

# Focus on: SSA & Financials

## 9 June 2022



## Weekly Market Update



**Primary market environment:** The ECB signals that it will raise its main policy rates in July and September. Meanwhile, there is no sign of euphoria on primary markets: These are losing momentum, oversubscription rates are falling and issue spreads are tending to widen. Economic and inflation concerns and uncertainties arising from the Ukraine crisis continue to play a role.

### Primary market barometer

#### SSA



In the SSA segment, issuing activity is currently very low and momentum is also slowing. Improvement is hardly in sight, especially since the summer holidays, which are approaching, will contribute to this.

#### Covered Bonds



The performance of most new issues made in the past four weeks is by no means euphoric. Extremely wide bid/offer spreads of up to 5 bp can be observed in the interbank/broker market.

#### Senior Unsecured



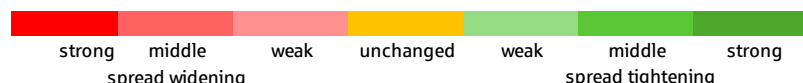
The stable market environment attracted some banks to the primary market and the good reception proved them right. In the end, senior financials were the main focus of activity. Due to the public holiday, things will probably be quieter next week.

Source: Helaba Research & Advisory

### Risk aversion dominates

Spread trend indicator\*, ASWspread change versus ...

| IBOXX EURO                 | 1 day | 1 week | 4 week | 13 weeks | 52 weeks | 104 weeks |
|----------------------------|-------|--------|--------|----------|----------|-----------|
| Germany                    | -0,12 | 0,08   | 1,18   | 0,69     | -2,10    | -2,65     |
| European Union             | -0,04 | 0,17   | 0,74   | 0,48     | -0,25    | -0,51     |
| Germany Covered            | -0,05 | -0,01  | 0,16   | -0,06    | 0,04     | -0,92     |
| EU Covered                 | -0,01 | 0,00   | 0,06   | 0,01     | 0,05     | -0,20     |
| Banks senior preferred     | 0,02  | -0,05  | 0,03   | 0,25     | 1,33     | -0,21     |
| Banks senior bail-in (SNP) | 0,04  | 0,02   | -0,15  | 0,27     | 1,29     | -0,45     |
| Banks subordinated         | 0,02  | 0,00   | -0,08  | 0,27     | 1,07     | -0,09     |
| Supranational              | -0,03 | 0,12   | 0,37   | 0,23     | -0,34    | -0,40     |
| Agencies                   | -0,03 | 0,04   | 0,44   | 0,11     | -0,68    | -1,03     |
| Sub-Sovereigns Germany     | -0,02 | -0,03  | -0,06  | -0,70    | -1,09    | -1,69     |
| Sub-Sovereigns             | -0,03 | 0,02   | 0,20   | -0,19    | -0,62    | -1,27     |



\*ASW levels standardized and 2T-smoothed, since 14.2.22 changed calculation of ASW levels by Markit.  
Sources: Refinitiv, Helaba Research & Advisory

Market sentiment has deteriorated overall, so it is not surprising that our spread indicator also shows the existing risk aversion. The recent valuation recovery in senior unsecured bonds already seems to be coming to an end.

**Note: Our next Weekly Market Update will be published on 7 July!**



## SSA

In the SSA segment, issuing activity was relatively low, not least due to a number of public holidays. At least the state of North Rhine-Westphalia ventured into the market with an ESG benchmark as a dual tranche (10 & 30 years). Although it was noticeable that a rather defensive approach was chosen. The new issue premiums offered made the bonds attractive for investors and the 30-year tranche offered compensated for the inversion of the swap curve for the 20 to 30-year maturities. Outlook: A number of uncertainties remain. Investors need lucrative offers for the placement of longer maturities. The size of the new issue premium tends to increase further. The approaching summer holidays in many countries are also likely to have an impact on issuing activity and further reduce the already declining momentum.

### €-SSA-Benchmark-Issues week of 6 June 2022

| Coupon | Issuer | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|--------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 2,000% | NRW    | Aa1 /AA/AAA      | 2,000bn  |     | 15.06.2032 | ms -6 bps                   | ✓   | 08.06.2022 | 4,800bn   | ms - 5 area           |
| 2,250% | NRW    | Aa1 /AA/AAA      | 1,500bn  |     | 15.06.2052 | ms +35 bps                  | ✓   | 08.06.2022 | 3,300bn   | ms + 37 area          |

Sources: Bloomberg, Helaba DCM



## Covered Bonds

On the primary market for covered bonds, a little disillusionment seems to be spreading, the sentiment is weaker. Some of the new issues that have come to the market in recent weeks are quoted 2-3 bp higher (vs. swap) than at the primary fixing. In general, however, "good names" (in all asset classes) are per-

*"Around the eagerly awaited ECB meeting, the secondary market was largely quiet. The spreads shown on the screens suggest a sideways trend in the new swap levels that have settled in recent weeks! However, this is only half the truth and became obvious at the start of the post-Whitsun trading week! The already beleaguered long end of the curve (12-20Y) came under renewed pressure from spot selling by institutional investors. The spreads then readjusted by an average of 2-3 bps. It seems that the re-pricing of this part of the curve is not yet complete."*

*Assessments from the Helaba trading room*

forming better. NIBC yesterday became the first issuer in a week to launch a euro benchmark, a five-year first issue softbullet with a volume of EUR 500m that, given the current market environment, went over quite well, with a respectable new issue premium and oversubscription. The ECB's covered bond purchases increased slightly by around 0.8% in the last reporting week. Overall, APP purchases are expected to fall to EUR 20 billion in June after EUR 40 billion in April and EUR 30 billion in May. However, the ECB will have to continue to buy heavily in covered bonds in the coming months in order to offset the maturities. From this month onwards, all TLTRO-III (and for the first time also the large TLTRO-III.8 drawdown of 24.6.2020 of currently outstanding EUR 1216 bn) can be repaid voluntarily in full or pro-rata at quarterly intervals. On 15.06. at 5 p.m. the deadline for notifying the repayment request ends. The repayment would be settled on 29 June. However, in view of the rising interest rates, we assume that only very few banks will consider a redemption. As a result, future issuance activity will increasingly move in the direction of "own-use" (retained) covered bonds in order to replace these securities deposited as collateral with new ones at maturity.

### €-Covered Bond-Benchmark-Issues week of 6 June 2022

| Coupon | Issuer         | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|----------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 1,875% | NIBC Bank N.V. | - /AAA/-         | 0,500bn  |     | 16.06.2027 | ms +11 bps                  |     | 08.06.2022 | 0,900bn   | ms + 14 area          |

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

Senior financials were the main focus of activity this week. Banks came to the market with preferred and non-preferred bonds as well as bonds from subordinated areas of the capital structure. The timing was certainly well chosen, in view of today's ECB Governing Council meeting, the upcoming inflation figures in the US and the general election in France at the weekend. The banks successfully took advantage of the issuing windows that presented themselves, albeit with rising new issue premiums. On Tuesday alone, HSBC, UBS (2x), Commerzbank and the Portuguese Caixa Geral de Depositos brought five new issues to the market. Wednesday brought further issues from the Bank of Montreal, Iber-Caja Banco and Mitsubishi. The bonds were well to solidly received in a constructive environment. For example, Commerzbank's new green non-preferred bond tightened 5 basis points from Tuesday to Wednesday.

*"Across the entire range, the cash is trading unchanged to 2 bp tighter on average compared to last Wednesday. French preferreds and non-preferreds as well as Swiss OpCo bonds are the outperformers. Italian non-prefs are lagging somewhat behind with a widening of 1bp on average. New issues also performed well, as they did last week. The shift in focus from secondary to primary market trading is clearly noticeable."*

*Assessments from the Helaba trading room*

With the Frankfurt-based bank's bond, the volume in the still small sub-segment of sustainable bonds issued by German banks has risen to over EUR 3 billion this year and is already 77% of last year's total volume. Overall, the total issuance volume of sustainable bank bonds in euros from the senior preferred and non-preferred segments is still close to half of last year's strong total of around EUR 40 billion.

### Sustainable bonds: volume over EUR 20 billion

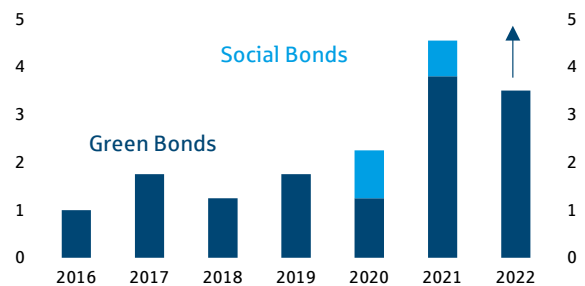
EUR new issues\* of sustainable bonds in EUR billion



\* Senior Preferred and Non-Preferred  
Sources: Bloomberg, Helaba Research & Advisory

### Germany: New record in sight

New EUR issues of sustainable bonds by German banks in EUR billion



\* Senior Preferred and Non-Preferred  
Sources: Bloomberg, Helaba Research & Advisory

**Outlook:** After this busy week, we do not expect another wave of issuance next week. On the one hand, the banks are likely to react with a wait-and-see attitude after the ECB meeting, which is possible for them due to their refinancing activities so far. On the other hand, many German states and some European countries have a public holiday coming up, Corpus Christi, which restricts the issuance window. Nevertheless, further issuance windows are likely to be used as soon as possible on a case-by-case basis, as the way has been paved for interest rate increases and thus for a trend towards rising refinancing costs thanks to the ECB's forward guidance.

## €-Senior Preferred-Benchmark-Issues week of 6 June 2022

| Coupon | Issuer                         | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|--------------------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 2,875% | Caixa Geral de Depósitos, S.A. | Baa2 /-/BBB-     | 0,300bn  |     | 15.06.2026 | ms +140 bps                 | ✓   | 07.06.2022 | 0,405bn   | ms + 140 area         |
| 3,750% | Ibercaja Banco, S.A.           | - /BB+/BB+       | 0,500bn  |     | 15.06.2025 | ms +250 bps                 |     | 08.06.2022 | 0,760bn   | ms + 260 area         |
| 2,264% | Mitsubishi UFJ Financial Group | A1 /A-/A-        | 1,000bn  |     | 14.06.2025 | ms +95 bps                  |     | 08.06.2022 | 1,700bn   | ms + 115 area         |
| 3,556% | Mitsubishi UFJ Financial Group | A1 /A-/A-        | 0,750bn  |     | 15.06.2032 | ms +150 bps                 |     | 08.06.2022 | 1,600bn   | ms + 170 area         |

Sources: Bloomberg, Helaba DCM

## €-Senior Non-Preferred-Benchmark-Issues week of 6 June 2022

| Coupon | Issuer            | Rating (M/S&P/F) | Volume € | Tap | Maturity   | Launch-Spread vs. Mid-Swaps | ESG | Launch     | Orderbook | 1st Spread-Indication |
|--------|-------------------|------------------|----------|-----|------------|-----------------------------|-----|------------|-----------|-----------------------|
| 3,000% | Commerzbank AG    | A1 /BBB+/-       | 0,500bn  |     | 14.09.2027 | ms +150 bps                 | ✓   | 07.06.2022 | 1,100bn   | ms + 170 area         |
| 2,750% | UBS Group AG      | - /A-/A+         | 1,000bn  |     | 15.06.2027 | ms +115 bps                 |     | 07.06.2022 | 1,900bn   | ms + 130-135 area     |
| 3,125% | UBS Group AG      | - /A-/A+         | 1,000bn  |     | 15.06.2030 | ms +135 bps                 |     | 07.06.2022 | 1,900bn   | ms + 155 area         |
| 3,019% | HSBC Holdings PLC | A3 /A-/A+        | 2,000bn  |     | 15.06.2027 | ms +140 bps                 |     | 07.06.2022 | 2,900bn   | ms + 150 area         |
| 2,750% | Bank of Montreal  | A2 /A-/AA-       | 0,800bn  |     | 15.06.2027 | ms +98 bps                  |     | 08.06.2022 | 0,975bn   | ms + 115 area         |

Sources: Bloomberg, Helaba DCM



## Short news

**6/8 Spanish Covered Law/Moody's:** The new Spanish Covered Bond Law, which will come into force in July, contains several positive provisions that will strengthen credit standards, according to rating agency Moody's. As an example, it mentions a better segregation of assets, a strengthening of supervisory powers, an improvement in the management of cover pools and liquidity, and the preservation of the quality of the cover pool. While the minimum overcollateralisation requirements are weaker than previous standards, the positive elements of the new law would outweigh them and overcollateralisation for rating preservation would likely continue. However, some aspects of the law are unclear, including the provisions on property valuations, stress tests, extendable maturities and liquidation of cover pools by special managers, which creates uncertainty or leaves room for interpretation. However, the agency expects changes to be made later this year.

**6/3 Basel III/Retrofits absolutely necessary:** The Association of **German Pfandbrief Banks** (Verband deutscher Pfandbriefbanken, vdp) is clearly critical of the report presented on 1 June 2022 by the rapporteur in the ECON Committee of the European Parliament, Jonás Fernández, on the EU banking package. With the introduction of a lower limit (output floor) for the capital requirement calculated with internal bank risk models, these models - although examined by supervisory authorities - would not only be distrusted, but credit institutions would be burdened with increasing capital requirements and ultimately the real economy would be impaired. The association also criticises the fact that the transitional relief for residential property financing does not apply to every loan but is to be linked to sustainability criteria. This would not rule out a credit crunch in residential property financing. In essence, the vdp continues to call for a proper and Basel-compliant design of the Basel III capital adequacy rules.

**6/2 Disclosure Regulation (SFDR):** The three European supervisory authorities (EBA, EIOPA and ESMA - ESAs) have published a **statement** providing clarifications on the draft regulatory technical standards (RTS) issued under the Sustainable Finance Disclosure Regulation (SFDR). The statement provides clarifications on key areas of the SFDR disclosures, such as: Use of Sustainability Indicators; Disclosure of Principal Adverse Impacts (PAI); Disclosure of and Taxonomy-related Disclosures on Financial Products; and Do Not Significant Harm (DNSH) Disclosures. The statement is part of the ESAs' ongoing efforts to promote a better understanding of the disclosures required under the SFDR technical standards ahead of the planned application of the rules on 1 January 2023, as set out in the Delegated Regulation adopted by the European Commission on 6 April 2022.

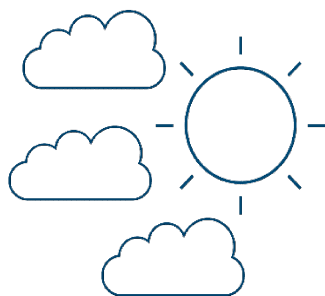
**Market data** (current\*, vs. 1 week, vs. 4 weeks)

|                   |       |        |        |                          |       |        |        |                          |       |        |        |
|-------------------|-------|--------|--------|--------------------------|-------|--------|--------|--------------------------|-------|--------|--------|
| E-STOXX 600 Banks | 90,73 | -0,34% | 7,59%  | iBoxx € Cov. Germany*    | 0,66  | -0,59  | 1,88   | iTraxx Senior Financial  | 99,7  | 1,23%  | -3,73% |
| 10J-Yield         | 1,35  | 0,17   | 0,35   | iBoxx € Cov. Bonds*      | 7,16  | -0,51  | 2,80   | iBoxx € Supranational    | 100,2 | -1,49% | -2,63% |
| Swap 10J          | 2,06  | 0,16   | 0,28   | iBoxx € Banks PS         | 91,07 | -0,62% | -0,95% | iBoxx € Agencies         | 95,9  | -0,94% | -1,65% |
| iBoxx € Germany   | 98,60 | -1,2%  | -3,0%  | iBoxx Banks NPS          | 92,90 | -0,9%  | -0,9%  | iBoxx € Sub-Sov. Germany | 96,4  | -1,14% | -2,12% |
| iBoxx € EU        | 96,38 | -1,86% | -3,67% | iBoxx Banks Subordinated | 83,79 | -0,73% | -0,84% | iBoxx € Sub-Sovereign    | 94,7  | -1,26% | -2,25% |

\* Closing prices from the previous day

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

**Leisure tip for the weekend: Merchants' Bridge Festival Erfurt**



From 17 to 19 June 2022, Erfurt's city centre will once again be transformed into a stage for music, handicrafts, culinary delights and experiences from many areas of Erfurt's art and culture scene. The centrepiece and namesake of the festival is the Krämerbrücke, one of Erfurt's best-known landmarks. In addition to the traditional stalls around the Krämerbrücke, guests can admire an art installation or follow the artists on a high-wire act. The traditional New Orleans Music Festival and, for the first time, the Jewish Music Festival take place on Petersberg at the same time as the city festival.

More information: [Merchants' Bridge Festival Erfurt](#)

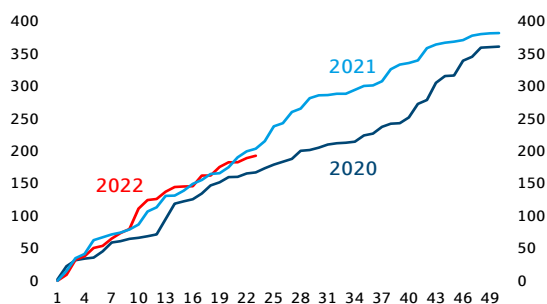
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: [www.erfurt-tourismus.de](http://www.erfurt-tourismus.de)

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

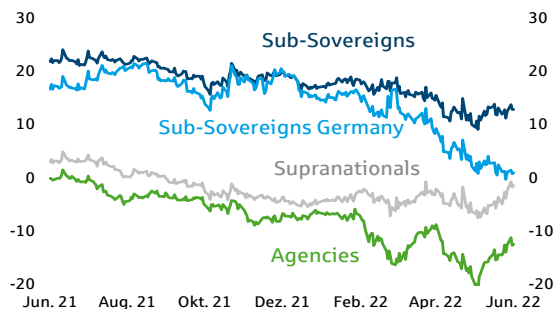
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

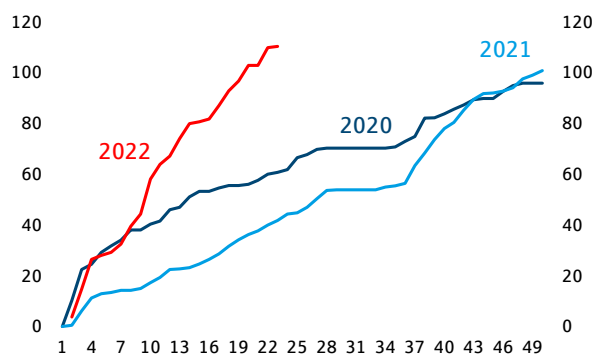
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

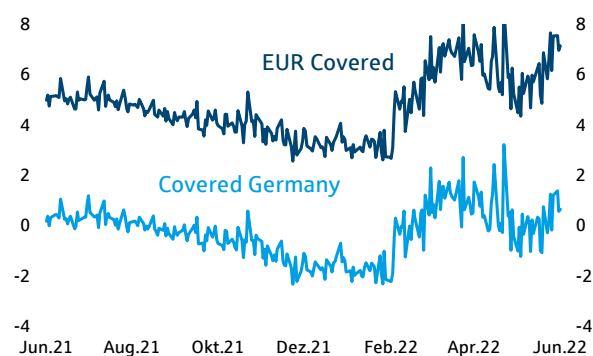
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

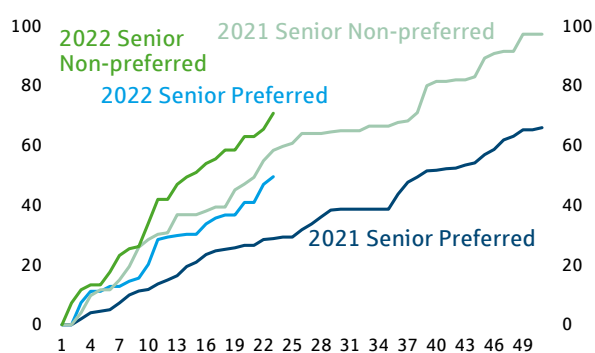
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

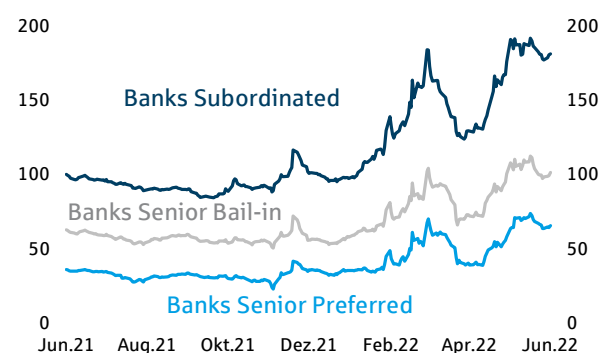
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory



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