

# Focus on: SSA & Financials

## 19 January 2023



## Weekly Market Update



**Primary market environment:** The flood of issuance in the primary markets continues unabated, although there are signs of increasing differentiation among issuers. The Bank of Japan left its key interest rate and yield curve management policy unchanged. In the US, firms are pessimistic about economic growth, according to the Fed.

### Primary market barometer

#### SSA



This week, 6 issuers from the SSA segment showed up. Medium maturities, such as the 6 years chosen by Brandenburg, are solid. For longer maturities, the issuer name is of great importance.

#### Covered Bonds



The flood of issues that has been taking place since the beginning of the year continued on the primary market this week. The maturity band chosen by issuers continues to play an important role in the success of an issue. Smaller issuers are also finding it increasingly difficult to place new bonds.

#### Senior Unsecured

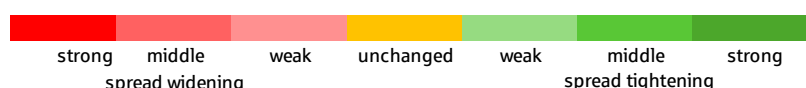


In this segment, banks have placed a record volume of issues since the beginning of the year, albeit with slight signs of fatigue recently. In the next few days, the big US banks will return after completing quarterly releases, in Europe however the blackout period will slowly begin.

### Risk trend indicator: Slight signs of relaxation

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,07	0,14	0,41	1,53	0,41	-0,63
European Union	0,06	0,40	0,57	1,24	2,81	3,05
Germany Covered	0,04	0,27	0,21	0,90	1,35	0,69
EU Covered	0,02	0,11	0,12	0,46	0,82	0,63
Banks senior preferred	-0,07	-0,09	0,34	-0,99	1,78	1,60
Banks senior bail-in (SNP)	-0,08	-0,16	0,16	-1,15	1,74	1,66
Banks subordinated	-0,05	-0,20	-0,03	-1,33	1,46	1,41
Supranational	0,05	0,39	0,55	1,42	2,36	2,33
Agencies	-0,05	0,15	0,23	1,29	0,80	0,28
Sub-Sovereigns Germany	0,05	0,22	0,30	1,05	0,02	-0,36
Sub-Sovereigns	0,02	0,31	0,45	1,09	1,08	0,76



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

In the short term, the picture of our risk trend indicator has brightened somewhat. Especially for senior unsecured bank bonds, the market environment seems comparatively friendly. However, it is still too early to sound the all-clear..



## SSA

This week's issue volume totalled EUR 4.25 billion. The strong result of the previous week (15 transactions with a volume of €25.75 billion) could not be achieved. As in the other asset classes, the issuer names and the selected maturities play a central role. In the case of "national champions" such as KfW (Tap), the issues crossed the finish line without any problems; WIBank was able to successfully place a 10-year benchmark security (EUR 600 m, order book > EUR 3.2 bn) at MS+8, while Quebec with the same maturity had to accept MS+41. Medium maturities such as the 6 years chosen by Brandenburg are running very solidly. The trend towards widening ASW spreads continued recently. With the exception of the agencies, new trend-confirming multi-year highs were marked this week.

**Outlook:** There are several projects in the pipeline. The EU has already sent out RfPs (Request for Proposals). A dual tranche is expected to be placed next week and possibly the long end will be tested. If the test is successful, this could encourage other issuers to make similar attempts. Issuers from the country segment will probably also show up. The AIIB (Asian Infrastructure Investment Bank) is going on a roadshow for the possible issue of a EUR debut sustainable development bond.

€ SSA issues week of 16 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%	Quebec	Aa2 /AA-/AA-	2,250bn		24.01.2033	ms +41 bps		17.01.2023	3,100bn	ms + 42 area
2,750%	Nederlandse Watershopsbank	Aaa /AAA/-	0,500bn		17.12.2029	ms +5 bps	✓	17.01.2023	0,425bn	ms + 5 area
0,125%	KfW	Aaa /AAA/AAA	1,000bn	✓	09.01.2032	ms -15 bps		07.07.2022	1,100bn	ms - 15 area
2,500%	Brandenburg	Aaa /-/-	0,500bn		25.01.2029	ms -5 bps		18.01.2023	0,900bn	ms - 4 area
2,625%	WIBank	- /AA+/-	0,600bn		26.01.2033	ms +8 bps		19.01.2023	3,200bn	ms + 11 area
2,500%	Nordic Investment Bank	Aaa /AAA/-	0,500bn		30.01.2030	ms -5 bps	✓	19.01.2023	0,875bn	ms - 3 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

The "issuance train" continues to run at full steam. Since Monday, a relatively high number of new issues with a volume of EUR 5.8 billion have been placed. On the one hand, the very extensive maturities, especially in January, and the chance to profit from the ECB as a buyer play a significant role. On the other hand, the valuations are relatively attractive compared to other asset classes. In addition, bonds are now generat-

*"In summary, it can be said: New week, old trading pattern! The primary market sets the price points for secondary activity. Although there is a lack of significant central market activity, turnover is relatively high. However, the overall widening of swap spreads increasingly raises the question of "higher for longer" or a buying opportunity after all. What is certain is that valuations look quite cheap relative to other asset classes."*

*Comment from the Helaba trading floor*

ing the highest yields in more than a decade and are becoming more attractive compared to equities - especially if the economic environment continues to deteriorate. **Yields on German Pfandbriefe** currently average 2.81% for AAA ratings, 2.85% for AA+ and 3.18% for A+.

The **motto for this week's issues** was: the shorter the maturity, the better. Thus, transactions with maturities of up to 3 years stood out in particular. Dekabank and Münchener Hypotheken-bank successfully took advantage of the current trend and benefited from the search for short-dated assets with narrow spreads. Conversely, there was less demand for maturities of 7 years and longer. For example, the spreads of NIBC and Bausparkasse Schwäbisch

Hall no longer tightened during the marketing process. Medium maturities function very solidly, as the three Austrian issuers of the week proved. Pfandbriefe from the neighbouring country thus already add up to a volume of EUR 5.15 billion. We assume that a substantial part of the issuance planned for 2023 has already been completed, especially since the demand for mortgage loans has also decreased significantly in Austria. Further information can be found in our Focus Austria - Economic Slippage.

Apart from maturities, there is currently also a differentiation between issuers. Big names are preferred, which is probably also related to the credit lines available to them.

The **secondary market** continues to be dominated by the primary market, especially since new issue premiums (NIPs) remain relatively high. At least there were some secondary follow-on purchases after the new placements. In addition, we believe that the spread levels that have now been reached should calm down somewhat, even though volatility is high.

**Outlook:** In our view, primary market activity will continue dynamically in the coming weeks, especially as the ECB will remain active on the buy side until the end of February.

€ Covered Bond issues week of 16 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%	RLB Vorarlberg	Aaa I/-	0,300bn		25.01.2027	ms +23 bps		16.01.2023	0,710bn	ms + 26 area
2,875%	LBBW	Aaa I/-	1,000bn		23.03.2026	ms -5 bps		16.01.2023	3,400bn	ms flat area
3,000%	RLB Tirol AG	Aaa I/-	0,500bn		24.01.2028	ms +29 bps		17.01.2023	0,695bn	ms + 32 area
2,875%	Bausparkasse Schwäbisch Hall	Aaa I/-	0,500bn		24.06.2032	ms +17 bps		17.01.2023	0,580bn	ms + 17 area
2,875%	NIBC Bank N.V.	- /AAA/-	0,500bn		24.01.2030	ms +28 bps		17.01.2023	0,765bn	ms + 28 area
3,000%	DekaBank	Aaa I/-	0,250bn		27.01.2025	ms -11 bps		17.01.2023	1,900bn	ms -5 area
3,000%	Caja Rural de Navarra	Aa1 I/-	0,500bn		26.04.2027	ms +36 bps	✓	18.01.2023	1,400bn	ms + 40 area
2,875%	Oberösterreichische Landesbank AG (HYPO Oberösterreich)	- /AA+/-	0,250bn		25.08.2027	ms +27 bps		18.01.2023	0,455bn	ms + 30 area
2,750%	Münchener Hypothekbank eG	Aaa I/-	1,000bn		24.09.2025	ms -9 bps		18.01.2023	3,450bn	ms - 3 area
2,750%	OP Mortgage Bank	Aaa I/-	1,000bn		25.01.2030	ms +20 bps		18.01.2023	1,250bn	ms + 21 area

Sources: Bloomberg, Helaba DCM



## Senior Unsecured

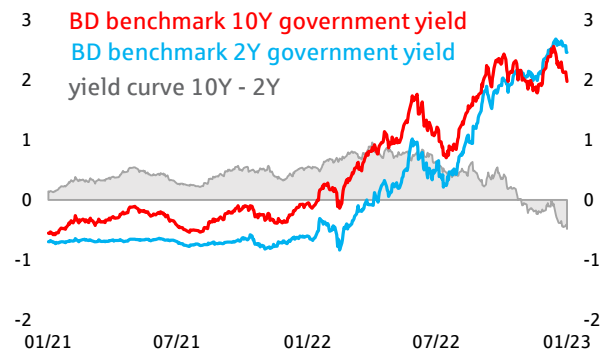
In the senior unsecured segment, banks have placed a record volume of issues since the beginning of the year, although slight signs of fatigue have been observed in recent days: From Monday to Tuesday of this week, at least eight senior unsecured transactions in the EUR benchmark format came to the market, compared with more than 20 deals in the previous week. Issuers are taking advantage of the high risk appetite of investors as well as tighter spreads and are wasting no time in fulfilling their extensive refinancing plans (see our publication "[Primary market update EUR benchmark bank bonds](#)" of Jan. 5, 2023).

This week again saw a number of successful transactions with both Senior Preferred and Non-preferred ranks. The **dual tranche concept** continues to be used, e.g. by BFCM as a senior non-preferred transaction with different maturities (5 and 10 years) and BPCE S.A. with a senior preferred tranche (5 years) and a tier 2 bond (12NC7). Depending on volume and spread, longer maturities can also be placed encouragingly well.

**Outlook:** While the major US banks have already presented their Q4 2022 results, the reporting season in Europe gets going the week after next. The black-out period that begins here could therefore slow down issuance somewhat.

## Inverse yield curve determines hedging strategies

Redemption yield, %



Sources: Refinitiv, Helaba Research &amp; Advisory

„Turnover is at a high level, but it is mainly concentrated on the new bonds, which are recording good volumes on the trading platforms for both the buy and sell side. Outstanding bonds are sold much less to relieve the lines than in previous years. This shows that many real money investors still took increased profits during the spread rally in Q4 2022 and currently have high cash holdings.”

Comment from the Helaba trading floor

#### € Senior Preferred issues week of 16 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,500%	BPCE SA	A1 /A/AA-	1,250bn		25.01.2028	ms +90 bps		16.01.2023	1,750bn	ms + 110/115 area
3,750%	SpareBank 1 SR-Bank	A1 /-/-	1,000bn		23.11.2027	ms +110 bps	✓	17.01.2023	1,380bn	ms + 130/135 area
4,750%	Raiffeisen Bank International AG	A2 /-/-	1,000bn		26.01.2027	ms +195 bps		18.01.2023	2,800bn	ms + 230 area
7,125%	Eurobank S.A.	Ba3 /B+/B+	0,500bn		26.01.2029	ms +440 bps		19.01.2023	1,450bn	.

Sources: Bloomberg, Helaba DCM

#### € Senior Non-preferred issues week of 16 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,625%	AIB Group PLC	A3 /BBB-/BBB	0,750bn		23.07.2029	ms +195 bps	✓	16.01.2023	3,900bn	ms + 225 area
3,875%	BFCM	A3 /A-/A+	1,000bn		26.01.2028	ms +130 bps		17.01.2023	1,300bn	ms + 150 area
4,000%	BFCM	A3 /A-/A+	0,500bn		26.01.2033	ms +150 bps		17.01.2023	0,900bn	ms + 170 area
3,750%	National Bank of Canada	A3 /BBB+/A+	0,500bn		25.01.2028	ms +125 bps		18.01.2023	1,000bn	ms + 145 area
5,750%	Creilan SA/NV	Baa3 /-/-	0,500bn		26.01.2028	ms +315 bps		19.01.2023	0,950bn	ms + 325 area

Sources: Bloomberg, Helaba DCM

#### Reporting dates of selected banks

Issuer	Date
SKANDINAVISKA ENSKILDA BAN-A	01/26
SPAREBANKEN MORE-CAP CERT	01/26

Sources: Bloomberg, Helaba Research & Advisory



## Short news

**1/16 EBA published annual quantitative monitoring report on minimum requirement for own funds and eligible liabilities:** The [European Banking Authority](#) (EBA) published its annual quantitative Report on minimum requirement for own funds and eligible liabilities (MREL) with data as of December 2021. The Report shows progress in closing MREL shortfalls, albeit at a lower rate for smaller banks and concludes that the impact of MREL on banks' profitability is manageable, although heterogeneous across types of banks and Member States.

**1/13 ECB urges banks to fix risks in trades with hedge funds:** The European Central Bank (ECB) has warned Europe's lenders they will face regulatory intervention unless they urgently fix "material shortcomings" in managing risks from trading counterparties such as hedge funds, family firms, and commodity traders, as reported by the [Financial Times](#).

**1/13 The liquidity coverage ratio of EU banks declined in the first half of 2022 but is still well above the minimum requirement:** The [European Banking Authority](#) (EBA) published its Report on liquidity measures. The report found that the liquidity coverage ratio (LCR) declined to 166% in June 2022. EU banks hold materially lower liquidity buffers in foreign currencies, which requires enhanced monitoring by banks and supervisors.

**1/13 TLTRO repayments:** According to the [repayment notice](#) of Jan. 13, 2023 (settlement Jan. 25), the total repayment amount is only EUR 62.7 billion, compared with consensus estimates of an average of around EUR 213 billion (the range was between EUR 75 and 450 billion). In November and December, EUR 744 billion was already repaid to the ECB.

**1/12 EBA risk dashboard:** [EBA Risk Dashboard](#) shows that capital and liquidity ratios remain robust.

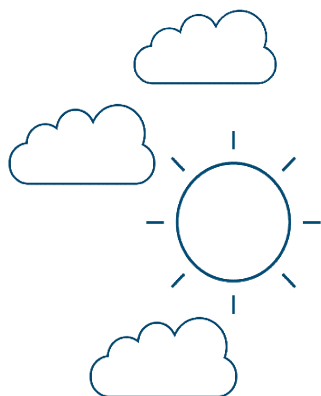
**Market Data** (current\*, vs. 1 week, vs. 4 weeks)

E-STOXX 600 Banks	155	2,24%	9,58%	iBoxx € Cov. Germany	7,5	2,6	1,4	iTraxx Senior Financial	86,7	-2,4	-17,0
10Yr-Yield	2,0	-0,2	-0,3	iBoxx € Cov. Bonds	20,8	3,0	2,6	iBoxx € Supranational	20,2	4,33	5,79
Swap 10J	2,6	-0,2	-0,4	iBoxx € Banks PS	78,8	-3,4	8,6	iBoxx € Agencies	3,3	1,74	3,07
iBoxx € Germany	-44,9	2,1	6,8	iBoxx Banks NPS	116,6	-7,3	4,3	iBoxx € Sub-Sov. Germany	15,4	3,55	4,84
iBoxx € EU	26,4	4,8	6,7	iBoxx Banks Subordinated	181,2	-11,4	-2,5	iBoxx € Sub-Sovereign	30,3	3,51	5,45

\* Closing prices from the previous day

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

**Leisure tip for the weekend: Neanderthal Museum**



**Neandertal World of Adventure, Talstr. 300, 40822 Mettmann**

The Neandertal World of Adventure includes the museum and five other highlights that you can discover during your day trip to us. Here you can spend a varied day with the whole family, find an extraordinary extracurricular place of learning with your school class, celebrate an unforgettable children's birthday party or meet for a great team event in an impressive setting! Experience the history of mankind and the Stone Age by seeing, hearing, touching and participating!

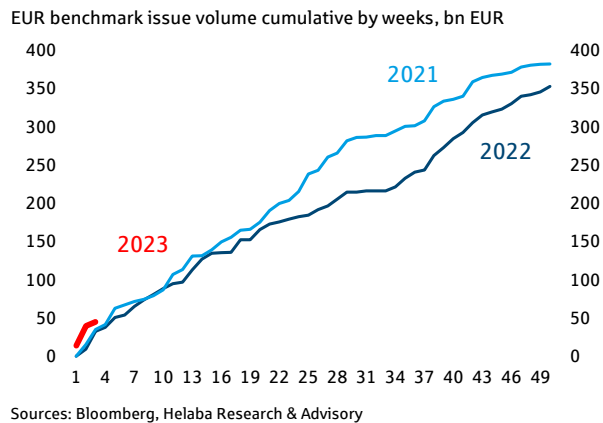
More information: [Neandertal World of Experience](#)

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

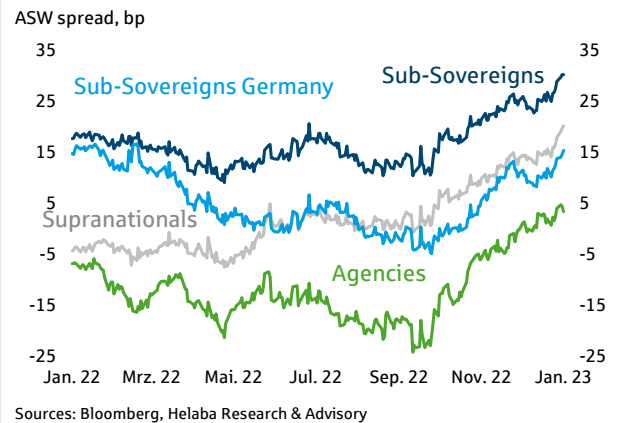
Source: <https://www.Neandertal.de>

## Chartbook SSA, Covered Bonds, Senior Unsecured

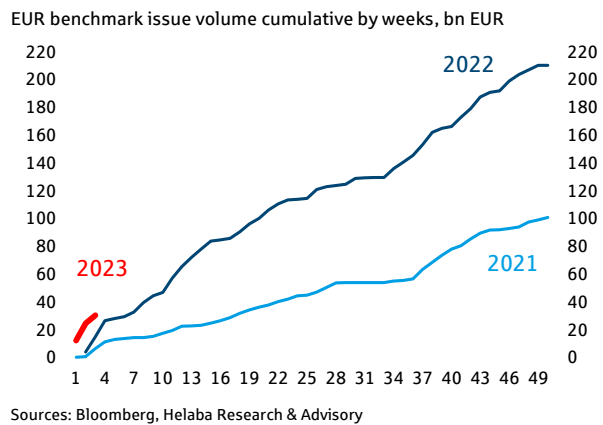
### SSA: Primary volumes



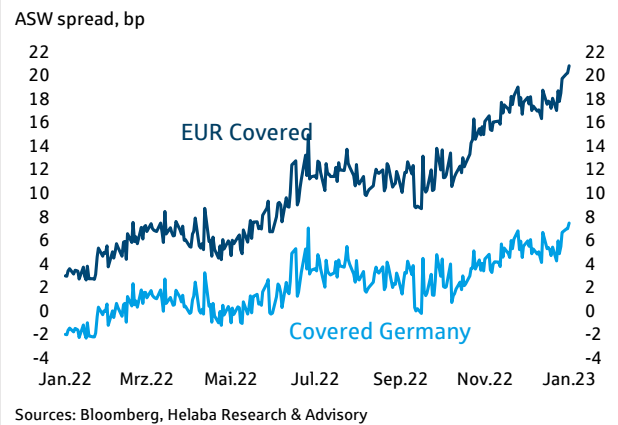
### SSA: Spread development



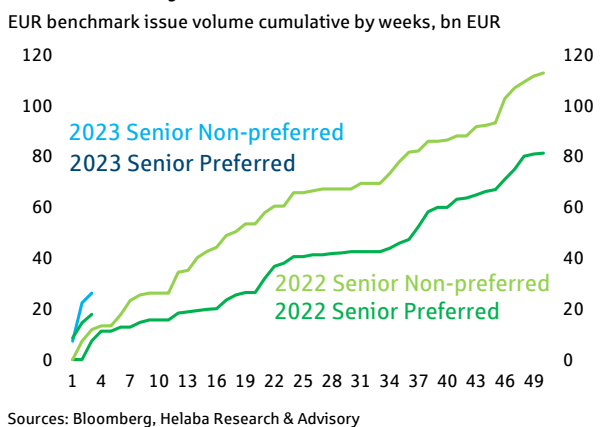
### Covered Primary volumes



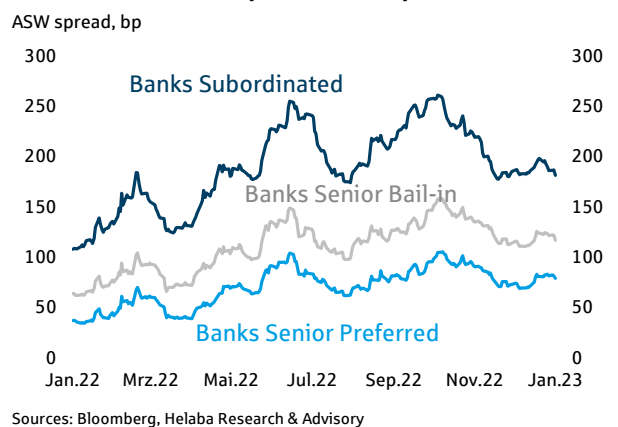
### Covered Bonds: Spread development



### Senior Primary volumes



### Senior Unsecured: Spread development





## News from Research & Advisory

- **European banks: An optimistic outlook for 2023**
- **Focus on: Primary Market update EUR Benchmark Bank Bonds Q4 2022**
- **Focus on: Singaporean Covered Bonds - Top credit quality made in Asia**
- **Credits: Corporate Schuldschein: Primary market 2022**
- **Markets and Trends 2023**
- **FOCUS ON CREDITS - BASEL III AND THE EU COUNCIL'S POSITION ON THE LEGISLATIVE PACKAGE**
- **FOCUS ON: SUSTAINABLE FINANCE - THE RENDEZVOUS CLAUSE**
- **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**

## 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 24

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/>