

# Focus on: SSA & Financials

## 20 October 2022



## Weekly Market Update



**Primary market environment:** The upcoming ECB meeting is already casting its shadow. In view of rising core inflation, there will probably be no pause in the rate hike cycle. Overall, risk aversion in the market as a whole has eased somewhat. In the case of energy prices, the momentum of the recent decline is easing.

### Primary market barometer

#### SSA



The SSA segment remains in demand as a low-risk asset. The country issues have all gone through. Overall, however, the success of new placements is strongly dependent on bond maturities. Anything over 5 years is currently almost impossible to place.

#### Covered Bonds



The search for quality assets continued despite a recent improvement in overall market sentiment. In addition, covered bonds remain the banks' preferred refinancing instrument. Short maturities in particular are very popular with investors.

#### Senior Unsecured

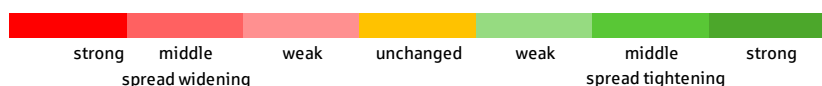


The primary market environment for senior unsecured bank bonds has brightened in recent days. Smaller issuers were also able to operate successfully in the market, although high spread concessions are still necessary.

### Risk trend indicator urges caution

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

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,19	0,67	-0,08	0,39	-1,71	-2,24
European Union	0,22	0,81	0,94	1,05	1,75	1,04
Germany Covered	-0,06	0,27	0,05	-0,08	0,56	-0,11
EU Covered	-0,01	0,08	0,04	0,02	0,32	0,13
Banks senior preferred	0,09	0,51	0,72	0,92	2,94	2,12
Banks senior bail-in (SNP)	0,09	0,51	0,76	1,20	3,12	2,18
Banks subordinated	-0,01	0,18	0,62	0,91	2,91	1,86
Supranational	0,12	0,58	0,50	0,41	0,96	0,24
Agencies	0,15	0,61	0,30	0,07	-0,50	-0,97
Sub-Sovereigns Germany	0,04	0,28	0,08	-0,37	-1,06	-1,68
Sub-Sovereigns	0,11	0,60	0,41	0,00	0,05	-0,81



\*ASW levels standardized and 2T-smoothed, since 14.2.22 changed calculation of ASW levels by Markit.  
Sources: Refinitiv, Helaba Research & Advisory

Our risk trend indicator is dominated by the colour red. This shows that despite a recent improvement in overall market sentiment, there is no basis for an all-clear.



## SSA

The focus continues to be on "low-risk assets". The issues of the federal states have all gone through. The EUR 2.5 billion bond placed today by the state of NRW hit the mark with its 5-year maturity. With an order book of EUR 8.4 billion (incl. JLM), the original marketing spread was narrowed by 2 bps to MS-12. Overall, around 80% of new issues currently have a maturity of up to 5 years, the "sound barrier" settling just above this mark. Longer maturities can hardly be placed in the current market environment. Given the under-performance of the long end on the secondary market, this is hardly surprising. Thus, the last EU is trading around 11 bp wider and sentiment is clearly clouding over.

Overall, it seems, high oversubscription rates in the primary market are now a thing of the past. KfW barely made it across the finish line with a book-to-cover ratio (B/C) of 1.1. The ESM (B/C 2.1) and BPI Financement (B/C 2.0) fared better in this respect, although new issue premiums of 3 and 5 bps respectively had to be offered.

**Outlook:** The coming week will be dominated by the ECB's interest rate decision. In this respect, possible primary market activities will be limited to the time window from Monday to Wednesday.

€ SSA issues week of 17 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Bayerische Landesboden-Kreditanstalt	Aaa /-/-	0,250 Mrd.		21.10.2032	ms -9 Bp		17.10.2022	0,320 Mrd.	ms - 9 area
1,000%	ESM	Aa1 /AAA/AAA	2,000 Mrd.		23.06.2027	ms -25 Bp		16.05.2022	12,700 Mrd.	ms - 22 area
2,500%	KfW	Aaa /AAA/AAA	3,000 Mrd.		19.11.2025	ms -46 Bp		18.10.2022	3,200 Mrd.	ms - 46 area
3,375%	Bpifrance Financement	Aa2 /-/AA	1,250 Mrd.		25.11.2032	FRTRs +58 Bp		18.10.2022	2,100 Mrd.	FRTRs +60 area
3,000%	MO The Development Bank of the Netherland	- /AAA/AAA	0,500 Mrd.		25.10.2027	ms -12 Bp		18.10.2022	1,000 Mrd.	ms - 11 area
3m€+0 Bp	Berlin	Aa1 /-/AAA	0,500 Mrd.		27.01.2027	not disclosed		19.10.2022	not disclosed	not disclosed
3,000%	NRW	Aa1 /AA/AAA	2,500 Mrd.		27.01.2028	.		20.10.2022	8,400 Mrd.	.

Sources: Bloomberg, Helaba DCM

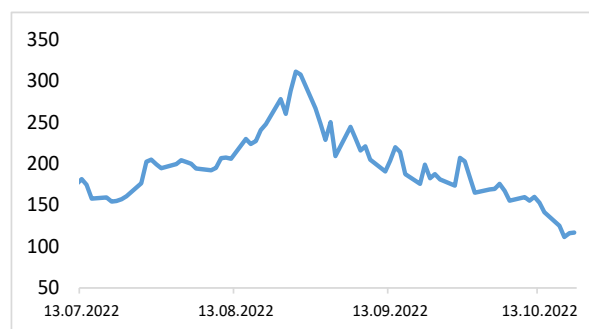


## Covered Bonds

Issuing activity in the covered bond segment continues unabated. Since Monday, seven benchmark covered bonds with a volume of EUR 7.25 billion have been placed. The 3-year transaction of the French Société Générale stood out and generated strong demand among investors. The EUR 1.5 billion issue was ultimately priced at MS+2 after going to market at MS+8. Without a doubt, the short maturity proved to be an advantage. It is worth noting that this was already the Bank's fourth benchmark covered issue this year, bringing the total placement volume to EUR 5.75 billion. Berlin Hyp issued a 5-year Pfandbrief with a volume of EUR 750 million at MS+2, reducing the price by 4 bps compared to the original indication.

### Natural Gas (TTF) 1-Month Forward - Is the downward trend coming to an end?

EUR/MWh



Sources: Refinitiv, Helaba Research & Advisory

**Outlook:** The upcoming ECB meeting will also have an impact on the primary market in Covereds, limiting the issuance window to the first half of the week. (suers October 2022). The rest of the year will be very bumpy according to our trading assessment. Price dislocations and poor overall market liquidity in the secondary market as well as the massively narrowed Bund/swap spread contribute to this, as do uncertainties regarding possible TLTRO changes.

*„The spread developments for longer maturities are extremely discouraging. The securities offered for sale by customers are not finding any real buyers, especially in the absence of central banks. This currently leaves the market makers as the only acceptors, who adjust their pricing accordingly. In plain language: the levels actually traded deviate in part drastically downwards from the "homely" screen world. Certainly, the practically non-existent absolute yield advantage also plays a role (with a view to the structure of the yield curves for swaps).“*

*Comment from the Helaba trading floor*

#### € Covered Bond issues week of 17 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	BPCE SFH	Aaa /AAA/-	1,750 Mrd.		24.01.2028	ms +13 Bp		17.10.2022	2,200 Mrd.	ms + 15 area
3,000%	Deutsche Pfandbriefbank AG	Aa1 /-/-	0,500 Mrd.		25.01.2027	ms +3 Bp		17.10.2022	0,675 Mrd.	ms + 5 area
3,000%	Societe Generale SFH	Aaa /-AAA	1,500 Mrd.		28.10.2025	ms +2 Bp		18.10.2022	4,000 Mrd.	ms + 8 area
3,000%	Berlin Hyp AG	Aaa /-/-	0,750 Mrd.		25.10.2027	ms -2 Bp		18.10.2022	1,230 Mrd.	ms + 2 area
3,250%	Toronto-Dominion Bank	Aaa /-/-	1,250 Mrd.		27.04.2026	ms +18 Bp		19.10.2022	1,500 Mrd.	ms + 20 area
3,125%	Hamburg Commercial Bank AG	Aa1 /-/-	0,500 Mrd.		01.07.2026	ms +8 Bp		20.10.2022	0,680 Mrd.	ms + 9 area
t.b.d.	Credit Mutuel Home Loan SFH	Aaa /AAA/AAA	1,000 Mrd.		31.10.2029	ms +17 Bp		20.10.2022	1,250 Mrd.	ms + 19 area

Sources: Bloomberg, Helaba DCM



### Senior Unsecured

The primary market environment for senior unsecured bank bonds has improved slightly in the past few days, although securities can still only be placed with investors with high spread concessions and shorter maturities are generally preferred. Issuing activity picked up again on Tuesday. Banco Commercial Portugues managed to fill the book well with EUR 850 million for its three-year EUR 350 million non-callable senior preferred bond. However, the coupon was high at 8.5% and the new issue premium at 25 bps. Nevertheless, other banks from the European periphery could follow suit and also become active on the primary market in the near future if there is still a need for refinancing. Yesterday, RBI also placed a EUR 500 million SP bond at MS+270. The cash market could not follow the good sentiment in the other market segments and traded significantly wider on a weekly basis. The pref segment widened by an average of 12-15 bps, with no jurisdiction able to escape. The non-prefs recorded a spread widening of 20 bp on average. For German banks, this was even more pronounced at 25 bp. Flows are mainly on the bid side, real money remains the seller, but the volumes are smaller and are still being digested to some extent by the dealers.

*“The bear market rally is currently in full swing. The stock markets rapidly gained height (e.g. the DAX almost 1,000 points in the meantime), the iTraxx indices narrowed brilliantly by almost 20 bp from the high and the Bund swap spreads ran tighter at extremely high levels. The positive mood of investors is currently not dampened by the central banks, even though they want to make big interest rate moves in the coming months. Next week, the ECB meeting is on the agenda and a 75 bp rate hike is expected.”*

*Comment from the Helaba trading floor*

**Outlook:** The bank reporting season for Q3 2022 starts and so does the black-out period. As already mentioned here, problem loan ratios and interest rate results will be of particular interest.

€ Senior preferred issues week of 17 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
8,500%	Banco Comercial Portugues, S.A.	Baa3 /BB+/BB	0,350bn		25.10.2025	ms +550 bps		18.10.2022	0,850bn	9% area
5,750%	Raiffeisen Bank International AG	A2 /-/	0,500bn		27.01.2028	ms +270 bps		19.10.2022	0,800bn	ms + 280 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 17 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,813%	Morgan Stanley	A1 /A-/A	1,000 Mrd.		25.10.2028	ms +175 Bp		18.10.2022	not disclosed	ms + 195 area
5,148%	Morgan Stanley	A1 /A-/A	1,750 Mrd.		25.01.2034	ms +200 Bp		18.10.2022	not disclosed	ms + 225 area
t.b.d.	Rabobank	A3 /A-/A+	1,000 Mrd.		27.01.2028	ms +155 Bp		20.10.2022	1,800 Mrd.	ms + 175 area

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
DNB BANK ASA	10/20	SKANDINAVISKA ENSKILDA BAN-A	10/26
NORDEA BANK ABP	10/20	DEUTSCHE BANK AG-REGISTERED	10/26
BANKINTER SA	10/20	BARCLAYS PLC	10/26
UBS GROUP AG-REG	10/25	BANCO SANTANDER SA	10/26
UNICREDIT BANK AG	10/25	STANDARD CHARTERED PLC	10/26
UBS GROUP AG-REG	10/25	SWEDBANK AB - A SHARES	10/27
HSBC HOLDINGS PLC	10/25	CREDIT SUISSE GROUP AG-REG	10/27
UNICREDIT SPA	10/26	LLOYDS BANKING GROUP PLC	10/27

Sources: Bloomberg, Helaba Research & Advisory



Short news

**10/18** The demand of **euro area banks** for **liquidity** from the European Central Bank (ECB) has changed little in the one-week main refinancing operation. According to the ECB, 3.640 billion euros were allotted at the fixed rate of 1.25 percent, compared with 3.622 billion the previous week. The bids of 26 institutions (previous week: 19) were fully serviced. Euro area banks thus obtained 0.018 billion euros more ECB liquidity. (Dow Jones)

**10/18 ECB/TLTRO:** Some European Central Bank policymakers reckon it's legally feasible to revise long-term lending conditions for banks after the terms became more generous because of changes in the economy, according to officials familiar with the matter. The so-called TLTRO loans were first issued in 2014 to encourage banks to lend as Europe's debt crisis weighed on growth and threatened to trigger a bout of deflation. They served a similar purpose after the pandemic struck.

Since then, however, record consumer-price gains of 10% and interest rates rising rapidly after years below zero have undermined the case for those contracts, said the officials, who asked not to be identified as the debate is private. (Bloomberg)

**10/17 EBA on supervisory practices:** **The European Banking Authority (EBA)** published today the conclusion of its peer review of how competent authorities supervise institutions' ICT risk management and have implemented the EBA Guidelines on ICT risk assessment under the supervisory review and evaluation process (SREP). Overall, the analysis suggests that the competent authorities across the EU have applied a risk-based approach to the supervision of ICT risk management. The EBA has not identified any significant concerns regarding the supervisory practices but makes some general recommendations for further improvements.

**10/17 Moody's – Household debt rises:** Household borrowing during the pandemic moderated the effects of the economic downturn, but it has led to a large debt legacy. Despite a drop in the second quarter of this year, global

household debt remained high at around \$57 trillion, \$8 trillion higher than in Q1 2020, according to the Institute of International Finance.

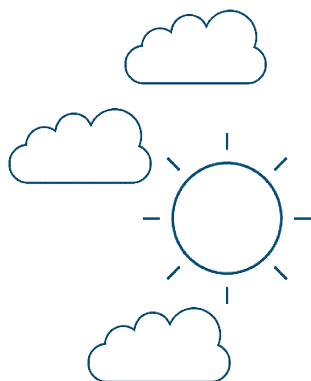
**10/14 Moody's Investors Service** ("Moody's") has upgraded the ratings of Deutsche Bank AG's (DB / the issuer) structured mortgage Pfandbriefe from Aa1 to Aaa. The rating action is prompted by the upgrade of the issuer's CR rating from A2(cr) to A1(cr).

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

E-STOXX 600 Banks	126	7,31%	-4,10%	iBoxx € Cov. Germany	2,1	0,7	-1,2	iTraxx Senior Financial	137,5	-10,8	3,6
10Yr-Yield	2,37	0,02	0,48	iBoxx € Cov. Bonds	11,3	1,0	-0,5	iBoxx € Supranational	6,5	5,72	4,39
Swap 10J	3,25	-0,06	0,56	iBoxx € Banks PS	99,6	11,0	17,9	iBoxx € Agencies	-12,7	8,39	4,90
iBoxx € Germany	-68,6	9,96	0,88	iBoxx Banks NPS	152,2	14,4	24,0	iBoxx € Sub-Sov. Germany	-1,2	3,71	-0,12
iBoxx € EU	13,8	9,12	9,91	iBoxx Banks Subordinated	256,7	8,1	32,0	iBoxx € Sub-Sovereign	17,7	6,62	4,00

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

**Leisure tip for the weekend: Current Exhibition at the Gasometer Oberhausen**



**Gasometer Oberhausen-** The current exhibition shows the beauty of nature and the influence of humans on their environment. Under the title "**The Fragile Paradise**", visitors are taken on a visually stunning journey through the turbulent climatic history of our Earth and can see impressive, award-winning photographs and videos of how the animal and plant world has changed in times of the Anthropocene. Thanks to the latest **3D technology**, visitors to the exhibition can virtually explore the world's largest rainforest conservation area, taking on the role of various inhabitants of this primeval forest. The highlight of the exhibition is a **monumental sculpture** of the earth, onto which new, high-resolution satellite images are projected, which hangs freely in the 100m high space of the Gasometer.

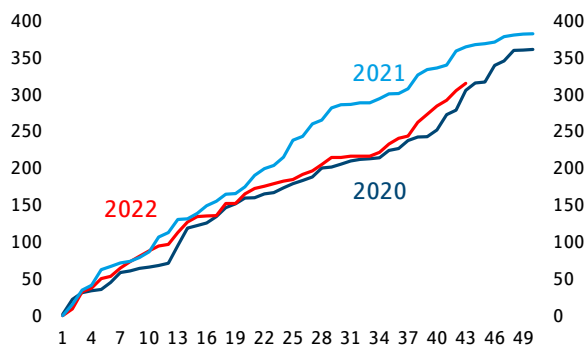
More information: [The Fragile Paradise — Gasometer Oberhausen](#)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).  
Source: [The Fragile Paradise — Gasometer Oberhausen](#)

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

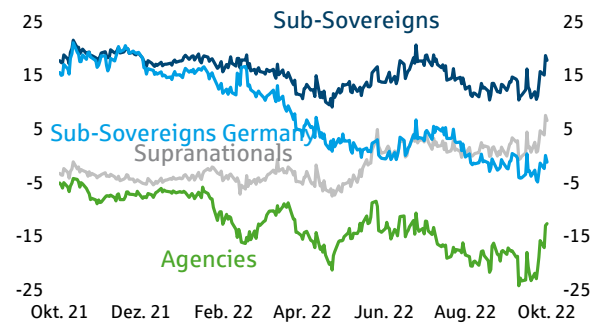
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

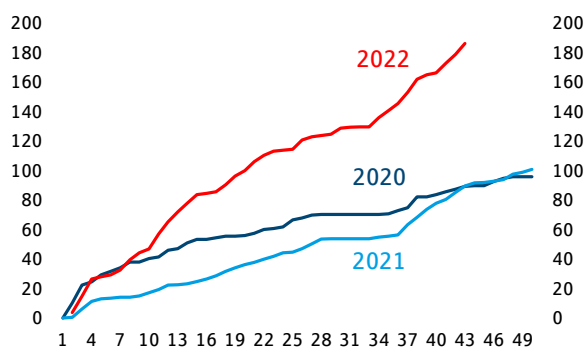
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

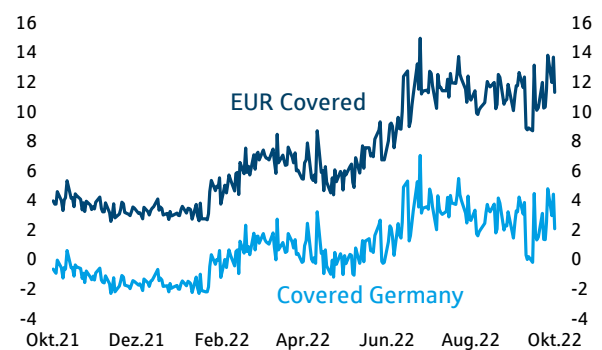
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

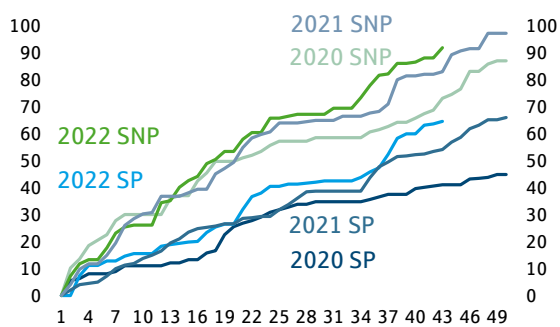
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

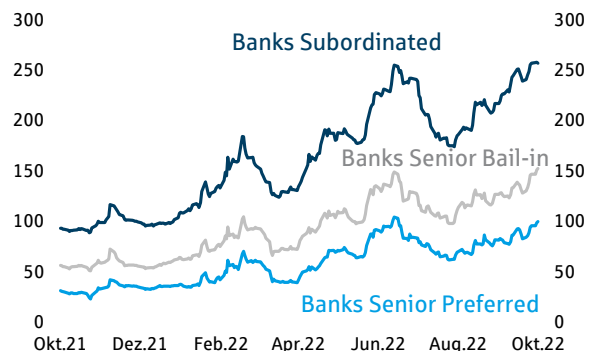
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



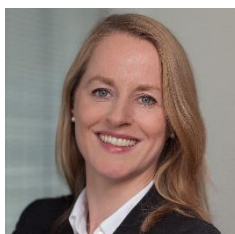
## News from Research & Advisory

- **FOCUS ON: CREDITS - PRIMARY MARKET UPDATE EUR BENCHMARK BANK BONDS: Q3 2022**
- **FOCUS ON: CREDITS - EUR CORPORATE BONDS: PRIMARY MARKET Q3 2022**
- **FOCUS ON: CREDITS – BANK AND COVERED BOND PROFILES GERMANY**
- **FOCUS ON: SSAs – GERMAN AGENCIES**
- **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 – EUROPEAN BANKS: CLIMATE RISK STRESS TEST HIGHLIGHTS NEED FOR FURTHER ACTION**
- **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](http://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/>