

Focus on: SSA & Financials

2 June 2022



Weekly Market Update



Primary market environment: Interest rate and inflation fears, associated economic concerns and the effects of the Ukraine war - keyword energy supply - continue to dominate sentiment. The short-term greater willingness to take risks on the stock and credit markets should therefore not be interpreted as a fundamental change in sentiment.

Primary market barometer

SSA



In the last few days, a large part of the SSA spreads have tightened against OAT/Bund spreads, especially at the long end. The lack of appetite for duration is one of the main factors behind the weak performance of SSAs.

Covered Bonds



Furthermore, it is confirmed that shorter maturities are much easier to issue than their longer-dated counterparts. In the recent past, the 10-year maturity band represented the "magic" threshold, but this now seems to be around 7 years.

Senior Unsecured



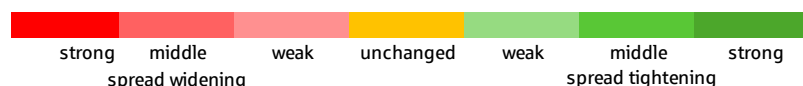
The lull in the primary market for senior unsecured bonds is not just due to public holidays. Issuers have already made extensive use of the capital market this year and are adopting a wait-and-see approach in the current weak market environment.

Sources: Helaba Research & Advisory

The trend towards widening spreads continues

Spread trend indicator*, ASWspread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,08	0,35	0,79	0,74	-2,34	-2,81
European Union	0,13	0,22	0,48	0,37	-0,30	-0,79
Germany Covered	0,10	0,14	0,12	-0,08	0,04	-1,10
EU Covered	0,02	0,04	0,05	0,01	0,05	-0,26
Banks senior preferred	-0,02	-0,31	0,57	-0,08	1,28	-0,49
Banks senior bail-in (SNP)	-0,01	-0,42	0,25	-0,05	1,18	-0,55
Banks subordinated	-0,01	-0,13	0,19	0,03	0,99	-0,23
Supranational	0,08	0,13	0,19	0,10	-0,43	-0,59
Agencies	0,05	0,06	0,23	0,12	-0,73	-1,08
Sub-Sovereigns Germany	0,01	-0,05	-0,17	-0,89	-1,04	-1,66
Sub-Sovereigns	0,03	-0,02	0,08	-0,33	-0,62	-1,32



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

Sources: Refinitiv, Helaba Research & Advisory

In our spread indicator, the colour red has a large share which makes the overall risk aversion on the markets visible. Valuations of senior unsecured bonds recovered somewhat last week.



SSA

In the SSA segment, there has recently been a lack of large new issues from the "heavyweights". KfW was able to increase its 15-year benchmark from March by € 1 billion to the target volume of a "real" KfW benchmark of € 3 billion. However, demand for maturities longer than 10 years remains rather subdued, which was also evident in this transaction. The state of Baden-Württemberg recently updated its **Green Bond Framework** and successfully placed its second green issue. In the pipeline is the state of North Rhine-Westphalia with a 10-year sustainability benchmark. Depending on market conditions, a 30-year sustainability benchmark could also follow. **Outlook:** A number of uncertainty factors continue to affect demand for longer maturities, and the upcoming ECB meeting is also casting its shadow.

€-Covered Bond-Benchmark-Issues weeks of 23 and 30 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,625%	DZ HYP AG	Aaa /AAA/-	0,750bn		30.05.2031	ms +5 bps		23.05.2022	0,860bn	ms + 7 area
1,625%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1,000bn		31.05.2030	ms +10 bps		23.05.2022	1,475bn	ms + 11 area
1,375%	Länsförsäkringar Hypotek AB	Aaa /AAA/-	0,500bn		31.05.2027	ms +6 bps		23.05.2022	1,200bn	ms + 10 area
1,750%	Landesbank Saar	- /-/AAA	0,250bn		31.05.2032	ms +11 bps		24.05.2022	0,340bn	ms + 12 area
1,625%	Oberösterreichische Landesbank	- /AA+/-	0,250bn		01.06.2029	ms +15 bps		24.05.2022	0,300bn	ms + 15 area
1,750%	Credito Emiliano SpA	Aa3 /-/AA	0,500bn		31.05.2029	ms +22 bps		24.05.2022	0,500bn	ms + 20/22 bps
1,375%	Swedbank Mortgage AB	Aaa /AAA/-	1,000bn		31.05.2027	ms +6 bps		24.05.2022	1,500bn	ms + 9 area
1,375%	UniCredit Bank AG	Aaa /-/	0,500bn		07.06.2027	ms +0 bps		30.05.2022	0,935bn	ms + 5 area
1,839%	Bank of Queensland	Aaa /-/AAA	0,600bn		09.06.2027	ms +30 bps		31.05.2022	0,665bn	ms + 30 area
1,750%	BAWAG P.S.K.	Aaa /-/	0,750bn		08.03.2030	ms +14 bps		31.05.2022	1,100bn	ms + 15 area
1,750%	Royal Bank of Canada	Aaa /-/AAA	1,000bn		08.06.2029	ms +16 bps		31.05.2022	1,300bn	ms + 18 area
n/a	Danish Ship Finance	- /A/-	cancelled		09.06.2027	cancelled		01.06.2022	n/a	ms + 37 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

For covereds the following still applies, the shorter the maturity, the better. The example of UniCredit-Bank AG shows this impressively: the EUR 500 million bond with a 5-year maturity was placed with a premium of only 2 bps to the secondary market curve, despite good demand. The issuers of BAWAG

"With a certain amount of frustration, the markets have to acknowledge that they are trapped by the all-dominant theme of further rising inflation rates! As a result, market participants are becoming increasingly cautious about taking new positions. Spread valuations tend to run away upwards. Providing liquidity for client requests in general and trading activities in particular increasingly has its price in the form of increased bid/offer spreads!"

Assessments from the Helaba trading room

P.S.K. (7.75 years) and Royal Bank of Canada (7 years), on the other hand, had to offer investors a much higher incentive, in both cases the NIP was around 7 bp. Danish Ship Finance supported its new issue with a simultaneous repurchase offer for two outstanding covered bonds. Ultimately, however, the issue was postponed until further notice. So far, the primary market offering has already exceeded the previous year's volume by more than EUR 10 billion. Last but not least, this market segment with its constant flow of new transactions contributes to the defensive activity in the secondary market. This interplay is particularly sensitive these days. A stabilising effect comes from the (still) quite decent participation through the ECB's official purchase programmes. Most recently, covered bond purchases within the framework of CBPP3 have increased again, although the rate of increase was significantly lower compared to the previous week. Today and tomorrow the celebrations for the platinum jubilee of Queen Elizabeth II will take place in the UK, which will have a noticeable impact on primary market activity. **The coming week** will be significantly influenced by Thursday's ECB meeting and interest rate decision. It is possible that issuers will try to take advantage of the time window before this "event".

€-SSA-Benchmark-Issues weeks of 23 and 30 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,250%	Berlin	Aa1 /-/AAA	0,650bn		01.06.2028	ms -18 bps		23.05.2022	0,750bn	ms - 18 area
1,875%	Bayerische Landesboden-Kred	Aaa /-/	0,250bn		02.06.2042	ms +13 bps		24.05.2022	0,315bn	ms +14 bp (+/-)
1,300%	ICO	Baa1 /A/-	0,500bn		31.10.2026	SPGB +9 bp	✓	24.05.2022	1,100bn	SPGB +12 area
3,000%	Bank Gospodarstwa Krajowego	- /-/A/-	0,500bn		30.05.2029	ms +155 bps		24.05.2022	0,550bn	ms + 155 area
1,500%	Japan Bank for International Cr	A1 /A+/-	1,000bn		01.06.2029	ms +12 bps		25.05.2022	1,300bn	ms + 12 area
1,125%	KfW	Aaa /AAA/AAA	1,000bn		31.03.2037	ms -8 bps		30.05.2022	1,250bn	ms - 8 area
1,650%	Baden-Württemberg	Aaa /AA+/-	0,350bn		08.06.2032	ms -12 bps		31.05.2022	0,610bn	ms - 10 area
1,500%	KommuneKredit	Aaa /AAA/-	0,500bn		16.05.2029	ms -5 bps		31.05.2022	0,975bn	ms -3 area
2,400%	Junta de Andalucía	Baa2 /BBB+/BB	0,500bn		30.04.2032	SPGB +25 Bp	✓	31.05.2022	0,795bn	SPGB +28 area
2,000%	Asian Development Bank	Aaa /AAA/AAA	1,000bn		10.06.2037	ms +3 bps		01.06.2022	1,100bn	ms + 3 area

Sources: Bloomberg, Helaba DCM

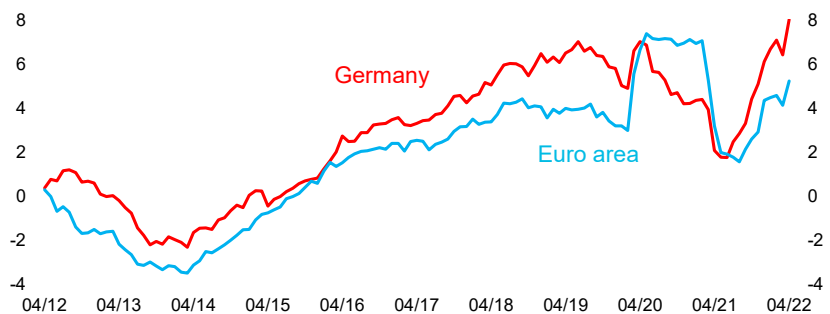


Senior Unsecured

In addition to the recent difficult market environment, the holidays in the US (Memorial Day) and Great Britain (platinum jubilee of Queen Elizabeth II) left their mark on the primary market. The more negative sentiment was most noticeable in the primary market for senior unsecured issues, where activity has almost come to a standstill. So far this week, there have been only two preferred issues. However, the successful subordinated transaction in EUR benchmark format of Erste Group Bank AG and the brisk issuance activity of European banks in the USD market, e.g. HSBC and Nordea, are noteworthy.

Strong Corporate Lending growth driven by pre-funding

Loans to non-financial corporations, annual growth in %



Sources: Refinitiv, ECB, Helaba Research & Advisory

Outlook: We do not expect the primary market for senior unsecured bank bonds to pick up significantly in the coming week. Once again, there are public holidays in the UK (June 2, 3) and in large parts of Europe (June 6). There is still a need for refinancing, which is mainly due to the high maturities, high regulatory requirements for bail-in capital and, last but not least, the upcoming repayment options in the ECB's targeted longer-term refinanc-

"A holiday-related quiet week lies behind and ahead of us. Certainly, the recovery of the past week looks good, but caution is still required. The open discussions of some ECB Council members on possible interest rate increases, still worry market participants. Furthermore, recoveries at low turnover levels are rarely stable. Risk and duration aversion are still in vogue."

Assessments from the Helaba trading room

ing operations (TLTRO III). However, issuers have already made extensive use of the capital market this year and can therefore adopt a rather wait-and-see approach in the current weak market environment.

€-Senior Preferred-Benchmark-Issues weeks of 23 and 30 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,500%	Société Générale	A1 /A/A	1,000bn		30.05.2025	ms +60 bps		23.05.2022	1,300bn	ms + 80 area
2,625%	Société Générale	A1 /A/A	1,000bn		30.05.2029	ms +110 bps		23.05.2022	1,300bn	ms + 125 area
2,125%	Credit Suisse AG (London Branci	A1 /A/A-	1,000bn		31.05.2024	ms +120 bps		23.05.2022	1,600bn	ms +135 area
3m€ +123 Bj	Credit Suisse AG (London Branci	A1 /A/A-	0,750bn		31.05.2024	ms +123 bps		23.05.2022	1,000bn	3m€ +138 area
1,625%	DNB Bank ASA	Aa2 /AA-/	0,750bn		31.05.2026	ms +58 bps		24.05.2022	0,825bn	ms + 75 area
1,625%	Industrial and Commercial Bank	A1 /A/-	0,300bn		01.06.2025	ms +50 bps	✓	24.05.2022	not disclosed	ms + 70 area
4,375%	Eurobank S.A.	B1 /B+/B+	0,500bn		09.03.2025	4,375%		31.05.2022	0,650bn	4,5% area
1,875%	SBAB Bank AB	A1 /A/-	0,750bn		10.12.2025	ms +53 bps	✓	01.06.2022	1,300bn	ms + 70 area

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Benchmark-Issues weeks of 23 and 30 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,375%	ABN AMRO Bank NV	Baa1 /BBB/A	0,750bn		01.06.2027	ms +110 bps	✓	24.05.2022	1,000bn	ms + 120 area
3,000%	ABN AMRO Bank NV	Baa1 /BBB/A	0,750bn		01.06.2032	ms +135 bps		24.05.2022	1,200bn	ms + 150 area
2,885%	Barclays PLC	Baa2 /BBB/A	1,000bn		31.01.2027	ms +168 bps		25.05.2022	2,300bn	ms + 190 area

Sources: Bloomberg, Helaba DCM



Short news

6/1 Fitch Ratings: Covered bond ratings are not expected to be materially affected by the economic impact of the Ukraine war, thanks to significant uplifts above their issuers' rating and substantial over-collateralisation (OC), Fitch Ratings says. In an adverse macroeconomic scenario, Fitch expects that covered bonds will experience a "mild to modest impact" on asset performance and "virtually no impact" on rating performance. (Source: Bloomberg)

5/31 Swedish regulator on Financial Stability: The Swedish regulator Finansinspektionen (FI) comments in its latest [financial stability report](#) that banks' credit risk costs have fallen to pre-pandemic low levels, but overall financial stability risks have increased, e.g. due to rising interest rates in real estate markets.

5/30 Russia sanctions: EU leaders reached an agreement on a sixth package of sanctions to be imposed on Russia over its ongoing invasion of Ukraine, including cutting Sberbank of Russia off from the SWIFT international financial messaging system, Reuters reported, citing [European Council](#) President Charles Michel's statements on Twitter.

5/30: Russia / Ukraine: The Central Bank of Russia imposed several restrictions on the local subsidiaries of Italian banks UniCredit SpA and Intesa Sanpaolo SpA, including barring Italian individuals and companies with accounts at the lenders' Russian units from withdrawing funds without permission from local management and limiting the size of cash transfers for certain accounts, sources told [Bloomberg](#) News.

5/25 Financial Stability: ECB publishes bi-annual Financial Stability [Review](#). According to the report, Euro area banks show resilience, but profitability prospects worsen as asset quality concerns resurface.

5/25 EBA Transparency exercise – timeline: The European Banking Authority (EBA) will be launching its annual 2022 EU-wide Transparency exercise in September and expects to release the information on banks' exposures and asset quality at the beginning of December, along with the EBA Risk Assessment Report.

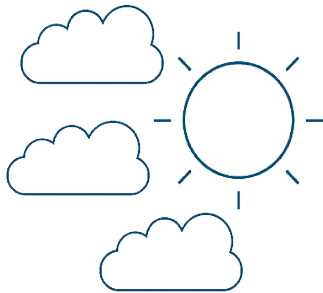
5/24 BoE asks banks to take climate action now or face profit hit: Banks and insurers that fail to manage climate risks as a "first-order" issue could face a 10% to 15% hit to annual profits and higher capital requirements, the Bank of England (BoE) said. As reported by [Reuters](#), in the most severe scenario posed by the BoE, where no additional measures are taken to reduce the rise in global temperatures, banks and insurers tested could face total losses of 334 bn. GBP over three decades.

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

E-STOXX 600 Banks	91,03	0,45%	6,49%	iBoxx € Cov. Germany*	1,25	2,24	2,22	iTraxx Senior Financial	98,5	-5,98%	-3,85%
10J-Yield	1,18	0,23	0,20	iBoxx € Cov. Bonds*	7,67	2,47	3,02	iBoxx € Supranational	101,8	-1,81%	-1,76%
Swap 10J	1,90	0,20	0,14	iBoxx € Banks PS	91,64	-0,41%	-0,59%	iBoxx € Agencies	96,8	-1,07%	-0,70%
iBoxx € Germany	99,82	-1,9%	-2,0%	iBoxx Banks NPS	93,76	-0,2%	-0,5%	iBoxx € Sub-Sov. Germany	97,5	-1,41%	-1,33%
iBoxx € EU	98,21	-2,39%	-2,72%	iBoxx Banks Subordinated	84,40	-0,36%	-0,73%	iBoxx € Sub-Sovereign	95,9	-1,44%	-1,42%

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

Leisure tip for the weekend: Wäldchestag Frankfurt



After a two-year break, the Frankfurt City Festival, traditional since 1792, will take place again from 04.06. to 07.06.2022. Around 120 rides, food and sales stands offer entertainment for every taste. This year, the focus of the traditional festival will be the open beer garden on the large fairground at Oberforsthaus. In order to make the pleasant mixture of folk festival and cool greenery an experience for everyone, the public transport system offers an extended train and bus schedule.

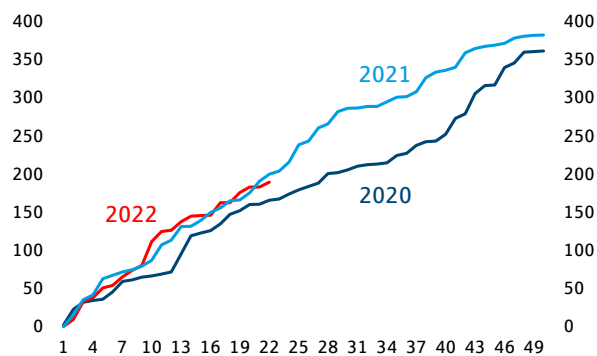
More information: [Wäldchestag Frankfurt](#)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: www.frankfurt-tourismus.de

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

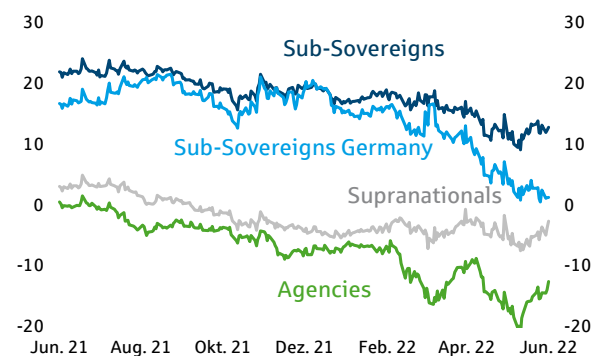
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

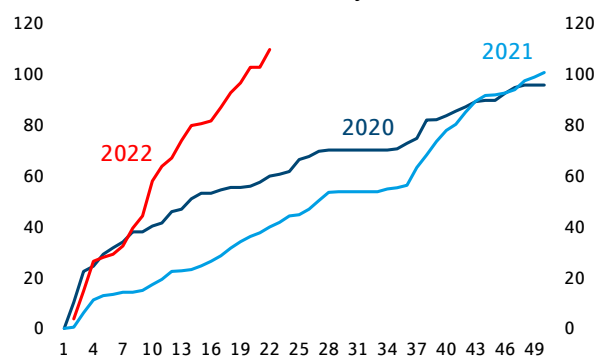
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

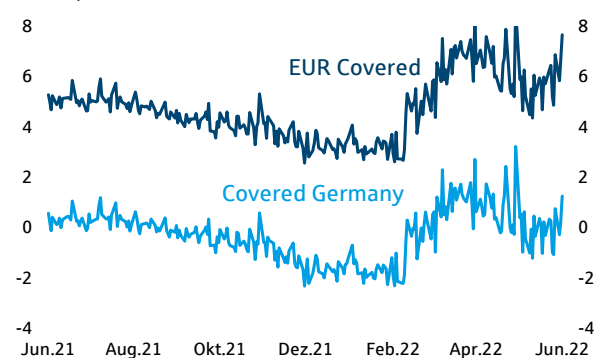
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

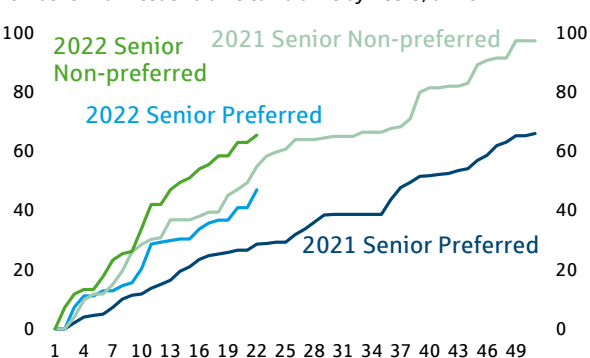
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

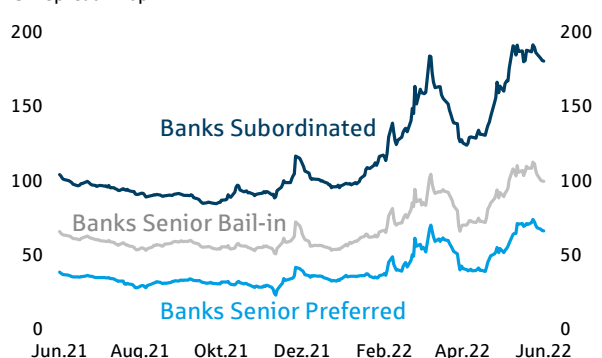
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory



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