

Focus on: SSA & Financials

9 February 2023



Weekly Market Update



Primary market environment: The primary markets have recently been very dynamic compared to the previous week. An end to the pronounced issuing activity is not in sight, although German inflation rose slightly to 8.7 % in January. Representatives of the Fed and the ECB repeatedly made clear in recent days that there will be further interest rate hikes due to high inflation.

Primary market barometer

SSA



Issuing activity in the SSA segment eclipsed all others this week. 17 new bonds with a value of EUR 18,9 billion found their way to investors. In the short term, an end to the flood of issuance is not in sight.

Covered Bonds



Issuers are making good use of the constructive primary market environment and at the same time are enjoying strong demand. The spreads could be tightened by an average of 7 bps compared to marketing.

Senior Unsecured

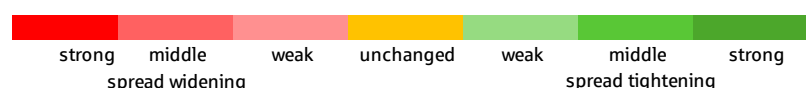


Many banks have published their quarterly reports and are coming out of the blackout period, a noticeable increase in transactions can thus be observed. These are well perceived in the friendly market environment.

Risk trend indicator: Inconsistent picture

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,09	0,10	0,04	0,73	0,76	-0,61
European Union	-0,03	0,04	0,26	0,95	2,41	2,89
Germany Covered	-0,11	0,02	0,08	0,32	1,16	0,74
EU Covered	-0,04	0,00	0,04	0,18	0,79	0,67
Banks senior preferred	0,07	-0,33	-0,87	-1,40	0,78	0,94
Banks senior bail-in (SNP)	0,06	-0,36	-1,11	-1,59	0,51	0,86
Banks subordinated	0,02	-0,22	-0,80	-1,41	0,46	0,92
Supranational	-0,03	0,02	0,23	0,91	2,04	2,19
Agencies	-0,01	-0,05	-0,06	0,47	0,69	0,17
Sub-Sovereigns Germany	-0,04	-0,06	-0,07	0,46	-0,27	-0,36
Sub-Sovereigns	-0,02	-0,04	-0,05	0,45	0,73	0,61



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

The recent increase in fluctuations of our risk trend indicator continues. As a result, the picture is mixed.



SSA

In view of various central bank meetings, issuers on the primary market were cautious in the previous week. This week, the SSA segment in particular made an impressive comeback. The new issues met with very brisk demand, which led to very high bid/cover ratios. On Monday, the Land of Berlin very successfully placed its debut sustainability bond (10 years, EUR 750 million). This is the fourth federal state - after North Rhine-Westphalia, Baden-Württemberg and Hesse - to launch sustainable bonds. The Berlin bond triggered a veritable run, so that the very granular order books could be closed at around EUR 5.25 billion after only 3 hours. The spread tightened by 3 bps compared to the marketing. In view of the immense issuing activity, one gets the impression that market participants are afraid of missing out. The successful issuance in January seems to favour the recent trend. Previous concerns that ample net supply and further interest rate hikes would have a lasting negative impact on the market do not seem to have materialised. The opposite is probably the case.

Outlook: In the coming week, the EU will again be active on the primary market within the framework of the NextGenerationEU programme. In addition, we expect dynamic issuance activity to continue.

€ SSA issues week of 6 February 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	Berlin	Aa1 /-/AAA	0,750bn		14.02.2033	ms -2 bps	✓	06.02.2023	5,250bn	ms + 1 area
3,875%	Cassa Depositi e Prestiti S.p.A.	- /BBB/BBB	0,500bn		13.02.2029	BTPS +35 bp	✓	06.02.2023	2,800bn	TPS + high 40s area
3,000%	Asian Infrastructure Investment Bank	Aaa /AAA/AAA	1,500bn		14.02.2028	ms +13 bps	✓	07.02.2023	2,000bn	ms +15 area
2,750%	KfW	Aaa /AAA/AAA	3,000bn		14.02.2033	ms -4 bps	✓	07.02.2023	34,000bn	ms - 1 area
3,050%	ICO	Baa1 /A/A-	0,500bn		31.10.2027	SPGB +22 bp	✓	07.02.2023	4,500bn	SPGB +27 area
3,125%	Japan Bank for International Cooperation	A1 /A+/-	1,000bn		15.02.2028	ms +20 bps		08.02.2023	1,800bn	ms + 22 area
2,850%	Sachsen-Anhalt	Aa1 /A/AAA	0,500bn		15.02.2033	ms -2 bps		08.02.2023	1,500bn	ms - 1 area
2,750%	EIB	Aaa /AAA/AAA	5,000bn		28.07.2028	ms -9 bps	✓	08.02.2023	30,500bn	ms - 7 area
3,500%	Basque Government	A3 /A-/A	0,700bn		30.04.2033	SPGB +21 bp	✓	08.02.2023	5,000bn	SPGB + 27 area
3,125%	Caisse des Depots et Consignations	Aa2 /A/A	1,000bn		25.05.2033	FRTRs +29 bp		08.02.2023	8,300bn	FRTRs +33 area
3,625%	Action Logement Services	Aa2 /A/A	1,200bn		25.05.2043	FRTR +56 bp	✓	08.02.2023	2,700bn	FRTR +58 area
2,750%	Rentenbank	Aaa /AAA/AAA	0,500bn		16.02.2032	ms -4 bps		09.02.2023	0,750bn	ms -4 area
2,750%	L-Bank	Aaa /A+/AAA	1,250bn		16.02.2028	t.b.d.		09.02.2023	t.b.a.	ms -6/8 wpir
3,250%	Région Wallonne	A3 /-/	1,000bn		22.06.2033	BGBs +44 Bp	✓	09.02.2023	1,600bn	BGBs +45 area
3,500%	Région Wallonne	A3 /-/	0,500bn		15.03.2043	BGB +45 Bp	✓	09.02.2023	0,850bn	BGBs +45 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Compared to the previous week, primary market activity has increased significantly since Monday. Eleven covereds with a volume of EUR 9.85 billion have been issued since then. The oversubscription rates were all very significant. Issuers from various jurisdictions were active. One highlight was undoubtedly Belfidus, whose four-year bond limited to EUR 500 million attracted a final order book of EUR 3.6 billion. The 7.2-fold

"Trading activity is picking up again. The picture is as follows: Central banks are already reducing their order quotas ahead of the announced withdrawal from the primary market. At the same time, enquiries in the secondary market are increasing. Recently, for example, French Covereds with medium maturities were in focus. The result at the end of the day was tighter swap spreads."

Comment from the Helaba trading floor

oversubscription favoured a marked spread narrowing of 6 bps compared to the initial offer. On average, the bid/cover ratio this week was an impressive 3.7.

With Sumitomo Mitsui Banking Corp., an issuer from Japan was also represented this week. The 3-year benchmark was successfully placed at MS+48, 10 bps below the initial spread target.

So far, the primary market seems to be coping well with the foreseeable lack of central bank activity. On the contrary, it seems that some market participants have already positioned themselves with increased secondary market purchases in anticipation of this development.

Notwithstanding the ECB's latest pronouncements (see below for further details), the central bank significantly expanded its CBPP3 holdings by €1.3 billion through net purchases in January.

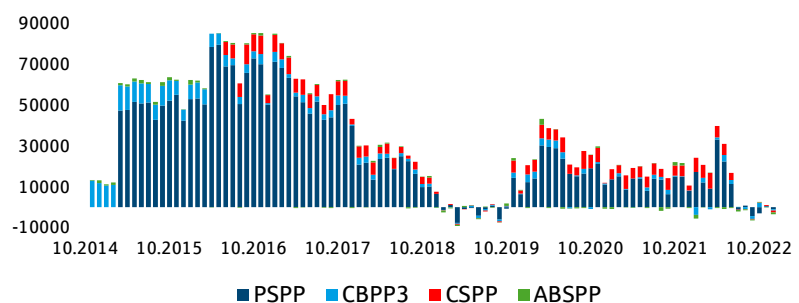
Outlook: Bund swap spreads have narrowed noticeably and could tighten further from current levels. This would make covereds correspondingly more expensive. Nevertheless, the constructive undertone should remain intact for the time being. Especially in the event that the yield curves move a little towards normality again, i.e. gradually reduce their record-high inversions.

Chart of the Week

After the ECB statement last Thursday, uncertainties remained about further purchases under the APP programme. What is certain, however, is that the central bank will gradually cap purchases in the primary market for the private sector programmes (AB-SPP, CBPP3, CSPP) as partial re-investments begin from March until June. This excludes non-banks, whose green paper will continue to be purchased for CSPP.

ECB purchase programs – A chapter comes to an end

Mio.EUR / Monthly net purchases at book value



Sources: ECB, Helaba Research & Advisory

For covered bond issuers who still want to profit from ECB purchases, the window of opportunity will become increasingly smaller. In anticipation of this scenario, issuance plans have already been brought forward - the second-strongest euro benchmark bond offering in January speaks a clear language. While the market had previously assumed that the Eurosystem's participation rate in CBPP3 would be reduced from 20% to 10% in March, it can now no longer be ruled out that the reduction will be implemented more quickly. It is possible that the ECB will completely discontinue its primary market activities by the end of February. On the secondary market, the central bank will continue to be active as a buyer, albeit to a reduced extent, which in our opinion should have a stabilising effect on the development of spreads.

€ Covered Bond issues week of 6 February 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Landesbank Saar	- /-IAAA	0,250bn		14.02.2028	ms +7 bps		07.02.2023	0,880bn	ms + 12 area
3,602%	Sumitomo Mitsui Banking Corporation	Aaa /-/-	0,750bn		16.02.2026	ms +48 bps		07.02.2023	2,750bn	ms + 58 area
3,000%	Belfius Bank SA/NV	- /AAA/AAA	0,500bn		15.02.2027	ms +9 bps		07.02.2023	3,600bn	ms + 15 area
3,250%	Banco Santander, S.A.	Aa1 /-IAA	0,500bn		14.02.2028	ms +38 bps		07.02.2023	2,400bn	ms + 45 area
3,125%	Aareal Bank AG	Aaa /-/-	0,750bn		13.02.2026	ms +3 bps		08.02.2023	2,350bn	ms + 8 area
3,000%	ING Bank N.V.	Aaa /AAA/AAA	2,000bn		15.02.2026	ms -2 bps		08.02.2023	4,800bn	ms + 4 area
3,000%	ING Bank N.V.	Aaa /AAA/AAA	2,000bn		15.02.2033	ms +19 bps		08.02.2023	3,200bn	ms + 23 area
3,625%	UniCredit Bank Czech Republic and Slovakia, a.s.	Aaa /A2 /-/-	0,500bn		15.02.2026	ms +60 bps		08.02.2023	2,400bn	ms + 75 area
3,125%	Oma Saastopankki Oyj	- /AAA/-	0,350bn		15.06.2028	ms +31 bps		08.02.2023	1,500bn	ms + 38 area
t.b.d.	Cajamar Caja Rural SCC	- /AA/-	0,750bn		16.02.2028	ms + 50 Bp		09.02.2023	1,600bn	ms +60 area
3,000%	BPCE SFH	Aaa /AAA/-	1,500bn		17.10.2029	ms +23 bps		09.02.2023	3,100bn	ms + 28 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

In the past two weeks, the reporting season and blackouts had considerably dampened primary market activity for senior unsecured bank bonds. Many of the major players have now presented their quarterly results and can resume their issuance activity. This week has already seen a **noticeable pick-up in EUR benchmark issuance**. The placed volume totaled EUR 4.6 billion in 7 transactions. In the previous week, EUR 3.0 billion was placed in 4 transactions.

The share of regulatory-driven non-preferred bonds was slightly in the majority with 4 transactions, while 3 transactions were green.

The latest new issues performed quite well both during placement and subsequently in the secondary market. The market environment was mainly driven by the central bank decisions of the last week, but also the **banks' results** attracted a lot of attention. They were somewhat more mixed this week than the week before: Credit Suisse, which is mired in the crisis, had to report a loss of CHF 7.3 billion for 2022, and Société Générale's result was burdened by its exposure to Russia. Overall, however, the picture of strongly rising net interest income and steadily low credit risk costs was confirmed (see our Credit publication "[European Banks – An optimistic outlook for 2023](#)" dated Jan. 11, 2023).

Outlook: The quarterly reporting season for banks continues in the coming weeks, but the majority of institutions have now submitted their results. In view of the sizeable maturities in 2023 and regulatory requirements for total bail-in capital (MREL/TLAC), we expect **continued brisk primary market activity** in a friendly market environment.

„The mass of flows continues to be concentrated on the 2023 new issues. The two new green non-preferred bonds issued by Bayerische Landesbank and Helaba accounted for a fairly large share of real money flows last week. Furthermore, insurers and asset managers used the current high yields as a buying opportunity. Last week's monthly rebalancing also provided a further boost to turnover and the opportunity to generate 2-way flows. On the retail side, bonds with 1,000 denomination such as from Commerzbank, Goldman Sachs, Renault Finance or the new 27 PBBGR are in vogue.

As the saying goes: After the rate hike is before the rate hike. Inflation and economic data, as well as the speeches of respective council members of the central banks are now in focus. The speech Powells from Tuesday made thereby the beginning and opened again fantasies in different directions. It remains exciting.”

Comment from the Helaba trading floor

€ Senior Preferred issues week of 6 February 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,125%	Hypo Vorarlberg Bank AG	A3 /-/-	0,500bn		16.02.2026	ms +105 bps	✓	07.02.2023	1,750bn	ms + 120/125 area
5,885%	Cassa Centrale Banca	- /-/BBB-	0,500bn		16.02.2027	ms +275 bps		08.02.2023	2,750bn	ms + 300 area
5,952%	Tatra Banka a.s.	A3 /-/-	0,300bn		17.02.2026	t.b.d.	✓	09.02.2023	3,750bn	ms +310 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 6 February 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,625%	Virgin Money UK	Baa1 /BBB-/BBB+	0,500bn		29.10.2028	ms +175 bps		07.02.2023	1,350bn	ms + 200 area
3,625%	DNB Bank ASA	A3 /A/-	1,000bn		16.02.2027	ms +63 bps	✓	09.02.2023	t.b.a.	ms + 90 area
4,450%	UniCredit S.p.A.	Baa3 /BBB-/BBB-	1,000bn		16.02.2029	ms + 160 Bp		09.02.2023	2,100bn	ms + 185 area
4,000%	Nykredit Realkredit A/S	- /BBB+/A	0,750bn		17.07.2028	ms + 115 Bp		09.02.2023	1,200bn	ms + 140 area

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
SPAREBANKEN NOR	2/10	STANDARD CHARTERED PLC	2/16
BPCE SA	2/10	COMMERZBANK AG	2/16
BARCLAYS PLC	2/15	NATWEST GROUP PLC	2/17

Sources: Bloomberg, Helaba Research & Advisory



Short news

2/8 Fitch Ratings Raises Minimum ESG.RS for Mortgage Securitisations and Covered Bonds

Fitch Ratings has increased the minimum ESG Relevance Scores (ESG.RS) expected for two ESG general issues across mortgage securitisations and covered bonds (CVBs) in some countries to '2' from '1'. This is to reflect changes to the relevant operating and/or regulatory environments. The revision has no effect on credit ratings. An ESG.RS of '2' indicates that an ESG general issue is relevant to the sector but not to the specific transaction or programme from a credit perspective, whereas an ESG.RS of '1' indicates that a general issue is relevant neither to the sector nor to the transaction or programme from a credit perspective.

2/8 Platform on Sustainable Finance – List of members: The [European Commission](#) (EC) published the list of members for the new mandate of the Platform on Sustainable Finance. The Platform will advise the Commission on the EU Taxonomy and the EU sustainable finance framework, with a focus on usability.

2/8 ECB Supervision Publishes SREP Results: ECB leaves 2023 capital requirements unchanged on average as banks maintain resilience. This is the outcome of this year's supervisory review and evaluation process (SREP). Despite a gloomier outlook during the year, higher interest rates have driven improved profitability and stronger capital accumulation. On average, banks continued to have solid capital and liquidity positions. Most had more capital than was required under the capital requirements and recommendations of the previous SREP cycle.

2/8 ECB piles pressure on banks to exit Russia: Andrea Enria, chair of supervision at the European Central Bank (ECB) said the ECB is putting pressure on eurozone banks to cut their Russian exposures even as the window to sell these assets was narrowing after the Kremlin turned "more hostile" to such moves. As reported by the [Financial Times](#), many western banks with subsidiaries in Russia have sought to leave the country, but only a few have done so, often at a steep cost.

2/8 ECB's supervisor gives seal of approval to payout plans: Europe's top banking regulator said the industry's plans for rewarding shareholders aren't excessive after some lenders dialed back payouts. "The distribution plans are sustainable from our perspective," Andrea Enria, top oversight official at the ECB said in a [Bloomberg](#) interview.

2/6 S&P on banks outlook: According to S&P Global Market Intelligence, Eurozone lenders face holes in interest income, reduced liquidity, and higher deposit and financing costs as the end of the ultra-cheap money era begin. Q4 earnings show the first evidence of the effects of the European Central Bank (ECB)'s decision to hasten repayments due under its stimulus program, known as the third targeted longer-term refinancing operation (TLTRO III).

2/6 Lithuania may tax windfall bank profits: Lithuania may introduce a windfall tax on banks if profits continue to soar this year on the back of rising interest rates, the country's central bank governor and Finance Minister Gintare Skaiste said. As reported by [Reuters](#), she added that extra proceeds to the government should be spent on defense. A special tax for banks has caused a lot of excitement in Spain.

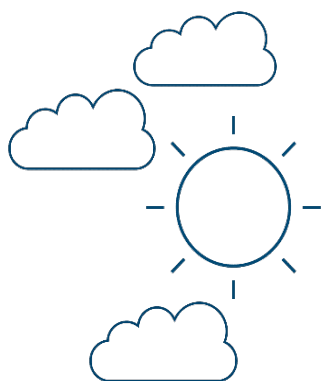
Market Data (current*, vs. 1 week, vs. 4 weeks)

E-STOXX 600 Banks	162	0,66%	7,23%	iBoxx € Cov. Germany	5,8	-0,7	1,0	iTraxx Senior Financial	84,6	-2,3	-4,5
10Yr-Yield	2,4	0,1	0,2	iBoxx € Cov. Bonds	18,9	-0,8	1,2	iBoxx € Supranational	18,1	-0,95	2,30
Swap 10J	2,9	0,0	0,1	iBoxx € Banks PS	63,5	-6,9	-18,7	iBoxx € Agencies	1,7	-0,69	0,13
iBoxx € Germany	-43,6	2,4	3,5	iBoxx Banks NPS	91,2	-9,6	-32,8	iBoxx € Sub-Sov. Germany	10,4	-1,57	-1,41
iBoxx € EU	24,4	-1,1	2,9	iBoxx Banks Subordinated	155,2	-11,7	-37,5	iBoxx € Sub-Sovereign	26,3	-1,03	-0,49

* Closing prices from the previous day

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

Leisure tip for the weekend: Federal Art Gallery Bonn



The Art and Exhibition Hall of the Federal Republic of Germany, known to friends as the Bundeskunsthalle, is something of a cultural signboard for Germany.

On the one hand, it has the task of capturing and depicting the intellectual and cultural wealth of the Federal Republic, and on the other hand, it serves as a place of exchange with other cultures and their artistic traditions.

Further information:
Bundeskunsthalle

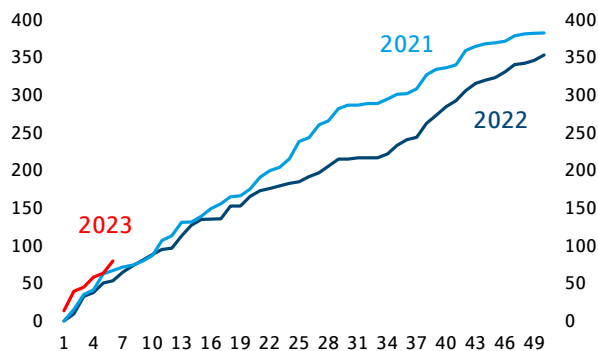
Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.

Source: [18 schöne Ausflugsziele und Sehenswürdigkeiten in NRW \(coolibri.de\)](#)

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

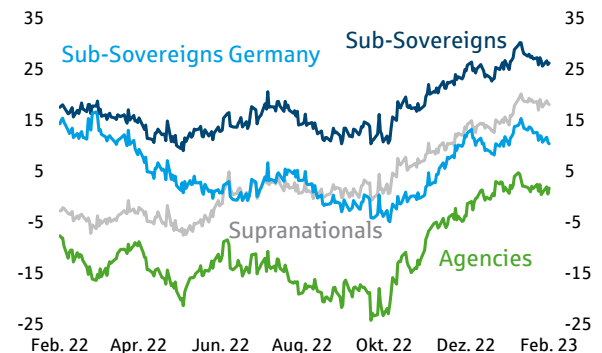
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

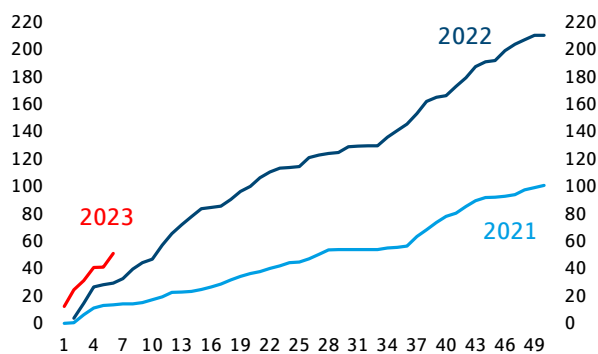
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

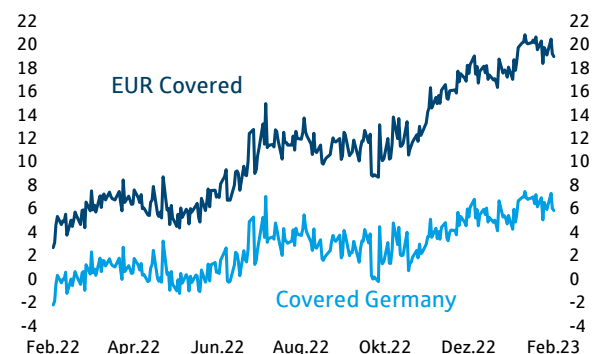
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

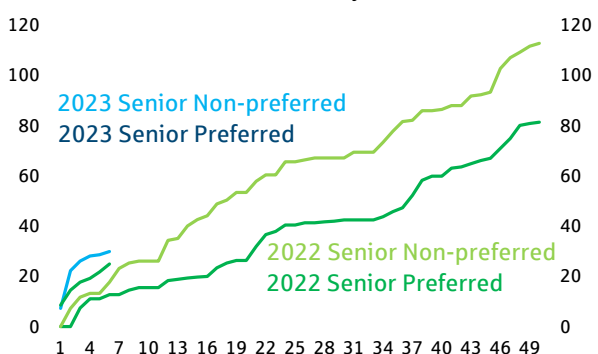
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

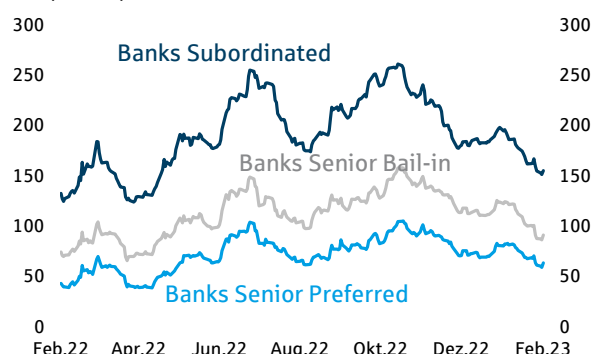
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



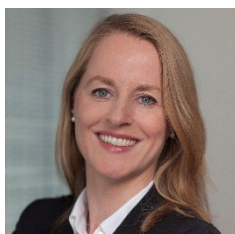
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