Helaba

Focus on: SSA & Financials

26 January 2023

Weekly Market Update

Primary market environment: The primary markets continue to run at full speed. January is the most active month ever in terms of bond sales. Records are being broken in rows. The Ifo business climate in Germany rises for the fourth time in a row. The Fed will raise interest rates by 25 bps and the ECB by 50 bps next week, according to consensus estimates.

Primary market barometer

SSA



The general conditions in the SSA segment continue to be favourable. After the minor teething problems at the beginning of the year, issuing activities have now picked up speed. It is particularly noteworthy that 30-year maturities are also passing through again without any problems.

Covered Bonds



Primary supply meets stable demand, so it is not surprising that the volume issued in January is at a record level. Looking ahead, the question is whether the ECB will change its purchasing strategy as early as February.

Senior Unsecured



Issuance volumes in senior unsecured bank bonds have weakened noticeably recently, which was to be expected in view of the quarterly reporting season and the blackout periods in Europe. Next weeks, a number of banks will present their annual financial statements, so we expect a further slowdown in activity.

Risk trend indicator: Risk aversion decreases

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,08	-0,34	-0,05	1,38	0,31	-0,74
European Union	0,01	-0,12	0,58	1,10	2,64	2,92
Germany Covered	-0,04	-0,07	0,28	0,63	1,20	0,71
EU Covered	0,00	-0,01	0,16	0,38	0,80	0,66
Banks senior preferred	-0,09	-0,41	0,02	-0,95	1,46	1,18
Banks senior bail-in (SNP)	-0,11	-0,48	-0,23	-1,20	1,30	1,06
Banks subordinated	-0,05	-0,26	-0,25	-1,19	1,15	1,09
Supranational	0,01	-0,08	0,59	1,21	2,24	2,28
Agencies	-0,03	-0,20	0,06	1,10	0,64	0,17
Sub-Sovereigns Germany	0,02	-0,09	0,35	0,90	-0,14	-0,39
Sub-Sovereigns	-0,01	-0,23	0,41	0,87	0,80	0,60

strong middle weak unchanged weak middle strong

spread widening spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

Risk aversion has eased for the second week in a row. Accordingly, our risk trend indicator is showing an increasing green tint in the short term.



SSA

The emission activities continued unabated. So far, there are no signs that this might change in the near future. A total of 8 transactions with a volume of EUR 13.35 billion were carried out this week. The EU made a very successful appearance with a 30-year issue. The state of North Rhine-Westphalia made use of a dual tranche. The total volume of EUR 5 billion was divided equally between a 9-year and a 30-year maturity. For both, the final spreads could be tightened by 2 bps compared to the marketing. The oversubscription rates were very good at 5.2 and 4.8 respectively. Overall, the 30-year transactions should be highlighted as they prove that investors are willing to invest at the long end of the yield curve even in an inverse yield curve environment. However, the curve inversion leads to very high spreads compared to the swap curve, which rules out an issue with such maturities for many issuers from a cost perspective.

Outlook: The hustle and bustle on the primary market is likely to continue in the coming days and weeks. Among other things, the lack of seasonal patterns in the SSA segment as well as possible catch-up effects in the wake of the weaker start to the year will contribute to this. The state of Berlin is already in the pipeline with a sustainability bond and another federal state has announced a 10-year bond.

€ SSA issues week of 23 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,750%	Niedersachsen	- /-/AAA	0,750bn		17.02.2031	ms -1 bps		23.01.2023	1,150bn	ms flat area
2,900%	Region Ile de France	Aa2 /-/AA	0,600bn		30.04.2031	FRTRs + 46 bp	✓	23.01.2023	2,300bn	FRTRs 50 area
3,000%	EU	Aaa /AA+/AAA	5,000bn	✓	04.03.2053	ms +86 bps		24.01.2023	51,900bn	ms + 88 area
2,750%	NRW	Aa1 /AA/AAA	2,500bn		15.01.2032	ms +2 bps		25.01.2023	8,500bn	ms + 4 area
2,900%	NRW	Aa1 /AA/AAA	2,500bn		15.01.2053	ms +68 bps		25.01.2023	10,500bn	ms + 70 area
3,050%	Ile-de-France Mobilités	Aa3 /-/AA-	0,500bn		03.02.2033	FRTRs + 49 bp	✓	25.01.2023	2,600bn	FRTRs +52 area
3,400%	Ile-de-France Mobilités	Aa3 /-/AA-	0,500bn		25.05.2043	FRTR + 54 bp	✓	25.01.2023	2,400bn	FRTR +57 area
2,875%	Bpifrance Financement	Aa2 /-/AA	1,000bn		25.11.2029	FRTR +45 Bp		26.01.2023	2,000bn	FRTR +47 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

Issuing activity continues to run at full speed, so that the first month of the year could be the busiest January ever. The upcoming month-end and the concern that the ECB will reduce the order rates for new issues with a February value date to 10% have caused an increase in activity compared to the previous week. The EUR 40 billion mark (YTD) was thus exceeded.

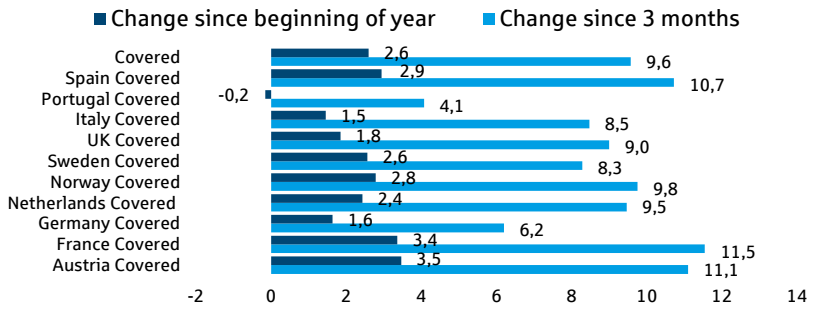
> *"The extreme inversion of yield curves continues to prevent the swapperformance of covereds (in line with other asset classes) beyond 5-year maturities. Since this week, this basic scenario has been joined by examples that give cause for hope. For example, the follow-on performance of the 12Y DKRED is quite remarkable (issued at MS+22, currently MS+18 midmarket) which was not to be expected given the prevailing investor behavior."*
>
> *Comment from the Helaba trading floor*

There also seems to be some activity in terms of maturities after Deutsche Kreditbank successfully placed the longest euro benchmark - a 12-year EUR 500 million social Pfandbrief - in over six months. Including this transaction, three ESG bonds were placed this week. Banque Postale Home Loan SFH was a social debut issue. Caja Rural de Navarra came up with a green labelled bond. Slovenská sporitel'ňa issued the first covered bond from Slovakia this year. Short to medium maturities remain the first choice for investors. The average maturity this week is 5.1 years. "The trend is your friend" is a stock market adage. If one believes this, one would have to assume that the trend towards widening spreads (chart), which is clearly evident in parts, will continue.

In the past 3 months the risk premiums of covered paper from France and Austria have increased the most. This can partly be explained by the very extensive primary market activities. Covereds with a volume of EUR 4.85 billion were issued from the Alpine republic this month, which is around 29% of the previous year's volume.

French and Austrian spreads with largest widening

ASW



* Portugal: Year-to-date value not representative without relevant turnover

Quellen: Refinitiv, Helaba Research & Advisory

Overall, it seems that the high premiums are increasingly attracting new (or former) buyers. However, the "supply tsunami" should subside in the medium term, so that the pressure that caused high secondary spreads via high new issue premiums will ease in the medium term. The central driver is and remains the yield curve, which will continue to determine the direction of swap spreads.

Outlook: The big question is to what extent the ECB will change its activities from next month. Overall, the month to date has also been characterised by very high maturities. This constellation will change in any case, so that the issuance volume should remain high in the coming weeks, but no longer approach the extremely strong January.

€ Covered Bond issues week of 23 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	Slovenská sporiteľňa	Aaa /-/-	0,500bn		12.01.2026	ms +33 bps		23.01.2023	0,620bn	ms + 35 area
3,000%	La Banque Postale Home Loan SFH	- /AAA/-	1,250bn		31.01.2031	ms +27 bps	✓	23.01.2023	1,600bn	ms + 30 area
3,000%	Deutsche Kreditbank AG	Aaa /-/-	0,500bn		31.01.2035	ms +22 bps	✓	23.01.2023	1,200bn	ms + 25 area
3,125%	Hypo Tirol Bank AG	Aa1 /-/-	0,300bn		31.01.2028	ms +29 bps	✓	23.01.2023	0,415bn	ms + 32 area
3,263%	National Australia Bank	Aaa /-/AAA	1,500bn		13.02.2026	ms +25 bps		23.01.2023	2,250bn	ms + 30 area
3,125%	RLB Oberösterreich AG	Aaa /-/-	0,750bn		30.01.2026	ms +18 bps		24.01.2023	1,000bn	ms + 22 area
3,000%	BNPP Home Loan SFH	- /AAA/AAA	1,000bn		31.01.2030	ms +22 bps		24.01.2023	2,700bn	ms + 27 area
2,875%	Commerzbank AG	Aaa /-/-	1,000bn		28.04.2026	ms -3 bps		24.01.2023	2,200bn	ms + 2 area
3,375%	Tatra Banka a.s.	Aaa /-/-	0,500bn		31.01.2026	ms +48 bps		25.01.2023	0,700bn	ms+ 50 area
3,000%	Achmea Bank N.V.	- /AAA/-	0,500bn		31.01.2030	ms +29 bps		25.01.2023	1,300bn	ms + 32 area
3,000%	Arkéa Home Loans SFH	Aaa /-/AAA	0,750bn		30.03.2027	ms +19 bps		25.01.2023	1,400bn	ms + 23 area
3,250%	Lloyds Bank plc	Aaa /-/AAA	1,000bn		02.02.2026	ms +24 bps		26.01.2023	4,000bn	ms +30 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

Primary market activity in the senior unsecured segment has slowed down noticeably this week, which was to be expected in view of the upcoming reporting season of European banks and the associated blackout periods. However, the five new issues announced since Monday met with buoyant demand in the friendly market environment. This week, the stage belongs to issuers that are usually not regularly active in the primary market, such as the Spanish Kutxabank, Hypo Niederösterreich-Wien or Oldenburgische Landesbank. PKO Bank Polski, which very successfully placed EUR 750 million on the basis of a 3.3-fold oversubscription, met with particular investor demand.

Outlook: While the major U.S. banks have already presented their Q4 2022 results, the reporting season in Europe really gets going next week. The onset of blackout periods could therefore further dampen issuance activity.
The reporting season is likely to focus primarily on the impact of rising interest rates, the development of deposit and loan volumes, and possible signs of increasing loan defaults. While banks are among the winners of rising interest rates, problem loan ratios have recently remained surprisingly stable despite their low level. (See in detail our "**Credit outlook for European banks2023**").

> *„The majority of turnover continues to take place in the new issues year to date, even though the focus is once again increasingly on older bonds. As the wave of new issues subsides, asset managers are increasingly intervening in the secondary market in an attempt to improve their own allocations somewhat. Particular attention continues to be paid to the new FRNs, where performance, which was initially subdued in some cases, has picked up speed and has even attracted the attention of savings banks.*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 23 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,000%	HYPO NOE	- /A/-	0,500bn		01.02.2027	ms +115 bps	✓	23.01.2023	1,750bn	ms + 125/130 bp
4,000%	Kutxabank, S.A.	A3 /-/A	0,500bn		01.02.2028	ms +110 bps		23.01.2023	1,380bn	ms + 130 area
5,625%	Oldenburgische Landesbank AG	Baa2 /-/-	0,300bn		02.02.2026	ms +270 bps		24.01.2023	0,500bn	ms + 280 area
5,625%	PKO Bank Polski SA	A3 /-/-	0,750bn		01.02.2026	ms +250 bps		25.01.2023	2,400bn	.

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 23 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,000%	Helaba	A2 /-/A+	0,750bn		04.02.2030	ms +125 bps	✓	26.01.2023	1,900bn	ms +145 area

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
UNICREDIT SPA	1/ 31	DEUTSCHE BANK AG-REGISTERED	2 / 2
UBS GROUP AG-REG	1/ 31	BANCO SANTANDER SA	2 / 2
UNICREDIT BANK AG	1/ 31	SPAREBANKEN VEST	2 / 2
SWEDBANK AB - A SHARES	1/ 31	ING GROEP NV	2 / 2
BANCO BILBAO VIZCAYA ARGENTA	2 / 1	NORDEA BANK ABP	2 / 2
RAIFFEISEN BANK INTERNATIONA	2 / 1	INTESA SANPAOLO	2 / 3

Sources: Bloomberg, Helaba Research & Advisory

Short news

1/26 French OFH Ratings Protected Against Deteriorating Asset Performance: The French Obligations Financement de l'Habitat (OFH) issued by the six Fitch-rated Societes de Financement de l'Habitat (SFH) programmes benefit from ample over-collateralisation (OC). This allows them to absorb significant deterioration in asset performance, a decline in house prices and a reduction of available excess spread, Fitch Ratings says in a new report.

1/24 ESG supervision: The European Central Bank published its maiden set of **climate-related statistical indicators** through which it aims to better examine the impact of climate-related risks on the financial sector and monitor the development of sustainable and green finance. The new indicators are either experimental or analytical, with the former meeting many but not all of the quality requirements of official ECB statistics, the regulator said.

1/24 Banking package - ECON keeps an eye on some specifics of the European banking market: The European Parliament's Committee on Economic and Monetary Affairs (ECON) proposed numerous amendments to the European Commission's legislative proposal on the implementation of Basel III in the European Union (EU) (the so-called banking package) in its meeting today after long and partly controversial discussions. This paves the way

for timely negotiations on the various proposals of the European legislative bodies, the so-called trilogue. (**Deutsche Kreditwirtschaft**)

1/24 Securitizations: Europe seeks to revive moribund securitization market. EU politicians will vote on a banking regulation change that reduces by half the increase in the capital on securitizations that would have occurred under new capital rules, the Financial Times (FT) reports. Hopes for change were boosted by a report from EU financial watchdogs acknowledging shortcomings in the securitization framework. (**Financial Times**)

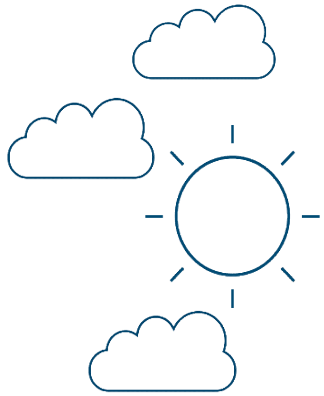
1/23 BaFin increasingly focuses on interest rate risks: In the view of the German Federal Financial Supervisory Authority (BaFin), another interest rate shock has become one of the greatest risks for the financial sector. Currently, the abrupt rise in interest rates is already putting pressure on the profitability of many banks. This is due to losses in their securities portfolios. A further sudden and sharp rise in interest rates would place a heavy burden on some institutions. This is the conclusion of the report **"Risks in the focus of BaFin 2023"**, which BaFin published on January 23, 2023.

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

E-STOXX 600 Banks	156	0,65%	10,42%	iBoxx € Cov. Germany	6,4	-1,0	1,8	iTraxx Senior Financial	89,7	3,0	-11,5
10Yr-Yield	2,2	0,2	-0,3	iBoxx € Cov. Bonds	20,1	-0,7	3,4	iBoxx € Supranational	18,8	-1,41	5,81
Swap 10J	2,8	0,2	-0,4	iBoxx € Banks PS	69,0	-9,8	-1,2	iBoxx € Agencies	1,0	-2,37	0,28
iBoxx € Germany	-49,6	-4,7	-1,2	iBoxx Banks NPS	102,2	-14,5	-9,4	iBoxx € Sub-Sov. Germany	13,6	-1,78	5,12
iBoxx € EU	24,5	-1,9	6,2	iBoxx Banks Subordinated	169,0	-12,2	-14,9	iBoxx € Sub-Sovereign	27,3	-2,92	4,20

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

Leisure tip for the weekend: World Luge Championships in Oberhof



World Champions & Olympic Champions in Oberhof.
Who will win the medals this time?

The World Luge Championships will take place from 23 to 29 January 2023 in the LOTTO-Thüringen Ice Arena.

In addition to the exciting competitions on the track, there is also a lot to discover off the track in Oberhof, such as the Winter Fun Park or the Exotarium.

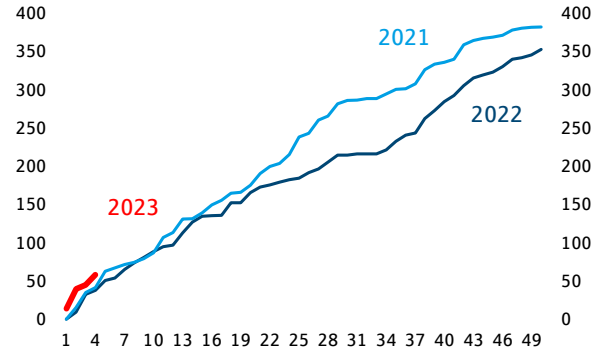
Further information:
Oberhof Luge World Championships

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

Chartbook SSA, Covered Bonds, Senior Unsecured

SSA: Primary volumes

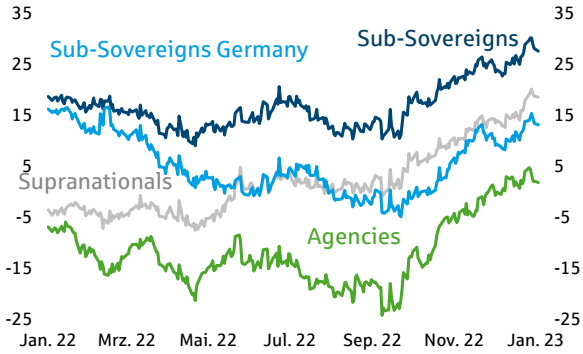
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSA: Spread development

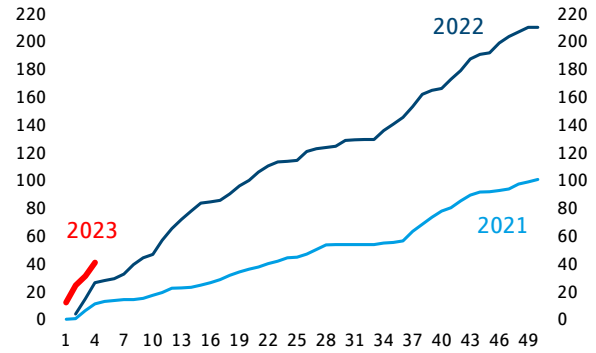
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

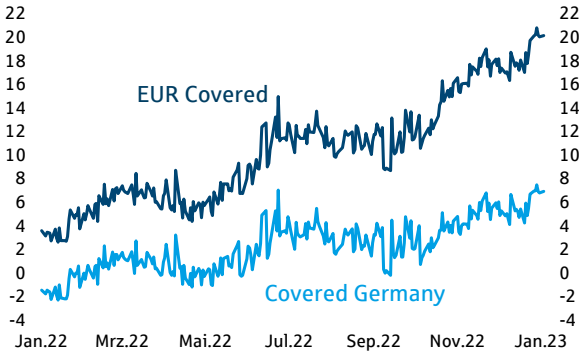
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

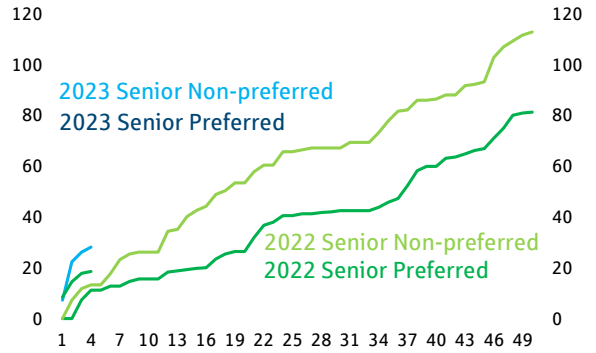
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

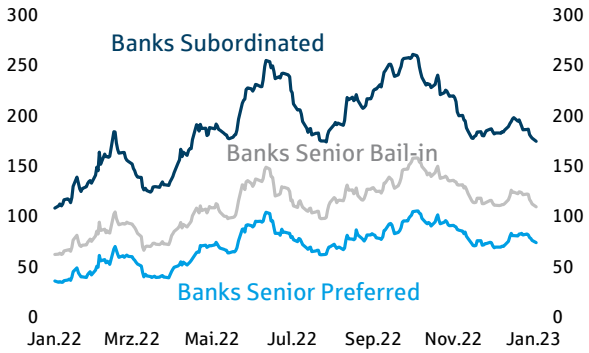
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

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