

# Focus on: SSA & Financials

## 18 August 2022



## Weekly Market Update



**Primary market environment:** Volatility and risk aversion are on the rise again on the markets. Energy prices continue to rise, coal is at a record high, economic fears are doing the rounds and inflation concerns persist. According to ECB Director Schnabel, the outlook has not improved compared to July, so she favours another big rate hike in September.

### Primary market barometer

#### SSA



It seems that issuers and investors alike have returned to the market strengthened from the shorter-than-expected summer break. KfW's issue met with a very good response. A NRW municipal bond (mid swap +25, bid-to-cover ratio 1.2) was also placed.

Sources: Helaba Research & Advisory

#### Covered Bonds



The summer break in the covered bond segment ended faster than expected. This week's issues met with lively investor interest, resulting in high oversubscription rates. The market thus once again underlines its absorptive capacity.

#### Senior Unsecured



The reporting season has largely come to an end, and the summer break seems to be over relatively early. In the senior sector, there was some new material this week. Issuers will probably continue to take advantage of market windows for transactions in the coming week.

### Uncertainties increase again in the short term

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

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,11	0,33	-0,15	-0,47	-2,14	-3,21
European Union	0,03	-0,12	-0,36	0,30	-0,07	-0,81
Germany Covered	0,08	-0,21	-0,10	0,51	0,47	-0,50
EU Covered	0,01	-0,05	-0,02	0,18	0,23	-0,05
Banks senior preferred	0,09	-0,08	-0,73	-0,39	1,48	0,42
Banks senior bail-in (SNP)	0,13	-0,09	-0,59	-0,32	1,55	0,44
Banks subordinated	0,05	-0,08	-0,86	-0,21	1,38	0,32
Supranational	0,02	-0,15	-0,23	0,47	-0,04	-0,64
Agencies	0,04	0,03	-0,23	-0,16	-0,82	-1,32
Sub-Sovereigns Germany	-0,01	-0,18	-0,14	-0,03	-1,29	-1,51
Sub-Sovereigns	0,00	-0,11	-0,29	0,08	-0,62	-1,32

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

Sources: Refinitiv, Helaba Research & Advisory

The short-term increase in market volatility and risk aversion can also be seen in our spread indicator. However, most recent spread movements also reflect the recent significant revival of the primary market.



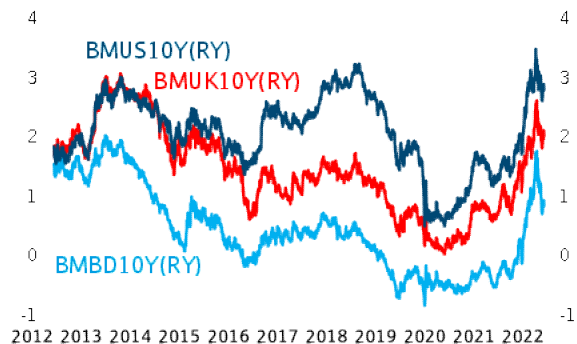
## SSA

Summer temperatures continue to dominate. However, the summer break in the SSA segment already seems to be over. On the one hand, it can be assumed that many SSA addresses still have refinancing needs; on the other hand, recently tighter spread levels and lower interest rates compared to the interim yield highs in June are playing a role. This week, the 10-year NRW city bond (EUR 125 million, MS+24) and the KfW 5-year bond (EUR 5 billion, MS-31) (books > EUR 22.5 billion) were successfully placed.

**Outlook:** We expect further transactions in the coming days. While the federal states are currently quiet, the EFSF has already sent out RfPs (Request for Proposals), so we currently expect a placement on Tuesday.

### Long-term interest rates recently declining again

Government bonds (yields), %



Quellen: Refinitiv, Helaba Research & Advisory

### €-SSA-Issues week of 15 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,950%	NRW Staedteanleihe No. 7	-/-/-	0,125bn		24.08.2032	ms +25 bps		16.08.2022	0,150bn	ms + 25 area
1,250%	KfW	Aaa /AAA/AAA	5,000bn		30.06.2027	ms -31 bps		17.08.2022	22,500bn	ms - 29 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

The summer break also ended impressively in the covered bond segment. This week, no less than seven covereds, three today alone, were very successfully brought to the market. As in previous years, Berlin Hyp heralded the end of the dormant phase and issued a 3-year green bond with a volume of EUR 1

*"The summer holidays in the covered bond market were quite short this year. After only two weeks, we have seen increased market activity from issuers over the course of this week. The still well-supported market and the search for quality core product continues. Therefore, it is not surprising that so far all transactions are going well to very well and that, in addition, no distortions can be observed on the secondary markets. The "sweet spot", which has been described here several times, is now also extending to other geographical regions of the world, with Scandinavian, Canadian and Australian securities also picking up on a weekly basis!"*

*Comment from the Helaba trading floor*

billion at MS-4. The deal was 4.5 times oversubscribed and attracted more than 100 orders. At the same time, the Norwegian SR Boligkreditt became active. A bond with EUR 1 billion and a maturity until March 2028 was placed at MS+12, 3 bps below guidance. On Wednesday, Landesbank Berlin followed with a sub-benchmark (3 years, EUR 300 m, MS -3) and Bawag (10 years, MS+20) with a jumbo covered bond. Such a high placement volume has never been seen before for a covered bond from Austria. Today Münchener Hyp issued a 10-year benchmark (MS+5, books > EUR 1.7 bn), Jyske Realkredit (MS+14) came with a 7-year tranche and SpareBank 1 Boligkreditt (EUR 1.25 bn, MS+10, books > EUR 2 bn) was on the primary market with a 5-year covered. For all of them, the final spread was narrowed compared to the first forecast. In addition to the activities on the primary market, papers from Scandinavia, Australia and Canada recently moved back into focus in secondary trading. From a relative value perspective, Spanish covereds have looked more attractive again than bonos for quite some time. However, according to our trading colleagues, liquidity is relatively thin overall, so it will be difficult to gain ground here.

**Outlook:** For the further trend development, the activity on the primary market must be kept an eye on. In addition, possible seasonal distortions (with a view to the end of the year) as well as the many uncertainties must be included in the assessment. From a trading perspective, cautious action at the long/ultralong end does not seem to be the worst option. The coming days and weeks promise to remain very busy overall. On the one hand, high maturities will make their contribution, on the other hand, the market recently underlined its good absorption capacity.

The ECB also remains active: Within the framework of the APP, it increased its **covered bond portfolio (CBPP3)** by EUR 315 million in the last reporting week.

#### €-Covered Bond-Issues week of 15 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,250%	Berlin Hyp AG	Aaa /-/-	1,000 Mrd.		25.08.2025	ms -4 Bp	✓	16.08.2022	5,800 Mrd.	ms + 1 area
1,625%	SR-Boligkredit AS	Aaa /-/-	1,000 Mrd.		15.03.2028	ms +12 Bp		16.08.2022	1,650 Mrd.	ms + 15 area
1,500%	Landesbank Berlin	Aaa /-/-	0,300 Mrd.		15.05.2026	ms -3 Bp		17.08.2022	1,600 Mrd.	ms + 2 area
2,000%	BAWAG P.S.K.	Aaa /-/-	1,250 Mrd.		25.08.2032	ms +20 Bp		17.08.2022	2,200 Mrd.	ms + 24 area
1,875%	Jyske Realkredit A/S	- /AAA/-	0,500 Mrd.		01.10.2029	ms +14 Bp		18.08.2022	0,625 Mrd.	ms + 16 area
1,875%	Münchener Hypothekbank eG	Aaa /-/-	1,000 Mrd.		25.08.2032	ms +5 Bp		18.08.2022	2,200 Mrd.	ms + 9 area
1,750%	SpareBank 1 Boligkredit	Aaa /-/-	1,250 Mrd.		25.05.2027	ms +9 Bp		18.08.2022	1,900 Mrd.	ms + 14 area

Quellen: Bloomberg, Helaba DCM



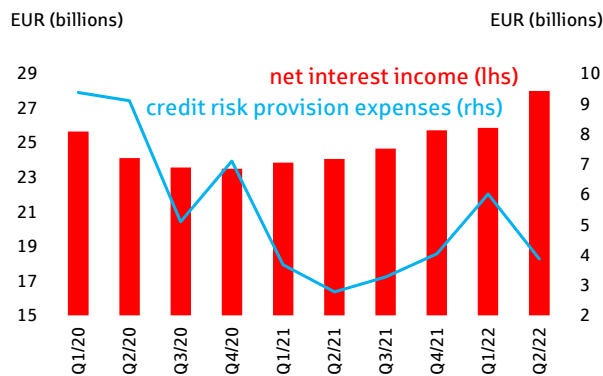
### Senior Unsecured

Due to the public holiday (Assumption Day), markets remained closed in many European countries on Monday. Thereafter, however, an impressive revival of the primary market for senior unsecured bank bonds was observed. The blackout period due to the reporting season has largely ended and the summer break also seems to lose influence as a limiting factor earlier than usual.

As expected, the market showed receptiveness, so that on Wednesday senior non-preferred transactions in EUR benchmark format from Landesbank Hessen-Thüringen, Lloyds Banking Group and Nordea Bank were successfully placed. Earlier, Swedbank had created good sentiment with the issuance of a Tier 2 bond. Issues in other currencies (USD, AUD) also continued to come to the market. Long maturities seem to be possible again, as evidenced by the issues of Nordea (10Y) and Lloyds (8NCY). Today, KBC Group (8Y) and Santander UK (6Y) are in the market with further senior non-preferred transactions, and Crédit Agricole (7Y) and Luminor Bank (1Y) with preferred bonds.

The outlook for the profits of European banks is burdened by inflation and recession concerns. In the now largely completed reporting season for Q2 2022, the institutions at least showed encouragingly robust credit ratings. Profits were quite stable; the results of most banks were even above the consensus expectations surveyed by Bloomberg. It is particularly encouraging that the outperformance was driven by high-quality earnings components and persistently low problem loan ratios. In particular, net interest income was driven by rising interest margins in the changed interest rate environment and continued buoyant loan demand. (See our publication "[European banks – Net interest income rises sharply in Q2 2022](#)" of August 16, 2022).

#### Unexpectedly strong jump in net interest income



\*selection of European banks (Banco Santander, BBVA, Commerzbank, Deutsche Bank, ING Group, Nordea, Unicredit, SEB, Swedbank)  
Sources: Bloomberg, Helaba Research & Advisory

**Outlook:** In the coming week, the summer break is likely to play an even smaller role. 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. However, the market remains volatile and the right timing a challenge. If the market environment remains stable, we expect further senior unsecured issues in the coming days.

*“The summer break ended relatively early this year: in the covered bond segment, new issuance started again this week, and there is also some new material in the senior segment. Sentiment is positive and the market appears receptive. Investors have accumulated enough cash to look forward to the new issues. It will be exciting to see how the new issues develop in the coming days.”*

*Comment from the Helaba trading floor*

#### €-Senior Preferred-Issues week of 15 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,500%	Credit Agricole SA	Aa3 /A+/AA-	1,000bn		29.08.2029	ms +77 bps		18.08.2022	1,500bn	ms + 95 area
5,000%	Luminor Bank AS	Baa1	0,300bn		29.08.2023	ms +375 bps		18.08.2022	0,450bn	5,25% area

Sources: Bloomberg, Helaba DCM

#### €-Senior Non-Preferred-Issues week of 15 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,625%	Helaba	A2 /-A+	0,650bn		24.08.2027	ms +100 bps	✓	17.08.2022	0,800bn	ms + 115 area
2,875%	Nordea Bank Abp	A3 /A/AA-	0,750bn		24.08.2032	ms +110 bps		17.08.2022	0,835bn	ms + 125 area
3,125%	Lloyds Banking Group plc	A3 /BBB+/A	1,000bn		24.08.2030	ms +150 bps		17.08.2022	2,400bn	ms + 170 area
3,000%	KBC Group N.V.	Baa1 /A-/A	0,750bn		25.08.2030	ms +125 bps		18.08.2022	1,000bn	ms + 135 area
t.b.d.	Santander UK PLC	Baa1 /BBB/A	0,750bn		25.08.2028	ms +185 bps		18.08.2022	1,300bn	ms + 200 area

Sources: Bloomberg, Helaba DCM



### Short news

**8/17 Commercial real estate financing:** The ECB's banking regulator published an [article](#) reporting on the CRE on-site review campaign that has been ongoing since 2018 and the CRE targeted review of commercial real estate financing launched in 2021.

**8/16 New UK covered bond bank:** Perenna, a London-based fintech company building the UK's first covered bond bank, has announced that it has received its banking licence, with restrictions, from the Prudential Regulation Authority and the Financial Conduct Authority. Perenna is now an authorised bank and, once the restrictions are lifted and its banking infrastructure confirmed, will offer long-term fixed rate loans and eventually a full range of mortgage products.

**8/15 European bailout fund:** Financial institutions in Germany will have to pump more money into the European bailout fund for ailing banks, [Handelsblatt](#) reported, citing German financial supervisory authority BaFin. The bank levy, paid by a total of 1,319 financial institutions in Germany, will rise to 3.38 bn EUR in 2022 from 2.49 bn EUR in 2021, BaFin said.

**8/15 Russia exposure:** A number of global banks including U.K.-based Barclays PLC and Germany's Deutsche Bank AG have in recent days offered to facilitate transactions in Russian government and corporate bonds after the U.S. Treasury allowed debt holders to wind down their positions, [Reuters](#) reported. Approximately 40 bn USD of Russian sovereign bonds were outstanding before its invasion of Ukraine and about half of those were held by foreign funds.

**8/12 Covered Bond Rating Alpha Bank:** Fitch Ratings has placed Alpha Bank S.A.'s (Alpha, B/Positive/B) covered bonds' 'BBB-' rating on Rating Watch Positive

**8/12 Ukraine rating downgrades:** S&P Global Ratings and Fitch Ratings downgraded **Ukraine's** foreign currency ratings to 'selective default' and 'restricted default' respectively, with both rating agencies saying they consider the country's recent debt restructuring as distressed. Ukraine's foreign creditors recently approved its request to defer payments on international bonds worth almost \$20 billion for two years, which will help the country save \$6 billion on payments, [Reuters](#) noted.

**8/12 BaFin on creditworthiness in Germany:** German banks may face serious headwinds as loan defaults are likely to increase faster than expected amid the rapid rise in interest rates and inflationary pressures, Raimund Röseler, executive director of financial supervisory authority BaFin, told [Handelsblatt](#).

**8/12 Russia/ Ukraine:** A European bank has agreed to unblock a payment for the transit of **Russian** oil through Ukraine to central Europe after the deliveries were suspended earlier in August due to unpaid transit fees, [Reuters](#) reported. The flows of Russian oil to the Czech Republic resumed Aug. 12 after the payment was unblocked, and flows to Hungary and Slovakia were relaunched a few days earlier, the news agency noted.

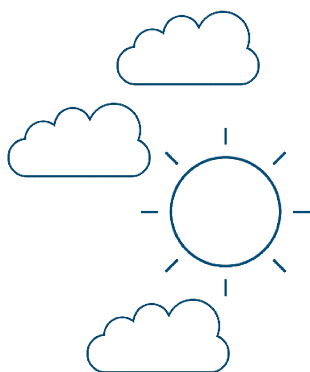
**8/12 Russia/ Ukraine:** **Ukraine** is urging the U.S. administration to impose sanctions on all **Russian** private banks, Oksana Markarova, Ukraine's ambassador to the U.S., told [Bloomberg](#) News in an interview. Ukraine wanted the U.S. to add a couple of banks every week to its sanctions list, Markarova said. The U.S. has so far sanctioned about 80% of the total banking assets in Russia, a government official told Bloomberg.

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

E-STOXX 600 Banks	132	-0,02%	6,80%	iBoxx € Cov. Germany	4,3	-1,2	-0,5	iTraxx Senior Financial	128,8	-2,2	9,6
10Yr-Yield	1,08	0,20	-0,18	iBoxx € Cov. Bonds	12,4	-1,3	-0,3	iBoxx € Supranational	1,2	-1,80	-2,68
Swap 10J	1,88	0,12	-0,16	iBoxx € Banks PS	66,3	0,3	-12,4	iBoxx € Agencies	-16,3	0,86	-4,08
iBoxx € Germany	-74,6	6,10	-3,21	iBoxx Banks NPS	105,7	0,9	-9,7	iBoxx € Sub-Sov. Germany	2,2	-2,77	-2,20
iBoxx € EU	-0,1	-1,47	-4,11	iBoxx Banks Subordinated	180,7	-2,1	-44,2	iBoxx € Sub-Sovereign	14,5	-1,71	-4,17

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

#### Leisure tip for the weekend: Zeiss-Planetarium Jena



The Zeiss-Planetarium in Jena is the world's oldest planetarium and opened in 1926. It is a projection planetarium on whose inside planets and fixed stars are projected. In addition to star projections, the program includes astronomical themes, educational and family programs, as well as music shows. In addition, there are regularly changing special events such as concerts, audio plays and lectures. The centerpiece is the Model VIII "Universarium" star projector, which was installed in 1996 and reproduces the firmament in a deceptively realistic way. Opening hours and admission prices can be found under the following link: [Prices Zeiss-Planetarium](#)

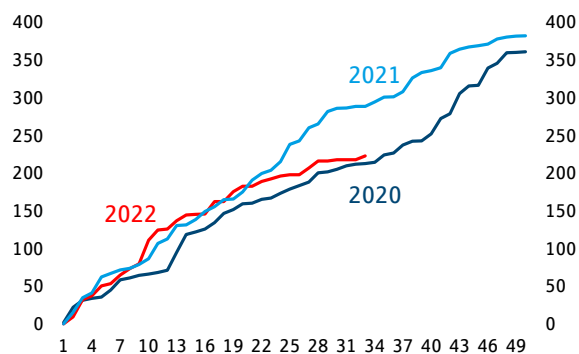
More information: [Zeiss-Planetarium Jena](#)

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.planetarium-jena.de](http://www.planetarium-jena.de)

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

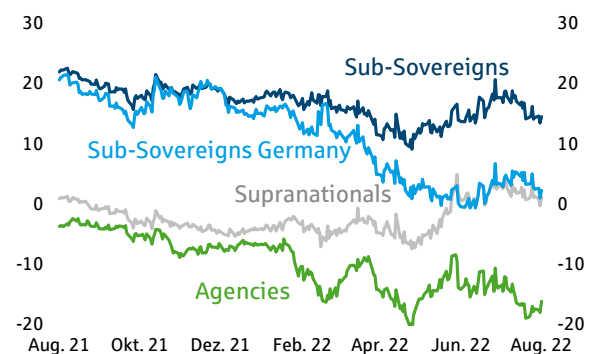
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

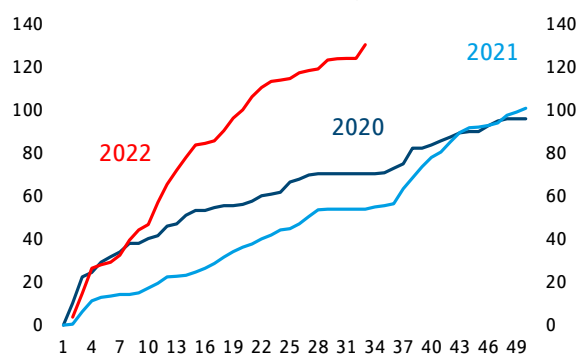
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

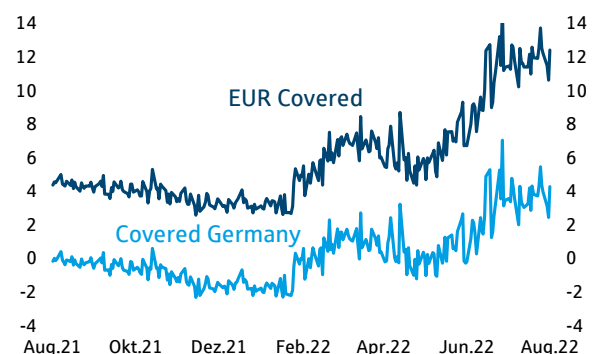
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

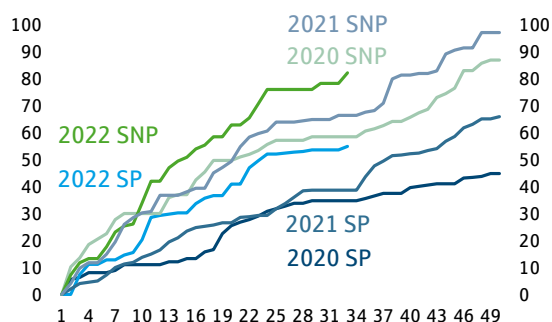
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

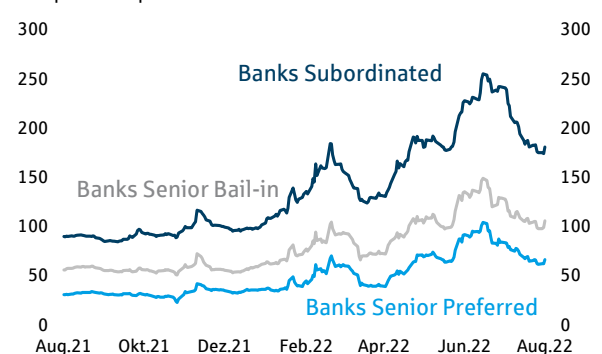
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory



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- **FOCUS ON: CREDITS – EUROPEAN BANKS: NET INTEREST INCOME RISES SHARPLY IN Q2 2022**
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