Helaba

Focus on: SSA & Financials

15 September 2022

Weekly Market Update

Primary market environment: Despite slight signs of easing - gas and oil prices have decreased recently - the market environment is challenging. High inflation remains an issue, thus further interest rate steps are likely. According to ECB Governing Council member Scicluna, the central bank could tighten further.

Primary market barometer

SSA



The funding needs of the federal states, for example, are lower than usual this year. SSAs with refinancing needs have therefore recently found a receptive environment.

Covered Bonds



This week we saw a veritable fireworks display of new issuance activity in the covered bond segment. One transaction followed the other. However, the issuing environment is getting rougher, thus issuers are inclined to jump at the chance.

Senior Unsecured



The primary market for senior unsecured bank bonds continues to be receptive, but conditions in the highly volatile environment are becoming more difficult. Issuers are taking advantage of open market windows, but investors are becoming increasingly selective.

Sources: Helaba Research & Advisory

Back to risk-off mode

Spread trend indicator*, ASWspread change versus …

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,07	0,51	0,03	-0,62	-2,32	-3,20
European Union	0,01	0,09	0,18	-0,03	0,48	-0,68
Germany Covered	0,02	0,05	-0,15	0,01	0,34	-0,49
EU Covered	0,01	0,01	-0,03	0,05	0,22	-0,02
Banks senior preferred	-0,06	-0,04	0,52	-0,61	1,91	0,92
Banks senior bail-in (SNP)	0,02	-0,20	0,48	-0,46	2,00	0,89
Banks subordinated	0,00	-0,13	0,51	-0,30	2,03	0,89
Supranational	0,01	0,05	0,01	-0,09	0,10	-0,77
Agencies	-0,04	0,15	-0,12	-0,38	-0,98	-1,49
Sub-Sovereigns Germany	0,02	0,02	-0,26	-0,16	-1,39	-1,84
Sub-Sovereigns	-0,01	0,08	-0,17	-0,22	-0,65	-1,56

strong | middle | weak | unchanged | weak | middle | strong

spread widening | spread tightening

*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 easing in the previous week, our spread indicator illustrates the renewed increase in risk aversion.

SSA

The SSA segment was somewhat overshadowed this week by the flood of covered bond issues. Nevertheless, all issuers managed a successful market appearance. First and foremost the EU, whose syndicated dual-tranche bond issue, limited from the outset to a volume of 12 bn EUR, met with almost ten times greater investor demand. After the final spread was fixed, the respective new issue premium was around 2 bp. The impressive success of this issue should provide tailwind for the EU's further funding projects. After all, the EU has announced a total volume of 50 bn EUR for the second half of the year. The EIB issue also met with great investor interest. The book-to-cover ratio of 8.3x impressively underlines this. Today, the state of Schleswig-Holstein came to the market with a 10-year benchmark at MS-13 - the initial spread was priced at MS-12.

Outlook: The covered bond community is mostly in Vienna next week (see below), this "absence" could benefit SSAs. Issuers and investors alike have the opportunity to focus on this.

€-SSA-Issues week of 12 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,125%	Agence Francaise de Developpe	- /AA/AA	0,400bn	✓	02.03.2037	FRTRs +36 bp		12.09.2022	0,500bn	FRTRs +36 area
0,750%	Cassa Depositi e Prestiti S.p.A.	BBB /BBB/BBB-	0,500bn		30.06.2029	BTPS +12 bp	✓	23.06.2021	3,750bn	BTPS +30 bpare
2,000%	EU	Aaa /AA/AAA	7,000bn		04.10.2027	ms -28 bps		13.09.2022	60,000bn	ms - 26 bp area
2,500%	EU	Aaa /AA/AAA	5,000bn		04.10.2052	ms +45 bps		13.09.2022	54,500bn	ms + 47 bp area
0,000%	KFW	Aaa /AAA/AAA	1,000bn		30.09.2026	ms -46 bps		13.09.2022	not disclosed	ms - 46 bp
2,250%	EIB	Aaa /AAA/AAA	4,000bn		15.03.2030	ms -17 bps		14.09.2022	33,000bn	ms - 15 area
t.b.d.	Schleswig-Holstein	- /-/AAA	0,750bn		22.09.2032	ms -13 bps		15.09.2022	1,980bn	ms - 12 area

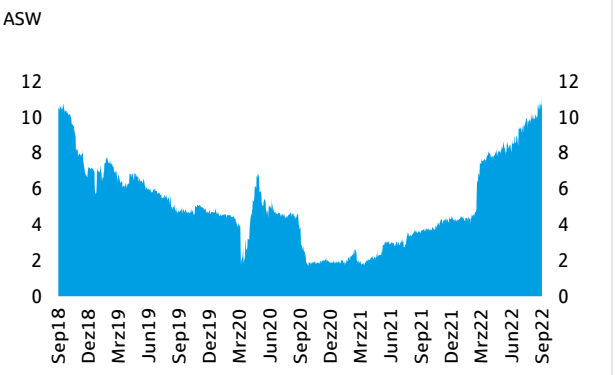
Sources: Bloomberg, Helaba DCM

Covered Bonds

The high number of new issues continued unabated this week. Several issues came to the market every day, thus initial expectations for the annual issue volume have already been clearly exceeded. This week, the issue volume totalled 8.8 bn EUR. The focus was on issuers from core Europe (Germany, Austria, Netherlands), supplemented by other issuers from Iceland, Norway, Finland and the UK.

The extremely high volume of covered issues is now leading to a normalisation of oversubscription rates, while at the same time new issue premiums are climbing to 2 to 4 bp. Helaba was the non plus ultra this week with an order book of 3.7 bn EUR for its four-year mortgage Pfandbrief and an issue volume of 1.5 bn EUR. With UniCredit Bank **Austria** and Erste Bank, issuers from Austria were also active. Looking at the development of spreads, it is noticeable that they are increasingly widening compared to German bonds (see chart). On the one hand, this is probably due to the regional proximity to Eastern Europe - keyword Ukraine war - and the existing exposures in these countries. On the other hand, the Austrian issuance volume this year is comparatively high at around 30 bn EUR (the average of the last five years was 11.6 bn EUR), so that the opportunities for investors to take further newly placed bonds on their books have probably been exhausted.

Spread difference between German and Austrian covered bonds



Sources: Refinitiv, Helaba Research & Advisory

After a build-up in August, the **ECB recently reduced its covered bond portfolio (CBPP3)** further significantly, by 442 m EUR in the last reporting week.

Outlook: The primary market will probably take a break in the coming week. On 22 September the Euro-money/ECBC Covered Bond Congress will take place in Vienna. A large part of the market participants will be on site, thus existing issuance projects have been postponed. However, a timely realisation of the plans seems likely, as the general conditions - the reasons for which are well known - are tending to cloud over.

> *"Since the beginning of the week, covereds in the secondary market have been showing slight signs of fatigue. The never-ending stream of new issues plays a role here, which have to be digested in view of the still very volatile and burdened overall market sentiment. Behind this is certainly the fact that the dreaded "QT" word has wafted into the market! All sorts of "sources" are reporting that in addition to the rate hike path, the ECB may take further highly effective measures to combat rampant inflation and an impending slippage in medium-term inflation expectations. "*
> *Comment from the Helaba trading floor*

€-Covered Bond-Issues week of 12 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,250%	Deutsche Bank AG	Aaa /-/-	1,000 Mrd.		20.09.2027	ms +4 Bp		12.09.2022	1,900 Mrd.	ms + 8 area
2,500%	Deutsche Bank AG	Aaa /-/-	0,500 Mrd.		20.09.2032	ms +12 Bp		12.09.2022	1,500 Mrd.	ms + 14 area
2,250%	NORD/LB	- /AA+/-	0,500 Mrd.		20.09.2027	ms +1 Bp		12.09.2022	2,600 Mrd.	ms + 6 area
2,500%	Erste Group Bank AG	Aaa /-/-	0,750 Mrd.		19.09.2030	ms +16 Bp		12.09.2022	1,400 Mrd.	ms + 19 area
3,000%	Íslandsbanki hf.	- /A/-	0,300 Mrd.		20.09.2027	ms +70 Bp		12.09.2022	0,320 Mrd.	ms + 70 bp
2,500%	DZ HYP AG	- /AAA/-	0,750 Mrd.		28.11.2031	ms +7 Bp		13.09.2022	0,870 Mrd.	ms + 10 area
2,375%	UniCredit Bank Austria AG	Aaa /-/-	0,500 Mrd.		20.09.2027	ms +10 Bp		13.09.2022	0,800 Mrd.	ms + 13 area
2,625%	POP Mortgage Bank Plc	- /AAA/-	0,250 Mrd.		22.09.2025	ms +26 Bp		13.09.2022	0,517 Mrd.	ms + 30 area
2,625%	Coventry Building Society	Aaa /AAA/AAA	0,500 Mrd.		07.12.2026	ms +27 Bp		13.09.2022	0,950 Mrd.	ms + 30 area
2,375%	Helaba	Aaa /-/-	1,500 Mrd.		21.09.2026	ms -3 Bp		14.09.2022	3,700 Mrd.	ms + 2 area
2,500%	Sparebanken Vest Boligkreditt	Aaa /-/-	0,750 Mrd.		22.09.2027	ms +10 Bp		14.09.2022	1,200 Mrd.	ms + 14 area
2,500%	ING Bank N.V.	Aaa /AAA/AAA	1,000 Mrd.		21.02.2030	ms +9 Bp		14.09.2022	1,400 Mrd.	ms + 11 area
t.b.d.	EIKA Boligkreditt AS	Aaa /-/-	0,500 Mrd.		22.09.2028	ms +12 Bp		15.09.2022	1,900 Mrd.	ms + 17 area

Quellen: Bloomberg, Helaba DCM



Senior Unsecured

The market environment remains extremely volatile: Following the ECB monetary authorities' decision on the 0.75% interest rate step last Thursday, the iTraxx EUR Finanicals Senior Spread trended only briefly higher, but then quickly narrowed again. The development in the Ukraine over the weekend and the decline in gas futures provided further relief in the markets at the beginning of the week. Only the U.S. inflation figures clouded the picture again, so that the spread widened by 20 bps from Tuesday to Wednesday.

The primary market for senior unsecured bank bonds mirrored this development: Eight issues came to market on Monday and Tuesday alone. It is striking that the individual transactions were comparatively small in volume, even though the total issue volume for the two days amounted to 5.75 bn EUR and the order books were well filled with a total of two subscriptions.

With seven transactions, the focus was also clearly on the better ranked senior preferred paper, and the new issue premiums offered were also comparatively high, with relatively little constriction afterwards. DNB Bank ASA, a very well-established issuer, was able to complete the largest transaction (1.25 bn EUR) at the lowest new issue premium (7 bps).

Outlook: The ambiguous picture is solidifying: the market continues to show receptiveness, but conditions in the highly volatile environment are becoming increasingly difficult. Issuers continue to take advantage of market windows that present themselves to fill their issuance plans, which have been expanded by high maturities and credit

growth, as quickly as possible. Due to the expectation of further rising interest rates, they are also seeking pre-funding. Investors, on the other hand, are becoming increasingly selective and are focusing on high quality and shorter to medium maturities. This overall picture should not change in the coming week.

> *"The flows are currently driven by the new issues. Fast-money accounts are living up to their name and are sometimes still selling on the same day with small profit-taking or even with a loss. In contrast, insurance companies and asset managers are trying to increase their allocations somewhat, which in turn has made two-way flows in medium volumes possible. It can be said that the summer slump has come to an end and hardly anyone is still following the events from the sidelines."*
>
> *Comment from the Helaba trading floor*

€-Senior Preferred-Issues week of 12 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	BBVA	A3 /A/A-	1,250bn		20.09.2027	ms +115 bps		12.09.2022	4,000bn	ms + 140/145 ar
2,875%	SpareBank 1 SR Bank	A1 /-/-	0,500bn		20.09.2025	ms +70 bps		12.09.2022	0,850bn	ms + 90 area
3,273%	Mitsubishi UFJ Financial Group	A1 /A-/A-	1,300bn		19.09.2025	ms +100 bps		12.09.2022	2,000bn	ms + 115-120 bp
6,375%	Iccrea Banca S.p.A.	- /BB/BB-	0,350bn		20.09.2027	ms +407 bps		12.09.2022	0,600bn	6,5% area
4,875%	Arion Bank hf	Baa1 /-/-	0,300bn		21.12.2024	ms +265 bps		13.09.2022	0,300bn	ms + 265 area
3,125%	DNB Bank ASA	Aa2 /AA-/-	1,250bn		21.09.2027	ms +77 bps		13.09.2022	2,300bn	ms + 100 area
8,000%	Banco de Credito Social Cooperat	- /BB/-	0,500bn		22.09.2026	ms +567 bps		13.09.2022	0,950bn	Low 8% area
t.b.d.	Sparebank 1 SMN	A1 /-/-	0,500bn		22.12.2025	ms +72 bps		15.09.2022	0,750bn	ms + 90 area

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 12 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,375%	Crelan SA/NV	Baa3 /-/-	0,300bn		31.10.2025	ms +310 bps		13.09.2022	0,350bn	ms + 310 area
4,625%	Commerzbank AG	Baa2 /BBB-/-	0,600bn		21.03.2028	ms +220 bps		14.09.2022	1,100bn	ms + 240 area
t.b.d.	Goldman Sachs Group	A2 /BBB+/A	1,000bn		21.09.2029	ms +160 bps		15.09.2022	2,000bn	ms + 175/180 Bp
t.b.d.	Citigroup nc.	A3 /BBB+/A	1,000bn		22.09.2028	ms +125 bps	✓	15.09.2022	2,400bn	ms + 145 area
t.b.d.	Citigroup nc.	A3 /BBB+/A	1,000bn		22.09.2033	ms +160 bps		15.09.2022	2,100bn	ms + 175 area

Sources: Bloomberg, Helaba DCM

Short news

9/13 ECB study on sustainability ratings: The ECB has published a **study** examining how credit rating agencies accepted by the Eurosystem incorporate climate change risk in their credit ratings. It also analyses how rating agencies disclose their assessments of climate change risks to rating users.

9/13: Major banks continue share buybacks: Europe's banks continue to distribute capital to their shareholders despite recession worries. Switzerland's UBS increased its full-year dividend by 10 % and announced that its share buyback program would exceed its 5 bn USD target. Italy's UniCredit recently announced that the European Central Bank had approved the second tranche of its share buyback program, allowing it to repurchase 1 bn USD worth of shares. (**Reuters**)

9/12 ESAs warn of rising risks: The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) issued their **Autumn 2022 joint risk report**. The report highlights that the deteriorating economic outlook, high inflation and rising energy prices have increased vulnerabilities across the financial sectors. The ESAs advise national supervisors, financial institutions and market participants to prepare for challenges ahead.

9/9 ECB intensifies review of banks' exposure to gas crisis: The ECB is intensifying discussions with banks over their readiness for a potential surge in company defaults and a drying-up of energy-market liquidity, amid the worsening stand-off over Russian gas supplies. (**Bloomberg**)

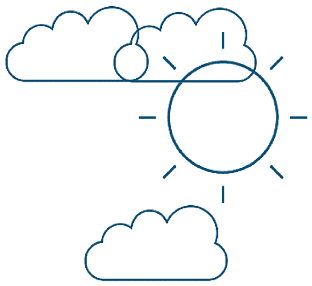
9/8 ECB monetary policy: The **ECB** raises its three key interest rates by 75 bp each, which also brings its key deposit rate to 0.75 % as of Sept. 14. After years of negative interest rates, banks will thus again receive positive remuneration for their excess liquidity held at the ECB. As a result, the two-tier system for paying interest on excess reserves would also no longer be necessary and would thus be suspended. Maturing paper from the Pandemic Emergency Purchase Program (PEPP) would be flexibly reinvested at least until the end of 2024. Maturities from the Asset Purchase Program (APP) are to be carried out "as long as necessary" to ensure ample liquidity.

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

E-STOXX 600 Banks	132	6,40%	-0,20%	iBoxx € Cov. Germany	2,3	0,2	-2,0	iTraxx Senior Financial	116,3	-9,5	9,0
10Yr-Yield	1,69	0,12	0,61	iBoxx € Cov. Bonds	10,8	0,3	-1,6	iBoxx € Supranational	0,2	0,23	-0,99
Swap 10J	2,54	0,11	0,66	iBoxx € Banks PS	75,3	-2,1	9,0	iBoxx € Agencies	-19,7	1,55	-3,40
iBoxx € Germany	-76,3	5,06	-1,76	iBoxx Banks NPS	117,6	-5,6	11,9	iBoxx € Sub-Sov. Germany	-2,2	0,10	-4,36
iBoxx € EU	1,0	0,82	1,08	iBoxx Banks Subordinated	208,2	-8,0	27,5	iBoxx € Sub-Sovereign	11,7	0,41	-2,76

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

Leisure tip for the weekend: Celtic World at Glauberg



The Celt World at Glauberg is an archaeological museum and research center in the municipality of Glauberg in Hesse. The focus is on the Celtic period, and the facility includes, among other things, an archaeological park. The park is directly attached to the museum in the form of a 370,000-square-meter outdoor area. On the present park area there is the former Celtic hilltop settlement as well as a medieval town complex. The permanent exhibition focuses on the "Celtic Prince of Glauberg" and also presents original finds from previous excavations in a historical and scientific context. The visitor center is rounded off by a café with a wide window front offering a view over the exhibition site.

More information: **Celtic World Glauberg**

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

The Euromoney/ECBC Covered Bond Congress

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

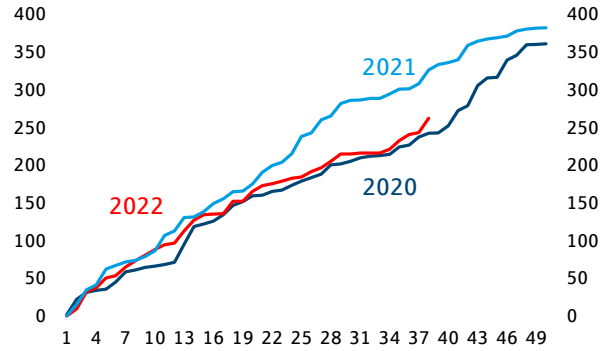
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Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

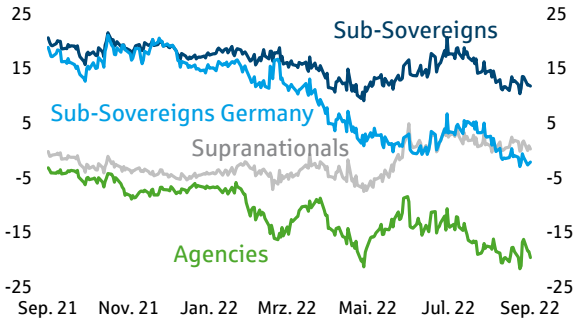
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

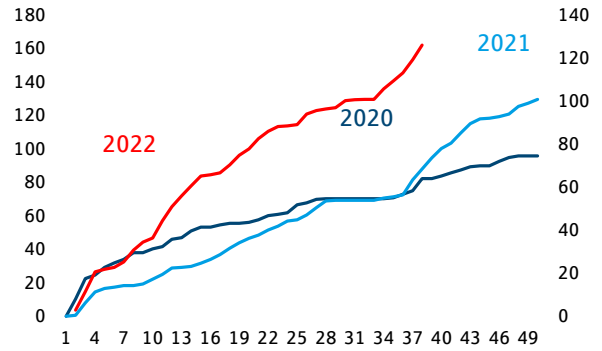
ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

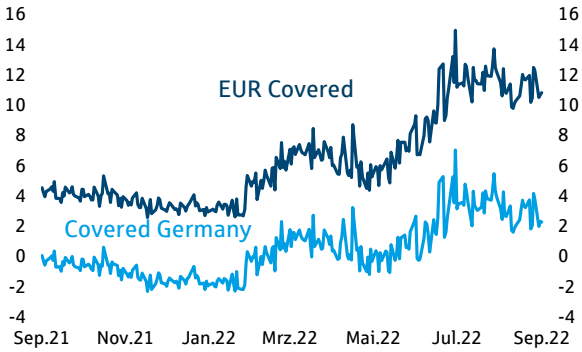
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

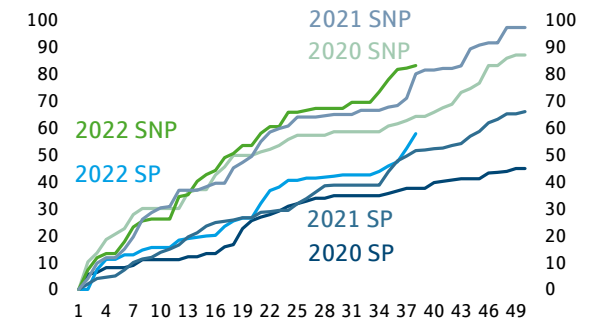
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

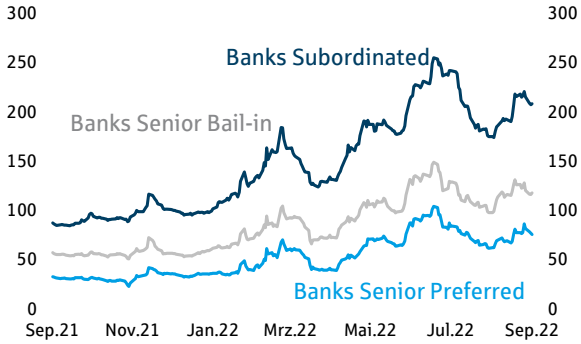
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

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