

# Focus on: SSA & Financials

## 11 August 2022



## Weekly Market Update



**Primary market environment:** Risk aversion has eased somewhat in the meantime. However, in view of a number of uncertainty factors such as economic and inflation concerns, tensions between China and the USA, the Ukraine crisis, the development of energy prices or the government crisis in Italy, this can quickly change again.

### Primary market barometer

#### SSA



In some federal states the summer holidays are already ending. However, there is no end in sight to the summer lull on the SSA primary market. The abstinence of issuers, which has lasted for many days, is causing spreads to tighten.

#### Covered Bonds



Issuing activity in the covered bond segment came to a complete standstill this week. This was despite the fact that the placement of the Deka-Bank sub-benchmark in the previous week showed that the market - if the conditions are right - is quite receptive.

#### Senior Unsecured



The two limiting factors - the reporting season and the summer break - are coming to an end and are thus losing their paralyzing influence on the primary market. We expect issuance activity for senior unsecured bank bonds to pick up as of next week.

Sources: Helaba Research & Advisory

### Back to risk-off mode

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

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,02	-0,01	-0,29	-0,82	-2,57	-3,65
European Union	0,09	-0,05	-0,29	0,68	0,21	-0,70
Germany Covered	0,12	0,18	-0,06	0,73	0,64	-0,32
EU Covered	0,03	0,05	0,00	0,25	0,26	-0,01
Banks senior preferred	0,02	-0,08	-0,79	-0,15	1,55	0,55
Banks senior bail-in (SNP)	0,01	-0,05	-0,70	0,00	1,63	0,62
Banks subordinated	0,00	-0,04	-0,88	0,03	1,42	0,34
Supranational	0,09	0,03	-0,17	0,74	0,16	-0,48
Agencies	0,05	-0,05	-0,30	-0,11	-0,83	-1,33
Sub-Sovereigns Germany	0,06	-0,02	-0,05	0,11	-1,12	-1,28
Sub-Sovereigns	0,07	-0,08	-0,27	0,27	-0,48	-1,15

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

Sources: Refinitiv, Helaba Research & Advisory

The temporary easing phase seems to have come to an end again, especially for covered bonds, as shown by the increasing red coloration of our spread indicator in the short term. In the case of senior unsecured bank bonds, spreads recently narrowed further - supported by the low level of issuance activity - but here, too, our indicator signals a risk aversion above the longer-term average.



## SSA

Summer is showing itself from its best side. What pleases many people causes a lull in issuance on the primary market and this to an extent not seen for a long time. This in turn has a clear impact on spreads, which continue to narrow. Nevertheless, we should also look ahead, especially since many SSA addresses

*"The summer drought continues in the SSA universe. We have not seen as few primary market issues as in the last 10 days for a long time. This is one of the reasons why we are seeing very strong ASW performance in SSAs, with spreads tightening. The lack of benchmark issuance only partly explains this movement: new highs in German swap spreads and a general risk-on sentiment also contribute."*

*Comment from the Helaba trading floor*

still have to bring some issues to the market in the second half of the year. For example, a volume of EUR 70 billion (incl. EU) is still to be expected for the "E" names. This sum is by no means small, especially as the market has been used to the ECB's QE since 2015. Moreover, we believe that the ECB's new tool - the TPI - excludes the Supras. This means that there is a chance that some SSA issuers will come to the market with attractive NIPs in the autumn, which should give the secondary market some breathing space.

### €-SSA-Issues week of 8 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
none										

Sources: Bloomberg, Helaba DCM



## Covered Bonds

Our expectation expressed here last week that a revival of primary market activity was not to be expected has (unfortunately) been fully confirmed this week.

Not one transaction could be booked. The reasons for this are once again the expiry of the Q2 reporting period with the associated "black out" periods, the lack of final approvals or confirmations in the implementation of the European covered bond legislation and, last but not least, the peak of the holiday season.

**Outlook:** Next Monday, the feast of the Assumption of the Virgin Mary will be celebrated in several Christian denominations. In parts of Bavaria, Saarland, Austria and Liechtenstein, as well as in eight Swiss cantons, 15 August is a public holiday. This feast is called "Dormitio" in Latin, i.e. "Dormition", and so we expect a slow reawakening of primary market activity. We hear that transactions are already being prepared and RfPs (Request for Proposal) have been sent out. In addition, first transactions in non-EUR currencies (e.g. GBP, AUD) and also in Scandinavia could be observed.

Within the framework of APP, the ECB reduced its covered bond portfolio (CBPP3) by EUR 1.657 billion in the last reporting week.

### €-Covered Bond-Issues week of 8 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
none										

Quellen: Bloomberg, Helaba DCM



## Senior Unsecured

Issuance activity for senior unsecured bank bonds in EUR benchmark format came to a complete standstill this week. The main reasons for this are the ongoing quarterly reporting season at European banks and the general summer break. However, issuers took advantage of the comparatively strong investor demand in other currencies and were able to place issues very successfully in USD (BNPP AT1, Credit Suisse Group) or in AUD (BNG) and GBP (DNB), for example. In our view, this confirms that the market is fundamentally receptive and that open market windows that present themselves can be exploited.

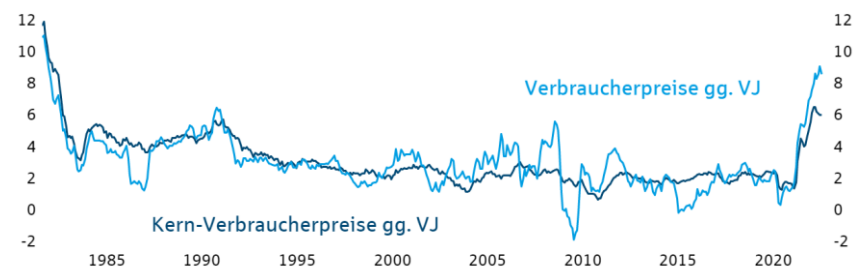
The reporting season is approaching its finale. Most banks were able to meet or even exceed expectations. The credit fundamentals were robust; in this context, the stable low problem loan ratios and high capital buffers should be mentioned in particular. In addition, rising interest rates supported net interest income. However, the macroeconomic outlook is a cause for concern. Many banks are preparing for an increase in loan defaults by 2023 at the latest.

**Outlook:** In the coming week, the two limiting factors, the reporting season and the summer break, become less important. Institutions have not yet fulfilled their issuance plans for this year. High maturities and strict regulatory requirements for bail-in capital are creating further refinancing needs. Re-

cent key rate hikes, for example by the Bank of England, and political turbulence, for example in Italy, appear to have been largely factored into valuations for the time being, with the result that spreads have recently been stable or even slightly firmer. If the market environment remains stable, we expect the primary market to pick up as early as next week.

### US inflation remains high

% YoY



Sources: Refinitiv, Helaba Research & Advisory

*“Last Thursday, the Bank of England (BoE) raised the key interest rate by 50 bps as expected. The U.S. labor market data published the following day were surprisingly strong and caused fears on the other side of the Atlantic that the Fed might maintain the brisk pace of its 75bps rate hikes in September. While the iTraxx indices moved sideways, the cash market was surprisingly calm about this news and was able to build on the previous week's good performance. The bulk of capital flows continue to be in small sizes. ETF funds continue to be the driving force, although one or the other asset manager now also dares to enter the ring again. The summer slump can be felt and the change from reporting season to issuance season is longed for. Until then, trading will remain sluggish and characterized by illiquidity.”*

*Comment from the Helaba trading floor*

### €-Senior Preferred-Issues week of 8 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

### €-Senior Non-Preferred-Issues week of 8 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM



## Short news

**8/8 Situation in Italy:** After Standard & Poor's had already lowered the outlook for Italy from positive to stable at a rating of BBB on July 29, the rating agency Moody's now followed suit. It lowered the outlook from stable to negative, with a rating of Baa3, which is only one notch above junk bond level.

**8/4 Deposit guarantee data:** The EBA has published **updated data** on deposit guarantee schemes across the European Economic Area. From 2020 to 2021, the amount of available funding held by deposit guarantee schemes across the European Economic Area increased significantly by 19%.

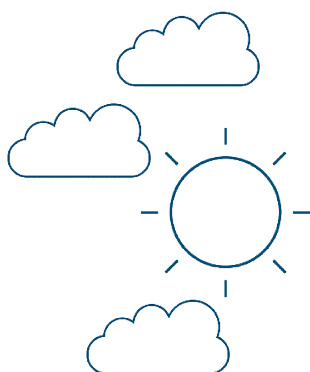
**8/4 Interest rate environment:** The Bank of England **raised its key rate by 50 basis points** - its largest single increase since 1995 - to 1.75%, and warned that the U.K. is now projected to **fall into recession** that would last for five consecutive quarters starting in the final three months of 2022.

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

E-STOXX 600 Banks	132	1,80%	8,89%	iBoxx € Cov. Germany	5,5	2,6	-1,6	iTraxx Senior Financial	128,8	-2,2	9,6
10Yr-Yield	0,89	0,02	-0,26	iBoxx € Cov. Bonds	13,7	2,7	-1,2	iBoxx € Supranational	3,0	1,91	-2,79
Swap 10J	1,76	0,07	-0,20	iBoxx € Banks PS	65,9	-2,7	-21,2	iBoxx € Agencies	-17,1	-0,20	-6,40
iBoxx € Germany	-80,7	-2,64	-7,28	iBoxx Banks NPS	104,8	-2,7	-24,5	iBoxx € Sub-Sov. Germany	5,0	1,11	-1,71
iBoxx € EU	1,4	1,33	-4,08	iBoxx Banks Subordinated	182,7	-3,6	-59,2	iBoxx € Sub-Sovereign	16,2	0,33	-4,45

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

### Leisure tip for the weekend: European Elvis Festival



From 12<sup>th</sup> to 14<sup>th</sup> August 2022 the 20<sup>th</sup> European Elvis Festival will take place in Bad Nauheim. At this event, fans from all over the world celebrate their idol once a year. The festival is always organized around the time of the anniversary of Elvis Presley's death (16<sup>th</sup> August). The program offers not only famous cover bands, Elvis movies and numerous Cadillacs, but also a special exhibition about the "King of Rock'n Roll". In addition, there will be a music contest, in which the best interpretation of Elvis songs is searched. Besides the festival, the latest biographical film about Elvis Presley can be seen in the cinemas. The film was released on 23<sup>rd</sup> June 2022.

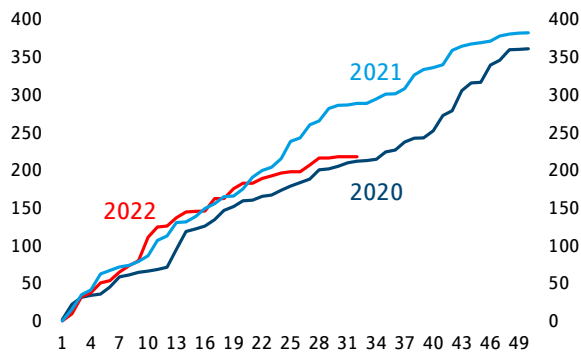
More information: [Elvis Festival Bad Nauheim](#)

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.bad-nauheim.de/de/erlebnisreich/festivals-kulturelles/european-elvis-festival](http://www.bad-nauheim.de/de/erlebnisreich/festivals-kulturelles/european-elvis-festival)

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

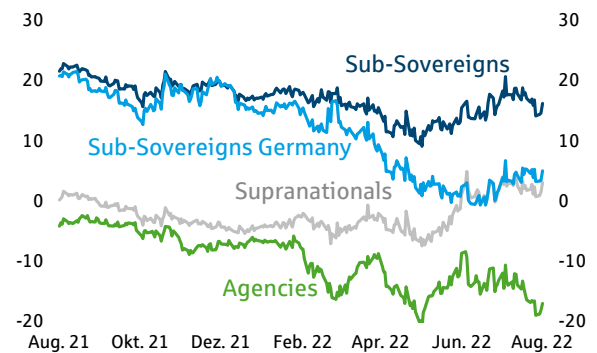
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

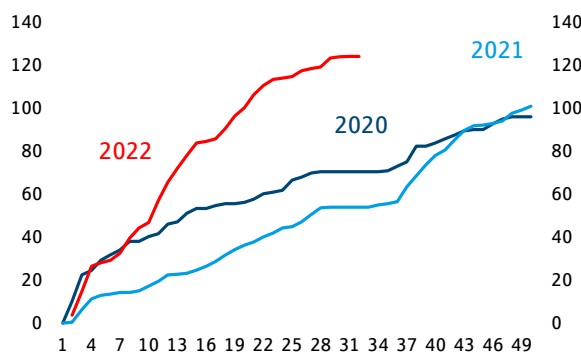
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

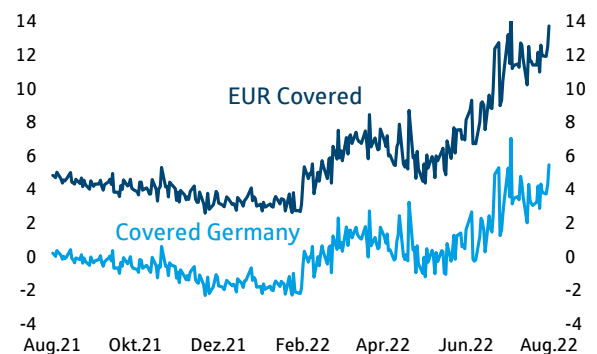
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

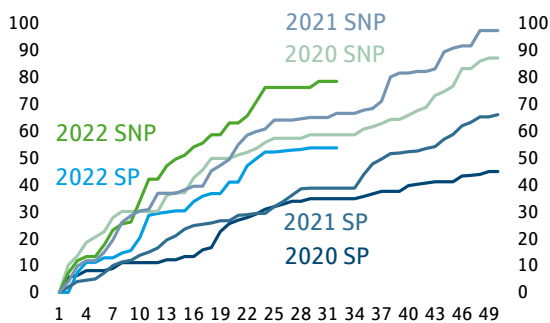
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

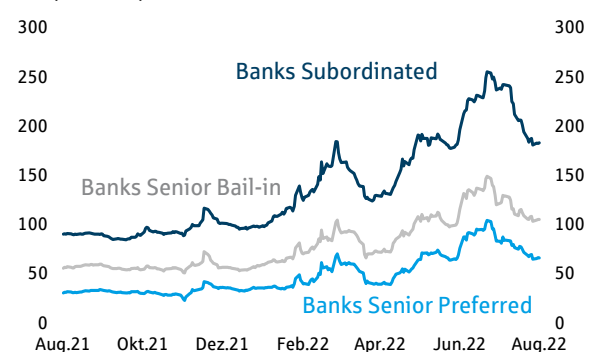
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory



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