Helaba

Focus on: SSA & Financials

25 August 2022

Weekly Market Update

Primary market environment: Bonjour tristesse! Risk aversion continues to increase in the markets. Gas and electricity prices are going through the roof, exacerbating inflationary pressures. Rising interest rates, economic risks, a weakening euro, geopolitical dangers and ongoing supply chain problems are weighing on sentiment.

Primary market barometer

SSA



Safety is the trump card! In the face of a number of extensive stress factors, it is not surprising that the search for so-called safe assets continues. The renewed success of the ESFS in issuing a dual tranche provides only one indication of this thesis.

Covered Bonds



Once again, the majority of investors were happy to subscribe to new primary market securities this week. This documents the continued receptiveness of the market, and on the other hand, it seems that longer maturities can be placed again.

Senior Unsecured



The first signs of life are coming from the primary market, but the week shows that some issues only just crossed the finish line. Investors are scrutinizing issuance conditions more closely and the market for transactions is not getting any easier.

Sources: Helaba Research & Advisory

Senior unsecured spreads knew only one direction

Spread trend indicator*, ASWspread change versus …

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,11	0,33	-0,15	-0,47	-2,14	-3,21
European Union	0,03	-0,12	-0,36	0,30	-0,07	-0,81
Germany Covered	0,08	-0,21	-0,10	0,51	0,47	-0,50
EU Covered	0,01	-0,05	-0,02	0,18	0,23	-0,05
Banks senior preferred	0,09	-0,08	-0,73	-0,39	1,48	0,42
Banks senior bail-in (SNP)	0,13	-0,09	-0,59	-0,32	1,55	0,44
Banks subordinated	0,05	-0,08	-0,86	-0,21	1,38	0,32
Supranational	0,02	-0,15	-0,23	0,47	-0,04	-0,64
Agencies	0,04	0,03	-0,23	-0,16	-0,82	-1,32
Sub-Sovereigns Germany	-0,01	-0,18	-0,14	-0,03	-1,29	-1,51
Sub-Sovereigns	0,00	-0,11	-0,29	0,08	-0,62	-1,32

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

The darker clouds gathering over the overall market are leading to a flight into safe assets. Spreads are narrowing as a result, so that the colour green dominates our spread indicator in the short term. In the case of senior unsecureds, risk premiums ran high in the past trading week and widened significantly in all segments on a weekly basis despite recent tightening.



SSA

The SSA segment is currently enjoying great popularity. First and foremost, the security concept plays an important role in the investment decision and ensures solid investor demand. The marketing spreads generally narrowed noticeably during the book-building phase. In addition to the dual tranche of the EFSF, which was in particularly high demand, the Developbank of Japan (EUR 600 million) and BPIFrance (EUR 500 million) were active. Outlook: Overall, the market is very receptive, so that further transactions can be expected on the primary market in the coming days. This expectation is also supported by the impression that the placement risk for issuers can be assessed as relatively low in view of the favourable framework conditions - e.g. the tendency towards spread tightening. After a longer period of abstinence, promotional banks are likely to appear on the primary market again soon.
Overall, however, it must be assumed that the issue volume in 2022 will not reach that of the previous year. The

> *„The summer drought in SSAs is long forgotten and the market has been flooded with new issues since last Wednesday. The issues so far have mainly been in the 3 to 10-year range, mostly with good NIPs. Despite the very negative spreads compared to swaps, most of the new issues have performed relatively fast and well in the secondary market. The best example is the new EFSF 1 ½ 12/15/25, which came onto the market on Monday with MS-26 and has since risen by around 5 bp. The ASWs, which have been running out since Monday, should continue to support this tightening trend for the time being.“*
> *Einschätzungen aus dem Handelsraum der Helaba*

federal states have been heard to say that some of them may no longer need to issue this year in view of their good capitalisation.

€-SSA-Issues week of 22 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,500%	EFSF	Aaa /AA/AA	4,000 Mrd.		15.12.2025	ms -26 Bp		29.08.2022	19,100 Mrd.	ms - 24 area
2,375%	EFSF	Aaa /AA/AA	1,500 Mrd.		21.06.2032	ms -6 Bp		29.08.2022	4,500 Mrd.	ms - 5 area
1,125%	KfW	Aaa /AAA/AAA	1,000 Mrd.		31.03.2037	ms -3 Bp		24.08.2022	3,000 Mrd.	ms - 2 area
2,125%	Development Bank of Japan	A1 /A/-	0,600 Mrd.		01.09.2026	ms +20 Bp		01.09.2022	3,500 Mrd.	ms + 23 area
1,750%	CADES	Aa2 /AA/-	3,000 Mrd.		25.11.2027	FRTRs +37 bp		31.08.2022	5,500 Mrd.	FRTRs +38 area
1,875%	BNG	Aaa /AA/AA	0,750 Mrd.		13.07.2032	ms -1 Bp		31.08.2022	1,000 Mrd.	ms - 1 area
2,000%	BPIFrance	Aa2 /-/AA	0,500 Mrd.		02.09.2030	FRTRs +40 bp		02.09.2022	0,550 Mrd.	FRTRs +40 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

The primary market is currently very active. The issues are usually met with very good demand, as the example of BayernLB's 9-year public Pfandbrief (EUR 500 million, WNG) shows. More than EUR 1.5 billion in order volume was recorded, and the original spread narrowed from MS+7 to MS+3. It remains to be

> *"In the current market phase, there are two decisive factors: On the one hand, the security-driven demand for high-quality assets remains high. The yield advantages of covered bonds are very high due to unabated high premiums of the swap curves compared to Bunds/Core EGBs. As a result, this continues to attract buyers, especially for maturities up to 5Y. The second aspect is the activity on the primary markets, which got back on the track early after an unusually short summer break. Here it can be noted that the new issue premiums offered to investors are still good (4-6 bps on average). "*
> *Comment from the Helaba trading floor*

said that as long as the market does not fall into a "pricing euphoria", there is definitely a chance for further constructive weeks. Today, Commerzbank (EUR 1 billion) and Raiffeisen-Landesbank Niederösterreich-Wien (EUR 750

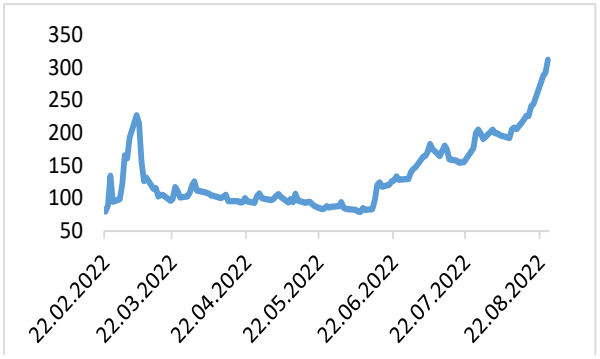
million) were both successful with 10-year benchmark placements. At Commerzbank, the spread tightened from MS+13 (guidance) to MS+9 (books were over EUR 1.65 bn), RLB issued at MS+24.

Outlook: Issuance activity will continue in the coming days. Macquarie Bank has already mandated a 5-year covered. Moreover, autumn promises to be very active, not least due to the fact that the ECB will have to replace many maturities in September. In this respect, many issuers want to escape the expected squeeze on the capital market by realising their issuance plans early.

The **ECB** also remains active: Within the framework of the APP, it increased its covered bond portfolio (CBPP3) by EUR 183 million in the last week.

Dutch Natural Gas Future

EUR/MWh



Sources: Bloomberg, Helaba Research & Advisory

€-Covered Bond-Issues week of 22 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,000%	Fédération des Caisses Desjardi	Aaa /AAA/AAA	0,750 Mrd.		30.08.2026	MS+13 bp		22.08.2022	1,300 Mrd.	MS+16
2,125%	Credit Agricole	Aaa /AAA/AAA	1,000 Mrd.		07.01.2030	MS+12 bp		23.08.2022	1,900 Mrd.	MS+16
2,347%	National Australia Bank	Aaa /-/-	0,750 Mrd.		30.08.2029	MS+28 bp		23.08.2022	0,900 Mrd.	MS+30
2,125%	Bayerische Landesbank	Aaa /-/-	0,500 Mrd.		01.09.2031	MS+3 bp		24.08.2022	2,400 Mrd.	MS+7
2,375%	RLB Niederösterreich-Wien AG	Aaa /-/-	0,750 Mrd.		31.08.2032	MS+24 bp		25.08.2022	0,920 Mrd.	MS+24
2,250%	Commerzbank AG	Aaa /-/-	1,000 Mrd.		01.09.2032	MS+9 bp		25.08.2022	1,900 Mrd.	MS+13

Quellen: Bloomberg, Helaba DCM

Senior Unsecured

The reporting season was followed by several new issues this week, showing the tension of the market. For example, Deutsche Pfandbriefbank - despite a defensive maturity of four years and a "green" design - was unable to narrow the initial spread target of MS+250 basis points during the marketing phase. After all, the sustainable use of funds ensured an extremely granular and stable order book.

> *"Apart from new issues, secondary flows continue to be driven by small volumes of ETF funds. Asset managers and real money accounts are mainly focusing on new issues and are putting further pressure on cash with sales of old holdings. This is not expected to change in the near future, which is why spread widening is expected to continue. It is unlikely that the end of the "summer hole" will be able to counteract this."*
>
> *Comment from the Helaba trading floor*

After the spread widening and the lack of new issues on Tuesday and Wednesday, the illiquidity in the secondary market was high with a nevertheless high number of buyers, which may also explain the **tightening of risk premiums** in the meantime. Today, however, the curves already came under pressure again due to the new issues of BNP Paribas and Deutsche Bank and widened.

Outlook: Although many issuers still want to become active this calendar year, the latest emissions are anything but encouraging. We repeat: the market remains volatile and timing remains a challenge. And so many market participants are probably waiting for a Tier 1 issuer with higher transaction security.

€-Senior Preferred-Issues week of 22 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,375%	Deutsche Pfandbriefbank AG	-/BBB+/-	0,500 Mrd.		28.08.2026	ms +250 Bp		22.08.2022	0,568 Mrd.	ms + 250 area
2,625%	Svenska Handelsbanken AB	Aa2/AA-/AA+	0,750 Mrd.		05.09.2029	ms +65 Bp		25.08.2022	2,600 Mrd.	ms + 85 area

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 22 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,000%	Deutsche Bank AG	Baa2/BBB-/BBB+	1,500 Mrd.		05.09.2030	ms +295 Bp		25.08.2022	4,500 Mrd.	ms + 315 area
3,625%	BNP Paribas SA	Baa1/A-/A+	1,500 Mrd.		01.09.2029	ms +160 Bp		25.08.2022	3,000 Mrd.	ms + 190 area

Sources: Bloomberg, Helaba DCM

Short news

25.8. Portuguese Covered Bonds: According to Moody's Portugal's **new covered bond law** includes credit positive provisions. The new law has several **positive** provisions, including a requirement for covered bonds to hold a 180 day liquidity buffer and measures to reinforce supervisory powers. Furthermore, the new law defines extendable maturities for covered bonds and regulates certain aspects of maturity extension triggers. Removal of minimum OC requirement for residential mortgage covered bonds is **negative**. The new law removes the previous requirement for residential mortgage covered bond programmes to hold minimum OC of 5.26%, a credit negative change.

24.8. Implementation of the Covered Bond Directive: According to a report by Moody's, as of mid-August 2022, the relevant EU website listed the **national implementation measures of all countries**. In addition, **Norway** had also implemented the new rules, the agency writes. However, discussions with market participants in some countries indicated that the new rules are not yet final in all respects and that there are likely to be some **transition delays and uncertainties** in the coming months. Uncertainties arise in part from the transitional provisions of the new rules and how they will work when grandfathered and nongrandfathered bonds are issued under the same program. The biggest uncertainties would be for Spanish paper.

23.8. Austrian Covered Bonds: Moody's rating agency comments on the **new legal framework** for covered bonds created by Austria under the EU Covered Bond Directive, effective July 8, 2022 (As a reminder, the new Pfandbrief Act combines three previous covered bond laws into a single regulation). Features that Moody's categorizes **as strong** include strong protection against legal risks following issuer default. For example, the law prevents a bank moratorium from preventing payments to covered bondholders. Among the **weaker** features, the agency notes that there are no specific provisions for dealing with future interest rate mismatches between the cover pool and covered bonds, although issuers are required to monitor such risks. However, the law would require the issuer's risk management department to have systems in place to identify and assess interest rate risks.

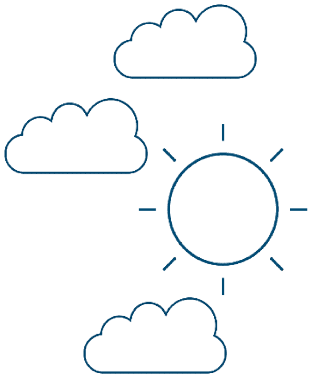
23.8 Basel III: According to a press release, the Association of German Pfandbrief Banks (vdp) takes a fundamentally **positive view of the proposed amendments to the banking package** submitted by members of the European Parliament and recently published. Representatives of the EPP and Renew Europe groups, in particular, advocated the consideration of specific European market structures in the implementation, e.g. in real estate financing. Thus, on the one hand, there would be support for appropriate equity treatment of residential real estate financing if the credit institution can demonstrate a low-risk real estate financing business. On the other hand, an extension to equally low-risk commercial real estate financing would be brought into play.

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

E-STOXX 600 Banks	126	-4,39%	0,97%	iBoxx € Cov. Germany	1,6	-2,7	-1,8	iTraxx Senior Financial	117,2	9,9	-3,5
10Yr-Yield	1,36	0,28	0,42	iBoxx € Cov. Bonds	9,8	-2,6	-1,8	iBoxx € Supranational	-0,1	-1,29	-2,11
Swap 10J	2,26	0,38	0,51	iBoxx € Banks PS	68,0	1,8	-9,0	iBoxx € Agencies	-20,7	-4,39	-6,14
iBoxx € Germany	-82,2	-7,63	-6,05	iBoxx Banks NPS	113,2	7,5	-2,0	iBoxx € Sub-Sov. Germany	-1,7	-3,88	-6,04
iBoxx € EU	0,5	0,52	-0,81	iBoxx Banks Subordinated	191,0	10,3	-14,6	iBoxx € Sub-Sovereign	11,0	-3,45	-6,56

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

Leisure tip for the weekend: Museumsuferfest Frankfurt am Main



On the weekend of August 26-28, 2022, the Frankfurt Museumsuferfest will take place again after a two-year Corona break. Located in the heart of the city, with the skyline in the background, the event attracts around 2 million visitors every year. The festival offers a combination of art/culture, music and culinary delights. Among the extraordinary program points of Frankfurt's museums are various stage productions and shows. A special highlight is the firework display on the banks of the Main River, which takes place on Sunday at 10 p.m. and is the grand finale of the festival weekend. The schedule of events can be viewed at the following link: **Program**.

More information: **Museumsuferfest 2022**

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

The Euromoney/ECBC Covered Bond Congress

Join us at the largest gathering of the global covered bond community on
22nd September 2022 in Vienna.

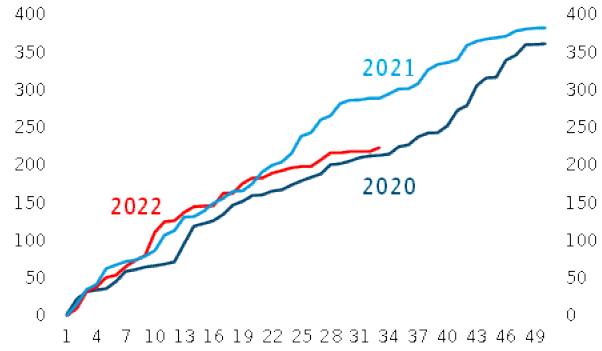
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Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

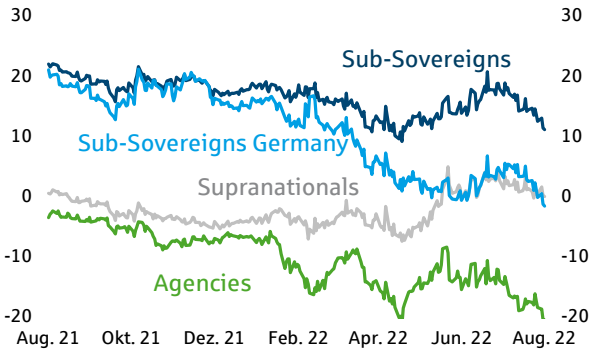
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

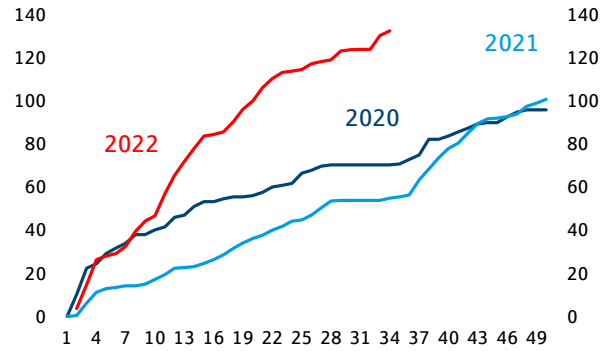
ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

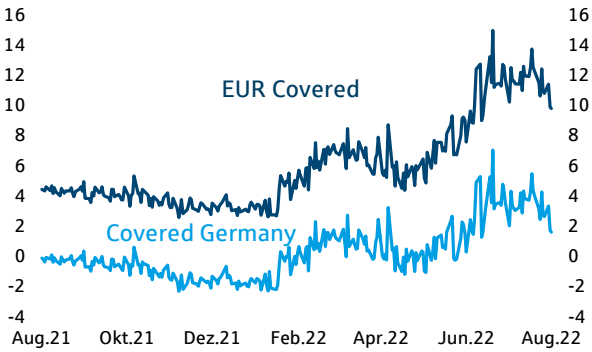
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

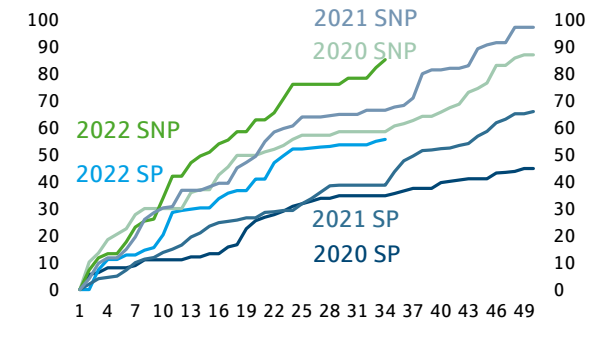
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

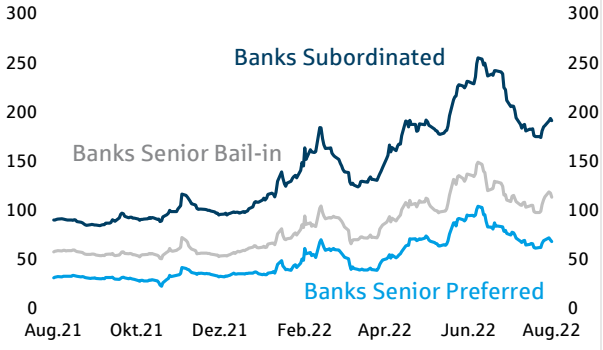
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

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→ Focus on: Covered Bonds – European covered bonds: central website provides claritiy
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→ European banks: Activities becoming ever greener
→ Implementation of the EU Covered Bond Directive: Spain versus France and Germany (Video)
→ Implementation of the eu covered bond directive – state of play: austria versus france and germany (video)
→ Implementation of the eu covered bond directive – state of play in france and germany (Video)
→ Covered-Bond-laws: Implementation of the EU regulation (Video)

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