

Focus on: SSA & Financials

24 November 2022



Weekly Market Update



Primary market environment: The approaching end of the year is increasingly casting its shadow on the primary market. Members of the ECB Governing Council disagree on the size of the next interest rate step. In the US, market participants expect a slower pace of interest rates for the December meeting after the Fed minutes.

Primary market barometer

SSA



In the SSA segment, it seems as if market participants are gradually getting ready for the end of the year. Transactions are few and far between and the few that do exist are difficult to place, especially if the maturity is too long from the market's point of view.

Covered Bonds



Issuers are taking advantage of the opportunities on the primary market. On the one hand, not all funding plans have been implemented yet. On the other hand, they are trying to avoid the crowding on the primary market expected in January and possibly higher spreads.

Senior Unsecured

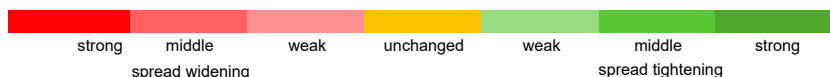


The primary market remains surprisingly active. Even long maturities are attracting lively investor demand, albeit at elevated risk premiums. Some of the institutions have pre-funded maturities due next year. We expect issuance activity to weaken in December at the latest.

Risk trend indicator: Relaxation trend continues

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,07	-0,16	0,54	1,37	-0,40	-1,54
European Union	-0,06	0,00	0,14	0,99	1,66	1,74
Germany Covered	-0,11	-0,05	0,34	-0,01	0,70	0,00
EU Covered	-0,03	0,00	0,19	0,15	0,49	0,29
Banks senior preferred	-0,03	-0,22	-0,60	0,73	2,31	2,04
Banks senior bail-in (SNP)	-0,03	-0,16	-0,68	0,35	2,33	2,10
Banks subordinated	-0,05	-0,17	-0,68	0,27	2,09	1,76
Supranational	-0,06	0,04	0,37	0,69	1,24	0,84
Agencies	-0,06	-0,05	0,52	0,89	0,12	-0,42
Sub-Sovereigns Germany	-0,02	0,16	0,45	0,41	-0,70	-1,15
Sub-Sovereigns	-0,06	0,03	0,31	0,72	0,24	-0,27



* ASW levels standardized and 2T-smoothed
Sources: Refinitiv, Helaba Research & Advisory

The picture of our risk trend indicator brightened further in the short term. However, the red colouring in the medium-term time frame cautions against excessive optimism.



SSA

In the SSA segment, the impression gained last week that issuers have largely completed their funding plans was confirmed. In addition, the federal states, for example, have higher than expected tax revenues, so that the current refinancing can be covered from own funds. The tap (EUR 250 m) of the Hesse 10/27 was priced at MS-18 and thus unchanged compared to the marketing spread. The new issue premium was 2 bps, the order book volume was not disclosed.

Overall, interesting developments are emerging in the spreads from the SSA segment: In the case of sub-sovereigns, they continue to run out, so that both the highs of last year and those from the summer of this year have been exceeded. The increase in the sub-sovereigns Germany is somewhat less dynamic; the previous year's value was not reached there. The trend for the agencies is also upwards. The spreads are in the range of the 12-month high.

Outlook: Another EU auction is on the agenda for 28 November. Beyond that, no further transaction has been announced so far. Looking ahead, we believe the trend towards duration avoidance will continue in the coming year.

€ SSA issues week of 21 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,625%	Thüringen	- /-/AAA	0,250bn		29.11.2032	ms -9 bps		22.11.2022		ms - 9 area
2,750%	Kommunalbanken	Aaa /AAA/-	1,000bn		29.11.2027	ms +10 bps		22.11.2022	1,200bn	ms + 11 area
3m€+0 Bp	Berlin	Aa1 /-/AAA	0,250bn		14.07.2028	not disclosed		23.11.2022	not disclosed	not disclosed
2,625%	Hessen	- /AA+/-	0,500bn		10.09.2027	ms -19 bps		02.11.2022	0,840bn	ms - 19 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Four issuers appeared on the primary market this week. With a 1.7 times oversubscribed order book,

„Liquidity in the secondary market is becoming increasingly thin! In addition to seasonality, in the short term also before the coming end of the month, the continuing compression pressure on bund/swap spreads continues to play a dominant role. Market participants are closely following the developments in the ECB Governing Council. It does not seem impossible that the ECB will focus on faster QT instead of large interest rate steps. This, coupled with verbal spikes on the "ECB Bills question" and rampant new debt in the Eurozone, is keeping the Bund/swap spreads under pressure, albeit with fluctuations.

Comment from the Helaba trading floor

the Fédération des Caisses Desjardins du Québec attracted the greatest investor interest. Consequently, the final spread was set at MS+12, 3 bps below the marketing spread. The chosen maturity of 2 years - true to the motto "the shorter the better" - certainly contributed to the attractiveness.

On the **secondary market**, market activity is becoming increasingly difficult due to declining liquidity. Market makers are hardly able to pass on positions via brokers, and central banks are known to be holding back on purchases, so that pricing is a major challenge. In addition, the market is sensitive to the activities of the primary market and the new issue premiums that can be obtained there.

Good names with good premiums are doing well (HVB, 3Y MS+2, today MS-3 paid), other securities such as Bankinter (5y, MS+40) are therefore struggling in the environment of similar secondary issues with only slightly more expensive levels.

Outlook: Issuers will continue to take advantage of the issuance windows that present themselves, even if the time window remaining this year is getting smaller and smaller. Particularly for issuers from the second tier, short-term opportunities could be interesting, especially since in January, not least on the basis of a high number of maturities, a very lively issuing activity is to be expected. Pull-forward effects in anticipation of higher spreads could also play a role.

€ Covered Bond issues week of 21 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	UniCredit Bank AG	Aaa /-/-	0,750bn		27.02.2026	ms +2 bps		21.11.2022	1,050bn	ms + 6 area
2,875%	Fédération des Caisses Desjardins du Québec	Aaa /-/AAA	0,750bn		28.11.2024	ms +12 bps		21.11.2022	1,250bn	ms + 15 area
3,050%	Bankinter S.A.	Aa1 /AA+/-	0,750bn		29.05.2028	ms +40 bps		22.11.2022	0,900bn	ms + 40 area
2,625%	Nordea Mortgage Bank Plc	Aaa /-/-	1,000bn		01.12.2025	ms +2 bps		24.11.2022	2,250bn	ms + 6 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

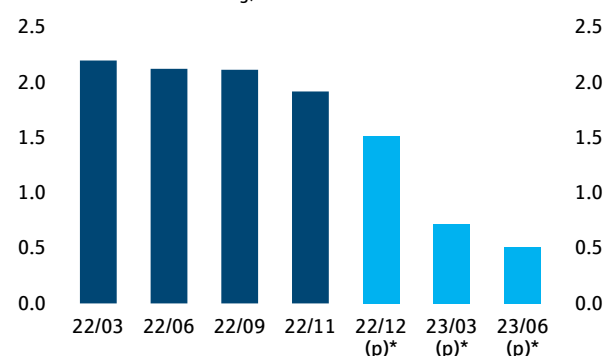
The market for senior unsecured bank bonds continues to be surprisingly active. Since Monday, a volume of EUR 7.4 billion has been placed, around EUR 0.7 billion more than in the already strong previous week. The order books were again well filled with an average oversubscription rate of 2.3 times. Even bonds with long maturities met with lively investor interest. Overall, however, issuers have to accept higher risk premiums.

As we expected, the institutions used the opportunity to repay their **TLTRO III** funds borrowed from the ECB on November 23, 2022 to a lesser extent than indicated by consensus estimates. According to the **ECB notice** of Nov. 18, 2022, the total repayment amount was only EUR 296.3 billion, compared with consensus estimates of an average of around EUR 600 billion. In our view, this is mainly due to the fact that many banks want to maintain their liquidity ratios for the time being. At its meeting on October 27, 2022, the Governing Council decided to change the previously extremely attractive terms of the program; at the same time, participating institutions were given the opportunity to return the amounts they had borrowed for the first time on November 23, 2022, and thereafter on a **monthly basis**.

We expect the institutions to repay around EUR 400 billion of the outstanding volume of around EUR 1.9 trillion at the next repayment date on December 21, 2022 (to be announced on December 9, 2022) and a further EUR 800 billion in the months January to March. One argument in favor of early repayment of the funds before the end of the year is that the high volume due in June 2023 (around EUR 1 trillion still outstanding) will then no longer be eligible for the net stable funding ratio (NSFR). Furthermore, total assets at the end of the year will be the basis for calculating the bank levy. At least the June maturities will still be eligible for the Liquidity Coverage Ratio (LCR) at year-end 2022, which may seem attractive to some banks - especially from the periphery - notably as the interest on funds is still below money market rates. From March 2023, the LCR eligibility of TLTRO III amounts maturing in June 2023 will then also cease to apply.

TLTRO III: Further repayments foreseeable

TLTRO volumes outstanding, in trillion EUR



*projected

Sources: ECB, Helaba Research & Advisory

When the banks presented their Q3 results, the rapid increase in net interest income in the core business due to the rapidly changing interest rate environment came as a positive surprise (see our publication "**European banks:**

Q3 results inspire confidence of November 15, 2022). This should more than compensate for the interest premium provided by the ECB's TLTRO-III program, which now no longer will be applied.

Outlook: Issuers are taking advantage of the recent somewhat more favorable spread development for pre funding in order to be well prepared for potentially even more difficult times in the global crisis environment and to ensure compliance with their regulatory requirements (MREL/TLAC). We therefore expect the primary market for senior unsecured bonds to be quite active again next week provided a friendly market environment. However, the year is drawing to a close, and many banks have largely implemented their issuance plans, and in some cases even exceeded them. We therefore expect a slowdown in activity in December at the latest.

„The ongoing good sentiment also made itself felt in the secondary trading of the latest new issues, for example, the 5-year Deutsche Bank Pref issued on Monday is currently trading 12 bps tighter. Even new issues with longer maturities, such as the CMARK 12/32 (Green Non Pref) and the new Agricole 11/34 (Pref) were able to tighten 16 and 11 bps, respectively. Likewise, the new UCGIM 11/27 was able to tighten a further 12 bps and is now trading 49 bps tighter to the reoffer. In contrast, the new issues of ABN Amro (Green Non Pref 02/30 & NonPref 11/34) show a first sign of saturation.“

Einschätzungen aus dem Handelsraum der Helaba

€ Senior Preferred issues week of 21 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	Credit Agricole SA	Aa3 /A+/AA-	1,000bn		28.07.2027	ms +75 bps		21.11.2022	1,400bn	ms + 100 area
3,875%	Credit Agricole SA	Aa3 /A+/AA-	1,250bn		28.11.2034	ms +125 bps		21.11.2022	2,600bn	ms + 150 area
4,625%	Deutsche Bank AG	A1 /A-/A-	0,750bn		29.11.2027	ms +135 bps		21.11.2022	3,000bn	ms + 170 area
7,350%	OTP Bank Nyrt.	- /BBB/-	0,650bn		04.03.2026	ms +458 bps		23.11.2022	1,150bn	7.625% area
3,750%	BFCM	Aa3 /A+/AA-	1,500bn		01.02.2033	ms +120 bps		23.11.2022	2,700bn	ms + 145 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 21 November 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,250%	Crédit Mutuel Arkéa	A3 /-/A-	0,500bn		01.12.2032	ms +165 bps	✓	22.11.2022	2,000bn	ms + 190-195 Bp
5,375%	Argenta Spaarbank NV	- /BBB/-	0,500bn		29.11.2027	ms +275 bps		22.11.2022	1,250bn	ms + 300 area
5,262%	Barclays PLC	Baa2 /BBB/A	1,250bn		29.01.2034	ms +255 bps		22.11.2022	3,400bn	ms + 275 area

Sources: Bloomberg, Helaba DCM



Short news

11/23 Draft sustainability reporting standards: The **European Commission** welcomes the timely submission of draft sustainability reporting standards from EFRAG. Once adopted, companies subject to the Corporate Sustainability Reporting Directive (CSRD) will use these reporting standards.

11/23 Green Bond Standard: According to **Börsenzeitung**, the EU Parliament wants to further extend the scope of application. A lack of harmonization between the requirements for future European green bonds and other green bonds, which are subject to less stringent regulation, would otherwise lead to an uneven playing field, according to the report.

11/22 Consolidated financial statement of the Eurosystem: The ECB has published the consolidated financial statement of the Eurosystem as at 18 November 2022

11/22 Spain set to approve mortgage relief plan: Spain will act to reduce the impact of higher borrowing costs on mortgage holders by approving a package of relief measures, the [Financial Times](#) reports. After weeks of talks between the government and banks, the Spanish cabinet is due to authorize moves that include a reduction in interest rates during a five-year grace period.

11/21 List of 30 global systemically important banks updated: The Basel-based Financial Stability Board (FSB) published the [list of global systemically important banks](#) (G-SIBs) for 2022. Institutions on the list are subject to particularly stringent regulatory requirements for total liable capital (TLAC).

11/18 ECB on ESG and economic impact: A clearer understanding of the effects of climate change on the economy will help make better decisions. The latest [European Central Bank Blog](#) looks at a new climate scenario tool, which provides a comprehensive picture of potential economic impacts.

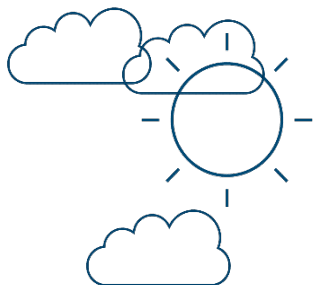
11/18 Santander management hits out at bank windfall taxes: Santander boss Ana Botín has hit out at windfall taxes on banks' profits. "Higher taxes should be the same for all companies and governments need to figure out what is the right level of taxes that really allows sustainable growth and investment," Botín said in an interview for the [Financial Times Global Banking Summit](#).

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

E-STOXX 600 Banks	139	3,03%	8,74%	iBoxx € Cov. Germany	3,3	-0,8	2,0	iTraxx Senior Financial	99,0	-6,8	-24,0
10Yr-Yield	1,92	-0,08	-0,20	iBoxx € Cov. Bonds	15,3	-0,3	4,3	iBoxx € Supranational	9,3	-0,06	3,77
Swap 10J	2,65	-0,04	-0,32	iBoxx € Banks PS	89,3	-4,9	-13,6	iBoxx € Agencies	-6,1	-1,09	7,55
iBoxx € Germany	-59,8	-2,39	8,81	iBoxx Banks NPS	133,9	-4,7	-19,7	iBoxx € Sub-Sov. German	6,2	1,79	6,76
iBoxx € EU	13,7	-0,39	1,49	iBoxx Banks Subordinated	213,8	-10,4	-34,7	iBoxx € Sub-Sovereign	21,3	-0,04	3,82

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

Leisure tip for the weekend: Historical Christmas Market at Wartburg Castle



Wartburg Castle - For many years now, the "Historical Christmas Market at Wartburg Castle" has been transporting its visitors into the **world of historical trade** and time-honored, almost forgotten crafts - candle makers, glass blowers, garment masters, lantern makers, soap boilers, stonemasons, herb women, pewterers and traveling merchants offer their wares for sale; musicians provide amusing entertainment and joy - and all this in the unique setting of the famous Wartburg Castle in Eisenach, Thuringia, which has been a **UNESCO World Heritage Site** since 1999. At short, regular intervals, there is of course also the opportunity to take part in a public guided tour of the medieval main building. The south tower offers a **fairytale view** over the wintry landscape of the Thuringian Forest.

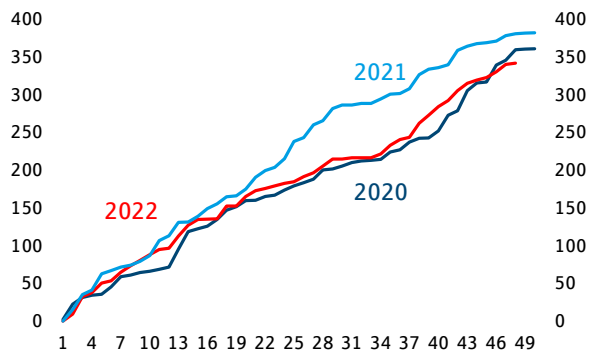
More information: [Events calendar - Wartburg](#)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: <https://www.wartburg.de/en/events/events-calendar.html>

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

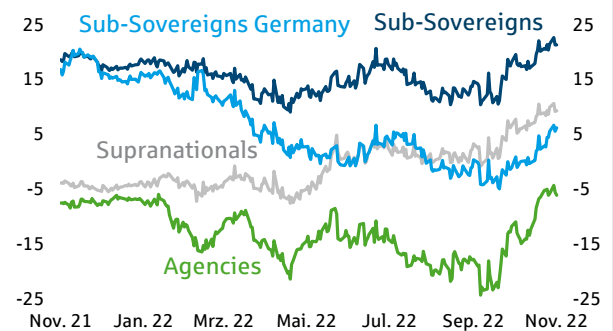
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

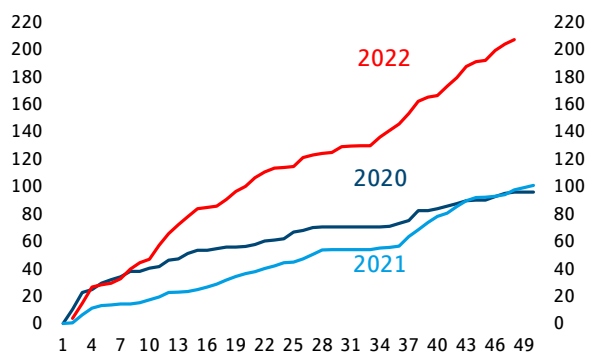
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

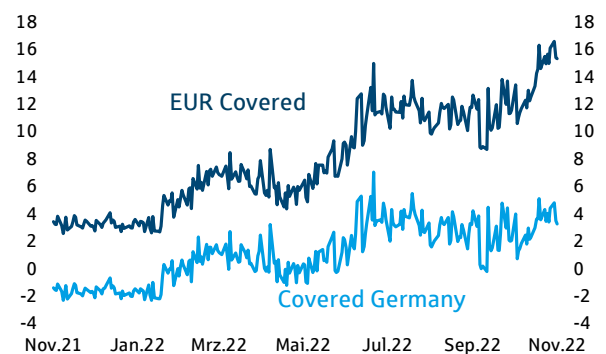
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

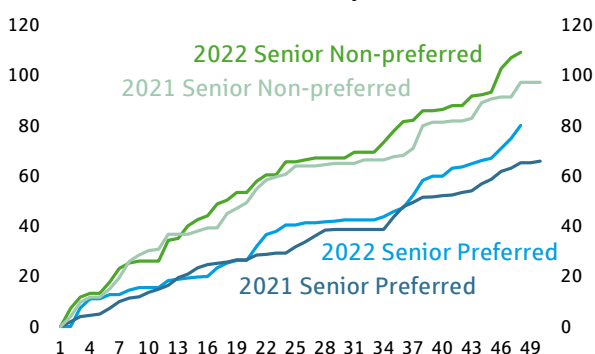
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

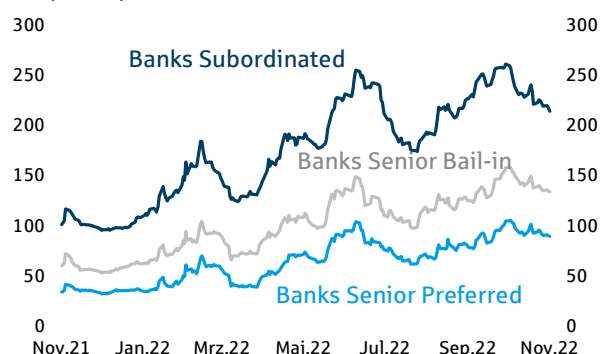
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



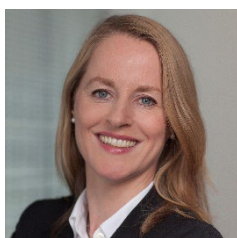
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