



## Weekly Market Update



**Primary market environment:** After the ECB, the BoE and the Fed also raised interest rates this week, as expected. The focus remains on the USA. Congressional elections will be held there next Tuesday. Polls point to gains on the Republican side. Overall, primary market conditions and the right transaction timing remain challenging.

### Primary market barometer

#### SSA



The market environment in the SSA segment is difficult. Shifting factors such as widening swap spreads are contributing to this, as is a possible balance sheet reduction by the ECB. Issues require higher new issue premiums and deals are just barely making it across the finish line.

#### Covered Bonds



Primary market activity has been limited recently. The interest rate decisions of various central banks, holiday-related interruptions and the search for a suitable issuing window contributed to this. The approaching end of the year makes a significant revival seem unlikely.

#### Senior Unsecured

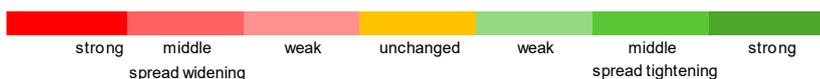


The senior unsecured segment was comparatively active this week despite the ongoing reporting season, holidays and central bank decisions, and probably benefited from the recently friendlier market environment. The market thus remains open for transactions, albeit at high spreads.

### Risk trend indicator signals renewed increase in risk aversion

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

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,00	-0,18	0,43	0,63	-1,73	-1,99
European Union	0,03	0,03	0,51	1,06	1,39	1,20
Germany Covered	0,04	0,19	-0,10	-0,35	0,46	-0,14
EU Covered	0,01	0,06	0,02	-0,03	0,33	0,16
Banks senior preferred	0,00	-0,47	0,04	1,14	2,72	1,84
Banks senior bail-in (SNP)	-0,03	-0,44	0,17	1,19	2,77	1,87
Banks subordinated	0,01	-0,38	-0,32	0,88	2,51	1,42
Supranational	0,04	0,12	0,35	0,41	0,86	0,33
Agencies	0,05	0,00	0,41	0,30	-0,53	-0,92
Sub-Sovereigns Germany	0,02	0,06	0,10	-0,27	-1,21	-1,57
Sub-Sovereigns	0,03	-0,01	0,25	0,18	-0,17	-0,75



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

The recently visible signs of easing are mostly a thing of the past again. Nevertheless, the two transactions in the senior unsecured segment were placed relatively successfully..



## SSA

The sentiment in the SSA segment has recently become more clouded. However, this had already become apparent, especially since even placements such as those of the EU could only point to relatively moderate book-to-cover ratios for this name. The slight improvement in sentiment of the past week has already faded. Even a green label no longer automatically becomes a bestseller. The EIB's tap of the 11/29 maturity

*„The SSA universe is currently experiencing a "radical change" and a difficult market environment seems to be accompanying the issuers for a long time. The end of the PSPP, the widening of swap spreads and speculation about an imminent reduction of the ECB's balance sheet explain the strong restraint of investors. In tendency, this leads to larger new issue premiums and investor enthusiasm remains limited*

*Comment from the Helaba trading floor*

did not succeed in narrowing the marketing spread on MS-17 again. The books were filled with just under one billion euros, including 200 million JLM, just enough for the deal to go through. EURO-FIMA did somewhat better with its green bond maturing 11/31. The spread was narrowed by 3 bps compared to the marketing indication. Overall, the market is depressed and repricing is expected to occur gradually. In this environment, we believe that caution is advisable across the entire curve.

**Outlook:** The environment is challenging, so it remains to be seen which issuers will show up on the primary market in the coming days.

€ SSA issues week of 31 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,375%	KFW	Aaa /AAA/AAA	1,000bn	✓	07.06.2032	ms -16 bps	✓	31.10.2022	1,200bn	ms-16 area
tbd	Eurofima	Aa2 /AA/-	0,500bn		09.11.2031	ms +19 bps		02.11.2022		ms + 22 area
2,625%	Hessen	- /AA+/-	0,500bn		10.09.2027	ms -19 bps		02.11.2022	0,840bn	ms - 19 area
2,750%	Nederlandse Watershaphsbank	Aaa /AAA/-	0,500bn		09.11.2027	ms -11 bps		02.11.2022	0,700bn	ms - 11 area
0,050%	EIB	Aaa /AAA/AAA	1,000bn		15.11.2029	ms -17 bps		02.11.2022	1,350bn	ms - 17 area

Sources: Bloomberg, Helaba DCM



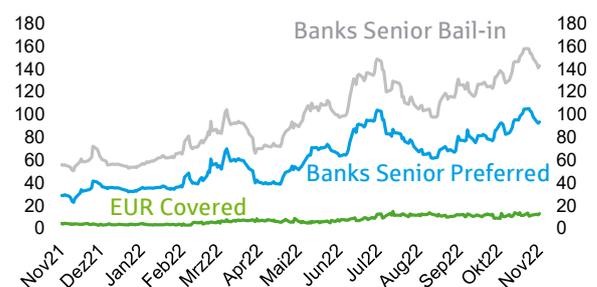
## Covered Bonds

Pre-Christmas calm? Not quite! However, the very limited primary market volume this week due to various holidays and the Fed meeting

provided a foretaste of what to expect as the year draws to a close. In any case, the remaining issuance window is likely to be limited to the next five weeks or so. At best, pull-forward effects in the course of an asset allocation that has already begun could provide another temporary boost. Another argument to become active this year is the expectation that spreads in the core segment will be higher next year than is currently the case. Irrespective of the motivation, the other conditions for an issue must of course also be right. Today Deutsche Bank placed a 5-year benchmark Pfandbrief. The issue met with good demand, so that the book was 1.6 times oversubscribed. The marketing spread of MS+10 was narrowed by 2 bps to MS+8.

### Spread gap from covered to senior grows

ASW in Bp.



Sources: Refinitiv, Helaba Research & Advisory

Our **secondary market** assessment that defensive action is to be preferred over the entire curve has not changed.

**Outlook:** The results of the central bank meetings are on the table. In this respect, it is to be expected that the primary market business will be somewhat more lively in the coming week. Various issuance projects are already in the pipeline. The motto: the shorter the maturity, the better, still applies.

€ Covered Bond issues week of 31 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%	Deutsche Bank AG	Aaa / -	1,000bn		28.03.2028	ms +8 bps		03.11.2022	1,600bn	ms + 10 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

The primary market for senior unsecured bank bonds held up comparatively well this week despite the reporting season, holidays and central bank decisions. The order books were well filled for the two transactions in this segment. Spain's fourth-largest institution Banco Sabadell was able to place a preferred bond with a 6-year maturity very comfortably with a 4-fold oversubscribed order book, offering a quite attractive new issue premium of around 30 bp. The Swedish SEB met with lively investor interest with its new non-preferred bond on the basis of its good rating and with a somewhat shorter maturity of 4 years at a premium of 15 bp. Both bonds were green.

The transactions were also supported by the banks' ongoing reporting season: the majority of banks were able to surprise on the upside, mainly due to the surprisingly strong increase in net interest income, while problem loan ratios remained low for the time being and cost inflation remained under control. However, we see the strong loan

*„The market digested the ECB's 75bp rate hike last week well and heard rather dovish tones, further fuelling the current bear market rally. This week, the FED and BOE followed suit with 75 bps rate hikes each. Investor flows were below average due to regional holidays, but much more balanced than recent weeks. Real money continues to seek the money side. Blocks of short FRNs were given and also some medium maturities in larger volumes. Dealers are currently more willing to price enquiries due to the good sentiment. In Real Money, space is being created for the final spurt of new issues in the next 4 weeks. ETF Funds are the most active buyers, and likewise we are seeing a lot of activity from Private Banking at current yield levels.“*

*Comment from the Helaba trading floor*

demand by companies that are increasing their working capital and drawing liquidity lines in the current business environment as actually crisis-driven. Furthermore, demand for mortgage loans is already easing noticeably, driving margin competition.

**Outlook:** The next week will again be impacted by the publication of quarterly reports and the associated black-out period. In addition, the year is drawing to a close and many houses have largely implemented their issuance plans, in some cases even overfulfilled them. Concerns that the market environment will remain difficult into next year mean that opening market windows could still be used for prefunding. Furthermore, the issues in this segment are strongly determined by regulatory requirements (MREL/TLAC).

€ Senior preferred issues week of 31 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,125%	Banco de Sabadell SA	-/BB+/BBB-	0,750bn		10.11.2028	ms +225 bps	✓	02.11.2022	2,900bn	ms +255 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 31 October 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,000%	SEB	Aa3 /A+/AA	1,000bn		09.11.2026	ms +118 bps	✓	02.11.2022	2,500bn	ms + 140-145

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
NATWEST GROUP PLC	10/28	INTESA SANPAOLO	11/04
BANCO BILBAO VIZCAYA ARGENTA	10/28	ERSTE GROUP BANK AG	11/04
BNP PARIBAS	11/03	SOCIETE GENERALE SA	11/04
RAIFFEISEN BANK INTERNATIONA	11/03	BPCE SA	11/04
ING GROEP NV	11/03		

Sources: Bloomberg, Helaba Research & Advisory



Short news

**11/2 ECB sets deadlines for banks to deal with climate risks:** The European Central Bank (ECB) published the [results of its thematic review](#), which shows that banks are still far from adequately managing climate and environmental risks. The ECB is now setting staggered deadlines for banks to progressively meet all the supervisory expectations it laid out in its Guide on climate-related and environmental risks. The ECB has set institution-specific deadlines for achieving full alignment with its expectations by the end of 2024.

**11/2 Moody's downgrades its outlook for the German banking system to negative:** The agency expects banks' credit quality, profitability and access to funding to deteriorate. (a.o. [Handelsblatt](#))

**10/28 Banking activities in Russia:** Russia-based AO Citibank is [selling a portfolio](#) of ruble-denominated personal installment loans to PJSC bank Uralsib as its U.S. parent Citigroup Inc. seeks to reduce operation in and exposure to Russia.

**10/27 EBA's priorities for prudential supervisors for 2023:** The [European Banking Authority](#) (EBA) published the European Supervisory Examination Programme (ESEP) for 2023, which identifies key topics for supervisory attention across the EU. The ESEP is part of an annual cycle and contributes to enhancing supervisory convergence by providing common directions and focus areas for supervisors, which helps them shape their prudential supervisory priorities and respective practices.

**10/27 Villeroy calls for integrating climate stress tests into Basel:** Climate change stress tests and transition plans for financial institutions globally should be integrated into the Basel capital requirements on risk governance, European Central Bank (ECB) policymaker Francois Villeroy de Galhau said. "In my view, the simplest and most international way forward is to integrate them into Basel capital requirements," he said. ([Reuters](#))

**10/27 Fitch Ratings Maintains Covered Bonds Refinancing Spread Level Assumptions in 3Q22:** Fitch Ratings has kept its refinancing spread level (RSL) assumptions unchanged following its quarterly review, as the observed

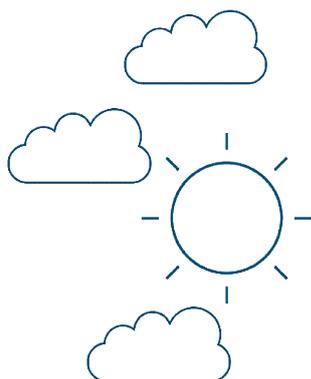
average sovereign and covered bonds spreads remain below its 'B' assumptions. The agency monitors its assumptions and may modify applicable RSL, notably in case of a change of country rating or significant and lasting spread movements on sovereign debt or covered bonds.

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

E-STOXX 600 Banks	130	1,77%	6,21%	iBovx €Cov. Germany	3,0	1,7	1,3	iTraxx Senior Financial	120,7	-2,2	-218
10Yr-Yield	2,14	0,02	0,12	iBovx €Cov. Bonds	13,0	2,0	2,5	iBovx €Supranational	7,5	1,97	6,00
Swap 10J	3,06	0,08	0,10	iBovx €Banks PS	93,6	-9,4	2,4	iBovx €Agencies	-12,4	1,21	8,28
iBovx €Germany	-69,9	-1,27	8,51	iBovx Banks NPS	142,7	-10,9	6,9	iBovx €Sub-Sov. Germany	0,8	1,36	3,80
iBovx €EU	13,3	1,10	8,09	iBovx Banks Subordinated	231,4	-17,2	-16,4	iBovx €Sub-Sovereign	13,3	0,82	5,49

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

**Leisure tip for the weekend: Goethe's residence and Goethe-National-Museum in Weimar**



**Goethe's residence in Weimar-** "One's home is half of one's life," Goethe wrote in a letter in 1795. To get to know Goethe's life better, it is therefore worth visiting Goethe's residence, which he lived in since 1782 for almost 50 years. In addition to manuscripts and books, the house also housed Goethe's ever-growing art and natural science collections. Numerous original pieces as well as furniture from his estate can still be viewed today. The highlight is the uniquely furnished office with the poet's private library. Afterwards, a visit to the Goethe National Museum right next door is worthwhile. The current exhibition "Floods of Life - Storm of Deeds" illuminates Goethe's eventful life in the epoch of modernity and reveals Goethe's complexity as a naturalist, draftsman and collector

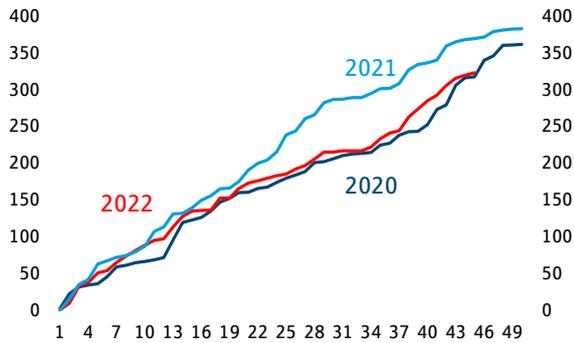
More information: [The Goethe Residence - Klassik Stiftung Weimar \(klassik-stiftung.de\)](https://www.klassik-stiftung.de)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).  
Source: <https://www.klassik-stiftung.de/en/goethe-national-museum/the-goethe-residence/>

## 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

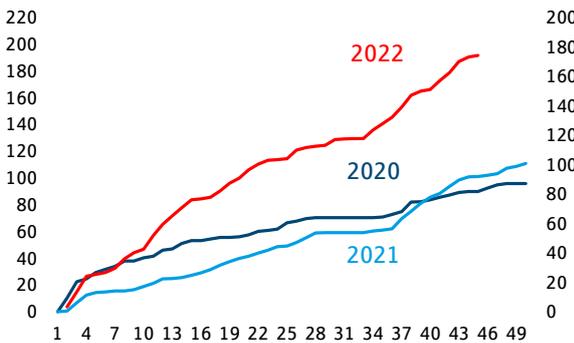
ASW spread, bp



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

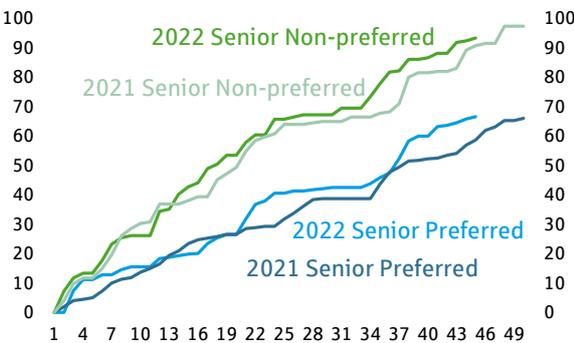
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

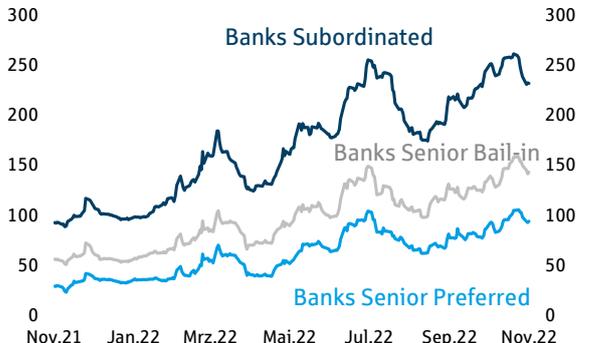
EUR benchmark issue volume cumulative by weeks, bn EUR



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/>