Helaba

Focus on: SSAs & Financials

16 February 2023

Weekly Market Update

Primary market environment: The primary markets seamlessly continued the dynamic development of the previous week. This trend is expected to continue for the time being. In the USA, consumer prices rose by 0.5 % in January compared to the previous month, the annual rate fell to 6.4 % from 6.5 %. US retail sales rose 3% in January vs. previous month.

Primary market barometer

SSAs



The SSA segment is currently very popular with both issuers and investors. Significant oversubscription rates in most cases and relatively low new issue premiums underpin this interpretation.

Covered Bonds



Issuers made lively use of what was probably the last chance for ECB participation on the primary market this week. Covereds with short maturities were again easier to place, although moderate improvements were seen at the longer end.

Senior Unsecured



After the strong issuance activity so far this year, the primary market showed noticeable signs of fatigue this week. Given the somewhat weaker market environment, issuers can afford to adopt a wait-and-see approach for the time being, however, the environment remains receptive.

Risk trend indicator: Risk aversion decreases in the short term

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,00	0,16	0,06	1,05	1,09	-0,47
European Union	-0,02	0,04	-0,10	0,99	2,67	2,95
Germany Covered	0,01	0,15	-0,04	0,52	1,02	1,01
EU Covered	0,00	0,04	-0,03	0,22	0,74	0,75
Banks senior preferred	-0,04	0,17	-0,61	-1,00	0,94	1,09
Banks senior bail-in (SNP)	-0,01	0,26	-0,70	-1,17	0,70	1,11
Banks subordinated	0,00	0,20	-0,41	-1,04	0,59	1,12
Supranational	-0,01	0,05	-0,12	0,93	2,16	2,29
Agencies	-0,01	0,04	-0,17	0,58	0,96	0,17
Sub-Sovereigns Germany	-0,02	0,01	-0,28	0,32	-0,12	-0,19
Sub-Sovereigns	-0,03	0,04	-0,32	0,46	0,86	0,76

strong middle weak unchanged weak middle strong

spread widening spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

Our risk trend indicator continues to show clearer swings in both directions. The picture brightened in the short term, but the longer maturities show contradictory signals.



SSAs

The music continues to play in the SSA segment. The EU plans to raise around EUR 80 billion by June. As part of this, the bonds maturing in December 2029 and November 2042 were increased by EUR 3 and 4 billion respectively. Once again, these two transactions met with enormous demand of more than EUR 93 billion. The search for safe haven assets contributed to the success of the issue, as did the fact that the secondary market is drying up somewhat. The state of Lower Saxony successfully placed a state treasury bond running until 2028. Remarkable was, on the one hand, the high issue volume of EUR 1.5 billion - the largest since 2006 - and, on the other hand, the fact that this was already the third bond placement this year. More than 70 customers, the majority from Germany, subscribed to the issue. The defensive maturity of 5 years probably contributed to the success. Furthermore, the autonomous region of Madrid successfully placed a 10-year Sustainable Benchmark at SPGB + 22. In total, 9 transactions were executed with average bid/cover ratios of 5.5 vs. an oversubscription rate of 6.7 in the previous week. It is also worth noting that ultra-long maturities are increasingly being successfully placed again, as shown by the transactions in the Wallonia region and Action Logement Services.

Outlook: The ESM has already sent out RfPs and is expected to carry out a transaction in the coming week.

€ SSA issues week of 13 Febuary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,875%	Niedersachsen	- /-/AAA	1,500bn		18.04.2028	ms -9 bps		13.02.2023	2,200bn	ms - 8 area
2,750%	NRW.Bank	Aa1 /AA/AAA	0,500bn		21.02.2029	ms -8 bps		13.02.2023	not disclosed	ms - 8 bp
1,625%	EU	Aaa /AA/AAA	5,000bn	✓	04.12.2029	ms -21 bps		11.10.2022	16,500bn	ms - 20 area
3,375%	EU	Aaa /AA/AAA	4,000bn	✓	04.11.2042	ms +52 bps		14.02.2023	51,000bn	ms + 54 area
3,596%	Madrid	Baa1 /A/BBB	1,000bn		30.04.2033	SPGB +22 bp	✓	14.02.2023	6,000bn	SPGB +28 area
3,000%	Municipality Finance Plc	Aa1 /AA+/-	1,000bn		25.09.2028	ms -3 bps	✓	15.02.2023	2,000bn	ms - 1 area
3,375%	Japan Finance Org. for Municipalities	A1 /A+/-	0,500bn		22.02.2028	ms +31 bps	✓	15.02.2023	1,600bn	ms + 35 area
5,125%	Bank Gospodarstwa Krajowego	- /-/A-	0,750bn		22.02.2033	ms +215 bps		15.02.2023	2,100bn	ms + 240 area
3,000%	BNG	Aaa /AAA/AAA	1,500bn		23.02.2028	ms -3 bps		16.02.2023	2,350bn	ms - 1 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

The primary market for covered bonds is still buzzing. The segment started this week with a lot of momentum. With Société Générale SFH (dual tranche), Credit Mutuel Home Loan SFH, Nordea and Unicredit, a remarkably high number of issuers were active for a Monday. The EUR7 billion in issuance volume placed by them generated robust demand of EUR12 billion. Once again it became apparent that the short end is

> *"The unbroken good to very good demand for covered bonds can be seen in the bulging order books and NIPs are also on the retreat. In addition, there are comparatively few swaps - the sale of old bonds in favour of new issues. There is much to suggest that fresh liquidity is flowing into the asset class. Overall, the market seems to be confident that there will be no major distortions after the ECB's primary market buying freeze."*
>
> *Comment from the Helaba trading floor*

the best to place, although there are also signs of improvement at the long end. At least Tier 1 issuers can place maturities of up to ten years in benchmark volume at relatively low new issue premiums. The majority of this week's issues went through well, with an average oversubscription rate of 2.0 after 3.6 in the previous week. Given the volume issued so far this year, it seems likely that primary activity will shift down a gear over the coming quarters. Provided that there is no substantial change in the big picture (policy rate developments, overall economic picture, yield curve structure), the constructive undertone should be maintained.

The **ECB** participation rate was 10%. In view of various regional holidays in the course of the carnival, primary market activity will only pick up again from next Tuesday. If the valutas are not shortened, they would fall in March, so

that the ECB will then no longer play a role. The central bank's changed approach can already be seen. The ECB, which was still expanding its CBPP3 holdings by EUR 1.3 billion through net purchases in January, now seems to have made a clear change of direction. In the reporting period from 3 to 10 February, the holdings were reduced significantly by around EUR 2 billion.

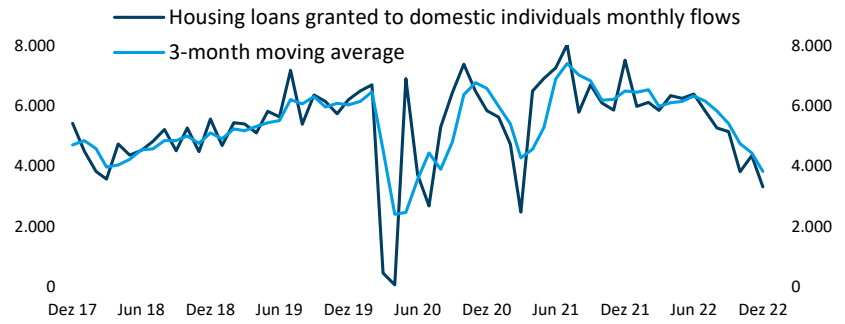
Outlook: Primary market activity will be lower in the next few days due to various regional holidays and is not expected to pick up again until the middle of next week.

Chart of the week

The development of the real estate markets is of great interest to covered bond investors. As the chart shows, approved housing loans in France declined since the interim peak in 2021 and again more significantly since mid-2022. On 1 February, the Banque de France started calculating the "taux d'usure" - the maximum permissible interest rate for home loans on a monthly basis instead of quarterly as before. This will bring mortgages more in line with market rates in the coming months. The step taken by the Banque de France can help boost lending and stop the downward trend. The change should allow French banks to expand their covered bond transactions while reducing the interest rate risk of the paper. Meanwhile, the rating agency Fitch sees covered bonds (in general) well protected against rising interest rates. This is justified, among other things, by large overcollateralisation cushions. On the basis of 10 French mortgage-covered bonds, this amounts to an average of around 32%, according to the latest available data.

French housing loans - new business clearly declining

Mio. EUR



Sources: Banque de France, Helaba Research & Advisory

€ Covered Bond issues week of 13 Feburary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,125%	Societe Generale SFH	Aaa /-/AAA	0,750bn		24.02.2026	ms -1 bps		13.02.2023	2,600bn	ms + 5 area
3,125%	Societe Generale SFH	Aaa /-/AAA	1,500bn		24.02.2032	ms +27 bps		13.02.2023	2,250bn	ms + 31 area
3,000%	Nordea Mortgage Bank Plc	Aaa /-/-	1,000bn		20.02.2030	ms +16 bps		13.02.2023	1,600bn	ms + 18 area
3,125%	UniCredit Bank AG	Aaa /-/-	1,250bn		20.08.2025	ms -7 bps		13.02.2023	2,000bn	ms - 2 area
3,125%	Credit Mutuel Home Loan SFH	Aaa /AAA/AAA	1,750bn		22.06.2027	ms +15 bps		13.02.2023	2,750bn	ms + 19 area
3,125%	Credit Mutuel Home Loan SFH	Aaa /AAA/AAA	0,750bn		22.02.2033	ms +32 bps		13.02.2023	1,250bn	ms + 35 area
3,125%	KBC Bank NV	Aaa /-/AAA	1,000bn		22.02.2027	ms +6 bps		14.02.2023	2,100bn	ms + 11 area
3,125%	UniCredit Bank Austria AG	Aaa /-/-	0,750bn		21.09.2029	ms +26 bps	✓	14.02.2023	1,000bn	ms + 28 area
3,125%	NORD/LB	- /AA+/-	0,500bn		20.02.2026	ms -1 bps		14.02.2023	2,000bn	ms + 3 area
3,125%	Wüstenrot Bausparkasse AG	- /AAA/-	0,500bn		22.02.2030	ms +14 bps		15.02.2023	0,650bn	ms + 14 area
3,250%	Oberbank AG	- /AAA/-	0,250bn		23.08.2030	ms +33 bps		15.02.2023	0,530bn	ms + 37 area
3,375%	Raiffeisenverband Salzburg	Aaa /-/-	0,325bn		24.02.2028	ms +33 bps		16.02.2023	0,450bn	ms + 34 area

Sources: Bloomberg, Helaba DCM

Senior Unsecured

A good EUR 58 billion of senior unsecured bank bonds in EUR benchmark format have already been placed this year, around half more than in the same period last year. In view of this record volume, issuers were able to adopt a **wait-and-see approach** this week with spreads rising slightly, especially as the reporting season and blackout periods also kept many houses away from the primary market.
Since Monday, only five bonds with a **volume of EUR 2.7 billion** have been issued, making it the weakest week so far this year. In addition, concessions had to be made in terms of spreads and volumes to fill the order books.

Credit Suisse, London Branch stood out positively with an oversubscription rate of 2x. Also noteworthy is the significant spread tightening of Mizuho Financial Group's new non-preferred bond in the secondary marekt.

The **reporting season** continues to be quite encouraging: Rising interest income and stable low credit risk costs supported banks' results. (see our Credit publication **"European Banks – An optimistic outlook for 2023"** of Jan. 11, 2023).

Outlook: The quarterly reporting season of the banks is now clearly heading towards its end, so that the blackout periods will also fall away. In view of the extensive maturities in 2023 and regulatory requirements for total bail-inable capital (MREL/TLAC), we expect **continued brisk primary market activity** in a friendly market environment.

> *„The dam is broken, for the first time in 2023, cash trades wider this week across the board. In the prefered segment, particularly Spanish and French stocks had to lose ground. In both countries thus almost half of the good performance of the past month is offset. Scandinavian bank stocks are outperformers of the rank with an average gain of 2 bps. The situation is similar for non-preferred bonds. Turnover has decreased again with the emerging uncertainty. Only retail desk activity in 1,000-denomination has remained unbroken. Real money accounts and ETF funds have scaled back their activities. There is also no clear trend toward maturity ranges. Short to medium maturities are traded more actively on both buy and sell side, which in turn opened up very good opportunities for 2-way flows."*
>
> *Comment from the Helaba trading floor*

€ Senior Preferred issues week of 13 Febuary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,125%	Unicaja Banco, S.A.	Baa3 /-/BBB-	0,500bn		21.02.2029	ms +215 bps		13.02.2023	1,750bn	ms + 215-220 area
5,500%	Credit Suisse AG (London Branch)	A3 /A-/BBB+	0,500bn		20.08.2026	ms +235 bps		15.02.2023	2,750bn	ms + 260 area
4,625%	FinecoBank S.p.A.	- /BBB/-	0,300bn		23.02.2029	ms +150 bps		16.02.2023	3,750bn	ms + 175 area
3,875%	BNP Paribas SA	Aa3 /A+/AA-	1,000bn		23.02.2029	ms +78 bps		16.02.2023	4,750bn	ms + 90 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 13 Febuary 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,157%	Mizuho Financial Group, Inc.	A1 /-/A-	0,600bn		20.05.2028	ms +105 bps		15.02.2023	0,800bn	ms + 120-125bp
4,416%	Mizuho Financial Group, Inc.	A1 /-/A-	0,750bn		20.05.2033	ms +140 bps		15.02.2023	1,000bn	ms + 155-160bp

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
NATWEST GROUP PLC	2/17	AAREAL BANK AG	3/2
HSBC HOLDINGS PLC	2/21	BANK OF IRELAND GROUP PLC	3/7
LLOYDS BANKING GROUP PLC	2/23	DEUTSCHE PFANDBRIEFBANK AG	3/9
ERSTE GROUP BANK AG	2/23		

Sources: Bloomberg, Helaba Research & Advisory

Short news

2/13 Russland Exposures: Russian banks and exports set to be hit in new EU sanctions: The EU is set to hit Moscow with new financial sanctions, trade curbs and a ban on Russian nationals serving on boards of critical European infrastructure companies, EU diplomats and officials told **POLITICO**. Brussels is set to include new financial sanctions against four Russian banks including the country's largest private bank, Alfa-Bank.

2/13 EBA seeks input from credit institutions on green loans and mortgages: The European Banking Authority (EBA) launched an industry survey to receive input from credit institutions on their green loans and mortgages as well as market practices related to these loans. The purpose of the survey is to collect both quantitative and qualitative information the EBA can use to advise the European Commission. The work is part of the Commission's Strategy for financing transition to a sustainable economy.

2/10 TLTRO repayments: According to the repayment notice of Feb. 10, 2023 (settlement Jan. 22), the total repayment amount in January is only EUR 36.6 billion, down from EUR 62.7 billion in January 2023. In November and December, EUR 744 billion of the targeted long-term refinancing funds had already been repaid to the ECB. Early repayment is voluntary for banks. However, the ECB has set strong incentives for institutions to repay the loans early. The monetary guardians had changed the interest rates of these loans, which were very lucrative for the banks during the low-interest phase, from November 2022. (see, among others, our Weekly Market Update of Dec. 8, 2022).

2/10 ECB consolidated banking data for end-September 2022: The ECB publishes consolidated banking data for end-September 2022. Data shows the total assets of EU credit institutions increased to € 32.67 trillion in September 2022 while EU non-performing loans ratio dropped by 0.35 PP year on year to 1.83 % in September 2022.

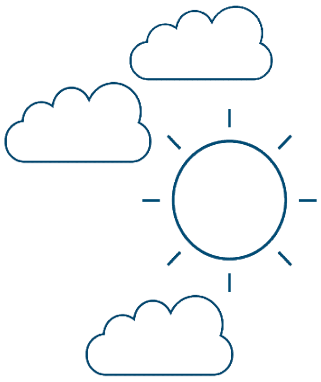
2/10 Sustainable Finance - Investors call on five EU banks to end new oil and gas finance: European banks risk jeopardizing the path to net-zero carbon emissions and the growth of renewable energy unless they stop directly financing new oil and gas fields this year, ShareAction said. As reported by Reuters, ShareAction said it had made the demand in letters sent to the heads of Barclays, BNP Paribas, Credit Agricole, Deutsche Bank, and Societe Generale.

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

E-STOXX 600 Banks	163	0,46%	5,37%	iBoxx € Cov. Germany	6,7	0,9	-0,8	iTraxx Senior Financial	84,9	0,3	-1,8
10Yr-Yield	2,5	0,1	0,5	iBoxx € Cov. Bonds	19,6	0,6	-1,2	iBoxx € Supranational	18,5	0,37	-1,67
Swap 10J	3,0	0,1	0,4	iBoxx € Banks PS	65,2	1,7	-13,7	iBoxx € Agencies	1,5	-0,23	-1,85
iBoxx € Germany	-42,9	0,7	2,0	iBoxx Banks NPS	97,1	6,0	-19,5	iBoxx € Sub-Sov. Germany	10,4	-0,06	-5,02
iBoxx € EU	24,8	0,3	-1,6	iBoxx Banks Subordinated	163,3	8,2	-17,9	iBoxx € Sub-Sovereign	26,4	0,12	-3,88

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

Leisure tip for the weekend: Large carnival parade through Frankfurt city centre



Carnival procession on Sunday, 19.02.2023 from 12:21 p.m.

The big parade starts with a pre-move party at the Römer from 11 am, "until de Zuch comes".
Afterwards, the participating clubs will parade from Untermainkai through the city centre to Römerberg, where the procession can be greeted from the grandstand.

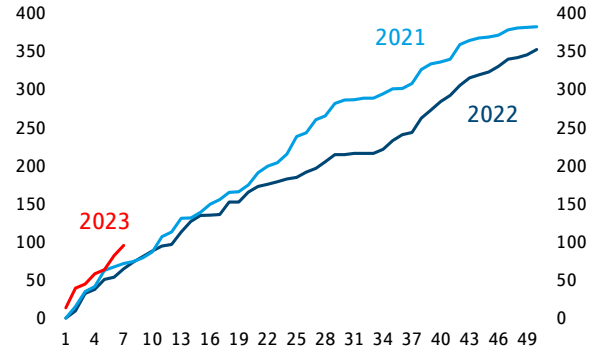
Further information:
Carnival Parade

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: https://www.frankfurt-tipp.de/specials/fastnacht-in-frankfurt.html

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

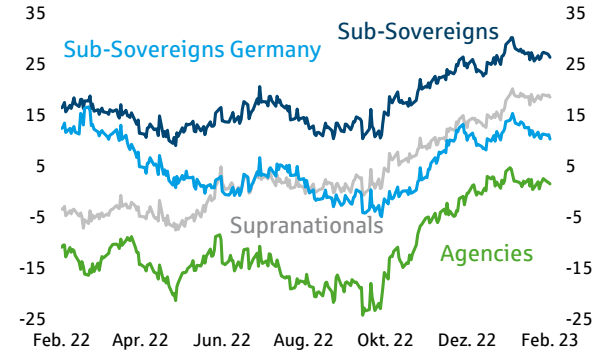
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

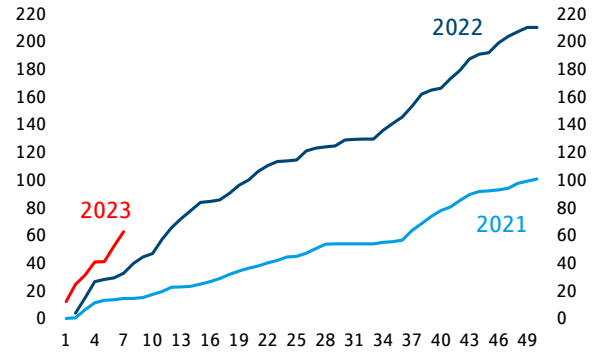
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

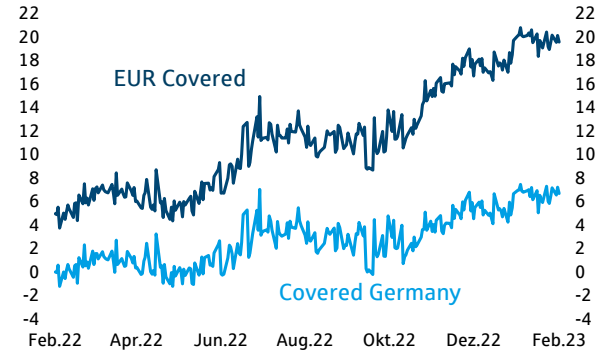
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

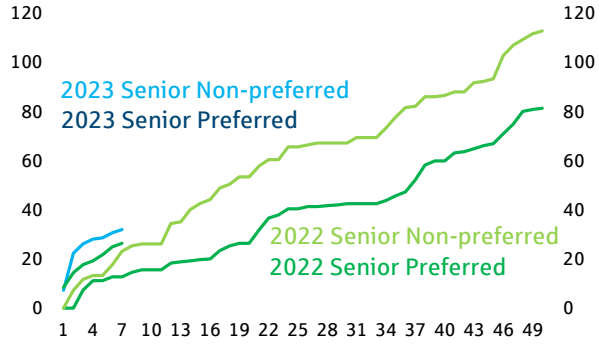
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

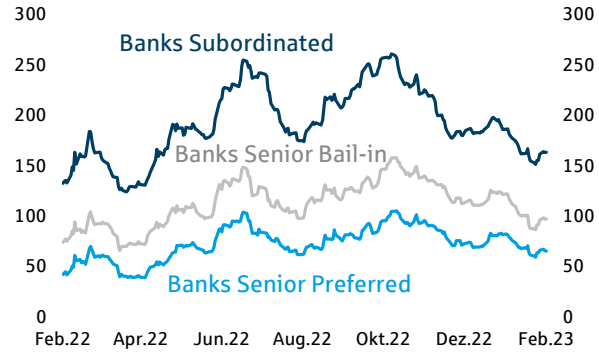
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → European banks: An optimistic outlook for 2023
- → Fokus on: Corporate Schuldschein: Burgeoning diversity creates new options for investors
- → Focus on: Primary Market update EUR Benchmark Bank Bonds Q4 2022
- → Focus on: Singaporean Covered Bonds - Top credit quality made in Asia
- → Credits: Corporate Schuldschein: Primary market 2022
- → Markets and Trends 2023
- → Focus on credits - Basel III and the EU Council's position on the legislative package
- → Focus on: Sustainable Finance - The rendezvous clause
- → Focus on: Credits – Bank and Covered Bond Profiles Germany
- → Focus on: SSAs – German Agencies
- → Focus on: Covered Bonds – European covered bonds: central website provides claritiy
- → Focus on: Credits – Live deals – a useful indicator for planning issuance
- → Focus on: Credits – European Banks: Climate risk stress test highlights need for furhter action
- → European banks: Activities becoming ever greener

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 24
Internet: www.helaba.com

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.

Here you can subscribe to our newsletter:
https://news.helaba.de/research/