Helaba

Focus on: SSA & Financials

1 September 2022

Weekly Market Update

Primary market environment: High inflation, driven by energy prices, remains a determining factor on the markets. Thus, the ECB is under immense pressure to act. Despite concerns about an economic slowdown, a large rate hike (75 bps) is likely this month. In China, the Caixin manufacturing index slipped into contraction territory.

Primary market barometer

SSA



After a subdued start to the week, the trend - the search for safe assets - continued in midweek with a veritable fireworks display. The SSA segment offered everything the heart desires - a multitude of issuers and a maturity range of 5-15 years.

Covered Bonds



This week's primary market results are very positive for the covereds. Almost all transactions recorded a high order book dynamic, so that the initial spread specifications could be narrowed significantly.

Senior Unsecured



In the senior unsecured segment, the primary market has recently seen a surprisingly strong revival. Investors have high investment needs, but remain very selective. Next week will see the ECB's interest rate decision. We expect a slowdown in new issues.

Sources: Helaba Research & Advisory

Spread indicator underpins increasing risk aversion

Spread trend indicator*, ASWspread change versus …

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,18	0,06	-0,03	-1,20	-2,67	-3,50
European Union	0,08	0,19	0,13	0,16	0,28	-0,53
Germany Covered	0,09	0,25	-0,01	0,39	0,49	-0,40
EU Covered	0,02	0,06	0,00	0,15	0,24	-0,02
Banks senior preferred	0,21	0,14	0,19	0,31	1,73	0,83
Banks senior bail-in (SNP)	0,19	0,26	0,56	0,75	2,12	1,21
Banks subordinated	0,14	0,15	0,27	0,33	1,79	0,85
Supranational	0,08	0,17	0,01	0,31	0,13	-0,59
Agencies	0,08	0,13	-0,11	-0,37	-0,97	-1,44
Sub-Sovereigns Germany	0,06	0,09	-0,32	-0,07	-1,30	-1,63
Sub-Sovereigns	0,10	0,12	-0,28	0,00	-0,65	-1,43

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

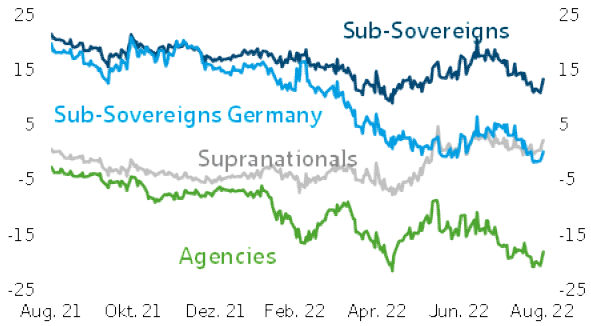
Various negative factors and the associated uncertainties are influencing the overall market. This is also expressed in our spread indicator by a clear red colour in the short-term range.

SSA

The demand for safe forms of investment continues. Since Wednesday, a large number of new issues have been placed by attractive issuers for which a positive interim balance can be drawn, both for the Oder books and for the narrowing of spreads compared to the default. In the 5-year maturity range, the Korean development bank "KDB" and the Japanese municipal financier Japan Finance Organization for Municipalities were active. Investitionsbank Schleswig-Holstein opted for an eight-year maturity. The Danish municipal financier KommuneKredit, as well as the French central oil stockholding agency (SAGESS), chose 10-year issues. The regional development bank of the German state of North Rhine-Westphalia as well as the international development organisation International Development Association came to the market with long maturities of 15 years. The former was also structured according to social aspects (with a focus on housing promotion, job creation and education initiatives). In the case of the German promotional banks, federal and state guarantees offer maximum security and keep risk premiums comparatively low. Today, BGK followed with a EUR benchmark (EUR 600 million, 5-year, MS+180), JFM (5-year, MS+21) and Finnvera (EUR 1 billion, 5-year, MS-8).

Agencies also benefit from wide Bund swap level

ASW in Bp.



Quellen: Bloomberg, Helaba Research & Advisory

Outlook: Issuance activity is likely to continue in the coming week, but will be concentrated in the days leading up to the ECB meeting.

€-SSA-Issues week of 29 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,125%	Investitionsbank Schleswig-Hol	- /-/AAA	0,500bn		06.09.2030	ms -10 bps		30.08.2022	0,980bn	ms - 9 area
2,500%	International Development Assc	Aaa /AAA/-	2,000bn		15.01.2038	ms +10 bps		30.08.2022	2,900bn	ms + 10 area
2,375%	KommuneKredit	Aaa /AAA/-	1,000bn		15.09.2032	ms +4 bps		30.08.2022	2,000bn	ms + 6 area
2,500%	NRW.BANK	Aa1 /AA/AAA	1,000bn		07.09.2037	ms +6 bps		31.08.2022	3,700bn	ms +8 area
2,625%	Korea Developement Bank	Aa2 /AA/AA-	0,500bn		08.09.2027	ms +38 bps		31.08.2022	0,620bn	ms +45 area
2,125%	Japan Finance Org. for Municipal	A1 /A+/-	1,250bn		08.09.2027	ms +21 bps		01.09.2022	3,300bn	ms +24 area
t.b.d.	Finnvera	Aa1 /-/AA+	1,000bn		08.03.2028	ms -8 bps		01.09.2022	4,400bn	ms -5 area
t.b.d.	Bank Gospodarstwa Krajowego	- /-/A-	0,600bn		08.09.2027	ms +180 bps		01.09.2022	1,000bn	ms +190 area

Sources: Bloomberg, Helaba DCM

Covered Bonds

The primary market continues to enjoy great interest. This leads to oversubscribed order books and consequently the initial spreads can be narrowed without exception. This week, 5 bonds, including a

> *"Since the end of last week, the coordinates have shifted towards possibly stricter tightening measures. Of course, this does not leave the covered bond market unaffected. Once again, the market is eagerly awaiting the setting of price points by primary transactions. After a subdued start to the week, the market shot out of all cylinders yesterday! The initial price concessions are to be expected in view of the feared rise in overall market yields. Santander, for example, offered a dual tranche of 5 and 10 years with initial NIPs of approx. 15 bps after a long absence."*
>
> *Comment from the Helaba trading floor*

dual tranche of Banco Santander, were successfully placed with an exceptionally high issue volume of EUR 3.5 billion. HSBC SFH France kicked off with a EUR 500 million benchmark. The order book was 3.8 times oversubscribed and the initial spread was narrowed from MS+30 to MS+25. When assessing the issue spread, it is important to note that the covered bond issuer HSBC France SFH is to be sold to My Money Bank Group (MMG). The higher spread level can be explained by the anticipation of the change in ownership and the comparatively poorer MMG rating. Hypo NOE (EUR 500 million, WNG, 8 years, MS+20) was active today. Compared to the other issues this week, the oversubscription rate was relatively low. Unsurprisingly, the ECB also remains active: Within the framework of the APP, it increased its covered bond portfolio (CBPP3) by EUR 331 million in the last reporting week. We assume that these purchases are an anticipation of the high September maturities of EUR 6.8 bn and that the latter will not be fully replaced.

Outlook: Issuance activity will undoubtedly continue in the coming days, although this is likely to be limited to the first few days of the week given the ECB meeting on Thursday.

€-Covered Bond-Issues week of 29 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,625%	HSBC SFH	Aaa /AAA/-	0,500 Mrd.		07.09.2032	ms +25 Bp		31.08.2022	1,900 Mrd.	ms +30 area
2,375%	Banco Santander, S.A.	Aa1 /-/AA	2,250 Mrd.		08.09.2027	ms +20 Bp		31.08.2022	4,000 Mrd.	ms +25 area
2,750%	Banco Santander, S.A.	Aa1 /-/AA	1,250 Mrd.		08.09.2032	ms +42 Bp		31.08.2022	2,000 Mrd.	ms +45 area
2,250%	DekaBank	Aaa /-/-	0,250 Mrd.		08.09.2028	ms -3 Bp		31.08.2022	1,100 Mrd.	ms +2 area
2,500%	HYPO NOE	Aa1 /-/-	0,500 Mrd.		28.06.2030	ms +19 Bp		01.09.2022	0,680 Mrd.	ms + 20 area

Quellen: Bloomberg, Helaba DCM

Senior Unsecured

In the senior unsecured segment, too, the primary market has recently picked up strongly after the summer break. Last week, market conditions here seemed almost as favorable as in the other two bond classes we monitor: In principle, investors are keen to buy, albeit at still elevated spread levels.

On Wednesday and Thursday of this week in particular, a respectable number of deals in EUR benchmark format were successfully accommodated, including, for example, Raiffeisen Bank International, where the Russian activities are currently causing plenty of uncertainty about the strategic targets of the institution.

For the most part, spreads on the transactions were narrowed encouragingly during the book building process. However, the market environment remains volatile: iBoxx Financials spreads were clearly affected by expectations of interest rate hikes and gas supply stops and widened noticeably compared to the previous week. Secondary market spreads for the new bonds mentioned above were also unable to escape this trend.

Outlook: The institutions' issuance plans for this year are still quite extensive, driven not least by high maturities and regulatory requirements. Any favorable market conditions will therefore continue to be actively used for senior unsecured issues. Investors are particularly looking for good qualities.

The market environment remains challenging for the time being and transaction risks high in view of geopolitical tension and event-driven news. For example, another ECB meeting is scheduled for next week. The pace of new issues is therefore likely to tend to slow in the coming days.

> *"Yields and significantly wider iTraxx indices are pushing to ever higher levels. Turnover is picking up and we are seeing increased activity in real money accounts as sellers. At the same time, the latter are active in the secondary market following new issues. Fast Money is taking primary market gains. ETF funds are currently sellers, encountering weak supply. Trading desks have been preparing for the current flood of new issuance over the summer and can therefore act, even though there is relatively low risk appetite."*
>
> *Comment from the Helaba trading floor*

€-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
4,125%	Raiffeisen Bank International AG	A2 /-/-	0,500bn		08.09.2025	ms +200 bps	✓	31.08.2022	1,750bn	ms +230 area
3,750%	CaixaBank, S.A.	Baa1 /A-/A-	1,000bn		01.09.2029	ms +155 bps		31.08.2022	1,700bn	ms +175 area

Sources: Bloomberg, Helaba DCM

€-Senior Non-Preferred-Issues week of 29 August 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,067%	Natwest Group Plc	Baa1 /BBB/A	1,000bn		06.09.2028	ms +185 bps		30.08.2022	2,300bn	ms + 210 area
4,750%	Intesa Sanpaolo S.p.A.	Baa3 /BBB-/BBB-	1,000bn		06.09.2027	ms +250 bps		30.08.2022	2,300bn	ms + 270/275 bp
3,490%	Mizuho Financial Group, Inc.	A1 /-/A-	0,800bn		05.09.2027	ms +123 bps		30.08.2022	1,100bn	ms + 145 area
4,029%	Mizuho Financial Group, Inc.	A1 /-/A-	0,500bn		05.09.2032	ms +160 bps		30.08.2022	0,750bn	ms + 180 area
5,375%	Banco Sabadell	- /BB+/BBB-	0,500bn		08.09.2026	ms +325 bps		31.08.2022	0,825bn	ms +330 area

Sources: Bloomberg, Helaba DCM



Short news

9/1 The European Covered Bond Council has published the new edition of the **Covered Bond Fact Book**.

8/30 Chinese banks: China's industry leader Industrial and Commercial Bank of China (ICBC) joined the trend of mid-single-digit profit growth among China's major state-controlled banks with a 4.9% rise in after-tax profits to 171.5 billion yuan (just over 24.5 billion euros) in the first half of the fiscal year. Nevertheless, increased credit default risks related to weak property market soundness and deteriorating creditworthiness among Chinese real estate developers are creeping in. ICBC had to increase loan loss provisions in the real estate sector by 15%, with the NPL ratio climbing from 4.79% to 5.4%. (**Börsen-Zeitung**)

8/30 Italian banks. Italy's central bank Banca d'Italia, the government and the private banks' deposit guarantee fund FITD are apparently working to create a new aid fund to support small banks in difficulty. This was reported by the business newspaper "Il Sole 24 Ore" with reference to an alleged meeting of the parties involved in early August in Rome. (**Börsen-Zeitung**)

8/30 Foreign banks in Germany: Citigroup launches **new corporate banking business** in Germany and targets internationally active SMEs.

8/29 ECB monetary policy: Speculation on 75 bps interest rate step gains momentum – the probability increased from 24 % to 67 %. (**Handelsblatt**)

8/29 Customer loans: The city of Vienna apparently needs an emergency loan worth billions because of a utility company. (**NZZ**)

8/29 Customer loans: **Uniper** fully utilizes its KfW credit line and intends to raise a further 4 bn EUR.

8/28 New lending: Lending to companies in the Euro zone rised by 7.7% in July, the strongest increase since 2009. (**ECB**)

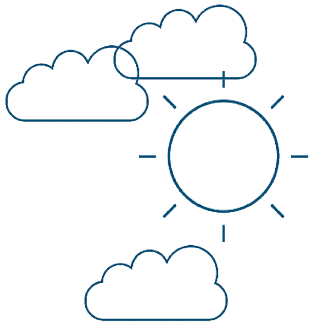
8/25 Russia exposures: **Citigroup** intends to wind down its consumer and local commercial banking businesses in Russia.

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

E-STOXX 600 Banks	125	-1,11%	-3,78%	iBoxx € Cov. Germany	3,7	2,1	0,8	iTraxx Senior Financial	130,0	12,9	20,3
10Yr-Yield	1,54	0,18	0,67	iBoxx € Cov. Bonds	12,0	2,2	1,1	iBoxx € Supranational	2,4	2,50	1,32
Swap 10J	2,42	0,16	0,73	iBoxx € Banks PS	76,0	8,0	7,4	iBoxx € Agencies	-17,9	2,78	-0,95
iBoxx € Germany	-79,1	3,09	-1,09	iBoxx Banks NPS	126,7	13,5	19,2	iBoxx € Sub-Sov. Germany	0,3	1,97	-3,57
iBoxx € EU	3,0	2,56	2,94	iBoxx Banks Subordinated	207,3	16,3	20,9	iBoxx € Sub-Sovereign	13,4	2,41	-2,42

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

Leisure tip for the weekend: Xanten in North Rhine-Westphalia



Xanten is a town in North Rhine-Westphalia with about 22,000 inhabitants, which is known for its Roman history and the numerous sights from this time. Therefore, the medium-sized district city of the district of Wesel is not only known domestically, but also popular with international tourists. Among the most famous sights of the city are undoubtedly the Archaeological Park, the Roman Museum, the Cathedral of St. Victor and the Castra Vetera (reliefs of a Roman base camp). In addition to the city itself, Xanten's surroundings are also attractive for exploration and relaxation excursions. For example, there are several nature reserves and lakes near the Rhine and in the direction of Wesel.

More information: **Xanten**

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

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Join us at the largest gathering of the global covered bond community on
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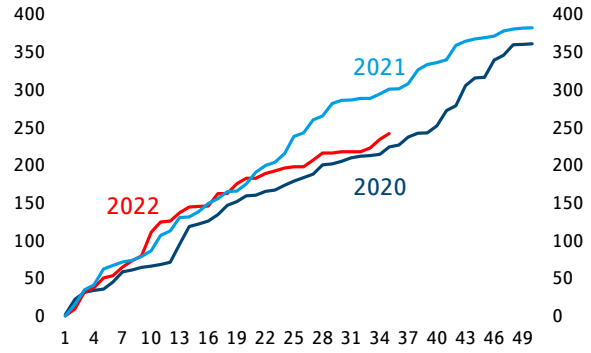
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Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

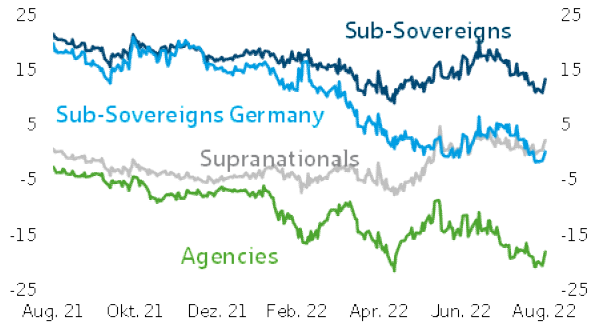
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

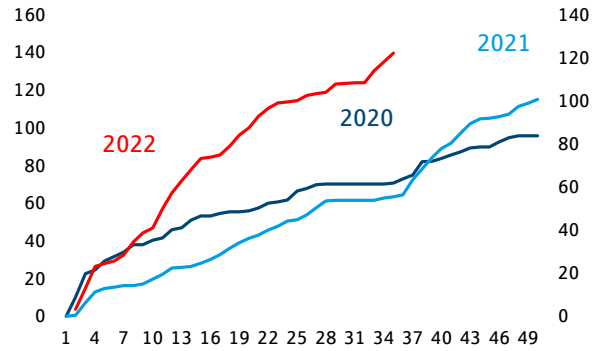
ASW spread in bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

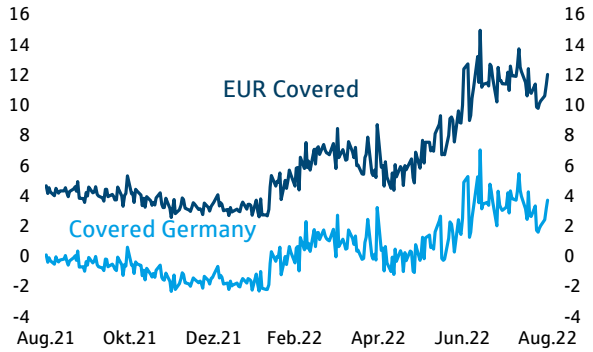
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

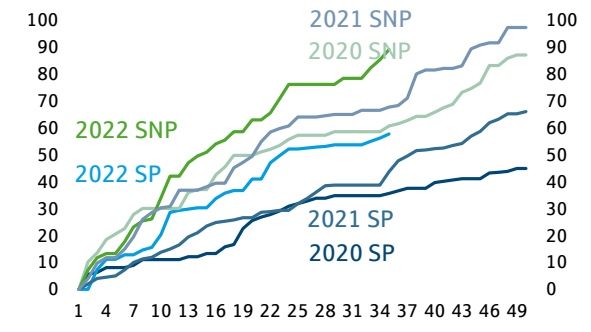
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

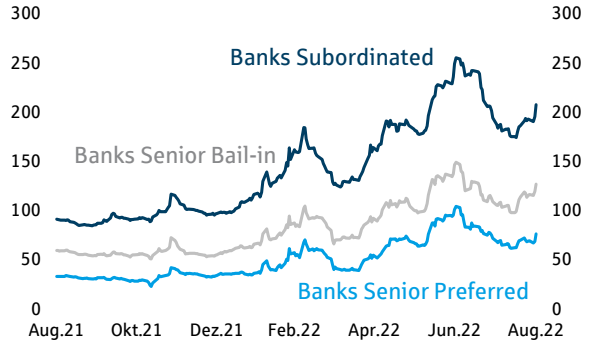
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

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