Helaba

Focus on: SSA & Financials

4 August 2022

Weekly Market Update

Primary market environment: Risks are still shaping the market environment, even though there is temporary relief in the meantime. The development of energy prices remains a dominant topic. It remains to be seen what geopolitical impact Nancy Pelosi's visit to Taiwan will ultimately have.

Primary market barometer

SSA



With temperatures approaching 40 degrees, it seems understandable that SSA issuers are staying away from the market and taking a summer break. The recently somewhat gloomier general conditions are also contributing to the current lull in issuance.

Covered Bonds



The covered bond primary market is currently characterised by low activity. In this respect, it is not surprising that the only new issue this week - DekaBank's subbenchmark - met with strong demand.

Senior Unsecured



The primary market for senior unsecured bank bonds remains in the doldrums. The volatile market environment is compounded by the blackout period due to the ongoing Q2 2022 reporting season and the general summer break.

Sources: Helaba Research & Advisory

Short-term relaxation

Spread trend indicator*, ASWspread change versus …

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,12	-0,30	-0,17	-0,06	-2,49	-3,46
European Union	-0,05	-0,07	0,16	0,85	0,27	-0,60
Germany Covered	-0,02	-0,04	0,29	0,56	0,46	-0,50
EU Covered	-0,01	-0,02	0,08	0,21	0,21	-0,06
Banks senior preferred	0,01	-0,42	-1,21	0,16	1,72	0,49
Banks senior bail-in (SNP)	0,04	-0,28	-1,09	0,05	1,74	0,39
Banks subordinated	-0,01	-0,32	-0,97	-0,04	1,43	0,23
Supranational	-0,03	-0,06	0,17	0,72	0,11	-0,44
Agencies	0,00	-0,17	-0,12	0,23	-0,77	-1,27
Sub-Sovereigns Germany	-0,02	-0,03	0,28	0,18	-1,09	-1,40
Sub-Sovereigns	-0,02	-0,13	0,12	0,49	-0,42	-1,14

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

After risk aversion dominated in recent weeks, our spread indicator shows a short-term recovery. Non-preferred senior bonds were among the underperformers in recent days.

SSA

Today's commentary on the SSA segment is brief. There were no primary market issues or other newsworthy events this week. Outlook: Overall, the summer break is likely to keep issuers on the sidelines. The pipeline for the coming week is currently empty. Nevertheless, it cannot be ruled out that one or the other issuer will show itself should an opportunity arise to become active.

€-SSA-Issues week of 1 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

Covered Bonds

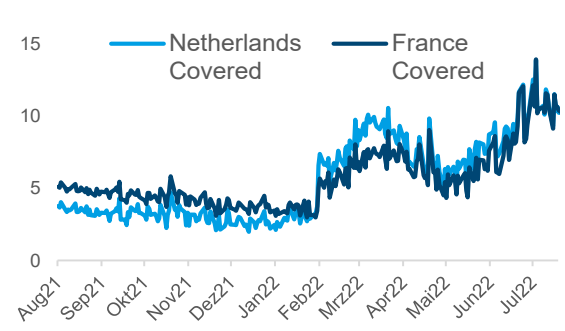
Due to the summer break, primary market transactions are currently very limited. A sustained revival is not expected in the coming weeks, although the lights are still green.
lights are still green. DekaBank's three-year sub-benchmark, for example, enjoyed very strong market interest. The book was nearly nine times oversubscribed, so that the bond came to the market with a relatively low new is-

> *"The trend towards tighter swap spreads is still in tact with quite reasonable turnover. The motivation of the active market participants is certainly determined by relative value considerations, especially since the valuations compared to government bonds remain high. Moreover, there is currently no glut of supply in sight from the primary markets. DekaBank's three-year sub-benchmark hit the nerve of the time yesterday, registering a large order book in view of a nice premium. The bond was then priced at MS-1, but is now trading in the market in the MS-11 range."*
> *Comment from the Helaba trading floor*

sue premium and was priced at MS-1. It seems that investors continue to have plenty of free capital looking for attractive investment opportunities. In addition, it is once again evident that German Pfandbriefe continue to be very popular with investors. The same is currently true for French and Dutch securities. Bonds from Austria are also in focus in the interbank market. Beyond mainland Europe, trading in Canadian securities is well balanced, while bonds from the Pacific region are showing some restraint. This may be due to the uncertainties surrounding Nancy Pelosi's visit to Taiwan and the possible increase in tension between China and the US. Should there be an escalation between the two countries, market volatility would increase again and lead to a (significant) widening of spreads, especially for Asian securities. Outlook: The pipeline for the coming week is currently empty.

Dutch and French covered bonds: pause in spread widening

ASW-Spread left scale



Quellen: Bloomberg, Helaba Research & Advisory

The ECB was again active on the buy side with a view to the September maturities. Within the framework of APP, the covered bond portfolio (CBPP3) was increased by EUR 241 million compared to the previous week. In the context of the ECB, the so-called "first line of defence" of the central bank should be mentioned here. Statistics available on a bimonthly basis show that net holdings of German, French and Dutch bonds fell by EUR 18.9 billion by July. Net purchases of bonds from Italy, Spain, Portugal and Greece thus totalled EUR 17.3 billion.

€-Covered Bond-Issues week of 1 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,125%	Dekabank	Aaa /-/-	0,250 Mrd.		11.08.2025	ms -1 Bp		02.08.2022	2,200 Mrd.	ms + 4 area

Quellen: Bloomberg, Helaba DCM



Senior Unsecured

The primary market for senior unsecured bank bonds remains in the doldrums. The overall difficult market environment is compounded by the general summer break and the blackout period due to the ongoing Q2 2022 reporting season. Earnings are quite stable; most banks' results are above expectations. Most encouraging is that the outperformance is driven by high-quality revenue components and robustly low problem loan ratios. Rising interest rates and high loan growth are fueling net interest income. However, some banks expect the economic environment to deteriorate and are therefore concerned about the outlook for the rest of the year.

Outlook: Institutions have yet to meet their issuance plans for this year. High maturities and strict regulatory requirements for bail-in capital are creating further refinancing needs. Despite the current lull in the primary market, we assess the market as "receptive" and expect sporadic activity in the coming week(s). As the reporting season draws to a close, more and more issuers will also be in a "technical" position to take advantage of any issuance windows that present themselves. The end of the summer break at the end of August should provide further stimulus.

> *"Cash spreads thightened on a weekly basis. The preferred segment benefited disproportionately compared with non-preferred paper. In particular, preferred bonds of French, German and Scandinavian banks recorded a strong performance with a 12-15 bp narrowing. However, capital flows were below average, thus typical for the summer and vacation season. ETF funds were again the most active group. "*
> *Comment from the Helaba trading floor*

€-Senior Preferred-Issues week of 1 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 1 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
none										

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
Banca Monte dei Paschi di Siena	8/5	Aareal Bank	8/10
pbb Deutsche Pfandbriefbank	8/9	SpareBank 1 SR-Bank	8/11
ABN AMRO Bank	8/10	KBC Group	8/11
Cooperative Rabobank	8/10	Sparebanken More	8/11
Sparebanken Vest	8/10	Sparebanken Sor	8/12

Quellen: Bloomberg, Helaba Research & Advisory

Short news

8/3 Credit holiday in Poland: Roughly 500,000 mortgage holders in Poland have already applied to participate in the government's mortgage repayment deferral scheme, **Reuters** reported, citing Prime Minister Mateusz Morawiecki. The official said the local banking sector is well capitalized and warned lenders against making attempts to discourage clients from participating in the scheme.

8/3 Russia exposure: French lender Société Générale SA swung to a **second-quarter** group net loss of 1.48 bn EUR from a year-ago net income of 1.44 bn EUR, as it booked a pretax charge of 3.3 bn EUR relating to the disposal of Russian unit PJSC Rosbank and its insurance subsidiaries in Russia.

8/2 Russia exposure: Austria's Raiffeisen Bank International keeps Russian unit options open as strong ruble drives **Q2 earnings**.

7/28 Temporary tax for Spanish banks: The ruling coalition in Spain formally introduced **draft legislation** for the planned imposition of temporary tax on banks' profits to aid the country in coping with the worsening cost-of-living crisis. The proposal aims to set a 4.8 % levy on both net interest income and net commission income of banks with 2019 turnovers of 800 m EUR or higher. Additionally, the tax cannot be passed on to customers and banks can be penalized by up to 150 % of the amount if they charge it to clients.

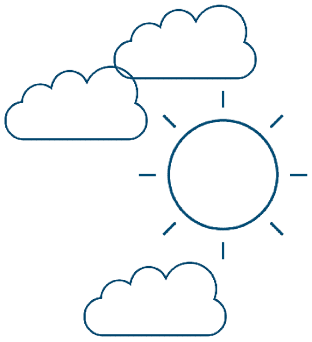
7/28 UK banks and state-guaranteed COVID-19 loans: British banks have so far made **claims of 352 m GBP** from the government to cover losses on state-guaranteed COVID-19 loans, according to data from the Department for Business, Energy and Industrial Strategy

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

E-STOXX 600 Banks	130	3,77%	8,02%	iBoxx € Cov. Germany	2,9	-0,5	1,3	iTraxx Senior Financial	128,8	-2,2	9,6
10Yr-Yield	0,86	-0,07	-0,30	iBoxx € Cov. Bonds	11,0	-0,6	1,7	iBoxx € Supranational	1,1	-0,93	1,05
Swap 10J	1,69	-0,07	-0,32	iBoxx € Banks PS	68,7	-8,4	-26,7	iBoxx € Agencies	-16,9	-2,42	-2,61
iBoxx € Germany	-78,1	-1,87	-2,65	iBoxx Banks NPS	107,5	-7,7	-31,0	iBoxx € Sub-Sov. Germany	3,8	-0,50	3,29
iBoxx € EU	0,1	-1,19	0,80	iBoxx Banks Subordinated	186,3	-19,2	-63,2	iBoxx € Sub-Sovereign	15,9	-1,73	0,59

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

Leisure tip for the weekend: Moyland Palace



Moyland Palace in the district of Kleeve is a moated palace near Bedburg-Hau and is one of the most important neo-Gothic buildings in NRW. The four-winged main building, which today hosts a museum café and numerous exhibitions, is surrounded by a large park on the northern Lower Rhine. A major focus of the museum is the collection of almost 5,000 works by Joseph Beuys. On August 7, 2022, the anniversary celebration of the 25th year of existence of the museum will take place. In a summery open air atmosphere there will be guided tours as well as artistic performances. Admission is free.

More information: **Moyland Palace**

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

GlobalCapital Covered Bond Awards 2022

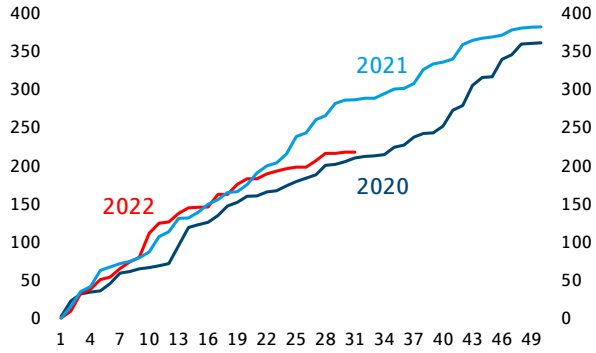
Take part in the voting for this year's "Global Capital Covered Bond Awards" by 5 August!

Votes for Helaba in the categories "Deal of the Year" and "Best Bank for Distribution" via this link would be very much appreciated.

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

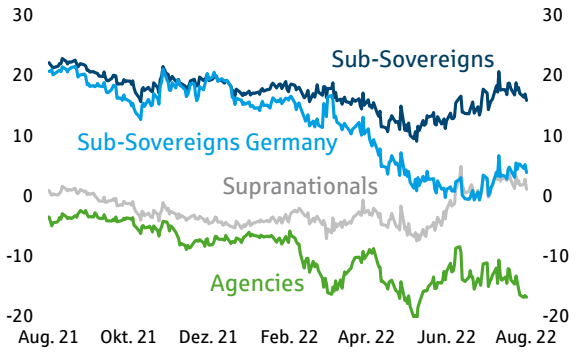
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

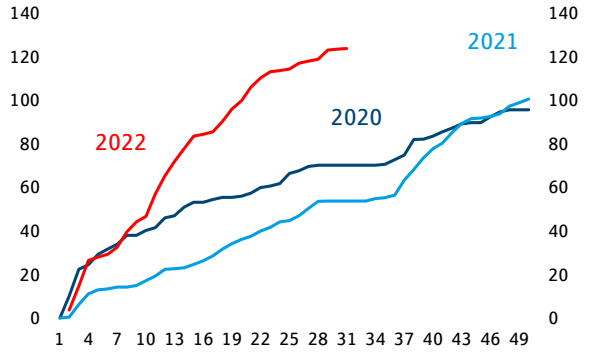
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

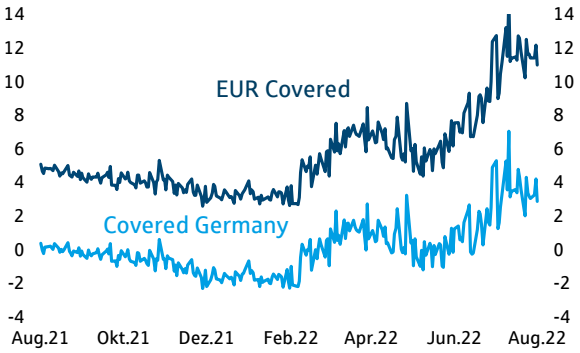
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

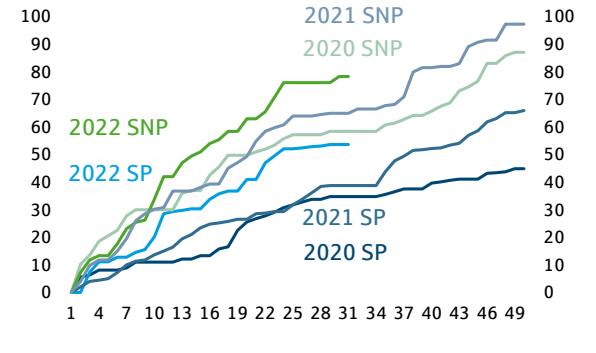
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

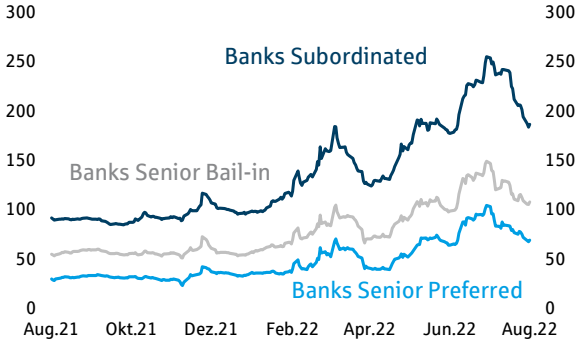
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory

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→ Covered-Bond-laws: Implementation of the EU regulation (Video)

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
Internet: www.helaba.com

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