

# Focus on: SSA & Financials

## 12 January 2023



## Weekly Market Update



**Primary market environment:** The flood of issues on the primary markets continues. Corporate bankruptcies in Germany increased in 2022. In the USA, CPI data showed that price dynamics continued to decline at the end of last year. The confidence of market participants that key interest rates in the Eurozone will be raised less significantly in the future remains unbroken.

### Primary market barometer

#### SSA



Issuing activity in the SSA segment also picked up momentum at the beginning of this week. Overall, however, it must be stated that a certain normalisation is becoming apparent. The oversubscription rates, for example for the EFSF, are no longer as significant as they were last year.

#### Covered Bonds



The flood of issues on the primary market continued with high momentum in the second week of the year. The maturities chosen by the issuers as well as the level of spreads and new issue premiums play a significant role. Overall, issuance is going well at the moment.

#### Senior Unsecured

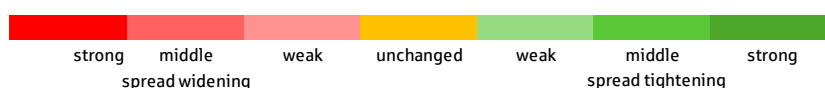


The flood of new issues continues to rise; the volume recently placed in this segment is record-breaking. Investors remain sensitive, but are being persuaded by attractive yields. Issuers will continue to make active use of open market windows in view of high maturities.

### Risk trend indicator: No all-clear

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,06	-0,05	0,66	1,51	0,30	-0,74
European Union	0,09	0,09	0,26	0,70	2,44	2,73
Germany Covered	0,05	0,02	-0,02	0,31	1,07	0,36
EU Covered	0,02	0,02	0,02	0,27	0,71	0,50
Banks senior preferred	0,04	0,04	0,45	-0,69	1,95	1,64
Banks senior bail-in (SNP)	0,03	0,03	0,37	-0,86	2,04	1,73
Banks subordinated	-0,02	0,02	0,27	-1,21	1,85	1,55
Supranational	0,09	0,10	0,23	0,86	1,96	1,95
Agencies	0,04	-0,07	0,28	1,10	0,65	0,16
Sub-Sovereigns Germany	0,06	0,06	0,01	0,82	-0,19	-0,65
Sub-Sovereigns	0,08	0,06	0,14	0,73	0,81	0,42



\* ASW levels standardized and 2T-smoothed  
Sources: Refinitiv, Helaba Research & Advisory

The picture of our risk trend indicator hardly differs from that of the previous week. The prevailing risk aversion in the market continues.



## SSA

As we expected, SSA primary market activity picked up significantly this week. A total of 15 transactions with a volume of EUR 25.75 billion were successfully concluded. Issuers from different jurisdictions such as the ESFS and Export Development Canada were represented with maturities of up to 20 years. The marketing of the EFSF started with an initial spread target of MS -22 for the 2026 maturity and MS + 8 for the 2033 maturity. Given that the upper books were oversubscribed by 2.5 and 2.9 times respectively, the spreads were ultimately able to tighten by 2 bp. for both tranches.

The SSA market environment is currently favourable, so that the majority of issuers met with good demand. However, there are signs of normalisation in the oversubscription rates. In our view, the increasing trend in new issue premiums - partly due to the large number of issues - also played a role. The ASW spreads of the SSAs continue to run out, and in some cases, such as for Supras and the Agencies, new 52-week highs were recently marked. These are considered to be procyclical in nature, so that the probability of a continuation of the trend direction is high.

**Outlook:** We expect the lively issuing activity to continue in the coming weeks. Issuers and investors alike are taking advantage of the opportunities that present themselves.

### € SSA issues week of 9 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	EFSF	AAA /AA/AA	2,000bn		17.08.2026	ms -24 bps		09.01.2023	5,000bn	ms - 22 area
2,875%	EFSF	AAA /AA/AA	4,000bn		16.02.2033	ms +6 bps		09.01.2023	11,400bn	ms + 8 area
0,375%	Rentenbank	Aaa /AAA/AAA	0,500bn	✓	14.02.2028	ms -12 bps		09.01.2023	not disclosed	ms - 12 area
3,000%	Rheinland-Pfalz	- /-/AAA	1,000bn		15.01.2025	not disclosed		09.01.2023	not disclosed	not disclosed
2,875%	Council of Europe Development Bank	Aa1 /AAA/AA+	1,000bn		17.01.2033	ms +7 bps		10.01.2023	1,250bn	ms + 8 area
3,000%	CADES	Aa2 /AA/-	5,000bn		25.05.2028	FRTR +42 bp	✓	10.01.2023	31,000bn	FRTR +45 area
3,500%	Société du Grand Paris	Aa2 /-/AA	1,000bn		25.05.2043	FRTR +51 bp	✓	10.01.2023	3,600bn	FRTR +53 area
3,000%	Agence France Local	Aa3 /AA/-	0,750bn		20.03.2030	FRTRs +54 bp		11.01.2023	1,900bn	FRTRs + 57 area
2,875%	Municipality Finance Plc	Aa1 /AA+/-	1,500bn		18.01.2028	ms +0 bps		11.01.2023	3,600bn	ms + 2 area
2,900%	IBRD	Aaa /AAA/-	3,000bn		19.01.2033	ms +11 bps	✓	11.01.2023	4,300bn	ms +12 area
2,875%	SFIL	Aa2 /AA/-	1,500bn		18.01.2028	FRTR +45 bp		11.01.2023	4,600bn	FRTR +49 area
2,750%	Saarland	- /-/AAA	0,500bn		18.01.2030	-3 bp		11.01.2023	0,740bn	ms - 3 area
2,875%	Export Development Canada	Aaa /AAA/-	2,000bn		19.01.2028	0 bp	✓	11.01.2023	2,600bn	ms + 1 area
2,875%	KommuneKredit	Aaa /AAA/-	0,500bn		19.01.2035	21 bp		12.01.2023	0,475 bn	ms + 21 area
2,875%	Agence Francaise de Developpement	- /AA/AA	1,500bn		21.01.2030	FRTRs +51 bp	✓	12.01.2023	2,100 bn	FRTRs +53 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

This week, the high level of issuing activity that had already begun in the previous week continued. A total of 13 issues with a total volume of EUR 12.25 billion were placed. A trend towards dual or multi-tranche transactions is currently emerging. With this type of transaction structure, it is possible to address different groups of investors who are interested in different maturities. DZ Hyp, BPCE SFH and Deutsche Bank chose such a format this week. It was DZ Hyp's 3-year green covered bond that stood out with an order book of around

*"The second trading week, unsurprisingly, continues to be dominated by high-pressure primary markets. In the process, the daily deluge of fresh product in all asset classes is leading to elevated NIPs - a textbook buyer's market. The main reason for the high level of activity, even taking seasonal patterns into account, is undoubtedly the central banks' imminent withdrawal from QE measures. These had strongly supported the market for years. "*

*Comment from the Helaba trading floor*

EUR 4 billion and eight times oversubscription. Overall, demand continues to focus on the short to medium maturity range. Remarkably, it is again possible to successfully place longer maturities of 10 years, for example. New issue premiums remain at an elevated level. As in the previous week, price sensitivity in the order books remains high in some cases, which limits the potential for tightening spreads. Overall, the chance of tightening spreads is still greatest for short-dated issues of "national champions", especially if the issue volume was already limited at the beginning of marketing.

On the **secondary market**, risk premiums on existing bonds are being pulled upwards as a result of the usual switching activities of clients, "out of old, into new". In terms of maturities, short maturities remain the sweet spot. A widening of secondary market spreads can be observed.

According to the statements of Isabell Schnabel, member of the Executive Board of the European Central Bank (ECB), green investments will probably be given greater importance by the central bank in the future. Initially, it seems that supras, agencies and corporates will be in the focus. Such an approach should ultimately also affect covered bonds. In our opinion, this would give green covereds in particular, but also other ESG covereds, relative spread support.

**Outlook:** In our view, the high volume of issuance is likely to continue in the coming weeks. In particular, high maturities and the ECB's continued activities until the end of February support this trend.

€ Covered Bond issues week of 9 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	DZ HYP AG	Aaa /AAA/-	0,500bn		16.01.2026	ms -4 bps		09.01.2023	4,000bn	ms + 1 area
3,000%	DZ HYP AG	Aaa /AAA/-	0,500bn		30.11.2032	ms +13 bps		09.01.2023	1,300bn	ms + 16 area
3,250%	Bank of Nova Scotia	Aaa /-AAA	1,750bn		18.01.2028	ms +35 bps		09.01.2023	2,000bn	ms + 38 area
3,125%	BPCE SFH	Aaa /AAA/-	1,750bn		20.07.2027	ms +19 bps		10.01.2023	2,600bn	ms + 23 area
3,125%	BPCE SFH	Aaa /AAA/-	1,000bn		20.01.2033	ms +34 bps		10.01.2023	1,250bn	ms + 36 area
3,000%	Deutsche Bank AG	Aaa /-/-	0,500bn		18.01.2027	ms +5 bps		10.01.2023	1,900bn	ms + 10 area
3,000%	Deutsche Bank AG	Aaa /-/-	0,500bn		18.07.2030	ms +16 bps		10.01.2023	1,100bn	ms + 20 area
3,000%	Sparkasse Pforzheim Calw	- /-AAA	0,500bn		18.01.2027	ms +8 bps		10.01.2023	1,700bn	ms + 12 area
2,875%	NORD/LB	Aa1 /-/-	0,500bn		19.03.2030	ms +15 bps		11.01.2023	0,650bn	ms + 15 area
3,125%	BBVA	Aa1 /-/-	1,500bn		17.07.2027	ms +27 bps		11.01.2023	2,709bn	ms + 32 area
3,125%	RLB Steiermark AG	Aaa /-/-	0,500bn		18.01.2027	ms +24 bps		11.01.2023	0,880bn	ms + 27 area
3,000%	UniCredit Bank Austria AG	Aaa /-/-	1,000bn		31.07.2026	17 bp		12.01.2023	1,55bn	ms + 20 area
2,875%	Rabobank	Aaa /-/-	1,250bn		19.01.2033	19 bp		12.01.2023	1,55bn	ms + 23 area
2,875%	Deutsche Pfandbriefbank AG	Aa1 /-/-	0,500bn		19.01.2029	16 bp		12.01.2023	0,46bn	ms + 16 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

The flood of new issues continues to rise - even for a start of the year, the last few days have been record-breaking. In the first three trading days of the current week alone, a volume of EUR 12.8 billion in senior unsecured bank bonds in EUR benchmark format with fixed coupons came to the market. Of the total of 15 transactions, 13 were preferred-ranked. Our expectation that issuers will make increased use of this asset class in the current year is therefore more than fulfilled.

In the receptive market environment, issuers are managing to structure transactions in line with demand and also to push through somewhat longer maturities. Investors, on the other hand, continue to have shorter investment horizons and are highly spread-sensitive, as is also evident from the dual tranche deals. It is also striking that floaters are being placed again in the current interest rate environment.

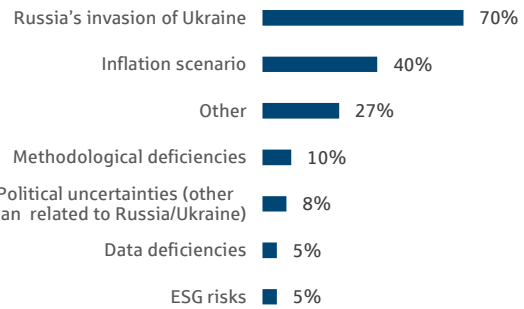
While the primary market remains in focus in the second trading week of this year, the secondary market is slowly getting into swing. However, the spreads of recently issued bonds developed quite differently. Issuers seem to want to waste no time and are taking advantage of the open market window to refinance their extensive maturities this year. The friendly market environment with a confident credit outlook for the banking industry is paving the way for this.

In our [outlook for 2023](#) published yesterday, we expect the credit trend for the European banking sector to remain stable. The sector could once again be one of the outperformers in 2023, not least thanks to further increases in interest rate gains. In addition, following the regulatory reforms of recent years, institutions have very robust balance sheet quality with high capital ratios.

**Outlook:** The issuance needs of European banks in 2023 are again extremely high. The main reasons for this are high maturities and regulatory requirements for total liable capital (MREL/TLAC). We therefore expect a record volume of around EUR 180 billion of fixed coupon EUR benchmark bank bonds to come to the market in 2023 as a whole, unchanged from the previous year (see our publication ["Primary Market Update EUR Benchmark Bank Bonds"](#) of Jan. 9, 2023). Issuers will therefore continue to make active use of open market windows and lose no time in doing so.

### Ukrainekrieg und Inflation sind Hauptsorgen

Reasons for providing overlays in credit risk provisioning for reasons other than COVID-19.



Sources: EBA, Helaba Research & Advisory

*„On the secondary market, new issues continue to be the benchmark. The respective performance in secondary trading is mixed. Despite the mass of new issues, turnover is lagging expectations and relatively few "old" bonds are being sold to free up lines for new issues. Surprisingly, some real money accounts are already starting to offload the new issues. This is usually more familiar from another counterparty group.”*

Comment from the Helaba trading floor

#### € Senior Preferred issues week of 9 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3m€+55 Bp	Banco Santander, S.A.	A2 /A+/A	2,000bn		16.01.2025	ms +55 bps		09.01.2023	3,100bn	3m€ +80 area
3,750%	Banco Santander, S.A.	A2 /A+/A	1,750bn		16.01.2026	ms +80 bps		09.01.2023	2,300bn	ms + 100/105 bp
3,875%	Banco Santander, S.A.	A2 /A+/A	1,250bn		16.01.2028	ms +110 bps		09.01.2023	1,800bn	ms + 130/135 bp
4,000%	Erste Group Bank AG	A2 /A+/A	0,750bn		16.01.2031	ms +125 bps		09.01.2023	1,500bn	ms + 150 area
3,703%	Westpac Banking Corporation	Aa3 /AA-/	1,000bn		16.01.2026	ms +60 bps		10.01.2023	1,400bn	ms + 75/80 bp
3,799%	Westpac Banking Corporation	Aa3 /AA-/	0,500bn		17.01.2030	ms +90 bps		10.01.2023	0,825bn	ms + 105/110 bp
4,800%	UniCredit S.p.A.	Baa1 /BBB/BBB	1,000bn		17.01.2029	ms +190 bps		10.01.2023	2,400bn	ms + 220 area
3m +98 Bp	NatWest Markets Plc	A1 /A-/A+	0,750bn		13.01.2026	ms +98 bps		10.01.2023	1,500bn	3m€ 130 area
4,250%	NatWest Markets Plc	A1 /A-/A+	0,750bn		13.01.2028	ms +130 bps		10.01.2023	1,250bn	ms + 155 area
4,125%	BAWAG P.S.K.	A2 /-/	0,500bn		18.01.2027	ms +115 bps	✓	10.01.2023	1,200bn	ms + 140/145 bp
7,250%	Luminor Bank AS	Baa1 /-/	0,300bn		16.01.2026	ms +397 bps		10.01.2023	0,500bn	
4,000%	Länsförsäkringar Bank AB	A1 /A-/	0,500bn		18.01.2027	ms +115 bps	✓	11.01.2023	1,000bn	ms + 140/145 bp
3,652%	Australia and New Zealand Banking Group Ltd.	AA3 /AA-/A+	1,000bn		20.01.2026	60 bp		11.01.2023	1,450bn	ms + 75/80 bp
4,000%	Credit Agricole SA	Aa3 /A+/AA-	1,000bn		18.01.2033	120 bp		11.01.2023	2,100bn	ms + 140/145 bp
4,875%	Banco BPM S.p.A.	Ba1 /-/BBB-	0,750bn		18.01.2027	205 bp	✓	11.01.2023	1,400bn	ms + 230 area
6,250%	Banca IFIS S.p.A.	Baa3 /-/BB+	0,300bn		19.01.2027	337 bp		12.01.2023	0,400bn	
6,875%	Iccrea Banca S.p.A.	- /BB/BB-	0,500bn		20.01.2028	400 bp	✓	12.01.2023	0,750bn	
7,125%	Raiffeisenbank a.s.	Baa2 /-/	0,500bn		19.01.2026	393 bp		12.01.2023		

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 9 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,000%	ABN AMRO Bank NV	Baa1 /BBB/A	1,000bn		16.01.2028	ms +115 bps		09.01.2023	1,950bn	ms + 140/145 bp
4,875%	Bank of Ireland Group plc	A3 /BBB-/BBB	0,750bn		16.07.2028	ms +205 bps	✓	09.01.2023	5,000bn	ms + 245 area
4,375%	La Banque Postale	Baa2 /BBB-/A	0,750bn		17.01.2030	ms +155 bps		09.01.2023	1,030bn	ms + 170-175 bp
4,375%	BNP Paribas SA	Baa1 /A-/A+	1,000bn		13.01.2029	ms +145 bps	✓	10.01.2023	1,700bn	ms + 175 area
3m€ +43 Bp	Royal Bank of Canada	A1 /A/AA-	1,750bn		17.01.2025	ms +43 bps		10.01.2023	1,900bn	3m€ 60 area
5,125%	Commerzbank AG	Baa2 /BBB-/	0,750bn		18.01.2030	240 bp		11.01.2023	4,100bn	ms + 270 area
3m€ +45 Bp	Toronto-Dominion Bank	A1 /A/AA-	2,000bn		20.01.2025	3m€ 45 bp		12.01.2023		3m€ 60 bp area

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date
JPMORGAN CHASE & CO	01/13
CITIGROUP INC	01/13
BANK OF AMERICA CORP	01/13
WELLS FARGO & CO	01/13
GOLDMAN SACHS GROUP INC	01/17
BANKINTER SA	01/19

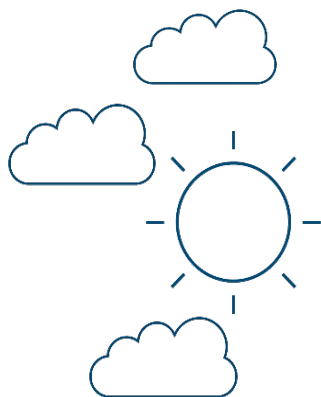
Sources: Bloomberg, Helaba Research & Advisory

E-STOXX 600 Banks	151	1,49%	8,91%	iBoxx € Cov. Germany	4,9	-0,3	-1,1	iTraxx Senior Financial	89,1	-4,1	-3,2
10Yr-Yield	2,2	-0,1	0,3	iBoxx € Cov. Bonds	17,8	0,1	-0,3	iBoxx € Supranational	15,9	0,65	2,21
Swap 10J	2,8	-0,1	0,2	iBoxx € Banks PS	82,3	-0,6	10,7	iBoxx € Agencies	1,6	-1,17	2,76
iBoxx € Germany	-47,0	-0,9	7,3	iBoxx Banks NPS	124,0	-1,7	11,5	iBoxx € Sub-Sov. Germany	11,8	0,81	0,31
iBoxx € EU	21,6	0,5	2,8	iBoxx Banks Subordinated	192,6	-1,5	12,9	iBoxx € Sub-Sovereign	26,7	0,43	1,53

\* Closing prices from the previous day

Sources: Refinitiv, Helaba Research & Advisory, \* ASW-Spreads

Leisure tip for the weekend: Merkers Adventure Mine, (Krayenberg municipality OT Merkers)



Deep beneath the hills of the Rhön, a valuable treasure has been buried for millions of years: Potash rock. For almost a hundred years the minerals were mined in the Merkers mine, and now you can explore this special place for yourself. Experience hands-on mining technology, follow the traces of the legendary Reichsbank treasure in the historic gold room, and marvel at the sparkle of the giant salt crystals in the crystal grotto, the only one of its kind in the world.

More information: [Merkers Adventure Mine](#)

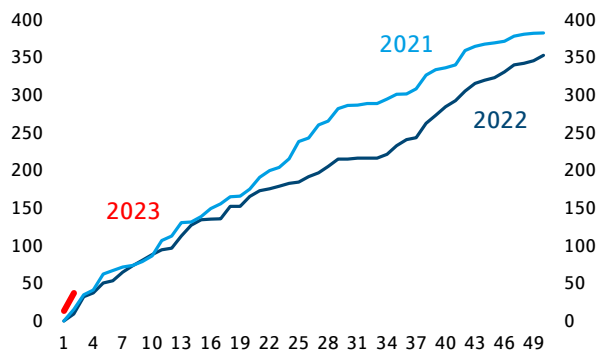
Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).

Source: <https://www.erlebnisbergwerk.de>

## Chartbook SSA, Covered Bonds, Senior Unsecured

## SSA: Primary volumes

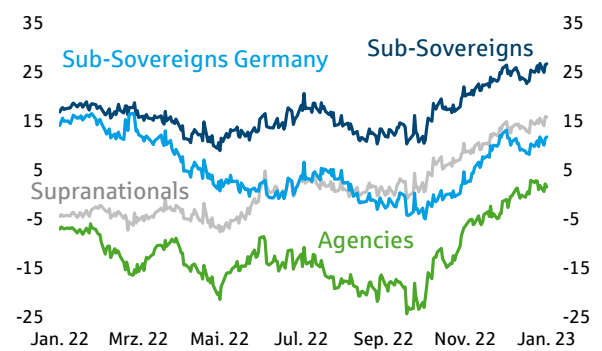
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## SSA: Spread development

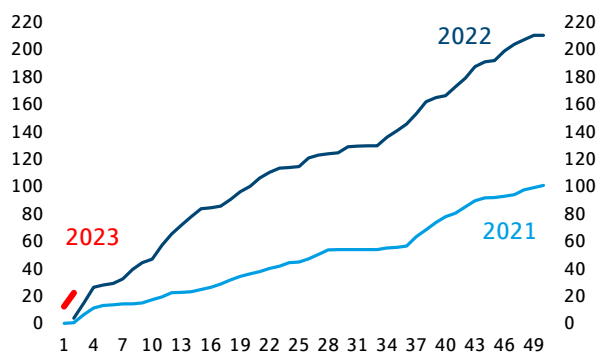
ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory

## Covered Primary volumes

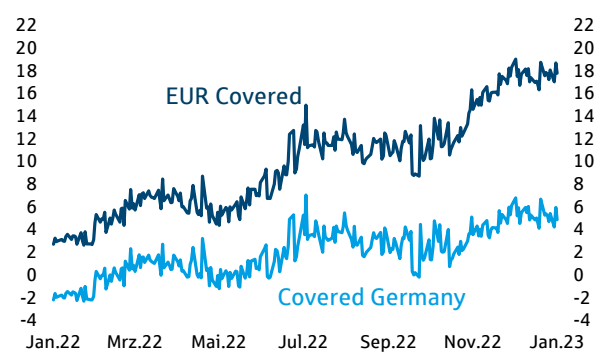
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## Covered Bonds: Spread development

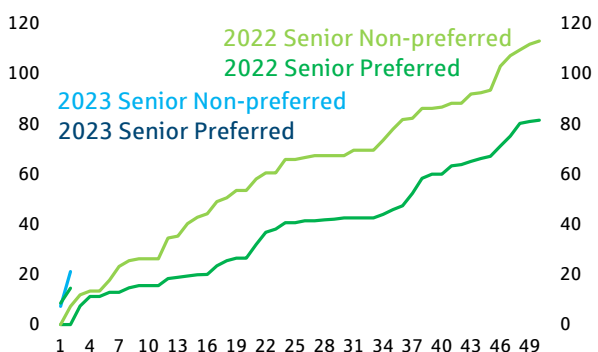
ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory

## Senior Primary volumes

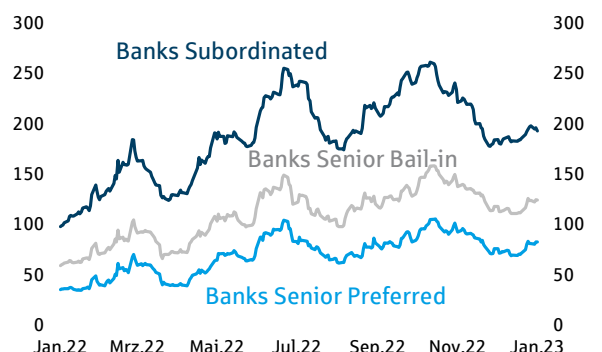
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research &amp; Advisory

## Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research &amp; Advisory



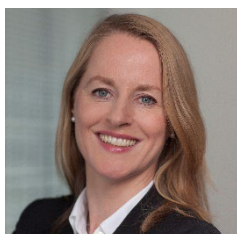
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