

# Focus on: SSAs & Financials

## 23 February 2023



## Weekly Market Update



**Primary market environment:** On the primary market, the SSA segment was clearly ahead in the past few days. The ifo business climate index rose for the fifth time in a row. In the US, some FOMC members are in favour of 50 bp interest rate step and risks to the financial system due to the debt ceiling have been pointed out.

### Primary market barometer

#### SSAs



Primary market activity in the SSA segment dominated events in the current week. Most of the issues were significantly oversubscribed, so that the final spreads were narrowed compared to the marketing. The state of Bremen had a hard time crossing the finish line.

#### Covered Bonds



At the beginning of the week, various issuers took advantage of the last chance to profit from an ECB participation on the primary market. But even without this special factor, the order books were well filled.

#### Senior Unsecured



Issuing activity in this segment has cooled noticeably. The environment, which is dominated by interest rate fears, is having a negative impact, and investors are again demanding significantly higher spreads. After the already extensive issuance YtD, issuers are not prepared to make concessions for the time being..

### Risk trend indicator: Risks are weighted higher again

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,00	0,16	0,06	1,05	1,09	-0,47
European Union	-0,02	0,04	-0,10	0,99	2,67	2,95
Germany Covered	0,01	0,15	-0,04	0,52	1,02	1,01
EU Covered	0,00	0,04	-0,03	0,22	0,74	0,75
Banks senior preferred	-0,04	0,17	-0,61	-1,00	0,94	1,09
Banks senior bail-in (SNP)	-0,01	0,26	-0,70	-1,17	0,70	1,11
Banks subordinated	0,00	0,20	-0,41	-1,04	0,59	1,12
Supranational	-0,01	0,05	-0,12	0,93	2,16	2,29
Agencies	-0,01	0,04	-0,17	0,58	0,96	0,17
Sub-Sovereigns Germany	-0,02	0,01	-0,28	0,32	-0,12	-0,19
Sub-Sovereigns	-0,03	0,04	-0,32	0,46	0,86	0,76

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

According to our risk trend indicator, investors have recently become much more cautious. In particular, they have been cautious about bank bonds following the rally of recent weeks..



## SSAs

The SSA segment remains busy compared to previous weeks. The new issues met with very good demand. For example, the EUR 3 billion European Stability Mechanism (ESM) bond maturing in March 2028 generated an order book of EUR 13.6 billion and orders from 150 different counterparties. The final pricing was MS-10 bps, which is 3 bps tighter than the marketing. The issue volume was higher than usual in the past (EUR 2 billion), 38% of the planned total volume for the year has already been placed. The state of Brandenburg achieved 1.3 times oversubscription for its 9-year state treasury note (EUR 600 m, MS - 4) and was even able to expand the originally planned issue volume, although the pricing seemed somewhat expensive. The French Cades was very successful with its third bond issue this year. The 7-year **social bond** with a volume of EUR 4 billion attracted buying interest of more than EUR 9 billion and shows once again that securities to finance social projects are becoming increasingly popular ([see our publication "Social and Sustainability Bonds: ICMA Principles - The freestyle element makes all the difference"](#)). The final spread of the social bond was fixed at OAT + 31 and thus 3 bps below the original target. Overall, the market presents itself strong and receptive at the moment. The state of Bremen, however, struggled to fill the book today.

**Outlook:** There are currently no reasons for a further decline in issuing activity, even though there are no new projects in the pipeline so far.

€ SSAs issues week of 20 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%	ESM	Aaa /AAA/AAA	3,000bn		15.03.2028	ms -10 bps		20.02.2023	13,600bn	ms - 7 area
3,000%	Brandenburg	Aaa /-/	0,600bn		27.02.2032	ms -4 bps		21.02.2023	0,770bn	ms - 3 area
3,125%	CADES	Aa2 /AA-	4,000bn		01.03.2030	FRTR +31 bp	✓	21.02.2023	25,600bn	FRTR +34 area
3,125%	Investitionsbank Berlin	- /-/AAA	0,500bn		01.03.2033	ms +2 bps		22.02.2023	not disclosed	ms + 2 area
t.b.d.	Bremen	- /-/AAA	0,500bn		02.03.2033	t.b.d.		23.02.2023	t.b.a.	ms - 1 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

As was to be expected, the momentum on the primary market for covered bonds eased somewhat this week. On balance, however, more was issued than could have been expected in view of a series of regional holidays in Germany. The ECB's possibly last chance to participate in the primary market probably played a role. Credit Agricole SFH and SEB started the week with a dual tranche. Both were close to the curve for

*"The ECB was involved in the primary markets for the last time this week. It is therefore not surprising that the syndicates currently have their hands full trying to place projects with investors. The good news is that this continues to work smoothly. The order books were well filled and the final bid levels are several basis points below the initial guidance. Subsequently, the bonds are also performing very well due to follow-up purchases. It seems as if the fading primary market demand from the € central banks could be solidly compensated by private demand."*

*Comment from the Helaba trading floor*

covered bonds and the trend towards lower new issue premiums seems to continue. NN Bank offered a 4.25-year **Green Covered**, which was placed at MS +10, 4 bps below the initial target. Spain's Sabadell stood out with a EUR 4.25bn order book for its 3.5-year benchmark (EUR 1bn, MS+25). The spread tightening in the secondary market continued for the latter.

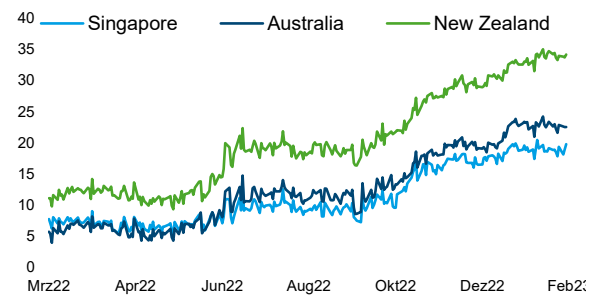
After the withdrawal of the **Eurosystem central banks** from the covered bond **primary market**, their activities will generate further demand on the **secondary market**. Overall, the secondary market remained friendly this week with a tendency towards tighter swap spreads. The focus continues to be on short and medium maturities, especially since the curve structure has not changed.

According to rating agency Fitch (see also our news-flash), the sector outlook for covered bonds from the **Asia-Pacific region** (APAC) is neutral and supported by issuer default ratings (IDR) with stable outlooks respectively a rating watch positive.

**Outlook:** Primary market activity has slowed somewhat recently and lower issuance volumes are to be expected in the coming days. However, this development is not surprising, especially since many transactions have already been brought forward in view of the ECB's change in strategy.

### APAC-Spreads with temporary change of direction

ASW | Iboxx Covereds



Sources: Refinitiv, Helaba Research & Advisory

#### € Covered Bond issues week of 20 February 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1,000bn		28.09.2026	ms +3 bps		20.02.2023	2,000bn	ms + 8 area
3,250%	Credit Agricole Home Loan SFH	Aaa /AAA/AAA	1,000bn		28.09.2032	ms +29 bps		20.02.2023	1,800bn	ms + 33 area
3,250%	SEB	Aaa /-/	1,500bn		04.05.2029	ms +15 bps		20.02.2023	2,500bn	ms + 19 area
3,250%	Nationale-Nederlanden Bank N.V.	- /AAA/-	0,750bn		28.05.2027	ms +10 bps	✓	21.02.2023	2,000bn	ms + 14 area
3,500%	Banco de Sabadell SA	Aa1 /-/	1,000bn		28.08.2026	ms +25 bps		21.02.2023	4,250bn	ms + 32 area

Sources: Bloomberg, Helaba DCM



### Senior Unsecured

The iTraxx Europe Senior Financial Index has widened by 4.8 bps since our last Weekly a week ago. **Interest rate fears** now seem to have gained the upper hand again over recession fears, and the markets are clearly more tense after the rally of recent weeks. In the senior unsecured segment, issuance activity has been very limited so far this week, with only BPCE and MPS showing up with transactions.

**BPCE S.A.** issued a EUR 1 billion 7-year non-preferred benchmark bond on Tuesday. Demand was good, but investors asked for a higher premium to the secondary curve of about 30 bps again after the partly heavily oversubscribed issues of the previous weeks with low new issue premiums and good performance in the secondary markets, whereupon the bond was able to gain nicely in secondary terms.

**Outlook:** The quarterly reporting season for banks is now almost completed, which means that the blackout periods are also over. In view of the extensive maturities in 2023 and regulatory requirements for total liable capital

*„Interest rate hike announcements from central bank representatives are heard every day. All this is not new, and yet the markets are gradually realizing the headwind from the future environment. Investor flows have cooled noticeably with the increasing uncertainty and at the same time have shifted somewhat to the money side. Real money is now looking for bids and taking profits from the rally so far. ETF Funds have clearly turned to sell. Fast Money is holding back noticeably compared to previous weeks.“*

*Comment from the Helaba trading floor*

(MREL/TLAC), institutions are still a long way from having implemented their issuance plans for the year as a whole. Currently, an initial wave of consolidation seems to be underway, but yields are at attractive levels in some cases and, with adequate spread concessions, new issues should continue to perform solidly.

€ Senior Preferred issues week of 20 February 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
6,750%	Banca Monte dei Paschi di Siena S.p.A	B 1/-/B+	0,750bn		02.03.2026	ms +321bps		23.02.2023	1500bn	7-7,125% area

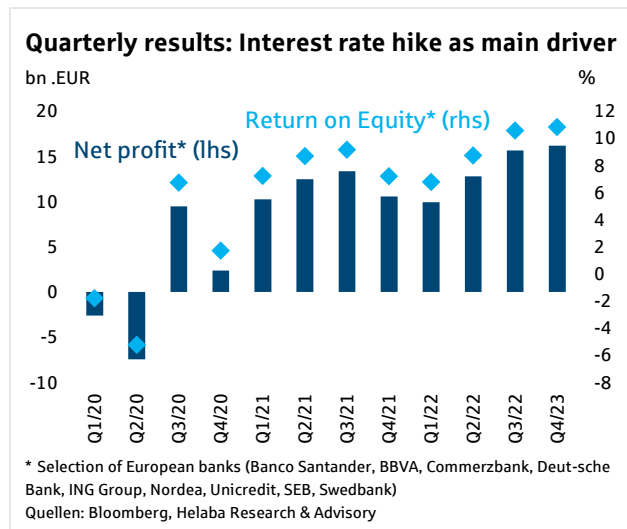
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 20 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%	BPCE SA	Baa1 /BBB+/A+	1,000bn		02.03.2030	ms +160 bps		21.02.2023	2,300bn	ms + 175/180 area

Sources: Bloomberg, Helaba DCM

Chart of the week



The major European banks reported strong profit growth in fiscal year 2022. The good results were driven in particular by rapidly rising net interest income in the fast-changing interest rate environment. Banks built up additional loan loss provisions due to the gloomy economic outlook, but problem loan ratios remained encouragingly stable despite their historically low levels. In the inflationary environment, costs increased, but cost cutting programs continued and overall administrative expenses remained under control. As a result of the payout freezes in place during the Corona pandemic, the banks have high equity ratios and have therefore been able to continue their share buyback programs. The increase in net interest income is expected to continue in 2023 and more than compensate for rising credit risk costs. (see our Credit publication ["European Banks – An optimistic outlook for 2023"](#) of Jan. 11, 2023) The only drasback is that current market prices for equities and bonds are already likely to largely reflect the good outlook.

Reporting dates of selected banks

Issuer	Date	Issuer	Date
ERSTE GROUP BANK AG	2/28	BANK OF IRELAND GROUP PLC	3/7
AAREAL BANK AG	3/2	DEUTSCHE PFANDBRIEFBANK AG	3/8

Sources: Bloomberg, Helaba Research & Advisory



Short news

**2/21 Sustainable Finance – NextGenerationEU:** The European Commission (EC) has adopted a Communication marking the two-year anniversary of the creation of the Recovery and Resilience Facility (RRF), the key instrument at the heart of the EUR 800 billion NextGenerationEU recovery plan for Europe. As the President, Ursula von der Leyen, affirmed, the recovery plan continues to be a central driver of the EU's green and digital transformation.

**2/21 Deposit guarantee schemes:** The European Banking Authority (EBA) published its final [revised Guidelines](#) on deposit guarantee schemes (DGS) contributions. The revised Guidelines further strengthen the link between the riskiness of a credit institution and how much it needs to contribute to the DGS funds that will be used to reimburse depositors in case their bank fails in the interest of financial stability.

**2/21 Fitch Ratings: Canadian Covered Bonds Going Strong Despite Falling Home Prices and Inflation** Canadian covered bond ratings have shown resilience in 2022 despite falling home prices, inflation, and rising interest rates, according to Fitch Ratings. All eight Fitch-rated programs have maintained their initially assigned ratings and continue to have Stable Rating Outlooks. All but one have 'AAA' ratings.

#### 2/20 ECBC Global Concept Note on Third Country Equivalence for Covered Bonds

The implementation of the Basel Committee on Banking Supervision's (BCBS) framework, together with a common legislative Directive on Covered Bonds in the 30 countries of the European Economic Area (EEA), is radically revolutionising the Capital Markets Infrastructure of the Old Continent, providing new common crisis management tools for policy makers and market participants, and an efficient financial asset to support the real economy whilst facilitating the transition to a greener world.

**2/20 EU and Banking Union Law:** The Single Resolution Board (SRB) will hold its [second legal conference](#) on Thursday, 27 April 2023. The virtual conference will be organised around a number of expert panels made up of senior legal practitioners in the field, distinguished judges and globally eminent academics. A range of topical legal issues pertinent to both EU and Banking Union law will be discussed.

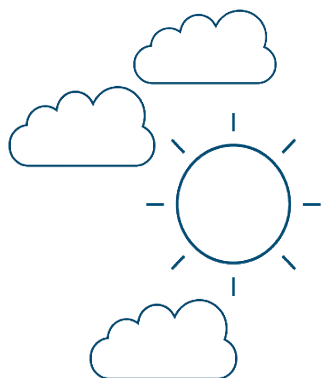
**2/17 Fitch Ratings – Neutral Outlook for APAC Covered Bonds:** Asia-Pacific (APAC) covered bonds have a neutral sector outlook, supported by the Stable Outlook or Rating Watch Positive – depending on the individual credit – on each issuing bank's Issuer Default Rating (IDR). Other factors leading to the neutral sector outlook include substantial nominal overcollateralisation (OC) and at least a two-notch cushion against an IDR downgrade before the covered bonds' 'AAA' ratings would be downgraded, says Fitch Ratings.

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

E-STOXX 600 Banks	163	0,46%	5,37%	iBoxx € Cov. Germany	6,7	0,9	-0,8	iTraxx Senior Financial	84,9	0,3	-1,8
10Yr-Yield	2,5	0,1	0,5	iBoxx € Cov. Bonds	19,6	0,6	-1,2	iBoxx € Supranational	18,5	0,37	-1,67
Swap 10J	3,0	0,1	0,4	iBoxx € Banks PS	65,2	1,7	-13,7	iBoxx € Agencies	1,5	-0,23	-1,85
iBoxx € Germany	-42,9	0,7	2,0	iBoxx Banks NPS	97,1	6,0	-19,5	iBoxx € Sub-Sov. Germany	10,4	-0,06	-5,02
iBoxx € EU	24,8	0,3	-1,6	iBoxx Banks Subordinated	163,3	8,2	-17,9	iBoxx € Sub-Sovereign	26,4	0,12	-3,88

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

#### Leisure tip for the weekend: Bauhaus-Museum in Weimar



On the occasion of the 100th anniversary of the State Bauhaus in Weimar, the new Bauhaus Museum Weimar opened in April 2019, showcasing the treasures of the world's oldest Bauhaus collection.

The exhibition centres around the key issues, ideas and design proposals of the Bauhaus and its significance in our life today. Based on the question "How do we want to live together?", the exhibition highlights key issues which are just as relevant today as they were in the Bauhaus era.

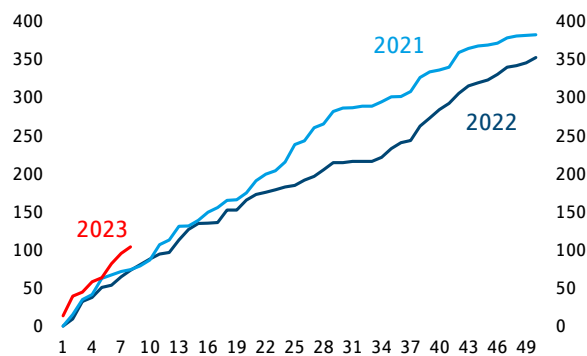
Further information:  
[Bauhaus-Museum Weimar](#)

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/bauhaus-museum-weimar/>

## Chartbook SSAs, Covered Bonds, Senior Unsecured

### SSAs: Primary volumes

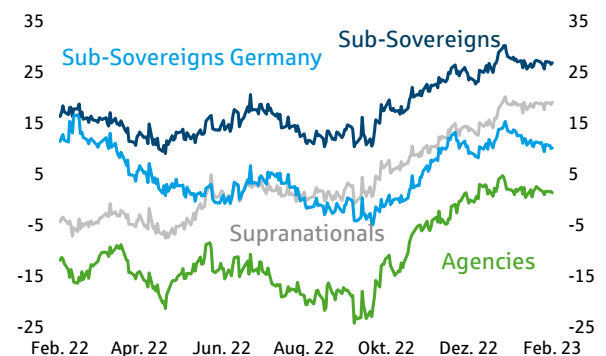
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSAs: Spread development

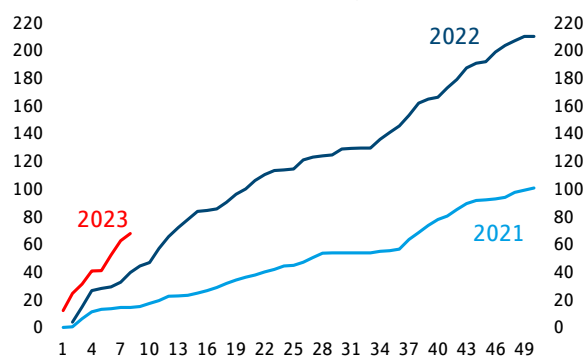
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

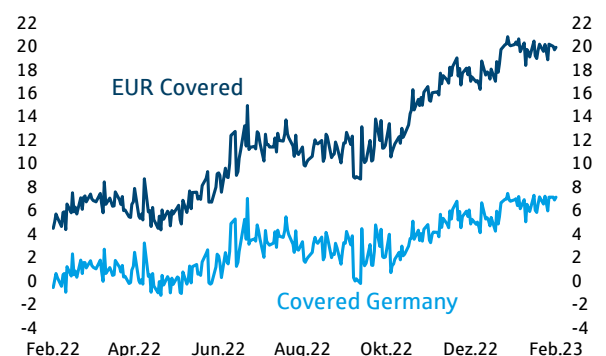
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

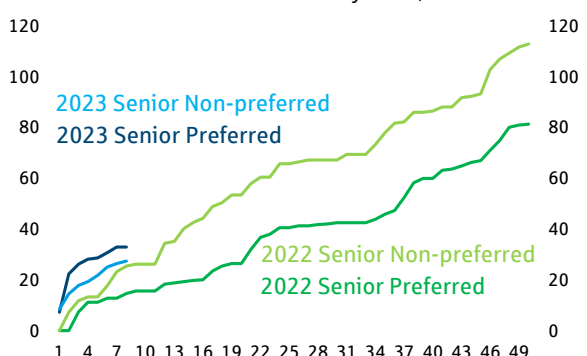
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

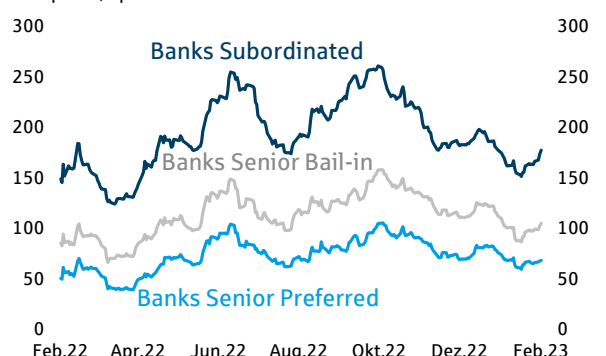
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



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