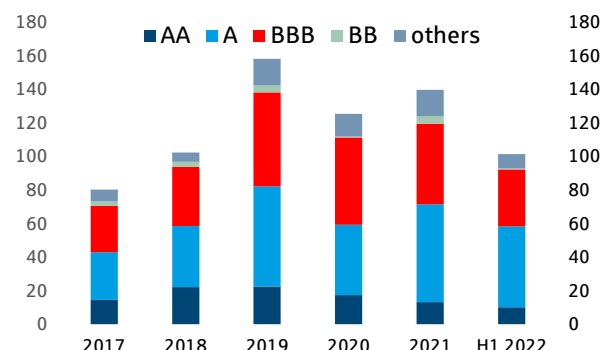
EUR billions (benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

### Positive trend in rating mix

EUR billions (benchmark issuance volume by rating\*)

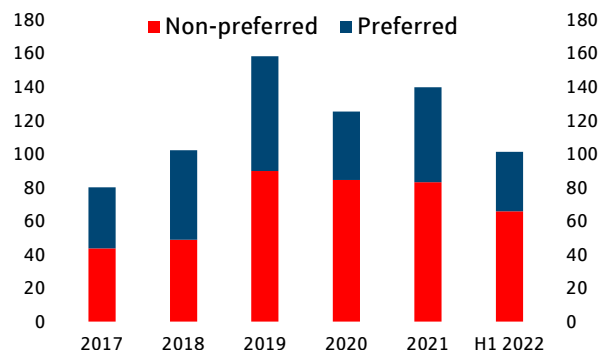


\*Moody's rating at issuance

Sources: Bloomberg, Helaba Research & Advisory

### Share of non-preferred notes at 65 %

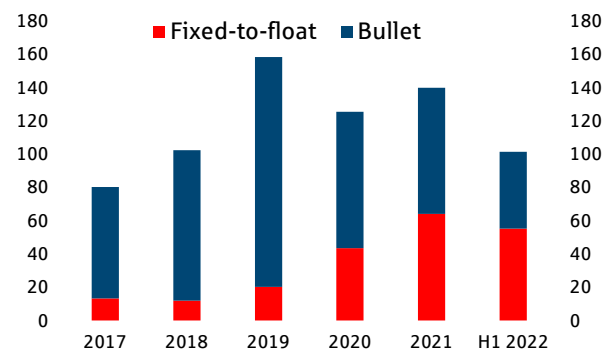
EUR billions (benchmark issuance volume by payment rank)



Sources: Bloomberg, Helaba Research & Advisory

### Regulatory call option in demand

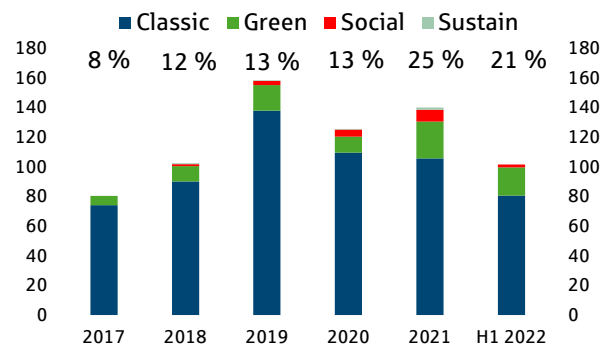
EUR billions (benchmark issuance volume by maturity type)



Sources: Bloomberg, Helaba Research & Advisory

### Sustainable issues make up 22 % of total volume

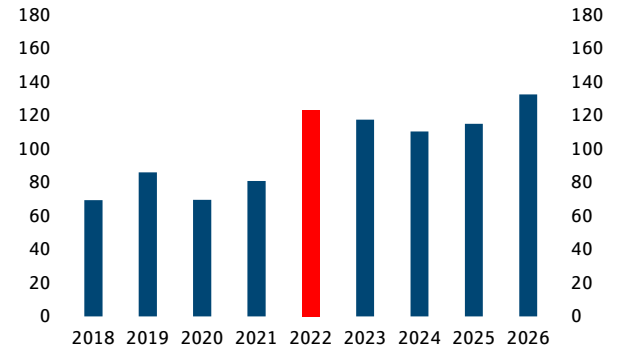
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

### 2022 sees sharp rise in maturities\*

EUR billions (benchmark maturity volumes)



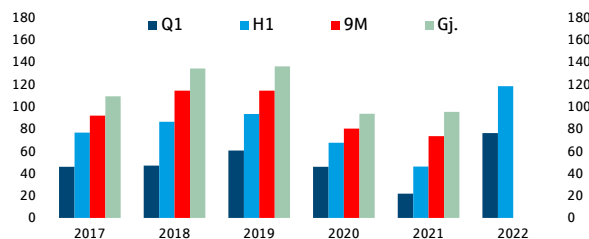
\*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

## 2. Covered bonds with fixed coupons

### Issue volume in H1 difficult to top

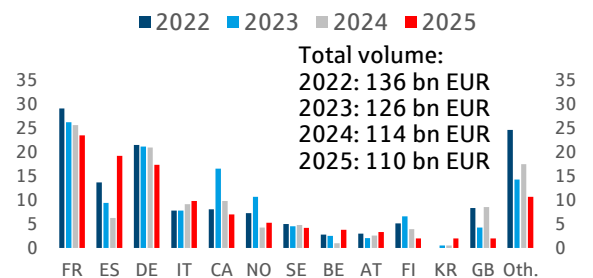
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

### 2022 with high volume of maturities

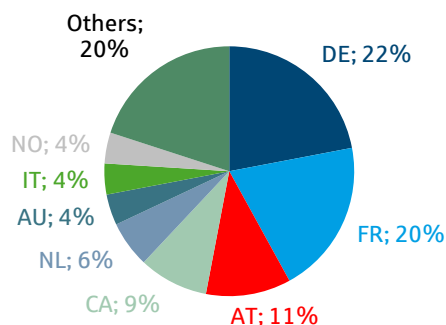
EUR billions (benchmark maturity volumes by country)



Sources: Bloomberg, Helaba Research & Advisory

### Germany back in first place for issues

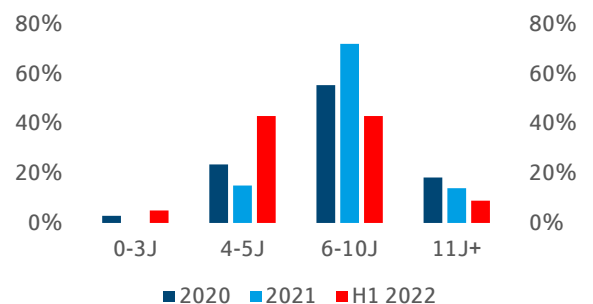
% (benchmark issuance volume in H1 2022 by country)



Sources: Bloomberg, Helaba Research & Advisory

### Average maturities higher in Q2

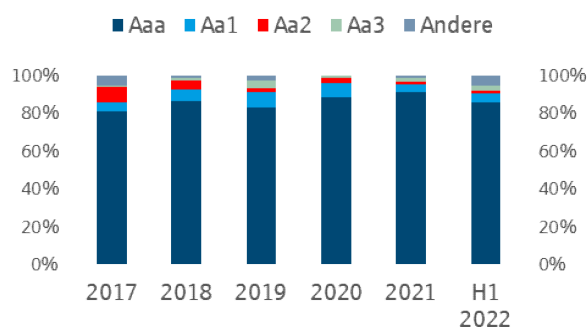
% (benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

### Rating trend stable

% (benchmark issuance volume by rating\*)

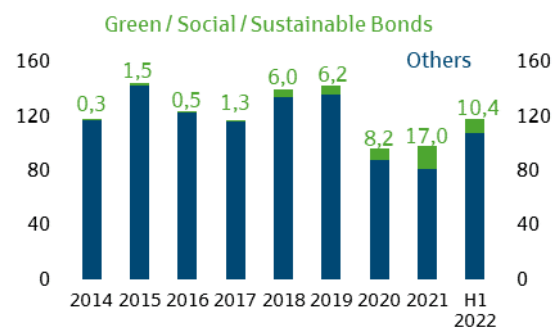


\*Moody's rating at issuance

Sources: Bloomberg, Helaba Research & Advisory

### Sustainable covered bonds: A declining trend?

EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

## 3. ECB's targeted longer-term refinancing operations

### TLTRO III: Relatively limited use of repayment options

Overview of ECB's targeted longer-term refinancing operations

	Allocation	Settlement	Earliest voluntary repayment (settlement)	Maturity	Allocated amount (EUR bn)	Outstanding amount (EUR bn)
TLTRO-III.1	19.09.2019	25.09.2019	29.09.2021	28.09.2022	3.4	1.9
TLTRO-III.2	12.12.2019	18.12.2019	29.09.2021	21.12.2022	97.7	63.8
TLTRO-III.3	19.03.2020	25.03.2020	29.09.2021	29.03.2023	115.0	87.9
TLTRO-III.4	18.06.2020	24.06.2020	29.09.2021	28.06.2023	1,308.4	1,196.8
TLTRO-III.5	24.09.2020	30.09.2020	29.09.2021	27.09.2023	174.5	159.3
TLTRO-III.6	10.12.2020	16.12.2020	22.12.2021	20.12.2023	50.4	48.6
TLTRO-III.7	18.03.2021	24.03.2021	30.03.2022	27.03.2024	330.5	324.35
TLTRO-III.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	97.64
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024	97.57	94.46
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024	51.97	46.92

Sources: Deutsche Bundesbank Eurosystem, [ECB Eurosystem](#), Bloomberg, Helaba Research & Advisory



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