



## Weekly Market Update



**Primary market environment:** This week, the central bank decisions attracted a lot of attention. The last time the Fed raised interest rates by 50 bps was in 2000. In addition, the familiar uncertainty factors set the tone. Demand for covered bonds remains strong, while spreads on senior unsecured bonds continue to widen.

### Primary market barometer

SSA



The SSA segment has been quieter recently, although spreads have tightened somewhat. One reason for this development is that covered bonds currently offer a relatively higher value for investors compared to European SSAs.

Covered Bonds



Covered bonds are currently enjoying great popularity. This applies equally to investors and issuers. Spreads have recently tightened somewhat, while yields are tending to rise. Accordingly, longer maturities are also in demand again.

Senior Unsecured



The primary market for senior unsecured paper could pick up slightly next week as the quarterly reporting season draws to a close. Overall, investors remain cautious, and transactions are only taking place at significantly higher spreads.

Sources: Helaba Research & Advisory

### A colourful potpourri of uncertainty factors continues to exist, yet spreads on a weekly basis can mostly pull in

Spread trend indicator\*, ASWspread change versus ...

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,02	-0,07	-0,55	-1,26	-2,82	-2,71
European Union	-0,03	-0,08	-0,34	-0,35	-0,20	-1,34
Germany Covered	-0,08	-0,02	-0,10	0,22	0,08	-1,58
Covered	-0,02	0,00	-0,03	0,06	0,05	-0,57
Banks senior preferred	0,07	0,02	0,65	0,51	0,77	-2,44
Banks senior bail-in (SNP)	0,07	0,02	0,69	0,68	1,05	-2,17
Banks subordinated	0,04	0,06	0,47	0,44	0,79	-0,80
Supranational	-0,03	-0,05	-0,18	-0,21	-0,15	-1,23
Agencies	-0,01	-0,08	-0,43	-0,49	-0,82	-1,44
Sub-Sovereigns Germany	-0,01	-0,10	-0,36	-0,74	-0,72	-1,93
Sub-Sovereigns	0,00	-0,06	-0,23	-0,40	-0,41	-1,82



\*ASW levels standardized and 2T-smoothed, since 14.2.22 changed calculation of ASW levels by Markit.

Sources: Refinitiv, Helaba Research & Advisory

Overall, market sentiment in the asset classes we cover has improved recently, as the changes in our spread trend indicator based on standardised ASW levels show compared to the previous week. For senior bank bonds, the widening at least no longer falls into the range described as strong.



## SSA

In the past few days, issuing activity in the SSA segment came to a complete standstill. This was partly due to the fact that covered bonds currently represent a higher relative value for investors. However, the FOMC meeting and the publication of the non-farm payrolls undoubtedly also caused restraint. In this respect, it can be assumed that activity will increase again in the coming week. The EU is in the starting blocks with an issue - very likely in the coming week - and corresponding request for proposals (RFPs) have already been sent out. The current trend towards spread tightening should also have a positive influence.

### €-SSA-Benchmark-Issues week of 2 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
--------	--------	------------------	----------	-----	----------	-----------------------------	-----	--------	-----------	-----------------------

Sources: Bloomberg, Helaba Research & Advisory



## Covered Bonds

In an environment characterised by uncertainty, the shorter end continues to be the "hot spot" in view of increased volatilities and balanced risk/reward profiles. For example, absolute returns of just under 1% can be achieved in 2-year maturities. This means that the premiums in the core countries remain high compared to European government bonds. Overall, market participants should not become too carefree in view of the ECB's monetary policy reassessment. Recently, ECB Director Schnabel stressed that the ECB must act on inflation and not just talk. She considers the termination of bond purchases at the end of June and an interest rate hike in July is possible. In addition, the geopolitical, economic and inflationary risks must be sufficiently

*"In recent trading days, stable valuations have been recorded in the secondary market for covereds (basis: swap spreads). Even if the liquidity situation is not really encouraging for most maturities, we are still seeing decent turnover. In view of the continuing uncertainties on the overall market, this is definitely an encouraging signal. The primary markets are also doing their part. NIP's are respectable and new issues with current coupons are generating interest (e.g. 1.75% on 10Y)."*

*Assessments from the Helaba trading room*

appreciated. On the one hand, there is a risk of a change of direction in spreads and, on the other, market participants could start to realise their outperformance. So far, however, demand in the primary market has been lurid. The new issues placed this week included everything an investor's heart could desire. Maturities of 3-10 years, a **debut green paper from La Banque Postale** Home Loan and a **debut social bond from Berlin Hyp**. The **offerings of Austrian issuers** also attracted great demand. Raiffeisen Landesbank Vorarlberg, for example, had a full order book of almost EUR 2 billion for its EUR 300 million sub-benchmark covered. Also worth noting is the current strong tightening for this segment after the initial price talk (IPT) of up to five basis points. **In the coming week**, issuers will continue to take advantage of the opportunities currently available. Accordingly, issuing activity is expected to continue.

### €-Covered Bond-Benchmark-Issues week of 2 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,750%	Berlin Hyp AG	Aaa /-/	0,750bn		10.05.2032	ms +2 bps	✓	03.05.2022	2,800bn	ms + 6 area
1,750%	SCBC	Aaa /-/	1,250bn		10.02.2032	ms +11 bps		03.05.2022	2,100bn	ms + 15 area
1,625%	Hypo Vorarlberg Bank AG	Aaa /-/	0,500bn		11.05.2028	ms +8 bps		04.05.2022	1,645bn	ms + 13 area
1,750%	SpareBank 1 Boligkreditt	Aaa /-/	1,000bn		11.05.2032	ms +11 bps		04.05.2022	1,300bn	ms + 14 area
0,000%	La Banque Postale	- /AAA-	0,750bn		12.05.2032	ms +4 bps		04.05.2022	3,500bn	ms + 9 area
1,750%	Arkéa Home Loans SFH	Aaa /-/AAA	0,750bn		16.05.2032	ms +7 bps		05.05.2022	1,100bn	ms + 12 area
1,625%	HYPONOE	Aa1 /-/	0,500bn		11.05.2029	ms +9 bps		05.05.2022	1,000bn	ms + 13 area

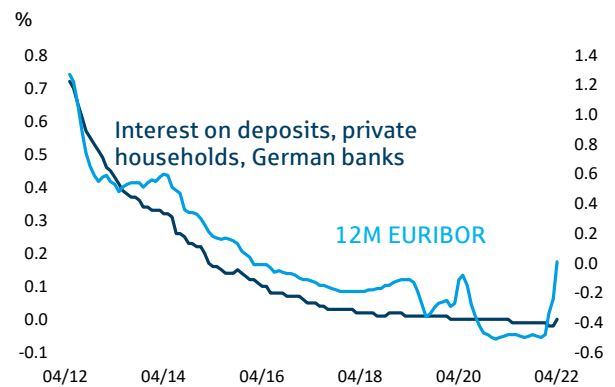
Source: Bloomberg, Helaba DCM

## Senior Unsecured



sk/ In the case of senior unsecured bonds, the week was characterized by a wait-and-see attitude on the part of market participants in view of the Fed's interest rate decision on Thursday. Furthermore, the blackout period during the quarterly reporting season caused a pause on the primary market. The latter is slowly coming to an end, **in the coming week** issuers could thus show up on the market again sporadically. A very solid start was made yesterday by SEB, which issued a senior preferred bond in EUR benchmark format with a 4.5-year maturity and was able to tighten the spread by 18 bps to 42 bps compared to the first indication.

### Banks: Rising deposit margins in sight



Sources: Refinitiv, Helaba Research & Advisory

The quarterly reports of the banks could actually give cause for optimism - the institutions showed very solid results for the most part, and loan loss provision expenses were in some cases even lower than expected. Furthermore, the turnaround in interest rates is fuelling hopes of a return to rising interest margins, especially for customer deposits. However, news on the geopolitical and economic environment remained dominant, and concerns about rising credit risks and lower new business volumes in the coming quarters are weighing on the market environment.

*“Compared to last Wednesday, benchmarks have widened in general. Scandinavian preferred securities got off lightly with an average of up to +3 bps. This contrasts with the changes in French, Italian and Spanish non-preferred bonds, which widened on average 10 to 20 bps - on an individual security basis even up to 30 bps. So the risk-off mode continues. When an offer is sought, the short end is in demand.”*

Assessments from the Helaba trading room

New Helaba report on ESG in banks, with current market trends and a concise regulatory overview:

### "European Bank Bonds: Activities are getting greener"

#### €-Senior Preferred-Benchmark-Issues week of 2 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
1,750%	SEB	Aa3 /A+/AA	1,000bn		11.11.2026	ms +42 bps		04.05.2022	1,350bn	ms + 60 area

Sources: Bloomberg, Helaba Research & Advisory

#### €-Senior Non-Preferred-Benchmark-Issues week of 2 May 2022

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,103%	Morgan Stanley	A1 /BBB+/A	1,500bn		08.05.2026	ms +88 bps		05.05.2022	2,750bn	ms + 110 area
2,950%	Morgan Stanley	A1 /BBB+/A	1,500bn		07.05.2032	ms +123 bps		05.05.2022	2,600bn	ms + 145 area

Source: Bloomberg, Helaba DCM

Sources: Bloomberg, Helaba Research & Advisory



## Short news

4/29-5/5. **Banks' quarterly reports:** The banks are mostly confident. So far, they have posted very solid results for the first quarter of 2022. Credit quality remains very stable, which is even a positive surprise. However, the outlook is burdened by geopolitical and growth risks. Nevertheless, the industry is well positioned and enters this uncertain period with strong equity and liquidity ratios. Another focus of the reporting season has been on the interest rate turnaround, which is expected to support earnings.

**5/3 Russia sanctions:** New EU sanctions are set to target Russian oil and more banks. [Reuters](#) reports that the latest round of sanctions would also affect Sberbank, Russia's largest credit institution, which would have to join the ranks of banks already excluded from the SWIFT messaging system.

**5/3 Credit quality:** Three and a half weeks after [KfW](#) announced new billion-euro aid for companies, the program is taking shape: In order to provide companies affected by the Ukraine war or sanctions with favorable credit, the state-owned development bank is setting up new financing programs, as the banking group announced on Tuesday together with the Federal Ministries of Finance and Economic Affairs and Climate Protection.

**5/3 Banking union:** According to the *Börsenzeitung*, the further development of the banking union remains controversial among the euro states. According to the report, a new draft for a work plan by Eurogroup head Paschal Donohoe, which is to run for several years, did not meet with approval during a video conference on Tuesday.

**5/3 Bafin on the consequences of the Ukraine war:** According to Reuters, the financial supervisory authority Bafin warns of the consequences of the Ukraine war for the banking industry and sees an increased risk of cyberattacks on German financial companies. Although the financial system is stable and the direct effects of the war and the sanctions against Russia and Belarus can be absorbed as of now, the second- and third-round effects, which are difficult to assess, could become problematic.

**5/2 ESG risks and capital:** The European Banking Authority (EBA) published a [discussion paper](#) on the consideration of environmental risks within the capital requirements for credit institutions and investment firms. The subsequent consultation runs until 2.8.2022.

**4/29 Capital requirements:** The European Banking Authority (EBA) published its [recommendations](#) on simplifying and further harmonizing the macroprudential framework. Among other things, it advocates a return to stricter requirements for regulatory capital buffers, which had been relaxed due to the Corona crisis.

**4/29 Lending:** According to [ECB data](#), the year-on-year growth rate for loans to companies weakened slightly from 4.5% in February 2022 to 4.2% in March 2022. Due to increasing concerns about an economic slowdown, credit growth is under particular scrutiny.

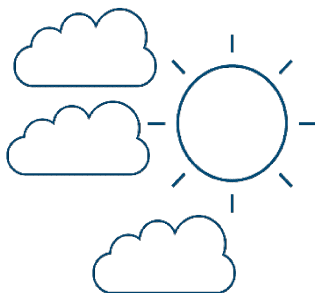
**4/28 Covered Bonds/Soft Bullet:** The shift in covered bond markets from predominantly hard maturities to mostly 12-month extendible maturities ("soft-bullet") is improving payment continuity for many Fitch-rated programs, the agency said in its report. As more European countries adopt the extension feature as part of their implementation of the 180-day liquidity rule of the covered bond directive, this trend will continue.

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

E-STOXX 600 Banks	85,48	0,23%	-1,57%	iBoxx € Cov. Germany*	-0,97	-1,09	-1,43	iTraxx Senior Financial	102,4	4,59%	18,33%
10J-Yield	0,98	0,17	0,33	iBoxx € Cov. Bonds*	4,65	-1,05	-1,71	iBoxx € Supranational	103,6	-1,23%	-3,02%
Swap 10J	1,76	0,19	0,43	iBoxx € Banks PS	92,18	-0,67%	-1,72%	iBoxx € Agencies	97,5	-0,92%	-1,61%
iBoxx € Germany	101,87	-1,2%	-2,5%	iBoxx Banks NPS	94,27	-0,9%	-2,7%	iBoxx € Sub-Sov. Germany	98,8	-0,97%	-2,17%
iBoxx € EU	100,96	-1,51%	-3,68%	iBoxx Banks Subordinated	85,02	-0,84%	-2,92%	iBoxx € Sub-Sovereign	97,3	-1,16%	-2,71%

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

**Leisure tip for the weekend: ANIMAL ADVENTURE HIKE**



"She-e-e-p, Donkey & More" is the motto for this weekend. Families or small groups can explore nature in the Odenwald together with a long-eared four-legged friend of their choice.

In addition to the donkeys, sheep and herding dogs also look forward to their extensive petting sessions. From children's birthday parties to yoga with donkeys, there is something for everyone here. On request, sufficient catering is also provided.

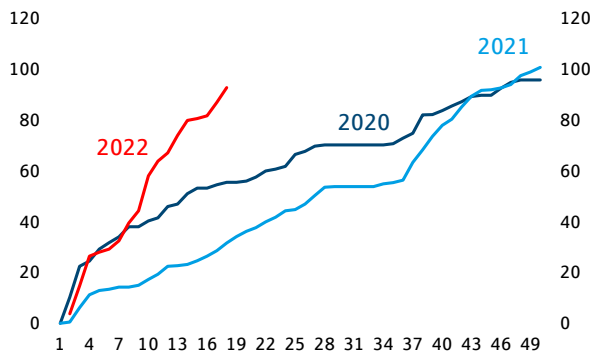
More information: [Adventure Hikes Odenwald](#)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).  
Source: [www.erlebnisswanderungen-odenwald.de](http://www.erlebnisswanderungen-odenwald.de)

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

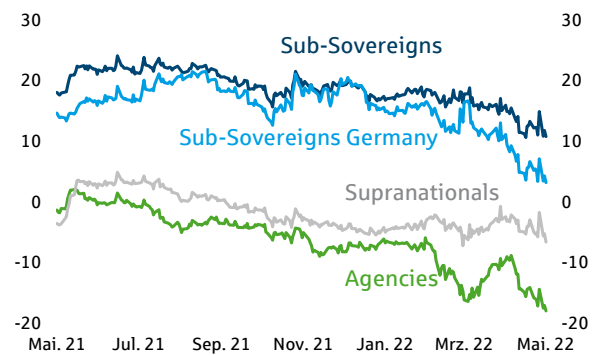
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

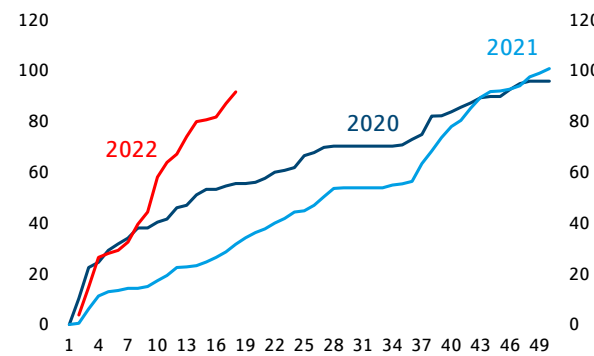
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Primary volumes

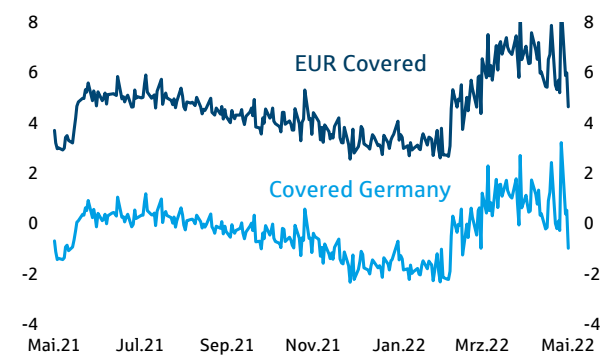
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

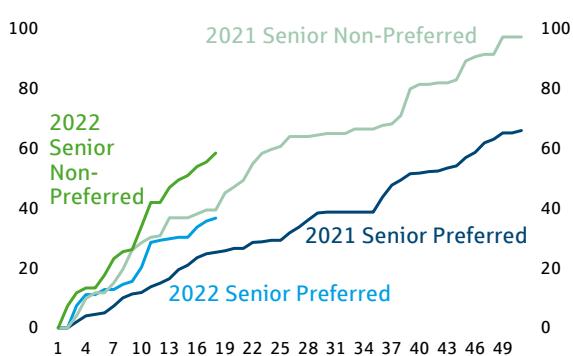
ASW in bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Primary volumes

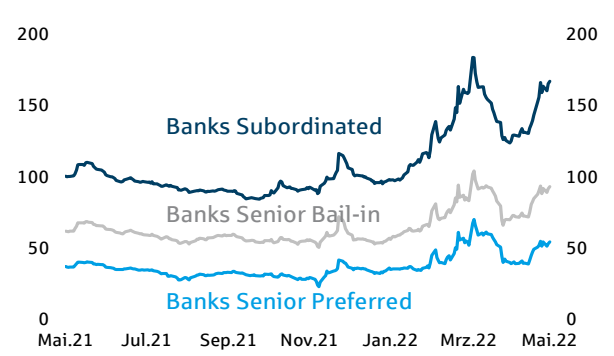
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW in bp



Sources: Bloomberg, Helaba Research & Advisory



## News from Research & Advisory

- **WOCHENAUSBLICK (ERSCHEINT AM FREITAG ZWISCHEN 12 - 14 UHR)**
- **EUROPÄISCHE BANKANLEIHEN: AKTIVITÄTEN WERDEN IMMER GRÜNER**
- **FINANZPLATZ: BANKBESCHÄFTIGUNG IN FRANKFURT NÄHERT SICH WENDEPUNKT**
- **MÄRKTE UND TRENDS APRIL 2022 (VIDEO)**
- **MÄRKTE UND TRENDS APRIL 2022 (PUBLIKATION)**
- **IM FOKUS: BUNDESLÄNDER "REGIONALES WACHSTUM ERHOLT SICH NUR LANGSAM**
- **IM FOKUS: LÄNDERRATING UND NACHHALTIGKEIT**
- **IM FOKUS: POLEN: KONJUNKTUR IM SCHATTEN DES KRIEGS**
- **IM FOKUS: ITALIEN: CHANCEN MÜSSEN GENUTZT WERDEN**
- **IM FOKUS: EUROPÄISCHE BANKEN: UKRAINE-KRISE BELASTET AUSBLICK VOR ALLEM INDIRECT**
- **COVERED-BOND-GESETZ IN ÖSTERREICH (VIDEO)**
- **COVERED-BOND-GESETZ IN FRANKREICH UND DEUTSCHLAND (VIDEO)**
- **COVERED-BOND-GESETZE: UMSETZUNG DER EU-REGELUNGEN (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:

Sabrina Miehs, CESGA  
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](http://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/>