

Focus on: SSA & Financials

6 October 2022



Weekly Market Update



Primary market environment: The Ukraine war, interest rates and fears about the economy are still the main influencing factors. The government crisis in England did its part to keep volatility high. For equities, September was the worst month since the financial crisis. The collapse of Credit Suisse's share price triggered concerns about renewed turbulence on the markets.

Primary market barometer

SSA



Overall, the mood in the SSA segment is mixed. Tier 1 issuers/supras are enjoying good to very good investor demand, while the smaller sub-sovereigns are finding it much more difficult to fill their books.

Covered Bonds



With good market timing, in combination with renowned issuer names, covereds with longer maturities of 5 or 6 years can also be placed, as the examples of CRH and Commerzbank show. Nevertheless, the trend towards shorter maturities is intact.

Senior Unsecured



Although the market remains receptive to this segment, issuers must offer attractive spreads to fill the order books. Investors remain very selective. Due to regulatory requirements, among other things, issuers are nevertheless planning further transactions by the end of the year.

Sources: Helaba Research & Advisory

Sentiment clouds over again

Spread trend indicator*, ASWspread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,14	0,03	0,36	-0,08	-2,38	-3,05
European Union	0,04	0,30	0,56	0,23	0,88	-0,09
Germany Covered	0,13	0,14	0,16	-0,31	0,45	-0,16
EU Covered	0,03	0,04	0,05	-0,05	0,27	0,09
Banks senior preferred	-0,02	0,59	0,65	0,34	2,61	1,66
Banks senior bail-in (SNP)	-0,05	0,39	0,45	0,35	2,66	1,68
Banks subordinated	-0,03	0,30	0,59	0,17	2,79	1,66
Supranational	0,04	0,17	0,27	-0,12	0,38	-0,35
Agencies	0,08	0,14	0,14	-0,43	-1,01	-1,43
Sub-Sovereigns Germany	0,02	0,07	0,09	-0,42	-1,11	-1,66
Sub-Sovereigns	0,02	0,19	0,29	-0,36	-0,35	-1,19

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

Sources: Refinitiv, Helaba Research & Advisory

After a brief interim recovery, the mood of market participants has clouded over again. At the same time, the fundamental environment does not promise much improvement.



SSA

The German capital market, the most important platform for euro-denominated bonds, remained closed on Monday due to the holiday, so that primary market activity only picked up again somewhat from Tuesday. Overall, signs of fatigue are becoming increasingly visible. The recent appearance of the EFSF is an exception. Investors continued to demand its paper strongly. The order book was 4.3 times oversubscribed and the marketing spread narrowed from MS-17 to MS-19. For the EFSF, it was the last issue of the year, which we believe further boosted demand. The Madrid region, on the other hand, struggled to reach its target volume.

Outlook: Overall, a trend towards higher new issue premiums is emerging in the SSA segment. The demand side is also affected by the fact that asset managers have little free liquidity. Old bond portfolios can currently only be sold at a loss. We expect further issues in the coming weeks, but there is only a small need for refinancing on the part of the federal states and development banks.

€-SSA-Issues week of 3 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,375%	EFSF	AAA /AA/AA	3,500 Mrd.		11.04.2028	ms -19 Bp		04.10.2022	15,000 Mrd.	ms - 17 area
2,822%	Madrid	Baa1 /A-/BBB	0,500 Mrd.		31.10.2029	SPGB +23 bp		04.10.2022	0,500 Mrd.	SPGB +23 area
3,000%	EIB	Aaa /AAA/AAA	1,000 Mrd.		14.10.2033	ms -5 Bp		05.10.2022	4,400 Mrd.	ms - 4 area
3,000%	Flemish Community	- /-IAA	0,750 Mrd.		12.10.2032	BGBs +40 bp		05.10.2022	1,200 Mrd.	BGBs +40 area
3,250%	Flemish Community	- /-IAA	1,250 Mrd.		12.01.2043	BGBs +36 bp		05.10.2022	1,750 Mrd.	BGBs +37 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

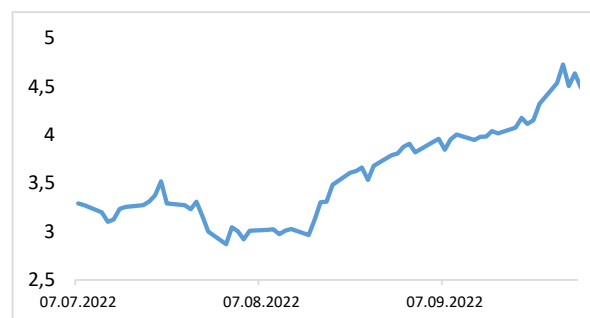
The oversubscription rates currently observed for Covereds are limited compared to the first months of this year. The order books of Bank of Montreal and Singapore's DBS Bank were oversubscribed 1.2 and 1.3 times, respectively. In addition, rising new issue premiums (NIP) of 8 and 7 bps respectively show that market conditions are increasingly challenging. In the case of UniCredit Bank Czech Republic & Slovakia's first mortgage-backed covered bond issue, the estimated NIP was as high as +15/+20 bps. But there is another way: On Wednesday, the French CRH was able to issue a "long" five-year covered issue. Overall, however, it is noticeable that the transaction was optimised in terms of volume and not primarily in terms of spread, given the volatile market environment. With a final order book of just under 2.1 billion, the issue volume was set at 1.85 billion euros.

While deals from the core segment are already struggling to cross the finish line, this is even more difficult for issuers that do not belong to this group, despite some considerable NIPs. The same applies to the secondary market. With the exception of the ultra-short end, our trading sees predominantly selling interest in cash securities. The motivation is understandable, especially since the majority of bonds lost considerable price value in the course of the year and the low coupons from past times hardly offer a current interest rate.

Outlook: The environment remains challenging. We do not expect the market conditions to change significantly in the coming days. Nevertheless, further issues by strong issuers are to be expected.

Italian government bonds - rating agencies fuel rise in yields

Yield on 10-year BTPs in %



Sources: Bloomberg, Helaba Research & Advisory

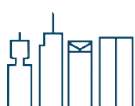
"The fears that the uncertain large-scale weather situation would continue at the beginning of the new month have come true. The markets are being shaken up unabated in outright movements. But not only that, there is also a lot of movement on the curves. From steep to flat to inverse and then back around again! A catalyst for the recent movements was definitely the drama around Great Britain, which has certainly already been described, discussed and commented on many times in its script and effects. The significance and conclusions that can be drawn from the market reactions are likely to spoil the mood of the vast majority of players."

Comment from the Helaba trading floor

€-Covered Bond-Issues week of 3 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,812%	DBS Bank Ltd.	Aaa I-/AAA	0,750 Mrd.		13.10.2025	ms +17 Bp		04.10.2022	0,000 Mrd.	ms + 19 area
3,125%	Credit Bank Czech Republic and Slovakia,	Aa2 I-/	0,500 Mrd.		11.10.2027	ms +55 Bp		04.10.2022	0,500 Mrd.	ms + 55 area
2,750%	Bank of Montreal	Aaa I-/AAA	1,000 Mrd.		13.10.2026	ms +17 Bp		04.10.2022	1,150 Mrd.	ms + 17 area
2,750%	Caisse de Refinancement de l'Habitat	Aaa I-/AAA	1,850 Mrd.		12.04.2028	ms +10 Bp		05.10.2022	2,100 Mrd.	ms + 12 area
2,875%	Commerzbank AG	Aaa I-/	0,750 Mrd.		13.10.2028	ms +6 Bp		06.10.2022	1,100 Mrd.	ms + 8 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

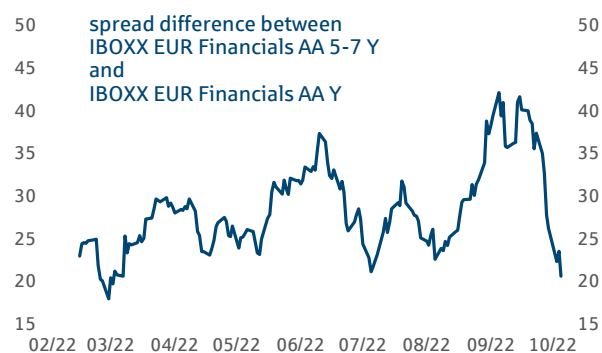
This week, both the difficult primary market environment and the simultaneous high refinancing needs of institutions in the senior unsecured segment were once again confirmed: In the risk-off mode dominating at the beginning of the week, only the Danish Jyske Bank showed up with a benchmark transaction on Tuesday. On the following day, the mood on the market brightened noticeably; BBVA and Crédit Agricole immediately took advantage of this momentum and placed a total of EUR 3.5 billion in senior unsecured benchmark paper.

Overall, primary market conditions remain extremely difficult. Jyske, for example, had to offer a new issue premium of around +60/+65 bp for its very defensive 3.5NC2.5-year issue. Despite the conservatively chosen maturity and the supposedly generous spread premium, the final order book was only EUR 635 million, and the spread could only be narrowed by around 10 bp compared to the first indication. Overall, it is noticeable that the placement volume has priority in the structuring of transactions, while issuers accept higher spreads.

Outlook: The general situation is unlikely to change much in the coming days: The overall environment remains extremely volatile and challenging. In view of the geopolitical crises, but also individual corporate news (Credit Suisse), investors are nervous and are focusing on quality and adequate spreads. Short maturities, for example, probably do not yet sufficiently reflect the recent interest rate decisions and have been among the underperformers in recent days. However, banks still have a high need for issuance (capital requirements, high maturities), thus transactions can still be expected when the opportunity is favorable.

Credit curve flattened significantly recently

ASW spread in basis points



Sources: Refinitiv, Helaba Research & Advisory

"The markets do not come to rest and remain highly volatile in many segments following the interest rate decisions of the central banks. The equity markets have started a strong bear market rally and the iTraxx indices narrowed massively over the week, while at the same time yields fell massively and Bund swap spreads remain near record levels. The cash markets experienced another week of widening."

Comment from the Helaba trading floor

€-Senior Preferred-Issues week of 3 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,375%	BBVA	A3 /A/A-	1,250bn		14.10.2029	ms +155 bps	✓	05.10.2022	1,900bn	ms + 175-180 bp
na	Euroclear Bank	- /AA/AA	0,500bn		13.10.2027	ms +65 bps		06.10.2022	3,400bn	ms + 105 area
na	Intesa	Baa1/BBB/BBB	0,75 Mrd.		13.01.2030	ms+235		06.10.2022	1,3000 Mrd.	

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 3 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,625%	Jyske Bank A/S	- /BBB+/-	0,500 Mrd.		11.04.2026	ms +210 Bp		04.10.2022	0,635 Mrd.	ms + 220 area
4,000%	Credit Agricole SA	A3 /A-/A+	1,000 Mrd.		12.10.2026	ms +135 Bp		05.10.2022	1,500 Mrd.	ms + 150 area

Sources: Bloomberg, Helaba DCM



Short news

10/5 Shock for Italy: Moody's rating agency threatens Rome with a bond downgrade to junk bond level. (Börsenzeitung)

10/5 Top EU banks exposed to 239 bn USD in fossil fuel assets: A new report by Finance Watch unveiled the exposure of EU banks to fossil fuel assets and called for higher capital requirements to ward off the financial stability risk of stranded fossil fuel assets. ([EURACTIV](#))

10/5 BIS: Buffer usability and cyclicity in the Basel framework: The Basel Committee on Banking Supervision issued a second report on the evaluation of the impact and effectiveness of implemented Basel reforms. As reported by the Bank for International Settlements (BIS), the report finds some indications of a positive relationship between banks' capital headroom and lending while limited evidence emerges that banks' reluctance to use liquidity buffers has affected their lending and market activity. ([BIS](#))

10/4 European banks too optimistic about macro risks according to ECB: European banks are not taking looming economic risks seriously as they enjoy the revenue-boosting benefits of higher interest rates, the European Central Bank Supervisory Board Chairman Andrea Enria said. As reported by [Bloomberg](#), Enria repeated warnings on the risks posed by the business of lending to indebted companies as the ECB will impose higher capital requirements on lenders that don't grapple with those risks.

9/30 EBA publishes Basel III impact report: The European Banking Authority (EBA) today its first mandatory [Basel III Monitoring Report](#) which assesses the impact that Basel III full implementation will have on EU banks in 2028. According to this assessment, which uses a significantly larger sample than in previous years and applies the same methodology as the Basel Committee on Banking Supervision (BCBS), the full Basel III implementation would result in an average increase of 15.0% of the current Tier 1 minimum required capital of EU banks. (see [our report on the EU Banking Package](#) 2021 dated 5. November 2021)

9/30 BIS: Basel III capital ratios for largest global banks on high levels: Initial Basel III capital ratios increased to the highest level since the beginning of the exercise in 2012, and banks' profits remained at or near record high

levels across all regions in H2 2021 according to the latest Basel III monitoring exercise. ([BIS, Basel III Monitoring Report](#))

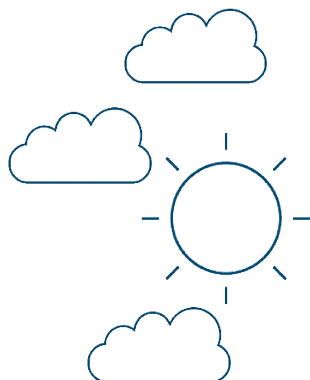
9/30 Europe faces 'severe risks' to financial system, regulators warn: The European Systemic Risk Board (ESRB) have issued an unprecedented warning about "severe risks to financial stability" after concluding Russia's invasion of Ukraine could create a toxic combination of an economic downturn, falling asset prices and financial market stress. The authority called on regulators to prepare for a potential crisis by requiring financial institutions to build up bigger buffers of capital and provisions that can absorb losses, the [Financial Times](#) reports.

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

E-STOXX 600 Banks	122	2,04%	-1,39%	iBoxx € Cov. Germany	1,7	1,4	-0,3	iTraxx Senior Financial	142,5	-5,4	16,6
10Yr-Yield	2,02	-0,12	0,45	iBoxx € Cov. Bonds	10,5	1,6	0,0	iBoxx € Supranational	1,5	2,25	1,50
Swap 10J	2,96	-0,13	0,53	iBoxx € Banks PS	91,2	11,7	13,8	iBoxx € Agencies	-20,7	3,58	0,52
iBoxx € Germany	-78,4	3,97	3,02	iBoxx Banks NPS	135,8	9,6	12,6	iBoxx € Sub-Sov. Germany	-3,0	1,11	-0,71
iBoxx € EU	5,2	3,62	5,00	iBoxx Banks Subordinated	247,8	11,5	31,6	iBoxx € Sub-Sovereign	12,8	2,45	1,50

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

Leisure tip for the weekend: The Leica Museum in Wetzlar



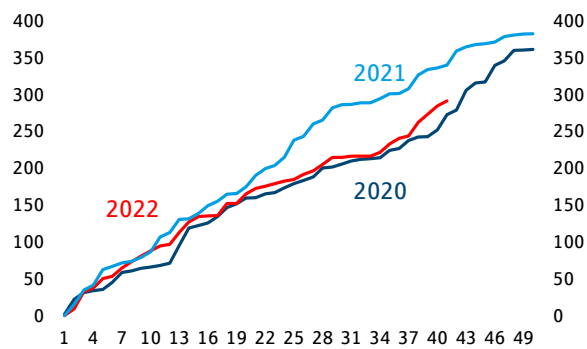
Leica - the epitome of **photography** "Made in Germany" and uncompromising engineering. At Leitzpark in Wetzlar, Leica enthusiasts, photography fans and guests from all over the world have the opportunity to immerse themselves in the unique, fascinating world of Leica. You will gain unique insights into the Leica manufactory and company history and experience milestones of photography at first hand. The Leitzpark impresses with high-calibre, changing exhibitions that let visitors feel the spirit of photography. The exhibitions impress with renowned photographers from all over the world. Exciting impressions and unusual encounters also await at events, guided tours and photo workshops. Afterwards, Café Leitz will provide culinary highlights for your physical well-being. The Leitzpark is worth a day trip as well as a complete weekend trip with an overnight stay in the Leitzhotel.

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: <https://leica-welt.com/leica-welt-erleben>

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

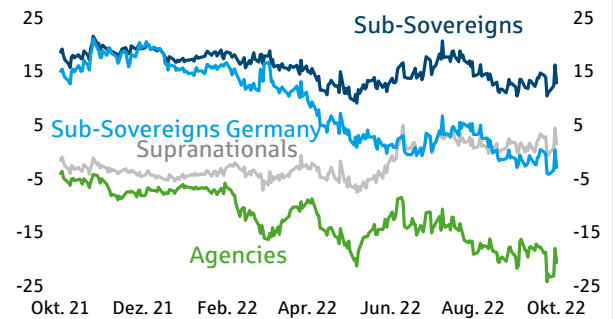
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

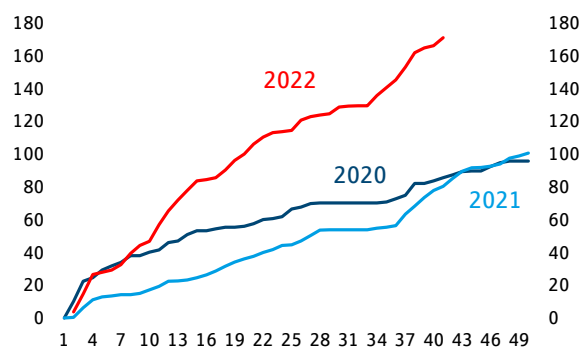
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

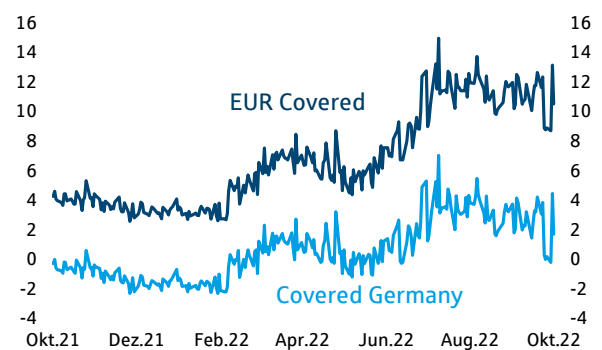
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

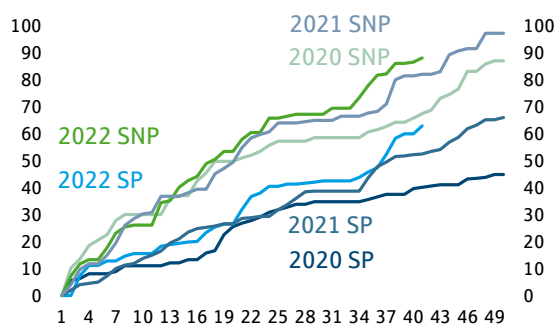
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

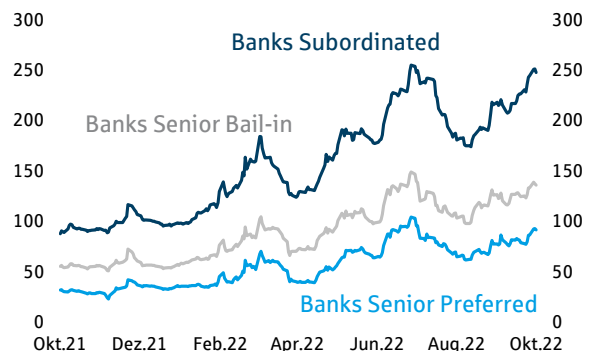
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



News from Research & Advisory

- **FOCUS ON: CREDITS – BANK AND COVERED BOND PROFILES GERMANY**
- **FOCUS ON: SSAs – GERMAN AGENCIES**
- **FOCUS ON: CREDITS – EUROPEAN BANKS: NET INTEREST INCOME RISES SHARPLY IN Q2 2022**
- **FOCUS ON: COVERED BONDS – EUROPEAN COVERED BONDS: CENTRAL WEBSITE PROVIDES CLARITY**
- **FOCUS ON: CREDITS – LIVE DEALS – A USEFUL INDICATOR FOR PLANNING ISSUANCE**
- **FOCUS ON: CREDITS – PRIMARY MARKET UPDATE EUR BENCHMARK BANK BONDS: Q2 2022**
- **FOCUS ON: CREDITS – EUROPEAN BANKS: CLIMATE RISK STRESS TEST HIGHLIGHTS NEED FOR FURTHER ACTION**
- **EUR CORPORATE BONDS: PRIMARY MARKET Q2 2022**
- **EUROPEAN BANKS: ACTIVITIES BECOMING EVER GREENER**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE: SPAIN VERSUS FRANCE AND GERMANY (VIDEO)**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE – STATE OF PLAY: AUSTRIA VERSUS FRANCE AND GERMANY (VIDEO)**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE – STATE OF PLAY IN FRANCE AND GERMANY (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:

Stefan Rausch

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

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.



Here you can subscribe to our newsletter:
<https://news.helaba.de/research/>