

Focus on: SSA & Financials

19 May 2022



Weekly Market Update



Primary market environment: Fear of further increases in interest rates, high inflation figures, economic worries and the uncertainties caused by the war in Ukraine are determining market sentiment. Market volatility remains high. A reassessment of the risks is emerging, although there continued to be high oversubscriptions, particularly in the SSA market.

Primary market barometer

SSA



Overall, the primary environment in the SSA segment can still be described as good, although the trend towards spread tightening has been interrupted in the recent past. Issuers such as the ESM or EIB were able to show high oversubscriptions.

Covered Bonds



In recent days, it has once again become apparent that covered bonds with longer maturities, especially if they go beyond 10 years, are difficult to print. On the other hand, the shorter maturity window remains "en vogue" from a risk perspective.

Senior Unsecured



After new issues in this segment came to a standstill last week, issuers again made lively use of the opening market window this week. In view of the foreseeable rise in interest rates, higher risk premiums were accepted.

Source: Helaba Research & Advisory

Changing play of colors

Spread trend indicator*, ASWspread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,11	0,79	0,07	-0,22	-2,75	-2,61
European Union	0,00	0,11	-0,12	-0,10	-0,86	-1,31
Germany Covered	-0,08	0,02	-0,10	-0,03	0,00	-1,39
EU Covered	-0,02	0,01	-0,02	0,01	0,03	-0,41
Banks senior preferred	-0,03	0,24	1,20	0,91	1,35	-1,78
Banks senior bail-in (SNP)	-0,01	0,00	0,92	0,72	1,25	-1,83
Banks subordinated	-0,04	-0,08	0,55	0,42	0,88	-0,74
Supranational	-0,04	0,01	-0,13	-0,18	-0,65	-1,07
Agencies	0,00	0,25	-0,05	-0,22	-0,93	-1,26
Sub-Sovereigns Germany	-0,02	0,05	-0,14	-0,63	-0,85	-1,91
Sub-Sovereigns	-0,02	0,13	0,02	-0,32	-0,65	-1,65

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

Sources: Refinitiv, Helaba Research & Advisory

Within a week, the colours of our spread indicator have changed. In particular, the increasing red colour shows that there was an increase in spread widening. Apart from covered bonds, senior non-preferred and subordinated bank bonds were remarkably excluded.



SSA

The SSA segment was dominated by the "E" names, ESM and EIB. Both issues met with brisk demand, so that the issues were oversubscribed 6.4 and 5.8 times respectively. The example of the Export-Import Bank of Korea showed that not every new issue is a sure self-runner. While the 2- and 3-year tranches were placed with slight oversubscriptions (1.2 and 1.3 times), a third issue with a 7-year maturity could not be printed. A corresponding attempt was aborted. Meanwhile, the federal state of Baden-Württemberg invited investors to a presentation of its green issuance programme (23 and 24 May). All in all, the recent dominant trend towards spread tightening has been interrupted, at least temporarily. **Outlook:** As in the entire bond market, risk aversion is also increasing somewhat in SSAs.

€-SSA-Benchmark-Issues week of 16 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,000%	ESM	Aa1 /AAA/AAA	2,000bn		23.06.2027	ms - 25 bps		16.05.2022	12,700bn	ms - 22 area
1,500%	EIB	Aaa /AAA/AAA	4,000bn		15.06.2032	ms - 19 bps		17.05.2022	23,000bn	ms - 17 area
3m€ +100 B	Export-Import Bank of Korea	Aa2 /AA/AA-	0,550bn		24.05.2024	ms +15 bps		17.05.2022	0,650bn	3m€ +20 area
1,375%	Export-Import Bank of Korea	Aa2 /AA/AA-	0,950bn		24.11.2025	ms +20 bps		17.05.2022	1,200bn	ms + 25 area
n/a	Export-Import Bank of Korea	Aa2 /AA/AA-	cancelled		24.05.2029	cancelled		17.05.2022	n/a	ms + 45 area

Source: Bloomberg, Helaba DCM



Covered Bonds

"Demand for covered bonds also declined. It is noticeable that investors are differentiating significantly more in the issues than was the case in the recent past. It should be emphasized, however, that ten covered bond issues with a volume of EUR 6.1 billion were completed this week alone, including two

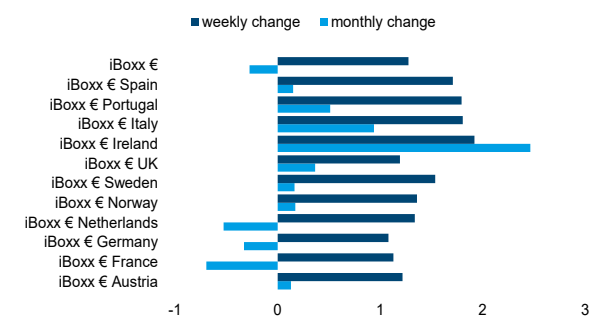
"This week's primary volume met with only moderate demand. This also left its mark on the secondary market. From a maturity of 5Y/6Y, the covered bond market is clearly tending towards weakness. Even longer-dated green/social bonds, until recently a safe bank, are no longer a sure self-runner. The swap curves of the periphery continue to trade far too flat. Only demand at the short end continues and is very popular with investors. We are sticking to our cautious assessment".

Assessments from the Helaba trading room

green bonds (Unicredit Austria (Debut) and BPCE) as well as a social bond from Caffil (EUR 500 million, 12-year maturity). The example of Caffil shows that even an ESG label no longer necessarily ensures high demand: the book was comparatively small with a 1.4-fold oversubscription. On the one hand, the willingness of investors to subscribe to maturities over 10 years is declining again. On the other hand, the issue was in competition with two sub-benchmark transactions (Raiffeisenverband Salzburg and the Canadian Equitable Bank). The very brisk primary activity this week is probably also to be seen in connection with the ECB's activity. Many issuers fear that the central bank will further reduce the purchase programme as of June. With a view to the secondary market, the slightly larger widening trend in peripheral spreads is currently noticeable (see chart). As an example, the development of the Spanish covered bond spreads is noteworthy. In this context, it is worth mentioning in our view that the most important reference interest rate for Spanish mortgages, the Euribor Hipotecario, climbed back into positive territory at the beginning of May for the first

Periphery spreads with widening tendency

ASW-Spreads, iBoxx € Covereds



Sources: Refinitiv, Helaba Research & Advisory

time since 2016. In Spain, as in Italy, mortgage loans are mostly have variable interest rates, although this tends to change for new contracts.

€-Covered Bond-Benchmark-Issues week of 16 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%	Raiffeisen Bank International A	Aa1 /-/-	0,500bn		24.05.2027	ms +23 bps		16.05.2022	1,300bn	ms + 25 area
1,500%	UniCredit Bank Austria AG	Aaa /-/-	0,500bn		24.05.2028	ms +6 bps	✓	17.05.2022	1,300bn	ms + 10 area
1,625%	Achmea Bank N.V.	- /AAA/-	0,500bn		24.05.2029	ms +11 bps		17.05.2022	0,790bn	ms + 13 area
1,750%	BPCE SFH	Aaa /AAA/-	1,000bn		27.05.2032	ms +9 bps	✓	17.05.2022	1,950bn	ms + 13 area
1,500%	HSBC Bank Canada	Aaa /-/AAA	1,000bn		15.09.2027	ms +13 bps		17.05.2022	1,100bn	ms + 13 area
1,750%	Banco de Sabadell SA	Aa1 /-/-	1,000bn		30.05.2029	ms +16 bps		18.05.2022	1,150bn	ms + 18 area
1,375%	Hamburg Commercial Bank AG	A2 /-/-	0,500bn		27.05.2025	ms +22 bps		18.05.2022	0,625bn	ms + 23 area
1,875%	CaFFil	Aaa /AA+/-	0,500bn		25.05.2034	ms +12 bps	✓	18.05.2022	0,700bn	ms + 14 area
1,500%	Raiffeisenverband Salzburg	Aaa /-/-	0,300bn		25.05.2027	ms +11 bps		18.05.2022	0,470bn	ms + 13 area
1,375%	Equitable Bank	- /-/AA	0,300bn		27.05.2025	ms +20 bps		18.05.2022	0,300bn	ms + 20 area

Source: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds has recently picked up surprisingly strongly.

After issuance activity had come to a standstill last week due to the significant widening of spreads for the bonds, activity was recently boosted by the tightening of synthetic indices in conjunction with the incipient stabilization of secondary market spreads. This week, a volume of around EUR 10.7 bn has already been issued, albeit at spreads that are markedly up since the beginning of the year due to the unsettled market environment. With the attractive risk premiums on offer and still relatively short maturities, a broader investor base is also making a determined grab.

Outlook: The transaction pipeline is well filled, which is mainly due to the high maturities, high regulatory requirements for bail-in capital and, last but not least, the upcoming voluntary repayments of the ECB's targeted longer-term refinancing operations (TLTRO III). However, the market environment has noticeably deteriorated again since Wednesday afternoon, but issuers will continue to make use of opening market windows for transactions against the backdrop of foreseeable rising interest rates.

“Despite increasing investors’ interest, also from the real money accounts, it was a quiet and cautious secondary market week. The sell-off phase may have been interrupted, but the current flashpoints remain unchanged in the minds of investors. Ongoing attractive entry opportunities with yields above 3.25 % are used only hesitantly. The wait for further new issues is continuing and is leading to restraint on the secondary markets”.

Assessments from the Helaba trading room

€-Senior Preferred-Benchmark-Issues week of 16 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2.125%	National Australia Bank	Aa3 /AA-/	1.000bn		24.05.2028	ms +72 bps		17.05.2022	2.350bn	ms + 95 area
2.100%	Swedbank AB	Aa3 /A+/AA-	1.000bn		25.05.2027	ms +70 bps		18.05.2022	1.550bn	ms + 90 area
1.750%	BBVA	A3 /A-/A-	1.250bn		26.11.2025	ms +60 bps		18.05.2022	1.850bn	ms + 80 area
3m€ +100 Bp	BBVA	A3 /A-/A-	0.500bn		26.11.2025	ms +64 bps		18.05.2022	0.500bn	3m€ +80 area
3.375%	BPER Banca S.p.A.	Ba3 /-/BB+	0.500bn		30.06.2025	ms +245 bps		18.05.2022	0.850bn	ms + 265 area

Source: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Benchmark-Issues week of 16 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2.500%	Nordea Bank Abp	A3 /A/AA-	1.000bn		23.05.2029	ms +105 bps		16.05.2022	2.100bn	ms + 125 area
2.125%	ING Groep N.V.	Baa1 /A-/A+	1.500bn		23.05.2026	ms +110 bps	✓	16.05.2022	3.000bn	ms + 135 area
3.250%	Deutsche Bank AG	Baa2 /BBB-/BBB	0.500bn		24.05.2028	ms +193 bps		17.05.2022	3.000bn	ms + 215 area
2.750%	BNP Paribas SA	Baa1 /A-/A+	1.500bn		25.07.2028	ms +137 bps		18.05.2022	3.500bn	ms + 160 area

Source: Bloomberg, Helaba DCM



Short news

5/19 Brexit and banks: An exercise by the European Central Bank (ECB), known as “desk mapping,” found that some of the world’s biggest banks haven’t moved enough senior staff into the European Union after Brexit. The ECB will likely urge banks to relocate more senior roles into the EU or take other measures that strengthen local management, people familiar with the process heard by [Bloomberg](#) said.

5/19 Banks in Russia: Société Générale closed the sale of Russian unit Rosbank and its insurance businesses in the country to Interros Capital amid Russia’s ongoing invasion of Ukraine. SocGen said the [sale](#) will lead to a net loss of roughly €3.2 billion, which will reflect in its second-quarter financial statements, and a residual impact of roughly 7 Bp. on its capital ratio from the transaction.

5/18 ECB and Ukraine war: Faced with clouded economic prospects in the wake of the ongoing Ukraine conflict, the ECB urges banks to be prudent, Reuters reported. The European Central Bank’s top banking supervisor, Andrea Enria, told the newspaper “Repubblica” on Wednesday that the institutions have been called upon to put their expectations to the test.

5/18 Corporate lending: According to a study by research house Barkow, demand for corporate loans in February 2022 picked up more strongly than at any time since the financial crisis, as reported by [Börsenzeitung](#). According to the authors, this should be primarily driven by the imminent rise in interest rates.

5/16 European Green Bond Standard: In the Committee on Economic and Monetary Affairs, the Members of the European Parliament adopted their negotiating position on the regulation on “European Green Bonds” (EUGBs). The text contains numerous changes compared to the Commission proposal and is significantly stricter. **Our assessment:** Ahead of the trilogue negotiations starting in the coming weeks the Parliament is signalling with the proposal, that there should be only one way forward for EUGBs: a gold standard that better regulates the entire green bond market, instead of just introducing the EuGB label and that reduces so-called “green washing”. (see our publication „[European banks: Activities becoming ever greener](#)”, dated 29 April 2022)

5/17 EBA with report on NPLs: The European Banking Authority (EBA) published its [peer review](#) of how prudential and consumer protection authorities supervise the management of non-performing exposures (NPE) by institutions. The EBA has not identified any significant concerns regarding the supervision practices but makes some general recommendations for further improvements.

5/16 S&P Global Ratings with outlook for European banks: Europe’s 13 global systemically important banks are expected to post “solid but unspectacular” results in 2022 and 2023, according to S&P Global Ratings. This is due

to the banks' geographic and business diversification, their coming through COVID-19 largely unscathed and their having adequate buffers in place.

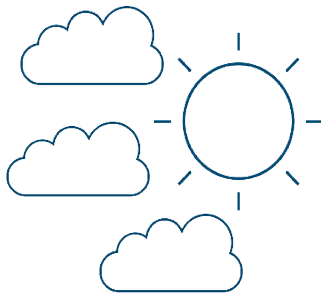
5/15 Banks' activities in Russia: Both UniCredit and Citigroup are looking at potential asset swaps with financial companies in Russia to avoid incurring hefty losses on their local operations as they aim to exit the country, the **Financial Times** reported, citing people with knowledge of the matter.

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

E-STOXX 600 Banks	87,25	3,47%	-3,78%	iBoxx € Cov. Germany*	-1,02	0,19	-1,94	iTraxx Senior Financial	106,4	2,70%	21,48%
10J-Yield	1,01	0,01	0,15	iBoxx € Cov. Bonds*	4,68	0,33	-1,85	iBoxx € Supranational	103,8	0,84%	-0,97%
Swap 10J	1,74	-0,04	0,18	iBoxx € Banks PS	91,94	-0,01%	-1,34%	iBoxx € Agencies	97,7	0,19%	-0,66%
iBoxx € Germany	101,59	-0,1%	-1,2%	iBoxx Banks NPS	94,02	0,3%	-1,8%	iBoxx € Sub-Sov. Germany	99,0	0,56%	-0,65%
iBoxx € EU	101,04	0,99%	-1,29%	iBoxx Banks Subordinated	84,84	0,41%	-2,27%	iBoxx € Sub-Sovereign	97,4	0,53%	-1,12%

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

Leisure tip for the weekend: Japan-Days Düsseldorf



With the slogan "Together for Peace and Friendship", the unique Japan Day will take place in Düsseldorf on 21 May 2022. Guests can expect a diverse range of music, dance, sports and culinary delights as well as numerous information and hands-on tents along the Rhine promenade. Traditional Japan as well as modern Japanese pop culture and typical sports will be presented on three stages. Finally, the spectacular fireworks on the Rhine can be enjoyed in the late evening.

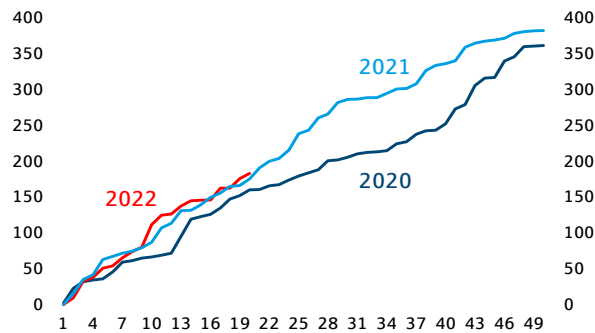
More information: [Japan-Days Düsseldorf](https://www.japantag-duesseldorf-nrw.de/en)

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

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

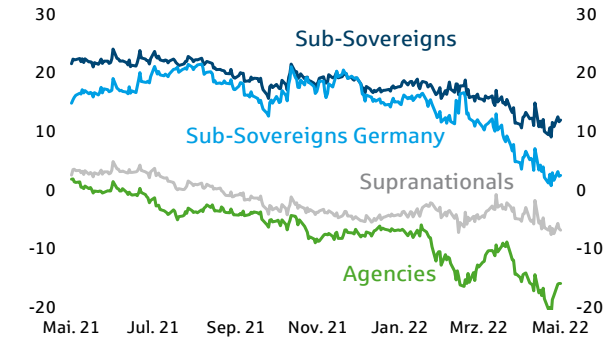
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

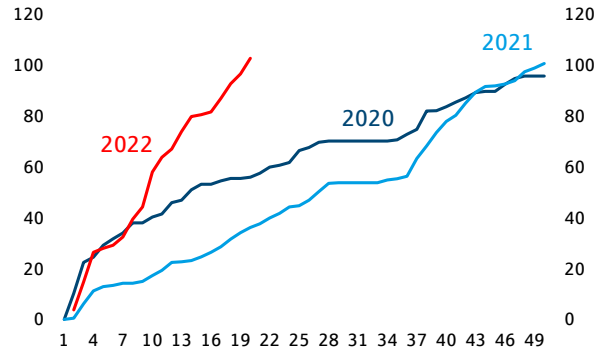
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

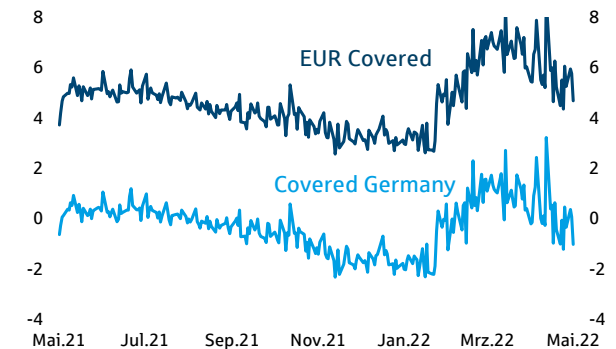
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

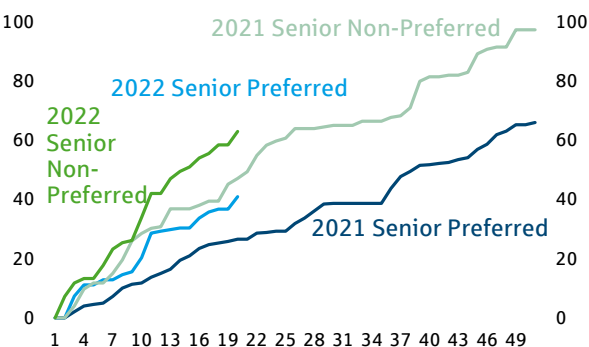
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

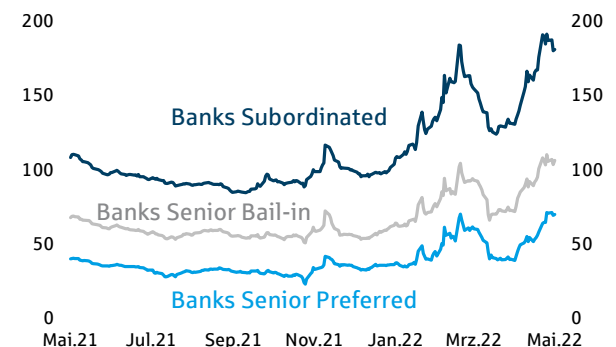
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory



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- **WOCHENAUSBLICK (ERSCHEINT AM FREITAG ZWISCHEN 12 - 14 UHR)**
- **MÄRKTE UND TRENDS MAI 2022 (VIDEO)**
- **MÄRKTE UND TRENDS MAI 2022 (PUBLIKATION)**
- **IM FOKUS: GOLD**
- **IM FOKUS: IMMOBILIEN – WIE ROBUST IST DER DEUTSCHE IMMOBILIENMARKT**
- **EUROPÄISCHE BANKANLEIHEN: AKTIVITÄTEN WERDEN IMMER GRÜNER**
- **FINANZPLATZ: BANKBESCHÄFTIGUNG IN FRANKFURT NÄHERT SICH WENDEPUNKT**
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- **IM FOKUS: ITALIEN: CHANCEN MÜSSEN GENUTZT WERDEN**
- **IM FOKUS: EUROPÄISCHE BANKEN: UKRAINE-KRISE BELASTET AUSBLICK VOR ALLEM INDIREKT**
- **COVERED-BOND-GESETZ IN ÖSTERREICH (VIDEO)**
- **COVERED-BOND-GESETZ IN FRANKREICH UND DEUTSCHLAND (VIDEO)**
- **COVERED-BOND-GESETZE: UMSETZUNG DER EU-REGELUNGEN (VIDEO)**

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