

Focus on: SSA & Financials

29 September 2022



Weekly Market Update



Primary market environment: Inflation, interest rate and economic concerns continue to dominate the market. Yields around the globe are rising sharply, with ten-year US Treasuries, for example, climbing to a twelve-year high. Consensus in Germany fell to a record low, with the DAX struggling to reach the 12,000 mark. Investors are holding back before the end of the quarter.

Primary market barometer

SSA



In the SSA segment, things were still going reasonably well recently. However, it is apparent that investors are being more selective. In the end, not all issuances were convincing.

Covered Bonds



The primary market stuttered noticeably this week. The issuing momentum observed since mid-August is increasingly weakening. The large market fluctuations are certainly contributing to this development.

Senior Unsecured



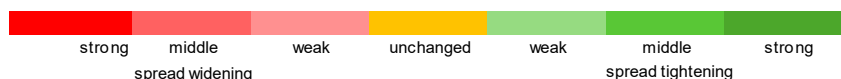
The primary market for senior unsecured bank bonds has stalled noticeably, and the market environment is becoming increasingly difficult. Investors are being extremely selective and demand high spread premiums. This is unlikely to change much in the coming week.

Sources: Helaba Research & Advisory

Permanent relaxation?

Spread trend indicator*, ASWspread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,27	-0,60	0,19	-0,01	-2,40	-3,17
European Union	-0,13	0,01	0,05	0,35	0,62	-0,46
Germany Covered	-0,19	-0,12	-0,19	0,09	0,38	-0,40
EU Covered	-0,05	-0,03	-0,04	0,05	0,24	0,01
Banks senior preferred	0,04	-0,17	0,26	-0,75	2,08	0,92
Banks senior bail-in (SNP)	0,02	-0,11	0,06	-0,47	2,33	1,01
Banks subordinated	0,05	0,18	0,54	-0,28	2,53	1,21
Supranational	-0,15	-0,05	-0,09	0,10	0,21	-0,67
Agencies	-0,17	-0,26	-0,19	-0,44	-1,13	-1,62
Sub-Sovereigns Germany	-0,13	-0,04	-0,14	-0,17	-1,25	-1,83
Sub-Sovereigns	-0,16	-0,09	-0,05	-0,22	-0,55	-1,52



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

Sources: Refinitiv, Helaba Research & Advisory

Our spread trend indicator does signal an easing in the short-term time frame. However, doubts are warranted as to whether this will last.



SSA

Overall, the general conditions in the SSA segment are still relatively favourable. However, the truth is that there is now a clearer differentiation between issuers. In addition to the two EU auctions (07/2025 and 07/2032), six other SSA issues were placed. In particular, bonds from Germany (KfW, Land Bremen as well as Investitionsbank Berlin with a "Social Debut") enjoyed high investor demand due to an attractive valuation compared to the Bund. Consequently, these transactions were oversubscribed several times over. The performance of the Dutch municipal financier BNG was also convincing. The final spread of -15 bps over mid-swap corresponds to a very attractive premium of almost 90 bps over German government bonds. The issue of the Canadian Ontario Teachers' Finance Trust, on the other hand, was disappointing. The seven-year bond, which was announced with a benchmark volume, reached the volume of EUR 500 million with difficulty and could not narrow the initial spread further due to sluggish investor demand of mid-swap +32 bp. French SFIL had even bigger problems. The ten-year deal could only reach the benchmark volume of EUR 500 million with the support of the lead managers. The final order book was only EUR 460 million.

Outlook: The SSA segment is characterised by more light than shadow. However, the market is hearing that funding banks and the federal states currently have a lot of liquidity and that their need to go to the market is limited. As the SFIL example showed, long maturities are currently difficult to place. If issuers have refinancing needs, we believe that short to medium maturities are preferred.

€-SSA-Issues week of 26 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
0,800%	EU	Aaa/AA+/AAA	1,500 Mrd.		04.07.2025	Auction		26.09.2022	5,200 Mrd.	Auction
1,000%	EU	Aaa/AA+/AAA	2,398 Mrd.		06.07.2032	Auction		26.09.2022	4,840 Mrd.	Auction
2,750%	BNG	Aaa/AAA/AAA	1,500 Mrd.		04.10.2027	ms -15 Bp		27.09.2022	6,200 Mrd.	ms - 12 area
2,750%	Investitionsbank Berlin	- /-/AAA	0,500 Mrd.		04.10.2027	ms -15 Bp		27.09.2022	1,700 Mrd.	ms - 13 area
3,300%	Ontario Teachers' Finance Trust	Aa1/AA+/-	0,500 Mrd.		05.10.2029	ms +32 Bp		27.09.2022	not disclosed	ms + 32 area
3,000%	Bremen	- /-/AAA	0,500 Mrd.		06.10.2032	ms -14 Bp		28.09.2022	1,000 Mrd.	ms - 13 area
2,875%	KfW	Aaa/AAA/AAA	4,000 Mrd.		28.12.2029	ms -30 Bp		28.09.2022	12,500 Mrd.	ms - 29 area
3,250%	SFIL	Aa3/AA/-	0,500 Mrd.		05.10.2032	FRTR +40 bp		28.09.2022	0,460 Mrd.	FRTR +40 area

Sources: Bloomberg, Helaba DCM

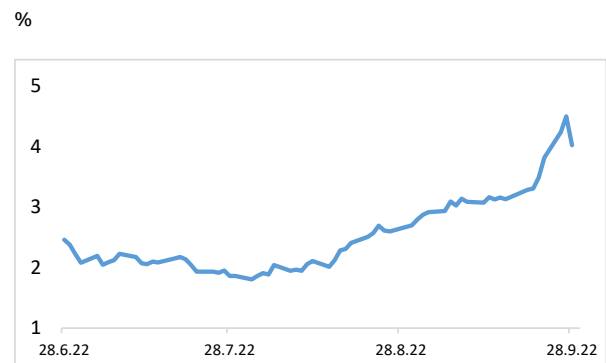


Covered Bonds

One gets the impression that the times in which almost every new issue was a sure-fire winner are over, even for short maturities. In the meantime, more attention is being paid to quality features. So it is hardly surprising that issuers from the second or third tier are having problems filling their order books. The sometimes very high oversubscription rates that could still be observed at the beginning of the year are no longer the case. It is also noteworthy that for the first time this week, more market participants have activated stop-loss orders at certain price levels. Better qualities are also being sold, above all papers in the mid-curve segment. This approach is still working at present, despite the gradually drying up liquidity, because at least the market makers are taking up these papers. However, one must be warned

against a too careless handling of such positions: It is to be feared that this construct will start to crack at some point, with far-reaching consequences for spreads. Already now, the mood among investors can be described as

10YR Gilts complete significant jump



Sources: Bloomberg, Helaba Research & Advisory

cautious; the expectation of an increasing widening of spreads in the coming months prevails in the market anyway.

"The overall picture remains superficially intact, i.e. there are no significant changes in the individual curve segments and in the selection of preferred jurisdictions. However: the unchecked rise in yield curves, the British blueprint of interactions between crisis-fighting measures by the state ("aid on credit") and the punishing of the markets (are the so-called "bond watchdogs" back? Remember the sovereign debt crises in the 2010s) and additionally the not too distant end of the year, keyword "liquidity tensions", add up to slight cracks in the picture!"

Comment from the Helaba trading floor

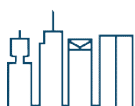
At present, the regular central bank purchases by the heavyweights of the Eurozone, the Bundesbank and the BdF are having a supporting effect. The **ECB's** covered bond portfolio (**CBPP3**) increased by EUR 274 million in the last reporting week (16.09-23.09.). This interrupted, at least in the short term, the recently observed trend towards a reduction in holdings.

Outlook: Several issuers are in the starting blocks. Five investor calls have already been announced for the coming week. A higher transaction volume compared to this week seems likely, especially since investors will probably become more active again after the end of the quarter.

€-Covered Bond-Issues week of 26 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Arkéa Home Loans SFH	Aaa /-AAA	0,500 Mrd.		04.10.2028	ms +8 Bp		26.09.2022	0,830 Mrd.	ms + 12 area
3,250%	Equitable Bank	- /-IAA	0,250 Mrd.		06.10.2025	ms +37 Bp		27.09.2022	0,290 Mrd.	ms + 37 area
3,500%	Slovenská sporiteľňa	Aaa /-/-	0,500 Mrd.		05.04.2028	ms +35 Bp		28.09.2022	0,550 Mrd.	ms + 35 area

Sources: Bloomberg, Helaba DCM



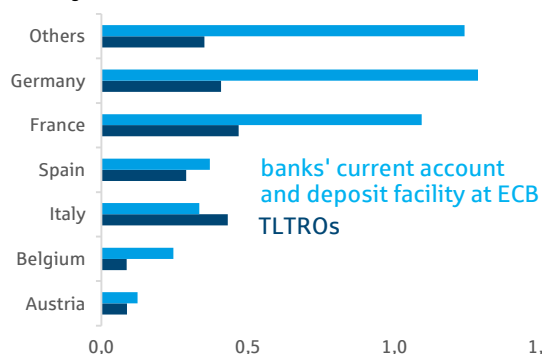
Senior Unsecured

The primary market for senior unsecured bank bonds stalled noticeably this week. Only one transaction has been seen so far: Denmark's Sydbank issued a 3nc2-year green bond in non-preferred rank. Despite the conservatively chosen maturity, it only just reached the target volume of EUR 500 m. Investor demand was not sufficient to narrow the spread from the initial price indications of 180 bps. The new issue premium was around 70 bp.

According to media reports (e.g. [Reuters](#)), the ECB is considering whether, in view of the rapidly rising interest rates, it can cut the favourable conditions for banks regarding its third series of targeted longer-term refinancing operations (TLTRO III). There is talk that the interest rate on ECB surplus deposits could be lowered i.e. the interest-bearing amount reduced (tiering). For the banks, this would mean the loss of an interest premium that has been welcome in the past years of negative interest rates. In our opinion, however, the impact on the funding plans of the institutions should be limited, since it can be expected that even in the case of early TLTRO repayments, a large part would be repaid from the opposing ECB balances. (for TLTRO III see our [Credit Special](#) dated 4.3.2021)

ECB surplus liquidity with regional differences

Outstanding volume in tn EUR



Sources: Refinitiv, ECB, Helaba Research & Advisory

Outlook: The risk-off mode prevailing again among investors is resulting in difficult conditions for issuers of senior unsecured bank bonds. High maturities, strict regulatory requirements and credit growth driven by companies' hunger for liquidity will ensure that there is still a need for issuance in the further course of the year. However, the news flow, which is marked by geopolitical crises, and the inflation-driven central bank policy make the right timing difficult. For the time being, issuers are taking a wait-and-see approach.

"The pervasive 'hawkish' sentiment and lingering fears of recession drove equity markets further into negative territory. The newly traded iTraxx 38 series came under pressure from the start. The Senior Financial traded 8 bps higher due to roll and widened an additional 23 bps over the past 7 days to as high as 155 bps. Cash shows a different picture due to the widening Bund/Swap spread. Although yields have risen across the entire range, this is based on the widening against the respective government bonds (benchmarks). Based on asset swap spreads, however, a friendly development can be seen within the past 7 days."

Comment from the Helaba trading floor

€-Senior Preferred-Issues week of 26 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,750%	Sydbank A/S	A3 /-/-	0,500bn		30.09.2025	ms +180 bps	✓	27.09.2022	0,500bn	ms + 180 area

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 26 September 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
--------	--------	------------------	----------	-----	----------	-----------------------------	-----	--------	-----------	-----------------------

none

Sources: Bloomberg, Helaba DCM



Short news

9/28 Stress test results for smaller banks in Germany: The [stress test](#) conducted by both Bundesbank and Bafin on small and medium-sized savings banks in Germany (LSIs) shows that most institutions are well prepared for the crisis. "The LSI Stress Test 2022 has shown that past and current crisis situations are challenging for banks, but are manageable as things stand," said Raimund Röseler, BaFin Executive Director for Banking Supervision, at the presentation of the stress test results in Frankfurt.

9/27 Oldenburgische Landesbank/Pfandbriefe: According to a commentary, Moody's assumes that the purchase of Degussa Bank by Oldenburgische Landesbank will lead to a merger of the two entities and that OLB will assume all outstanding Degussa Bank debt, including its covered bonds. If this occurs, it will be credit positive for holders of outstanding Degussa Bank covered bonds, because it will give them recourse to the combined entity. In addition, Moody's expects that OLB's purchase of Degussa Bank will result in a merger of the pools of loans backing each bank's covered bonds (cover pools). If this occurs, it will make the merged cover pool more diverse and granular than the two individual pools, which is a further credit positive.

9/27 Climate risk may become a more regular part of stress tests: European regulators are considering whether to make potential losses from climate change a regular part of bank stress tests, an approach that could weigh on the dividends lenders pay to investors, according to people familiar with the matter. The EBA is in the early stage of the process, Jacob Gyntelberg, director of economic and risk analysis, said. ([Bloomberg](#))

9/26 ECB on banks' balance sheet quality: Banks in the eurozone will have to make additional provisions for credit risks to prepare for the consequences of the economic slowdown and the Russia-Ukraine war, ECB Vice-President Luis De Guindos said on Monday. ([Reuters](#))

9/23 ECB seeks to cut interest premiums to banks: The ECB is exploring options to cut how much subsidy it gives banks under its Targeted Longer-Term Refinancing Operations, or TLTRO, amid rising interest rates, insiders told [Reuters](#).

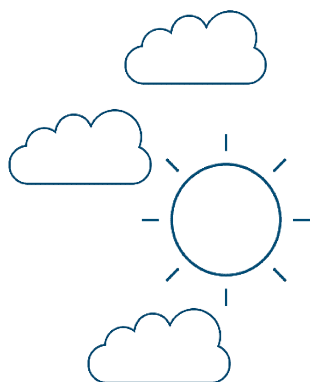
9/23 EBA launches EU-wide transparency exercise: The European Banking Authority (EBA) launched its annual EU-wide [transparency exercise](#), as part of its efforts to monitor risks and vulnerabilities and to reinforce market discipline. Results are expected to be published at the beginning of December.

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

E-STOXX 600 Banks	120	-8,66%	-4,11%	iBoxx € Cov. Germany	0,3	-3,0	-3,4	iTraxx Senior Financial	147,9	14,1	17,9
10Yr-Yield	2,14	0,25	0,61	iBoxx € Cov. Bonds	8,9	-2,9	-3,2	iBoxx € Supranational	-0,8	-2,92	-3,18
Swap 10J	3,09	0,40	0,67	iBoxx € Banks PS	79,5	-2,2	3,5	iBoxx € Agencies	-24,3	-6,67	-6,41
iBoxx € Germany	-82,4	-12,86	-3,22	iBoxx Banks NPS	126,2	-2,0	-0,5	iBoxx € Sub-Sov. Germany	-4,1	-3,00	-4,37
iBoxx € EU	1,6	-2,36	-1,44	iBoxx Banks Subordinated	236,2	11,5	29,0	iBoxx € Sub-Sovereign	10,4	-3,37	-3,06

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

Leisure tip for the weekend: Day of German Unity - Point Alpha



For a Europe in peace and freedom" - so greets the Point Alpha Foundation website. Point Alpha was one of four US observation bases on the inner-German border in Hesse. Located on the road between Geisa (Thuringia) and Rasdorf (Hesse) - about 35km from Fulda - the observation base fulfilled an important observation task in NATO's defence concept until the fall of the Iron Curtain. Today, "Point Alpha" is the name of a memorial, commemoration and meeting place, whose sponsor is the Point Alpha Foundation. On the weekend, there will be a border walk (Sat), an open guided tour of the memorial (Sun), a ceremony with Thomas de Mazière (Sun) and an ecumenical church service and family day (Mon).

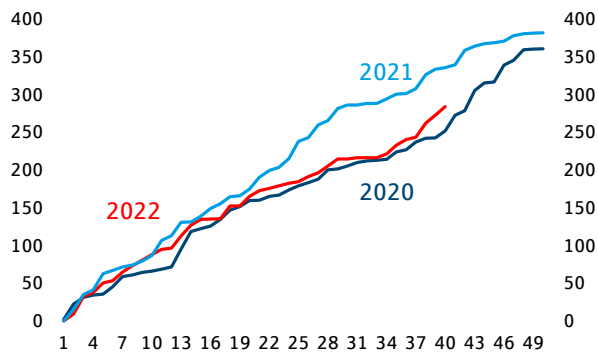
More information: [Point-Alpha-Stiftung](#)

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

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

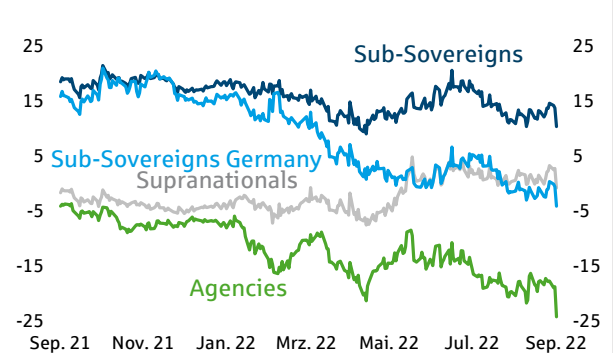
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

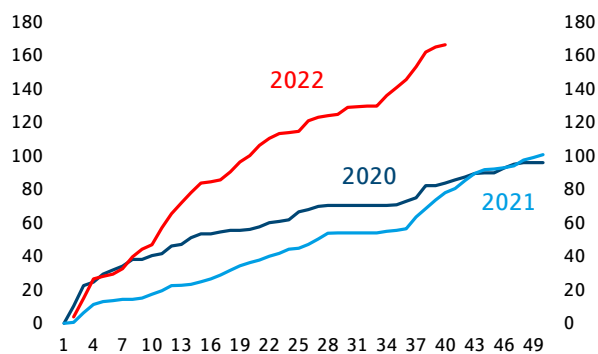
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

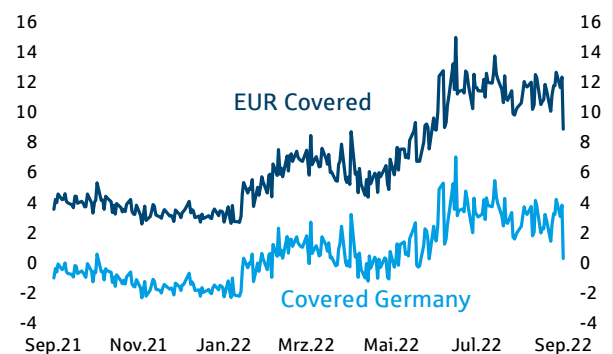
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

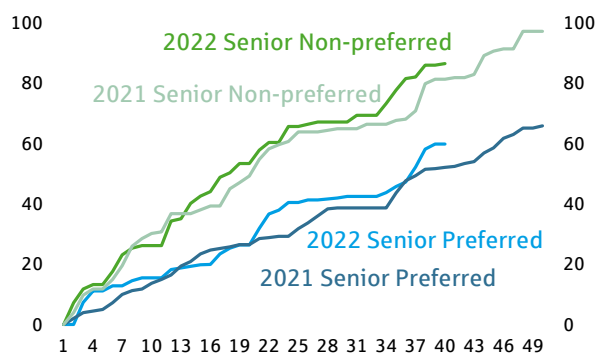
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

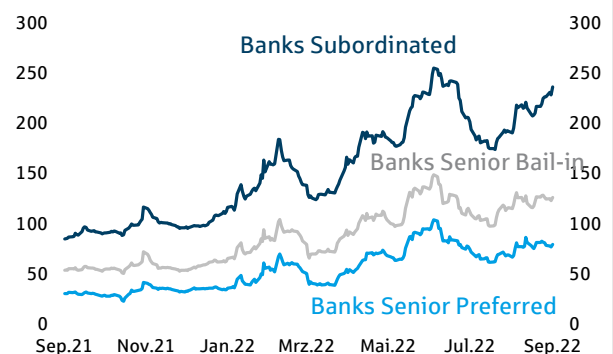
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



News from Research & Advisory

- **FOCUS ON: CREDITS – BANK AND COVERED BOND PROFILES GERMANY**
- **FOCUS ON: SSAs – GERMAN AGENCIES**
- **FOCUS ON: CREDITS – EUROPEAN BANKS: NET INTEREST INCOME RISES SHARPLY IN Q2 2022**
- **FOCUS ON: COVERED BONDS – EUROPEAN COVERED BONDS: CENTRAL WEBSITE PROVIDES CLARITY**
- **FOCUS ON: CREDITS – LIVE DEALS – A USEFUL INDICATOR FOR PLANNING ISSUANCE**
- **FOCUS ON: CREDITS – PRIMARY MARKET UPDATE EUR BENCHMARK BANK BONDS: Q2 2022**
- **FOCUS ON: CREDITS – EUROPEAN BANKS: CLIMATE RISK STRESS TEST HIGHLIGHTS NEED FOR FURTHER ACTION**
- **EUR CORPORATE BONDS: PRIMARY MARKET Q2 2022**
- **EUROPEAN BANKS: ACTIVITIES BECOMING EVER GREENER**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE: SPAIN VERSUS FRANCE AND GERMANY (VIDEO)**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE – STATE OF PLAY: AUSTRIA VERSUS FRANCE AND GERMANY (VIDEO)**
- **IMPLEMENTATION OF THE EU COVERED BOND DIRECTIVE – STATE OF PLAY IN FRANCE AND GERMANY (VIDEO)**
- **COVERED-BOND-LAWS: IMPLEMENTATION OF THE EU REGULATION (VIDEO)**

Team of authors



Sabrina Miehs, CESGA
Head of FI & SSA Research
Senior Advisor Sustainable
Finance
T 069/91 32-48 90



Dr. Susanne Knips
Senior Credit Analyst
T 069/91 32-32 11



Christian Schmidt
Covered Bond & SSA
Analyst
T 069/91 32-23 88

Publisher and editorial office

Helaba Research & Advisory

Editor:

Stefan Rausch

Corporate Research & Advisory

Responsible:

Dr. Gertrud R. Traud

Chefvolkswirtin/

Head of Research & Advisory

Neue Mainzer Str. 52-58

60311 Frankfurt am Main

T +49 69 / 91 32 - 20

Internet: www.helaba.com

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.



Here you can subscribe to our newsletter:

<https://news.helaba.de/research/>

