

Focus on: SSA & Financials

8 September 2022



Weekly Market Update



Primary market environment: The overall market environment remains tense, significant jumps in volatility illustrate the nervousness of market participants. Politicians are trying to cushion some of the burdens that have arisen in the wake of high energy prices - especially as the wave of insolvencies is gathering pace. The ECB raised its key interest rate by 75 basis points today.

Primary market barometer

SSA



Unsurprisingly in the current environment, the search for quality and safety continues. However, the pressure from the primary market is having an impact on the required new issue premiums (NIP). These are increasing noticeably in the SSA segment.

Sources: Helaba Research & Advisory

Covered Bonds



The primary market environment is very constructive. A large number of issuers took advantage of the favourable environment ahead of today's ECB meeting. Others will still probably follow next week.

Senior Unsecured



The activity on the primary market for senior unsecured bank bonds defies the market environment burdened by the bad news and continues to be lively. With the market window still open, we expect transactions to continue in the coming week.

More than a temporary relaxation?

Spread trend indicator*, ASWspread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,07	-0,14	-0,16	-0,95	-2,83	-3,68
European Union	-0,09	-0,20	-0,02	-0,38	0,26	-0,71
Germany Covered	-0,12	-0,21	-0,41	0,09	0,29	-0,55
EU Covered	-0,03	-0,05	-0,09	0,08	0,20	-0,05
Banks senior preferred	0,01	0,21	0,48	-0,38	1,90	0,90
Banks senior bail-in (SNP)	-0,05	0,00	0,60	-0,19	2,10	0,99
Banks subordinated	-0,02	0,24	0,55	0,00	2,08	0,99
Supranational	-0,07	-0,18	-0,20	-0,29	0,01	-0,75
Agencies	-0,05	-0,18	-0,24	-0,61	-1,15	-1,65
Sub-Sovereigns Germany	-0,03	-0,16	-0,46	-0,28	-1,40	-1,73
Sub-Sovereigns	-0,03	-0,15	-0,35	-0,34	-0,75	-1,55

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

Sources: Refinitiv, Helaba Research & Advisory

Compared to the previous week, the picture of our spread indicator is much friendlier. This is despite the fact that the negative factors have not changed significantly. The search for safe assets is on.

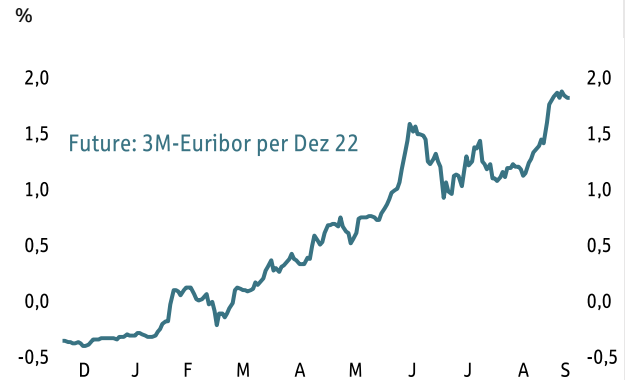


SSA

Safe forms of investment continue to be very popular with investors. Issuers took advantage of the market's continued good absorption capacity, placing bonds with a volume of EUR 2.85 billion this week. The African Development Bank took the biggest slice of the cake with a EUR 1.25 billion tranche. The Wallonne region (EUR 1 billion) and the Austrian ASFINAG (EUR 600 million) also came forward. All three have in common that the final spreads could be narrowed compared to the initial indications - most significantly at ASFINAG (-4 bps.). The Walloon Region had to accept the highest new issue premium (NIP) of 10 bps for its paper maturing in 2038. In general, there is a trend in the SSA segment towards listening to NIPs, especially as the new issue pressure continues

Today's ECB decision and the prospect of further normalisation of interest rates indicate that refinancing costs will continue to rise and that issuing conditions will not become easier.

3M-Euribor-Future: Trend continues to point upwards



Sources: Refinitiv, Helaba Research & Advisory

Outlook: In view of today's ECB meeting, the books have already been closed for this week, and further transactions are already emerging for the coming week. The issuance round will continue as long as the market allows.

"The trend of narrowing swap spreads in the SSA universe continues at the short end. Quality securities such as E-names and KfW remain very sought-after in this segment, especially maturities of up to 18 months. Despite the very negative spreads compared to swap, new issues of small names in short maturities continue to be very sought-after. The best example is ASFINAG 2 ½ 09/13/2028, which came onto the market yesterday at a mid-swap of -12 and is already trading at I-18.5. A very fast performance which again emphasises the lack of quality goods. With French agencies such as Cades and Unedic, the spreads over benchmarks and OATs are widening.

Comment from the Helaba trading floor

€-SSA-Issues week of 5 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,125%	ASFINAG	Aa1 /AA+/-	0,600bn		13.09.2028	ms -12 bps		06.09.2022	7,000bn	ms - 8 area
2,250%	African Development Bank	Aaa /AAA/AAA	1,250bn		14.09.2029	ms -3 bps	✓	07.09.2022	2,300bn	ms - 2 area
2,875%	Région Wallonne	A3 /-/-	1,000bn		14.01.2038	BGBs +39 bp		07.09.2022	1,400bn	BGBs +40 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

In view of the ECB's interest rate decision today, this week's issuing activity was concentrated on the period from Monday to Wednesday. Covered bonds with a volume of EUR 7.73 billion changed hands. The high number of transactions - as many as eight covered bonds were issued in this short time window - shows that every opportunity to become active is currently being used.

"The turbulence in short-dated 1st quality government bonds is also causing additional tension in short covered bonds! The short end has been the SWEETSPOT in investors' favour for many months now. With the fuss about investment money of public institutions amounting to EUR 280 bn lying with the Bundesbank and bearing interest at a maximum of 0% and increasingly looking for better alternatives with higher yields, the already scarce material is becoming even scarcer and thus ever more expensive vs. swaps! The expression of this is the Schatz/ASW spread at "Lehman levels" of approx. 120 Bps! This situation has direct consequences for high-quality alternative products such as LSAs, but also for short-dated covered bonds."

Comment from the Helaba trading floor

The first issue this week was made by the French **Compagnie de Financement Foncier (CFF)** on Monday. The covered issue was successfully placed with a 7.5-year maturity, a volume of EUR 1.25 billion and with a 1.28-fold over-subscription. The initial spread was narrowed from MS+15 to MS+11. **ING-DiBa's** 8-year covered bond also met with lively investor interest. A significant premium over Bunds as well as the green label and a 100% residential mortgage cover pool contributed to this. The **Royal Bank of Canada** successfully came to market with a 5-year covered (EUR 1.5 billion). The initial spread was narrowed from MS+20 to MS+17 and the book was 1.3 times over-subscribed. **Nordea** placed a 10-year benchmark covered (EUR 1 billion) at MS+14, secured by a newly established pool of 100% prime Finnish cover assets. **Aareal** was also successful with the issuance of a Pfandbrief (7 years, EUR 625 million). The final spread was set at MS+11 (vs. initial MS+13).

Overall, it is noteworthy that new issue premiums this week were below 3 bps compared to the previous two weeks and thus below average.

In principle, market participants expected a higher issuance volume in September, but the current high momentum is surprising; **our primary market forecast** for the year for EUR-denominated covered bonds has already been exceeded.

The covered bond portfolio (CBPP3) declined by EUR 101 m in the last reporting week, in line with our expectations, after the portfolio increases in August (see Weekly Market Update of 1st September 2022).

Outlook: Primary market activity will continue in the coming week. Especially since the issuance window will be somewhat larger due to the lack of restrictions - cue ECB meeting and holiday in the USA.

€-Covered Bond-Issues week of 5 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread- Indication
2,375%	CFF	Aaa /AAA/-	1,250 Mrd.		15.03.2030	ms +11 Bp		05.09.2022	1,600 Mrd.	ms + 15 area
2,375%	Bausparkasse Schwäbisch Hall	Aaa /-/-	0,500 Mrd.		13.09.2029	ms +2 Bp		06.09.2022	1,100 Mrd.	ms + 6 area
2,375%	ING-DiBa AG	Aaa /-/-	1,000 Mrd.		13.09.2030	ms +2 Bp		06.09.2022	1,600 Mrd.	ms + 6 area
2,375%	Royal Bank of Canada	Aaa /-AAA	1,500 Mrd.		13.09.2027	ms +17 Bp		06.09.2022	2,020 Mrd.	ms +20 area
2,125%	Danske Mortgage Bank Plc	Aaa /-/-	1,250 Mrd.		16.09.2025	ms +0 Bp		06.09.2022	3,300 Mrd.	ms + 5 area
2,375%	Aareal Bank AG	Aaa /-/-	0,625 Mrd.		14.09.2029	ms +11 Bp		07.09.2022	0,710 Mrd.	ms + 13 area
2,500%	Nordea Mortgage Bank Plc	Aaa /-/-	1,000 Mrd.		14.09.2032	ms +11 Bp		07.09.2022	1,400 Mrd.	ms + 14 area
2,574%	Macquarie Bank Limited	Aaa /-AAA	0,600 Mrd.		15.09.2027	ms +30 Bp		07.09.2022	0,775 Mrd.	ms + 32 area

Quellen: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds again proved to be very robust in the past few days and was thus not distracted by the crisis-driven newsflow. After the break on Monday, which was partly due to the Labor Day holiday in the USA, three well-known issuers appeared on the market with EUR benchmark transactions on Tuesday: **Banque Fédérative du Crédit Mutuel (BFCM)** with a 5- and 10-year dual tranche, the Finnish **OP Corporate Bank** (3.25 years) and the Italian **Banco BPM** (4 years); Spanish **ABANCA** (6 years) followed on Wednesday. The focus was clearly on senior preferred issues with only BPM issuing its new bond in the non-preferred rank.

The books were well oversubscribed in all transactions, with the best performance coming from BFCM's 10-year tranche with a 2.8 x subscription rate. In principle, investors continue to show strong buying interest, albeit at still higher spread levels. The new issue premiums were around 15 to 20 bp. In contrast, the picture was somewhat weaker for Banco BPM's non-preferred transaction - despite a new issue premium of around 65 bp. In general, shorter maturities and good qualities remain in demand.

Outlook: Due to the ECB decision, the primary market in this segment also took a break today. The lively activity of the past few days, however, once again proves that the need for issuance continues to be extensive and that there is a gratifyingly high demand for investment on the part of investors. Little should change in the coming week. The issuance plans of the institutions are still quite extensive for this year, not least driven by high maturities and regulatory requirements. However, market prices remain very volatile and crisis-related risks high. Despite the pressure of slowly rising new issue premiums, the issuers' fear of possibly finding even more difficult issuing conditions in the future prevails, so that they accept the currently increased spread levels.

"Investor flows were average and mostly balanced last week, but there was a significant overhang of inquiries on the money side on widening days at Fast Money. New issues, in particular, generate a lot of selling of the outstanding bonds of the respective issuer. At the short end, there were buyers and sellers, but Real Money accounts are increasingly appearing there as sellers for maturities through 2022-2024. ETF funds are predominantly active in new issues and non-preferred bonds from the periphery and France."

Comment from the Helaba trading floor

€-Senior Preferred-Issues week of 5 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	BFCM	Aa3 /A/AA-	1,500bn		14.09.2027	ms +90 bps		06.09.2022	2,600bn	ms + 115 area
3,625%	BFCM	Aa3 /A/AA-	0,750bn		14.09.2032	ms +120 bps		06.09.2022	2,100bn	ms + 145 area
2,875%	OP Corporate Bank plc	Aa3 /Aa-/	1,250bn		15.12.2025	ms +65 bps		06.09.2022	1,950bn	ms + 85-90 bp
5,250%	ABANCA Corporación Bancaria, S	Baa3 /-/BBB-	0,500bn		14.09.2028	ms +305 bps		07.09.2022	1,200bn	ms + 325 area

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 5 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
6,000%	Banco BPM S.p.A.	Ba2 /-/BB+	0,500bn		13.09.2026	ms +385 bps	✓	06.09.2022	0,900bn	ms + 400 area

Sources: Bloomberg, Helaba DCM



Short news

9/7 Bafin head sees risks especially in real estate and corporate loans: Bafin President Mark Branson expresses concern at the banking summit because many debtors have to pay more than half of their income to repay real estate loans. In addition to the "perennial problem of the real estate market", Branson considers corporate loan defaults and the interest rate turnaround to be the biggest challenges facing the German banking sector. ([Handelsblatt](#))

9/7 ECB supervision on climate risks: According to an [article by Kerstin af Jochnick](#), member of the Supervisory Board of the ECB, for Eurofi Magazine, climate change poses an increasing risk to banks and the European financial system as a whole.

9/7 Introduction of covered bonds in Morocco: Morocco allows lenders and public companies to issue covered bonds. The regulations, which take effect upon their publication, allow banks, local councils and public firms to issue covered bonds when licensed to do so by the central bank, according to a royal decree published on the official gazette Tuesday. (Bloomberg)

9/6 Portugal/ Novo Banco Mortgage Covered Bonds: Moody's has upgraded to Aa3 from A2 on review for upgrade the rating of the covered bonds issued by Novo Banco. The upgrade of the covered bonds rating follows the upgrade of Novo Banco's CR assessment to Baa2(cr) from B1(cr) and the clarification from the issuer on the over-collateralisation commitment

9/6 EU taxonomy – minimum safeguards: On 6th September the [call for feedback on the draft report by the Platform on Sustainable Finance \(PSF\) on minimum safeguards](#) ended. The minimum safeguards set out in Article 18 of the Taxonomy Regulation require that companies implement procedures to comply with OECD Guidelines for multinational enterprises and the UN guiding principles on business and human rights. The report on minimum safeguards aims to provide advice on how compliance with minimum safeguards could be assessed. After considering the stakeholders' input, the Platform will submit a final report with their advice to the Commission in September 2022. The Commission will analyse and consider these reports and will assess the possible need for additional guidance regarding the application of Article 18 of the Taxonomy Regulation.

9/5 Bearingpoint study on European banks' profitability: According to a study by Bearingpoint, banks are operating more efficiently than at any time since 2013, return on equity has risen significantly to pre-crisis levels twelve months later following a low point in the 2020 corona year, and profit before tax has more than doubled. However, not all institutions benefited to the same extent from the progress. ([Handelsblatt](#))

9/5 Credit quality in Italy: UniCredit sets out \$8 billion aid package for Italy clients hit by surging prices, according to [Reuters](#).

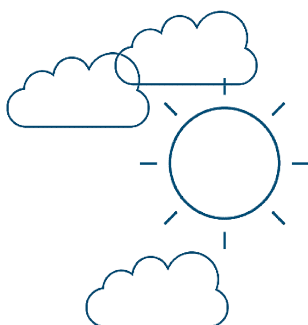
9/5 EU's sustainable finance rule book: The EU's rule book on sustainable investing was meant to bring transparency to the descriptions of asset managers' funds. But some disclosure requirements draw on data that either does not yet exist or that companies will only be required to publish from next year. According to the [Financial Times](#) (FT), many investors cannot yet fully meet these disclosure requirements because important information is missing.

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

E-STOXX 600 Banks	124	-0,78%	-6,22%	iBoxx € Cov. Germany	2,0	-1,7	-3,4	iTraxx Senior Financial	125,9	-4,2	20,2
10Yr-Yield	1,57	0,04	0,69	iBoxx € Cov. Bonds	10,5	-1,6	-3,3	iBoxx € Supranational	0,0	-2,43	-3,02
Swap 10J	2,43	0,01	0,67	iBoxx € Banks PS	77,4	1,4	11,5	iBoxx € Agencies	-21,2	-3,34	-4,09
iBoxx € Germany	-81,4	-2,27	-0,72	iBoxx Banks NPS	123,2	-3,5	18,4	iBoxx € Sub-Sov. Germany	-2,3	-2,55	-7,23
iBoxx € EU	0,2	-2,82	-1,21	iBoxx Banks Subordinated	216,2	8,9	33,5	iBoxx € Sub-Sovereign	11,3	-2,12	-4,87

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

Leisure tip for the weekend: 30th Erfurt Wine Festival



From September 08 to September 11, 2022, the annual Erfurt Wine Festival will take place, which celebrates its 30th anniversary this year. Wine producers from the most diverse wine regions of Germany will bring their best wines to the old town of Erfurt. In addition to the wide range of offered wines, the festival will be completed by an adequate offer of food and music. For wine connoisseurs a wine passport is offered, with which a selected wine can be tasted to 0.1l each at the stands. The passport costs 35 € and is available at the stands themselves. On Saturday and Sunday, the festival is compounded by an art and creative market. Here artists and craftsmen have also set up their booths in Erfurt's old town. The wine festival starts on Thursday (08.09.) at 2 pm.

More information: [30th Erfurt Wine Festival](#)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: www.erfurt.de

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Join us at the largest gathering of the global covered bond community
on
22nd September 2022 in Vienna.

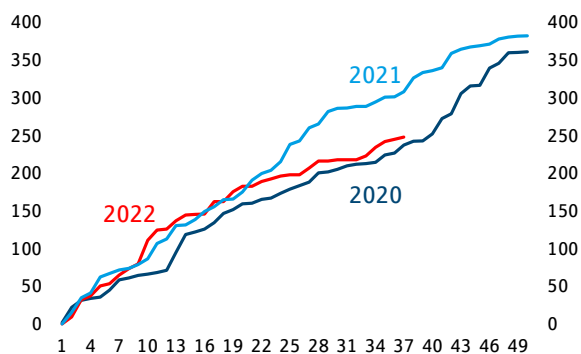
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Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

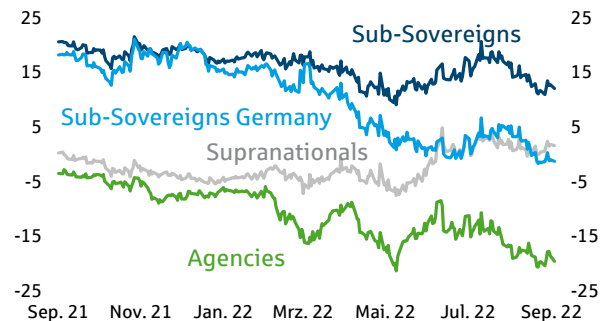
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

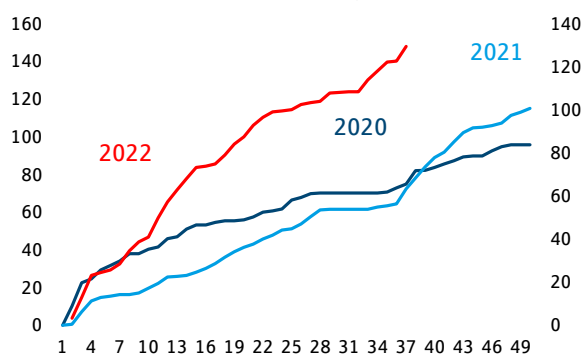
ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

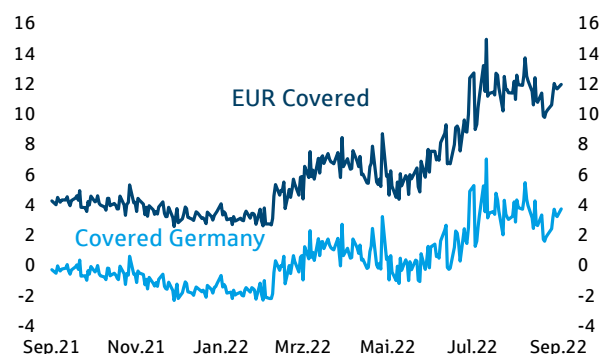
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

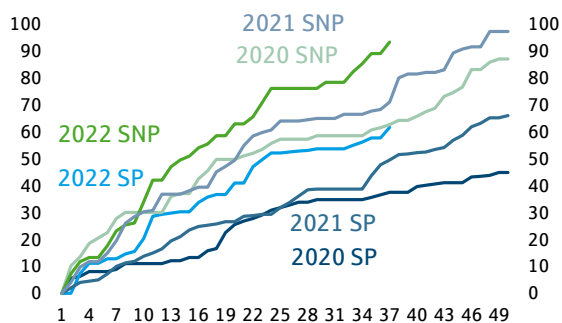
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

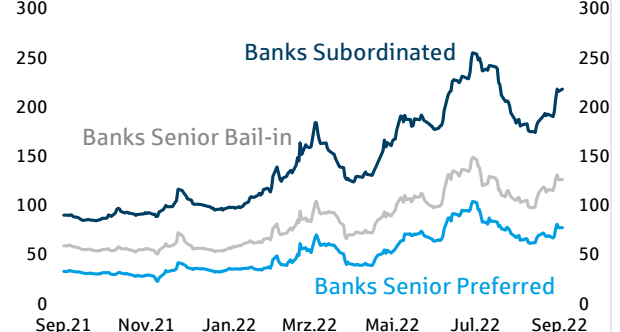
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory



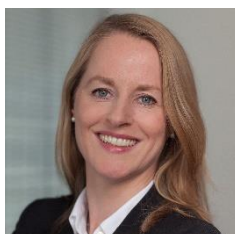
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