

# Focus on: SSA & Financials

## 28 April 2022



## Weekly Market Update



**Primary market environment:** While the primary market environment is excellent for covered bonds as "safe haven asset", senior unsecured securities are under selling pressure. A number of uncertainty factors such as the Ukraine conflict, inflation, and the ECB's action plan, are weighing on the market. The SSA segment also performed very well recently.

### Primary market barometer

#### SSA



High issuance activity after the Easter and vacation days meet a conducive environment in the primary market. For example, 7-year Ländersanleihe #62 has fared very well.

#### Covered Bonds



The environment for covered bonds is excellent. Even paper with longer maturities - the focus has been on the 4-5 year range most recently - is again meeting with good demand. It is also worth noting that "lost investors" are returning to the market.

#### Senior Unsecured



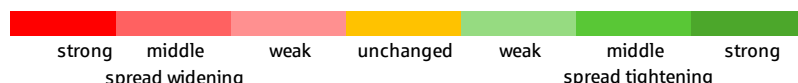
The primary market for senior unsecured paper is currently characterized by high volatility. Added to this is the blackout period due to the quarterly reports. Nevertheless, there are frequently some transaction windows, albeit at significantly higher spreads.

Source: Helaba Research & Advisory

### Russia-Ukraine conflict with major impact on spread movements

Spread trend indicator\*, ASW spread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,11	-0,33	-0,61	-1,52	-2,68	-2,48
European Union	-0,01	-0,07	-0,31	-0,15	-0,03	-1,24
Germany Covered	0,01	-0,05	-0,05	0,24	0,16	-1,71
Covered	0,00	-0,01	-0,02	0,07	0,06	-0,62
Banks senior preferred	0,10	0,46	0,52	0,75	0,73	-2,38
Banks senior bail-in (SNP)	0,10	0,48	0,83	0,89	1,00	-1,98
Banks subordinated	0,08	0,30	0,40	0,55	0,72	-0,89
Supranational	-0,01	-0,03	-0,13	-0,06	-0,05	-1,30
Agencies	-0,01	-0,05	-0,26	-0,43	-0,68	-1,33
Sub-Sovereigns Germany	-0,01	0,04	-0,35	-0,73	-0,57	-1,97
Sub-Sovereigns	0,00	0,05	-0,15	-0,32	-0,27	-1,94



\*ASW levels standardized and 2T-smoothed, since 14.2.22 changed calculation of ASW levels by Markit.

Sources: Refinitiv, Helaba Research & Advisory

On a one-week view, the largest relative movements were observed at senior financials. On the basis of standardized ASW levels, this can be clearly seen from our spread trend indicator. In SSAs, the trend towards spread tightening continues, most recently also in the short-term time frame. This is particularly true for agencies and supras, while sub-sovereigns are lagging somewhat behind.



## SSA

The SSA segment performed very well after the previous week's poor performance. The overall good mood can be seen in the new issues. The 7-year Länderanleihe #62 benchmark paper was significantly oversubscribed and the MS-14 spread was even narrowed by another basis point. The placement of the Country Community Bond was the most successful issue in this format since 2015, with 74% of the shares going to bank treasuries. The foreign share was 45% in total. Since Monday, securities with a volume of EUR 16.6 billion have been brought to the market to date. In principle, the more liquid the securities are, the better. Today, KfW was successfully active with a 10-year bond and was able to point to a Bid to cover ratio of 9.7. **Looking ahead**, little is expected to change in the current favorable environment for the time being.

### €-SSA-Benchmark-Issues week 25th April 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,750%	International Development Ass	Aaa /AAA/-	2,000bn		05.05.2037	ms +7 bps	✓	26.04.2022	2,700bn	ms + 8 area
1,850%	Ontario Teachers' Finance Trus	Aa1 /AA+/-	1,250bn		03.05.2032	ms +32 bps		26.04.2022	2,700bn	ms + 33 area
1,500%	CADES	Aa2 /AA/-	5,000bn		25.05.2032	FRTR +25 Bp	✓	26.04.2022	25,000bn	FRTR +27 area
1,625%	Communauté française de Belç	A2 /-/-	0,600bn		03.05.2032	BGBs +32 Bp	✓	26.04.2022	0,825bn	BGBs +34 area
0,500%	EIB	Aaa /AAA/AAA	0,250bn	✓	13.11.2037	ms -8 bps	✓	26.04.2022	not disclosed	ms -8 Bp
1,250%	Länder 62	- /-/AAA	1,000bn		04.05.2029	ms -14 bps		27.04.2022	2,600bn	ms -13 area
1,500%	SFIL	Aa3 /AA/-	1,000bn		05.03.2032	FRTRs +26 Bp		27.04.2022	2,350bn	FRTRs +29 area
t.b.d.	KfW	Aaa /AAA/AAA	3,000bn		07.06.2032	ms -21 bps	✓	28.04.2022	29,000bn	ms -19 area

Sources: Bloomberg, Helaba Research & Advisory



## Covered Bonds

In an environment characterized by uncertainty, covered bonds and their security are in demand. It is also worth noting that longer maturities are again meeting with demand. Another supportive factor is that the trading portfolios of market makers do not appear to be particularly high. However, it remains to be seen to what extent one can speak of a general revaluation in view of the current development. In any case, it is positive that "lost investors" are returning to the market. Insurers, for example, who had been pushed out by years of low yields, have recently returned to the buying side.

*„There are increasing signs of spread stabilisation in the secondary market. In view of the continuing high uncertainties on the money market and from the geopolitical side, covered bonds radiate a certain security. Investors are tentatively becoming more courageous and are showing buying interest in paper with 2030 to 2034 maturities, predominantly from the euro area, but also of Scandinavian/Canadian and Australian origin.“*

*Assessments from the Helaba trading room*

The **sustainable segment** was also served in this busy week: **DKB** issued its third social Pfandbrief today. In 2018, it issued its first social paper, followed by a so-called blue social Pfandbrief in 2019. Under the **social bond program**, DKB can issue so-called social bonds, which are used to refinance loans with added social value. The customer groups concerned are social housing, public utilities, health & care, education & research and inclusion. Today's social bond is aimed at financing municipal enterprises and social housing in Berlin. The issuance volume of EUR 500 million was matched by books of > EUR 2.5 billion - this despite the fact that the bond has a recently little estimated maturity of 10 years.

Thus, it can be stated that the market for covered bonds remains very constructive. **In the coming week**, the issuance window will be somewhat smaller. In the UK, there is a holiday on Monday, and the Fed meeting is on the agenda on Wednesday, which usually ensures a certain restraint.

## €-Covered Bond-Benchmark-Issues week 25th April 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,500%	Oberbank AG	- /AAA-	0,250bn		03.05.2029	ms +10 bps		26.04.2022	0,800bn	ms + 15 area
1,375%	Societe Generale SFH	Aaa I-/AAA	1,750bn		05.05.2028	ms +4 bps		26.04.2022	4,750bn	ms + 9 area
1,750%	Societe Generale SFH	Aaa I-/AAA	1,250bn		05.05.2034	ms +13 bps		26.04.2022	2,800bn	ms + 17 area
1,250%	RLB Tirol AG	Aaa I-/I-	0,300bn		05.05.2027	ms +9 bps		27.04.2022	0,725bn	ms +13 area
1,375%	Aareal Bank AG	Aaa I-/I-	0,750bn		01.02.2029	ms +3 bps		27.04.2022	1,250bn	ms +7 area
t.b.d.	Deutsche Kreditbank AG	Aaa I-/I-	0,500bn		05.05.2032	ms +3 bps	✓	28.04.2022	2,500bn	ms +8 area

Sources: Bloomberg, Helaba Research &amp; Advisory



## Senior Unsecured

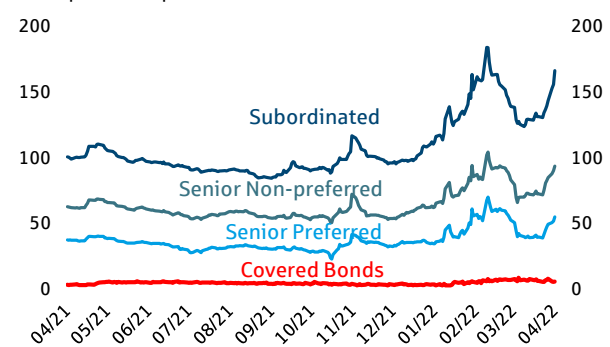
The disturbance on the capital markets is also reflected in the primary market for senior unsecured bank bonds. After issues had been postponed in an unfriendly market environment, a transaction window recently opened up again, albeit at higher costs. The blackout period due to the current quarterly reports is causing less activity. Recent new issues have widened by around 5 to 10 basis points in the secondary market. Some transactions were already struggling during placement and spreads could not be reduced at all (DEVOBA) or only slightly (BFCM) compared to the first price indications.

For the coming week, we expect further difficult issuance conditions. Issuers are likely to remain rather wait-and-see ahead of the Fed's interest rate decision.

In addition, news on the geopolitical and economic environment is likely to remain a major driver. At least issuers are showing solid quarterly reports, but concerns about rising credit risks due to the geopolitical situation and higher costs in the inflationary environment are increasing.

## Risk costs have recently risen again significantly

ASW-Spreads in bp



Sources: Refinitiv, Helaba Research &amp; Advisory

## €-Senior Preferred-Benchmark-Issues week 25th April 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3m€ +10	Banco Santander	A2 /A+/A-	2,000bn		05.05.2024	ms +43 bps		28.04.2022	2,600bn	3m€ +55 area

## €-Senior Non-Preferred-Benchmark-Issues week 25th April 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,375%	de Volksbank N.V.	Baa2 I-/A-	0,500bn		04.05.2027	ms +120 bps	✓	26.04.2022	0,650bn	ms + 120 area
2,625%	BFCM	A3 /A-/A+	1,000bn		06.11.2029	ms +120 bps		26.04.2022	1,400bn	ms +130

Sources: Bloomberg, Helaba Research &amp; Advisory

*"Traders currently have large stocks and therefore little further appetite for risk. Overall, market participants are mostly sellers and are acting very nervously. Investors are disillusioned and the search for the bid is predominant in real money and ETF funds, which are seeing significant outflows. Only short maturities, a few Landesbank bonds and bank FRNs are seeing some buying interest. Many bonds are currently trading at interesting spread levels and offer corresponding yields for investors who have some courage."*

Assessments from the Helaba trading room



## Short news

**21- 28 April - Reporting season:** According to the quarterly reports published so far, the opening quarter was quite solid (e.g. Santander, SEB, Deutsche Bank). However, the focus is on the increased geopolitical and growth risks, which have not yet materialized. Despite continued stable low problem loan ratios, many banks are building manual overlays to cover any resulting loan defaults, while continuing to release Corona-related provisions.

*(Upcoming results: 29 April: BBVA, Erste Group Bank, 3 May: BNP Paribas, 4 May: Unicredit Bank, RBI, 5 May: Unicredit Group, Société Générale, Crédit Agricole, 6 May: Intesa, ING Groep, 11 May: Aareal Bank, Deutsche Pfandbriefbank, 12 May: Commerzbank, 18 May: ABN AMRO)*

**28 April ECB/bond purchases:** Via Bloomberg, we learn that ECB President Lagarde sees a possible end to ECB bond purchases in July and has commented on interest rate hikes. The third quarter would then be the time to "look at interest rates and an increase in those rates." The decision would be made in the ECB Governing Council on the basis of the data that should be available by the next Council meeting in June.

**27 April Real estate markets:** Real estate markets: According to the [EMF's quarterly report](#), European real estate markets have reached a record high in view of the changing economic environment.

**25 April Banking supervision on Russia-Ukraine situation:** EBA Director Gyntelberg considers the consequences of the sanctions and possible counter-sanctions for the financial system as a whole to be manageable. A regular stress test should be pursued in 2023 again.

**22 April EU-Green Bond Standard:** After the Council of the European Union agreed on a common position on the proposal for a regulation on EU Green Bonds on Wednesday, April 13, 2022, ahead of the upcoming trilogue negotiations with the European Parliament and the European Commission, the vote in the ECON Committee, which is leading the dossier, now appears to be scheduled for April 28 (it was originally scheduled for March 31), according to its [web-site](#).

**22 April Covered Bonds/NN Bank:** On April 8, 2022, the bondholder meeting approved the conversion of NN Bank's Conditional Pass-Through (CPT) Covered Bonds to Soft Bullet Covered Bonds and their transfer from the CPT program to the Soft Bullet Covered Bond program. On April 22, S&P affirmed the AAA rating and a stable outlook for the soft bullet covered bond program and for all 11 covered bonds now outstanding. S&P discontinued the 'AAA' rating for the CPT program.

**22 April EBA report on bail in capital:** The European Banking Authority (EBA) published today its annual [report](#) on minimum requirements for own funds and eligible liabilities (MREL). The report shows progress in closing MREL shortfalls, as of December 2020, which was mostly driven by largest institutions while smaller institutions lagged somewhat behind.

**21 April ECB on financial stability:** At the IWF Spring Meetings, [Christine Lagarde](#) comments, among other things, on developments in the euro area banking sector. She says that financial stress has been limited so far, as the financial sector's direct exposure to Russia and Ukraine is low. The war, however, poses a number of challenges.

**21 April Russia exposures:** France's Société Générale could sell its Russian subsidiary Rosbank to Russian investment group Interros, according to Bloomberg. The price quoted ranges between EUR 450 million and EUR 680 million.

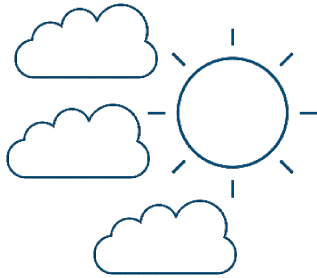
**20 April ECB on Russia exposures:** The eurozone's big banks would be able to cope well with a complete write-down of their Russia exposures, ECB supervisory chairman Andrea Enria said. For the nine most exposed banks, there would be a burden on their common equity tier 1 ratio of up to 90 bps on average, with a maximum decline of 200 bps, he said.

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

E-STOXX 600 Banken	85,28	-5,95%	-8,31%	iBoxx € Cov. Germany*	0,12	-0,80	0,16	iTraxx Senior Financial	97,9	11,87%	20,18%
10J-Rendite	0,81	-0,05	0,15	iBoxx € Cov. Bonds*	5,70	-0,84	-0,12	iBoxx € Supranational	104,9	0,04%	-2,22%
Swap 10J	1,57	0,01	0,30	iBoxx € Banks PS	92,80	-0,41%	-1,04%	iBoxx € Agencies	98,4	0,06%	-0,92%
iBoxx € Germany	103,14	0,3%	-1,4%	iBoxx Banks NPS	95,14	-0,7%	-2,1%	iBoxx € Sub-Sov. Germany	99,8	0,11%	-1,53%
iBoxx € EU	102,51	0,15%	-2,65%	iBoxx Banks Subordinated	85,74	-1,23%	-2,21%	iBoxx € Sub-Sovereign	98,4	-0,05%	-1,99%

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

**Leisure tip for the weekend: CLIMBING IN THE WATER**



Climbing is only possible with a harness, rope and carabiner. Actually. Because if the climbing wall is in a swimming pool, a bathing suit will do.

At a climbing wall made of Plexiglas at the Aqua Mar swimming pool in Marburg, you can climb up to six meters out of the water. Without a harness or rope. You can test the most adventurous holds, because even slipping down is fun here. You'll just fall into the water.

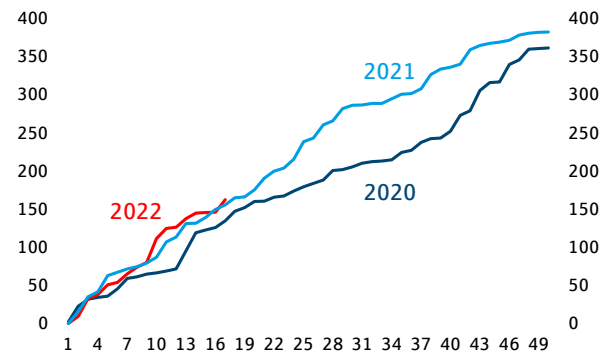
More information: [Sport- und Freizeitbad AquaMar | Stadt Marburg](#)

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.ffh.de/freizeit/100-dinge.html>

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Issuances

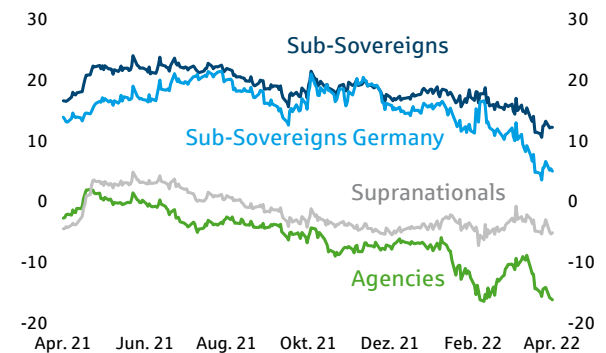
EUR benchmark issue volume cumulative by weeks, Mrd. EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

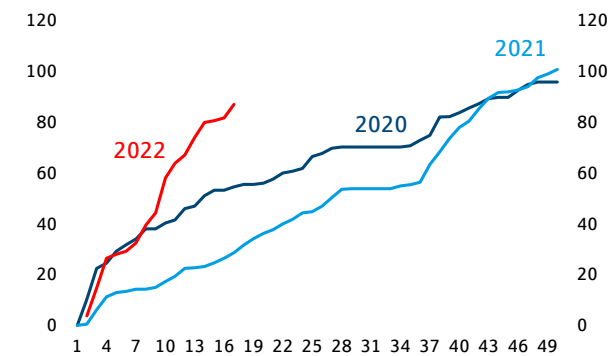
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Issuances

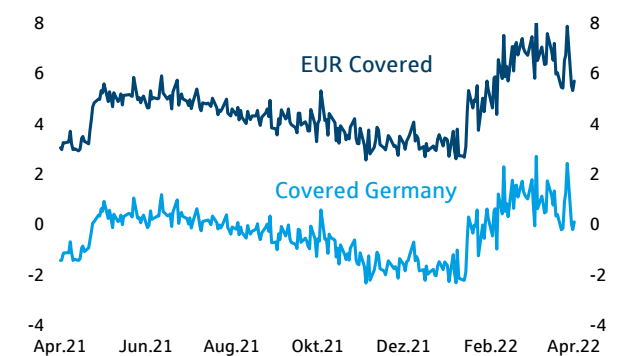
EUR benchmark issue volume cumulative by weeks, Mrd. EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

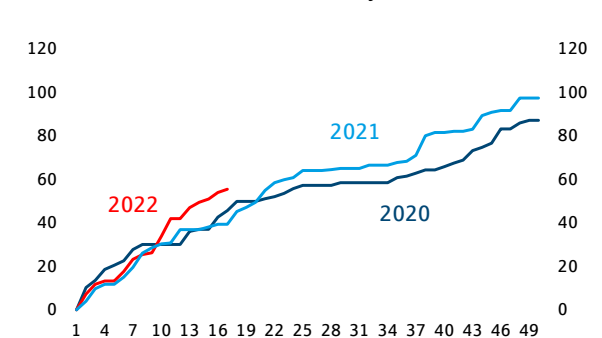
ASW in bp.



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Issuances

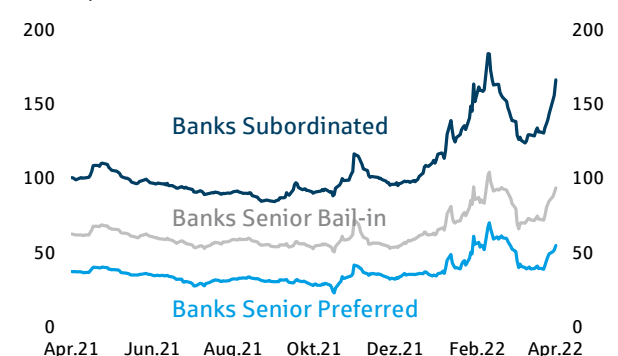
EUR benchmark issue volume cumulative by weeks, Mrd. EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory



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- FOCUS ON: CREDITS - EUROPEAN BANKS: WAR IN UKRAINE CLOUDS OUTLOOK

- COVERED-BOND-LAW IN SPAIN (VIDEO)
- COVERED BOND LAW IN AUSTRIA (VIDEO)
- COVERED-BOND-LAW IN FRANCE (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:

Sabrina Miehs, CESGA  
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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