Helaba

Focus on: SSA & Financials

12 May 2022

Weekly Market Update

Primary market environment: Interest rate and inflation trends as well as economic concerns continue to be the driving topics. While spreads continue to widen for both, senior unsecured bonds and the periphery, covered bond spreads are relatively stable. SSA issuances recently picked up somewhat.

Primary market barometer

SSA



After the lull in issuance in the previous week, the SSA segment picked up again this week. Among others, the EU successfully launched a dual tranche. Bonds from MuniFin (green), Unedic (social) and Lower Saxony also met with great investor interest.

Covered Bonds



Issuers with longer maturities are increasingly appearing on the primary market. However, it should be noted that Nationwide's 15-year issue achieved a rather small oversubscription rate. On the other hand, shorter-dated covereds continue to enjoy strong demand.

Senior Unsecured



The market environment remains challenging for senior unsecured bonds. Furthermore, issuers have already made extensive use of the primary market at the beginning of the year and are therefore ahead of their issuance plans.

Sources: Helaba Research & Advisory

Safe haven still sought after by investors

Spread trend indicator*, ASWspread change versus …

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,04	-0,32	-0,74	-1,40	-3,46	-3,22
European Union	-0,04	-0,08	-0,35	-0,25	-0,52	-1,40
Germany Covered	-0,01	-0,05	-0,20	-0,07	0,06	-1,46
Covered	0,00	-0,01	-0,05	0,00	0,04	-0,48
Banks senior preferred	0,01	0,49	1,08	0,99	1,18	-2,16
Banks senior bail-in (SNP)	-0,08	0,42	1,06	1,02	1,37	-2,12
Banks subordinated	-0,04	0,25	0,66	0,65	1,02	-0,68
Supranational	-0,03	-0,06	-0,24	-0,23	-0,34	-1,22
Agencies	-0,03	-0,16	-0,45	-0,52	-1,06	-1,56
Sub-Sovereigns Germany	-0,02	-0,13	-0,37	-0,73	-0,80	-2,04
Sub-Sovereigns	-0,01	-0,09	-0,24	-0,43	-0,56	-1,88

strong | middle | weak | unchanged | weak | middle | strong

spread widening | spread tightening

*ASW levels standardized and 2T-smoothed, since 14.2.22 changed calculation of ASW levels by Markit.

Sources: Refinitiv, Helaba Research & Advisory

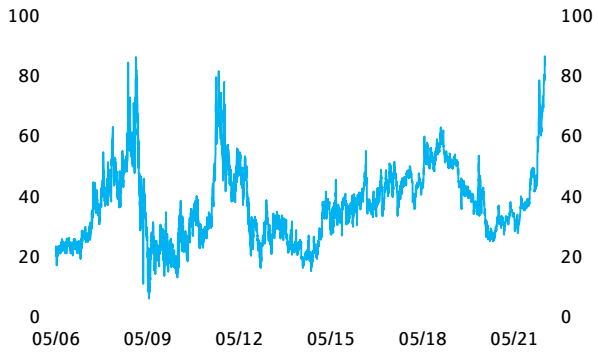
Based on our spread trend indicator, we can see that the trends for SSAs and covered bonds, can still be described as stable. In the case of senior unsecured bonds, the repricing continues driven by the changed interest rate and risk environment.

SSA

Last week, issuers were conspicuous by their absence. This changed this week. Among others, the EU placed a dual tranche with 3- and 29-year maturities, although the latter was a tap. The volumes were EUR 6 and 3 billion respectively. Both were very successful, so that the order books were extremely high. Remarkable is currently also the development of the Bund swap spread, which recently marked an all-time high. Effects of this "trend" are noticeable in the case of Länderanleihen such as the one of the state of Lower Saxony. High demand was driven by international investors being attracted by the high pick up versus German Bund. So far, the SSA segment has been stable and has not (yet) been affected by the widening of spreads seen in other areas. Looking ahead, Bund swap spreads are expected to remain elevated and existing risks may be reassessed. **What will the new week bring?** After the EU is before the ESM. The latter is in the starting blocks with an issue. Corresponding requests for proposals have already been sent out.

High Bund swap spread supports demand

EUR SWAP vs Govt Bond 10Y, bps



Sources: Helaba Research & Advisory

€-SSA-Benchmark-Issues week of 9 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1.500%	Niedersachsen	- /-/AAA	1.000bn		17.10.2029	ms -17 bps		10.05.2022	2.600bn	ms - 15 area
1.750%	UNEDIC	Aa2 /-/AA	1.000bn		25.11.2032	FRTRs +23 Bp	✓	10.05.2022	4.200bn	FRTRs +25 area
1.500%	Municipality Finance Plc	Aa1 /AA+/-	0.500bn		17.05.2029	ms -11 bps	✓	10.05.2022	1.500bn	ms - 8 area
0.800%	EU	Aaa /AA/AAA	6.000bn		04.07.2025	ms -41 bps		11.05.2022	48.000bn	ms - 38 area
0.700%	EU	Aaa /AA/AAA	3.000bn	✓	06.07.2051	ms +22 bps		11.05.2022	37.000bn	ms + 24 area
t.b.d.	Agence Francaise de Developpe	- /AA/AA	1.500bn		25.05.2032	FRTR +33 Bp	✓	12.05.2022	2.200bn	FRTR +34 area

Source: Bloomberg, Helaba DCM

Covered Bonds

"The stock market is not a one-way street" is an old saying. This can currently be applied to covered bonds. Apart from temporary widening of the ASW spreads on the iBoxx EUR Covered, peaking at over 8 points, little has changed since the beginning of the year. This is despite the continued high market volatility and the existing uncertainties. Support continues to come from the central banks, which last week even increased its holdings of covered bonds by EUR 984 million, after having mainly replaced their maturities in the previous two weeks.

> *"Widening credit spreads (index and bonds) and the widening of peripheral bonds (Italy vs. bunds around 200 bps) are increasingly raising questions about the medium-term valuation of covereds. In particular, whether it will be possible to maintain the currently quite stable trend in valuations in view of these developments. Some investors are already considering switch options".*
>
> *Assessments from the Helaba trading room*

Recently, issuers have also succeeded in issuing covered bonds with longer maturities. However, it is apparent that the momentum is being lost somewhat, also on the secondary market. This is despite the fact that "real money investors" are still available as buyers if opportunities arise. Meanwhile, the short maturity segment remains the undisputed favorite. Green-labeled bonds, both primary and secondary, are meeting solid demand! So far this week, seven covereds have been brought to market - including **Bausparkasse Schwäbisch Hall** and **NN**

Bank with their green debut paper - breaking the magic EUR 100 billion mark in issuance volume on Thursday. **Looking ahead**, it seems reasonable to consider an increasingly defensive positioning. Especially as the influencing factors mentioned above make it increasingly difficult to define the right time for a trade. Short maturities will probably remain the first choice for investors, not least from a risk perspective.

€-Covered Bond-Benchmark-Issues week of 9 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2.250%	Nationwide Building Society	- /AAA/AAA	0.500bn		16.05.2037	ms +22 bps		09.05.2022	0.650bn	ms + 22 area
1.875%	Nationale-Nederlanden Bank N.'	- /AAA/-	0.500bn		17.05.2032	ms +7 bps	✓	10.05.2022	2.200bn	ms + 12 area
2.000%	Bausparkasse Schwäbisch Hall	Aaa /-/-	0.500bn		17.05.2034	ms +6 bps		10.05.2022	0.630bn	ms + 8 area
1.500%	Oma Saastopankki Oyj	- /AAA/-	0.350bn		18.12.2026	ms +8 bps		11.05.2022	0.600bn	ms + 10 area
1.688%	Luminor Bank AS	Aa1 /-/-	0.500bn		14.06.2027	ms +22 bps		11.05.2022	0.600bn	ms + 24 area
t.b.d.	EIKA Boligkreditt AS	Aaa /-/-	0.500bn		19.05.2030	ms +13 bps		12.05.2022	0.650bn	ms +13 area
t.b.d.	ING Belgium SA/NV	Aaa /-/AAA	1.000bn		19.05.2029	ms +5 bps		12.05.2022	1.400bn	ms + 9 area

Source: Bloomberg, Helaba DCM



Senior Unsecured

sk/ Primary market conditions for senior unsecured issues have further deteriorated. A major burden is the changing interest rate environment according to our perception. Furthermore, spillover effects from the Ukraine war and China's pandemic problems are difficult to assess. The asset swap spread indicated by the iBoxx EUR Banks Senior index has widened by more than 40 bps year to date. However, issuers had extensively used the friendly market environment at the beginning of the year for pre-funding transactions and can therefore afford a wait-and-see attitude for the time being. According to our expectations, no recovery is thus to be expected **next week** either.

> *"Investors are searching for bid prices. Real money investors continue to increase their cash holdings and are buying short maturities and floating rate notes. ETF funds' ongoing selling pressure is causing additional spread widening. The trading desks are currently unwilling to establish or expand further positions. The actually traded bid/ask spreads are therefore significantly below the quoted spreads shown on the screens. We stand by our statement that the current yield and spread level offers good entry opportunities for courageous investors".*
>
> *Assessments from the Helaba trading room*

€-Senior Preferred-Benchmark-Issues week of 9 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
	no transactions									

Source: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Benchmark-Issues week of 9 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
	no transactions									

Source: Bloomberg, Helaba DCM

Short news

5/9 **Property prices**: Property prices in Germany rose by 8.8% in the first quarter of 2022 compared with the first quarter of 2021, with the property price index of the **Association of German Pfandbrief Banks** (vdp) once again reaching a new high of 190.8 points (base year 2010 = 100 points).

5/9 **Russia-Ukraine war and consequences:** Germany's economy should prepare for "strong headwinds" from the consequences of the Russia-Ukraine war, with banks likely to increase risk provisions, according to a speech by Commerzbank's CEO Manfred Knof prepared ahead of the bank's May 11 annual general meeting, **cited** by *Handelsblatt*.

5/9 **Russia sanctions:** The **U.S.** Treasury Department imposed new sanctions on Russia over its invasion of Ukraine, **targeting executive board members** of Sberbank of Russia, and members of Gazprombank's board of directors.

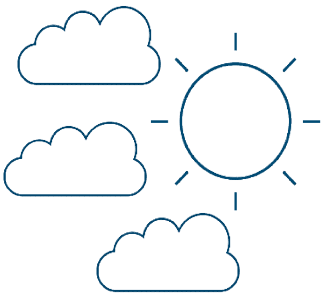
5/9 **Russland-Ukraine war and consequences**: Banks in the U.S. and Europe are setting aside more than USD 10 bn to cover expected losses on their operations in Russia, the Financial Times reported, citing its own calculations. Western banks have USD 86 bn of exposure and nearly 40,000 staff in Russia, according to the **FT**.

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

E-STOXX 600 Banks	84,33	-1,35%	-4,07%	iBoxx € Cov. Germany*	-1,22	-0,25	-2,55	iTraxx Senior Financial	103,6	1,11%	17,18%
10J-Yield	1,00	0,02	0,23	iBoxx € Cov. Bonds*	4,36	-0,29	-2,84	iBoxx € Supranational	102,9	-0,61%	-2,50%
Swap 10J	1,78	0,03	0,30	iBoxx € Banks PS	91,95	-0,25%	-1,57%	iBoxx € Agencies	97,5	0,01%	-1,08%
iBoxx € Germany	101,65	-0,2%	-1,8%	iBoxx Banks NPS	93,79	-0,5%	-2,6%	iBoxx € Sub-Sov. Germany	98,5	-0,34%	-1,64%
iBoxx € EU	100,05	-0,90%	-3,21%	iBoxx Banks Subordinated	84,49	-0,62%	-2,93%	iBoxx € Sub-Sovereign	96,9	-0,42%	-2,20%

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

Leisure tip for the weekend: PRINCELY PLEASURE AT WASSERBURG ANHOLT



Wasserburg Anholt is one of the most impressive castles in Westphalia. The magnificent castle park with its maze and generous water features borders directly on Anholt Castle. Nature lovers will get their money's worth in the biotope Wildpark Anholt Schweiz with its replica of Lake Lucerne and various animal enclosures. Ambitious sportsmen can also enjoy the magnificent park landscape on the 18 holes of the Wasserburg Golf Club.

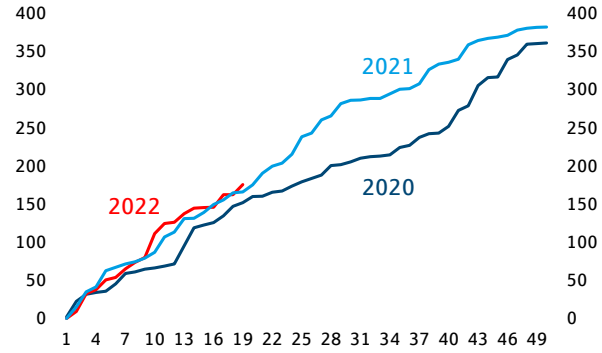
More information: **Wasserburg Anholt**

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: https://www.wasserburg-anholt.de/index.php/de/

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

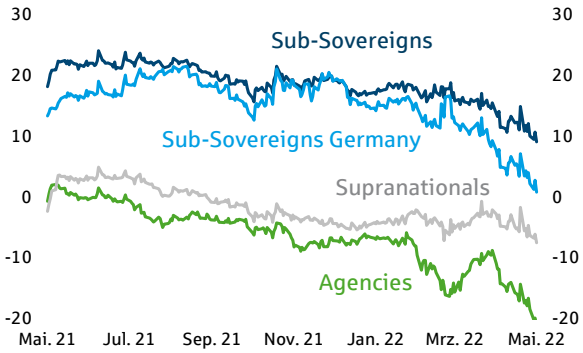
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

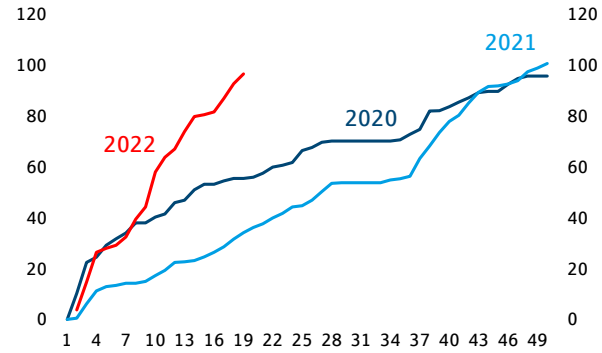
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

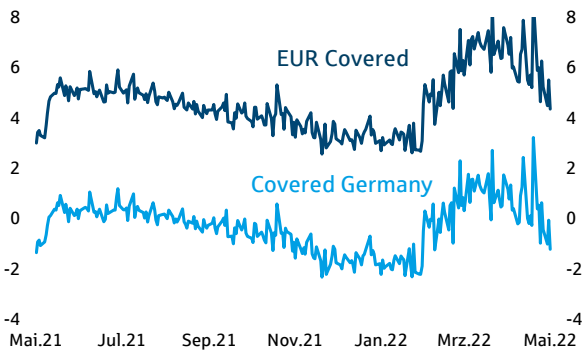
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

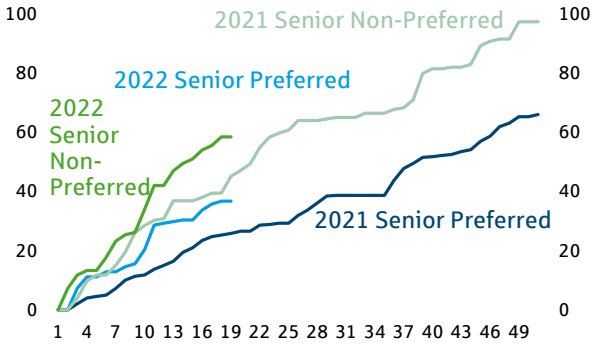
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

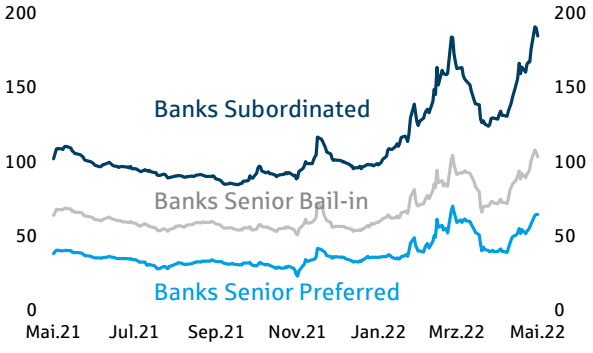
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → Wochenausblick (erscheint am Freitag zwischen 12 - 14 Uhr)
- → Europäische Bankanleihen: Aktivitäten werden immer grüner
- → Finanzplatz: Bankbeschäftigung in Frankfurt nähert sich Wendepunkt
- → Märkte und Trends April 2022 (Video)
- → Märkte und Trends April 2022 (Publikation)
- → Im Fokus: Bundesländer "Regionales Wachstum erholt sich nur langsam
- → Im Fokus: Länderrating und Nachhaltigkeit
- → Im Fokus: Polen: Konjunktur im Schatten des Kriegs
- → Im Fokus: Italien: Chancen müssen genutzt werden
- → Im Fokus: Europäische Banken: Ukraine-Krise belastet Ausblick vor allem indirekt
- → Covered-Bond-Gesetz in Österreich (Video)
- → Covered-Bond-Gesetz in Frankreich und Deutschland (Video)
- → Covered-Bond-Gesetze: Umsetzung der EU-Regelungen (Video)

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