

# Focus on: SSA & Financials

## 2 February 2023



## Weekly Market Update



**Primary market environment:** Primary markets remain constructive. The Fed raised rates by 25 bps as expected and the ECB by 50 bps. The International Monetary Fund sees a "turning point" for the global economy and raised its growth forecast for the first time in a year. Euro-zone inflation has eased, but record core inflation has not.

### Primary market barometer

#### SSA



Issuing activities continue in view of the favourable market environment, even though the high level of dynamics in January could not be continued in the last few days.

#### Covered Bonds



The primary market environment continues to be constructive, so that lively issuing activity can be expected in February as well. The 20 % quota applied by the ECB probably until the end of March acts as an additional factor. Nevertheless, the high January turnover figures should not be reached again.

#### Senior Unsecured



Primary market activity has also weakened significantly in this area. Last but not least, the blackout period due to the current quarterly reporting season is causing issuers to adopt a wait-and-see approach. However, the market environment remains constructive.

### Risk trend indicator: Increasing risks in the short term

Relative\* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	0,06	0,13	-0,11	0,97	0,37	-0,78
European Union	0,05	-0,07	0,31	0,88	2,52	2,88
Germany Covered	-0,03	-0,13	0,07	0,32	1,15	0,60
EU Covered	-0,01	-0,06	0,06	0,22	0,78	0,62
Banks senior preferred	0,04	-0,04	-0,51	-1,27	1,34	1,19
Banks senior bail-in (SNP)	0,00	-0,11	-0,72	-1,51	1,09	1,16
Banks subordinated	0,05	-0,11	-0,56	-1,44	0,98	1,06
Supranational	0,02	-0,10	0,31	0,94	2,17	2,19
Agencies	0,00	0,04	-0,08	0,74	0,71	0,20
Sub-Sovereigns Germany	-0,02	-0,14	0,05	0,63	-0,30	-0,36
Sub-Sovereigns	0,00	-0,09	0,06	0,57	0,79	0,59

\* ASW levels standardized and 2T-smoothed  
Sources: Refinitiv, Helaba Research & Advisory

After a short breather, our risk trend indicator shows that risk aversion is increasing again in the short term. The longer-term assessment remains negative.



## SSA

In the SSA segment, 48 issues with a volume of EUR 63.42 billion were placed in January. Of these, 8 transactions (EUR 12.2 billion) were supranationals. This week, the state of Hesse stood out impressively with its issue of a nearly 10-year state treasury note. Contrary to expectations, this was issued with a volume of EUR 2 billion. The order book of EUR 4.6 billion was impressive, so that Hesse managed to narrow the initial spread by 2 bps to final MS-1 during the bookbuilding. No new issue premium had to be offered. The result was also remarkable in comparison with the NRW bond issued the previous week, which was priced at MS+2 bps. The result was remarkable.

**Outlook:** A Sustainable Development Bond of the Asian Infrastructure Investment Bank (AIIB) is still in the pipeline. The EU is also planning to place bonds with a volume of EUR 70 billion in the first half of the year as part of the NextGenerationEU programme. The next transaction is on the agenda for the week of 13-17 February. A further €10 billion is to be generated through the newly created Macro-Financial Assistance Programme for Ukraine.

€ SSA issues week of 30 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
2,000%	EU	Aaa /AA+/AAA	2,265bn	✓	04.10.2027	Auction		28.11.2022	2,330bn	Auction
1,000%	EU	Aaa /AA+/AAA	1,765bn	✓	06.07.2032	Auction		30.01.2023	4,000bn	Auction
2,875%	Hessen	- /AA+/-	2,000bn		10.01.2033	ms -1 bps		31.01.2023	4,600bn	ms + 1 area

Sources: Bloomberg, Helaba DCM



## Covered Bonds

The monthly balance sheet for January is impressive. 53 covered bonds with a volume of EUR 43.5 billion were issued. The average maturity was 5.7 years, with the securities of DekaBank and Deutsche Kreditbank standing out with maturities of two and 12 years, respectively. The issuers had to accept a new issue premium of almost 7 bps and the coupons averaged 3.04%. As expected, the high issuing momentum

*"Overall, the constructive trend towards tighter swap spreads continues. There is a willingness to buy at the current levels on the part of both customers and liquidity providers. It is helpful that the primary markets have clearly taken their foot off the gas at the moment. This has significantly reduced the supply pressure. In addition, some market segments (core/Scandis/Canada) have run too far out in investor perception despite the strong market showing expected in the coming weeks."*

*Comment from the Helaba trading floor*

of January did not continue in the run-up to the interest rate decisions of various central banks in the past few days. This week, Sparkasse Hannover opened the February settlement period very successfully on Monday. The order book for the five-year EUR 250 million subbenchmark mortgage Pfandbrief peaked at EUR 750 million. This enabled the final spread to be narrowed by 4 bps to final MS+8. compared to the marketing. However, this issue was also in the spotlight for another reason: market participants were very eager to find out whether the ECB would maintain its quota of previously 20 % for the covered bond maturing in February. As we know today, this was not the case. This knowledge brought relief to issuers and at the same time increased planning certainty.

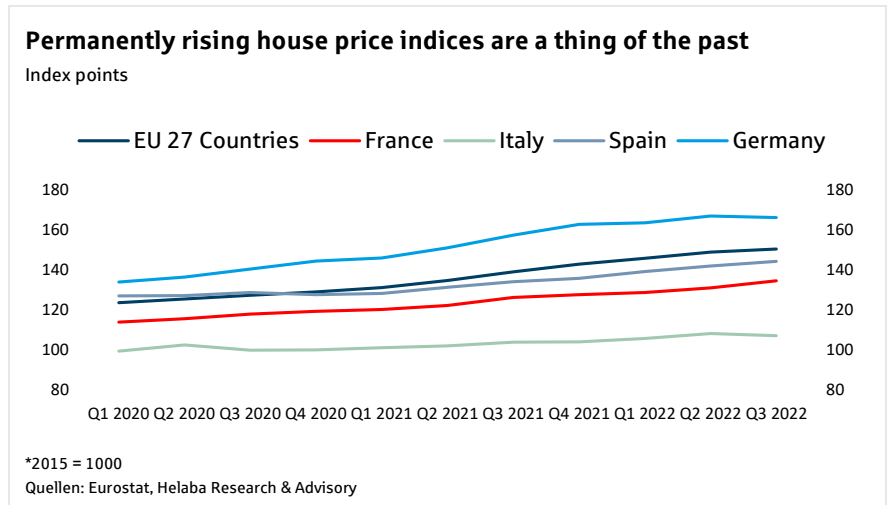
In the reporting week ending 27 January, the ECB significantly reduced its CBPP3 holdings by EUR 678 million compared to the previous week.

Overall, we observe follow-up purchases by our clients for this year's issues, which closes existing allocation gaps. The picture is constructive, with the outstanding performance of the new Lloyds 3y, which was recently issued at MS+24 and is currently trading at Midmarket +12, worth mentioning!

**Outlook:** The primary market environment remains constructive. The brisk issuance activity will continue in February, although it is likely that January's turnover will not be matched. In the pipeline is Sumitomo Mitsui Banking Corp. for a 5-year covered.

**Chart of the Week**

The tight real estate markets in large parts of the world represent an increasing risk overall, especially since higher interest rates are putting pressure on the financial situation of households and threaten to exacerbate the decline in prices. For covered bond investors, however, the effects should be limited. The rating agency Fitch, for example, emphasises that covered bond ratings are well protected against rising interest rates. According to the agency, covered bond programmes benefit from a large overcollateralisation cushion and high issuer ratings, which underpins the neutral outlook for the covered bond sector in 2023 (see also News in Brief).



€ Covered Bond issues week of 30 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,000%	Sparkasse Hannover	- /-AAA	0,250bn		07.02.2028	ms +8 bps		30.01.2023	0,675bn	ms + 12 area

Sources: Bloomberg, Helaba DCM



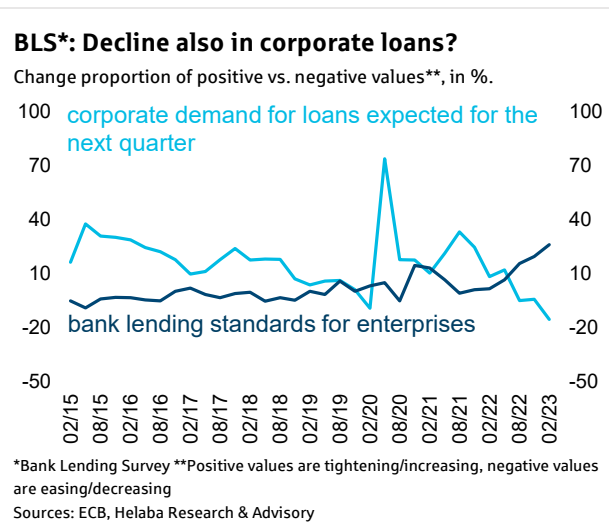
**Senior Unsecured**

Following the flood of new issuance in January (EUR 49.2 billion, double yoy), primary market activity in senior unsecured bank bonds in the EUR benchmark format has slowed down significantly this week, due to the blackout period caused by the ongoing reporting season. In addition, the central banks' interest rate decisions this week caused a wait-and-see attitude among issuers.

However, the **market environment remained friendly**, and the calmer primary market is having a noticeably positive effect on risk premiums in both the primary and secondary markets; even longer maturities are attracting more interest again. All three transactions since Monday were thus able to achieve solid results and narrow the spread by 25 bps during the book building.

**The reporting season of the banks also brings good support:** the results published so far exceed the already high expectations of market participants. Some banks were able to report multi-year record results for 2022, including Unicredit, BBVA and Deutsche Bank. The main revenue growth driver is net interest income, which is benefiting from the rising interest rate environment, especially in the customer deposit business. Boosted by other effects (including the TLTRO premium), net interest income at some banks grew by up to 30% year-on-year in the 4th quarter. Even if such growth rates cannot be continued to the same extent, the sector can be expected to achieve good results also in 2023 (see our Credit publication: "[European banks – An optimistic outlook for 2023](#)" of January 11, 2023).

In addition, the quality of the **loan portfolios remains very stable** despite all the crises. Although banks have set aside additional provisions for loans to take account of the weak economic outlook, problem loan ratios remain encouragingly stable at a low level or are even declining further in some cases. However, the **developments in customer deposits** raise questions: Despite all the euphoria about margin development in the second half of 2022, market participants are paying extremely close attention to both declining volumes and the delay in passing on higher interest rates to customers. The ECB's latest **Bank Lending Survey** also clouded the picture somewhat, raising fears of a decline in corporate loan demand in the current quarter (see Short news).



**Outlook:** The quarterly reporting season for banks continues next week, so the breather in issuance activity is likely to continue

„Credit spreads traded very constructively in January and were able to narrow again in the last trading week. The start of the reporting season at European banks brought very good figures, e.g. at Unicredit, UBS and BBVA, which further supported the positive market sentiment. Investor activity is currently at a very high level, allowing for good 2-way flows. The bonds issued in 2023 are of course outstanding in terms of turnover. This is where most of the real money flows are concentrated. ETF funds are also predominantly acting as buyers of the new issues. In general, the short end and the FRN segment in particular have picked up significantly over the last few weeks.”

Comment from the Helaba trading floor

€ Senior Preferred issues week of 30 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
5,000%	Deutsche Pfandbriefbank AG	- /BBB+/-	0,500bn		05.02.2027	ms +215 bps	✓	30.01.2023	1,750bn	ms + 240 area

Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 30 January 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,750%	SEB	A3 /A-/AA-	1,000bn		07.02.2028	ms +85 bps		30.01.2023	1,850bn	ms + 110 area
3,750%	Bayerische Landesbank	A2 /-/A-	0,500bn		07.02.2029	ms +95 bps	✓	31.01.2023	1,160bn	ms + 120 area

Sources: Bloomberg, Helaba DCM

Reporting dates of selected banks

Issuer	Date	Issuer	Date
INTESA SANPAOLO	02/03	SVENSKA HANDELSBANKEN-A SHS	02/08
BNP PARIBAS	02/07	CREDIT SUISSE GROUP A.G-REG	02/09
BANCA MONTE DEI PASCHI SIENA	02/07	KBC GROUP NV	02/09
BANCO BPM SPA	02/07	CREDIT AGRICOLE SA	02/09
OP CORPORATE BANK PLC	02/08	DNB BANK ASA	02/09
SPAREBANK 1SR BANK ASA	02/08	SPAREBANKEN SOR	02/10
SOCIETE GENERALE SA	02/08	BPCE SA	02/10
ABN AMRO BANK NV-CVA	02/08		

Sources: Bloomberg, Helaba Research & Advisory



## Short news

**1/31 Publication of Euro area bank lending survey:** In the January 2023 [bank lending survey](#) (BLS), euro area banks reported a substantial further tightening of credit standards for loans or credit lines to enterprises in the fourth quarter of 2022. Risks related to the economic outlook, industry or firm-specific situation and banks' risk tolerance continued to have a tightening impact on credit standards. Firms' net demand for loans declined, corresponding to the recently observed moderation in loan flows to non-financial corporations. The decline in net demand was stronger than expected by banks in the previous quarter. Banks reported a strong net tightening of credit standards for housing loans and for consumer credit. The primary driver was higher risk perceptions and there was also a tightening contribution from the cost of funds and balance sheet constraints, and decreasing risk tolerance, alongside a slight tightening impact from competition for housing loans.

**1/31 EBA launches 2023 EU-wide stress test:** The European Banking Authority (EBA) launched the 2023 EU-wide stress test and [released](#) the macroeconomic scenarios. This year's EU-wide stress test is designed to provide valuable input for assessing the resilience of the European banking sector in the current uncertain and changing macroeconomic environment. The adverse scenario is based on a narrative of hypothetical heightened geopolitical tensions, with high inflation and higher interest rates having strong adverse effects on private consumption and investments, both domestically and globally. The EBA expects to publish the results of the exercise at the end of July 2023.

### **1/30 Fitch Ratings: Covered Bond Ratings Well-Protected from Rising Interest Rates**

The rising interest-rate environment will exacerbate any interest-rate mismatches between assets and liabilities in unhedged covered bonds programmes, Fitch Ratings says. Programmes with more long-term fixed-rate assets and shorter-dated liabilities that will be refinanced sooner at higher rates will be most exposed. However, covered bonds programmes benefit from large over-collateralisation (OC) cushion and high issuer ratings, which underpin the neutral covered bonds sector outlook for 2023.

**1/30 Spain's windfall tax:** Spain's biggest banks will challenge the country's controversial windfall tax after paying their first installment by February 20, according to people familiar with their plans heard by the [Financial Times](#). The Spanish Banking Association has argued that if banks are forced to pay €3bn in taxes, it would reduce their lending capacity.

**1/27 Bank lending shows lower growth:** Growth in lending to companies in the euro area slowed significantly toward the end of the year in the face of higher key interest rates and concerns about the economy. In December, financial institutions in the currency area granted 6.3 % more loans to companies than a year ago, as the [European Central Bank](#) announced in Frankfurt on Friday. In November, the growth had still been at 8.3 %, in October at 8.9 percent. (a.o. [Handelsblatt](#))

**1/27 ECB rejects banks' call for lower capital to boost lending:** The European Central Bank (ECB) rejected calls from Europe's banks to ease capital rules to boost lending and put them on an equal footing with US rivals. As reported by [Reuters](#), the ECB said it was open to discussing with the industry how supervisory processes can be further improved.

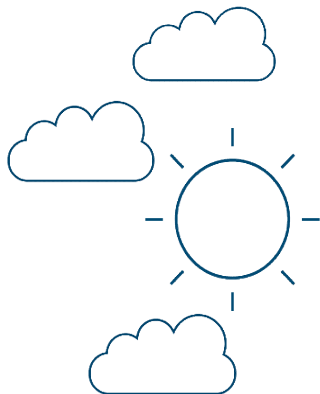
**1/26 Sustainability reporting:** The European Banking Authority (EBA) published an [Opinion](#) on the draft European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). The EBA acknowledges that the draft ESRS are consistent with international standards and relevant EU Regulation and welcomes the level of alignment with the Pillar 3 disclosure requirements reached at this stage.

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

E-STOXX 600 Banks	161	3,53%	8,11%	iBovx € Cov. Germany	6,5	0,1	1,3	iTraxx Senior Financial	86,9	-2,8	-6,3
10Yr-Yield	2,3	0,1	0,0	iBovx € Cov. Bonds	19,7	-0,4	2,0	iBovx € Supranational	19,1	0,32	3,90
Swap 10J	2,9	0,1	0,0	iBovx € Banks PS	70,4	1,4	-12,4	iBovx € Agencies	2,4	1,44	-0,35
iBovx € Germany	-46,0	3,6	0,1	iBovx Banks NPS	100,8	-1,4	-24,9	iBovx € Sub-Sov. Germany	12,0	-1,62	0,97
iBovx € EU	25,6	1,1	4,5	iBovx Banks Subordinated	166,9	-2,1	-27,3	iBovx € Sub-Sovereign	27,3	-0,05	0,98

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

**Leisure tip for the weekend: Rheinsberg with Rheinsberg Castle (Brandenburg)**



Rheinsberg, with its Friderizian rococo castle, pretty town centre and surrounding water-rich landscape, is one of the most popular destinations in Brandenburg.

In addition to its use as a museum, Rheinsberg Castle hosts special tours, lectures and concerts throughout the year.

The castle on the water is a good starting point for other activities in the Ruppiner Land.

Legendary among railway fans are the trips by the Berlin Railway Friends with historic steam locomotive trains from Berlin to Rheinsberg station, which combine railway romance with a visit to Rheinsberg.

Further information:

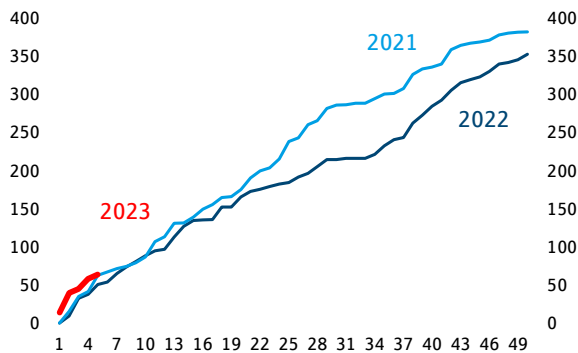
[Rheinsberg](#)

Do you have ideas for leisure tips? We would be happy to receive your suggestions at [research@helaba.de](mailto:research@helaba.de).  
Source: <https://www.rheinsberg.de>

## Chartbook SSA, Covered Bonds, Senior Unsecured

### SSA: Primary volumes

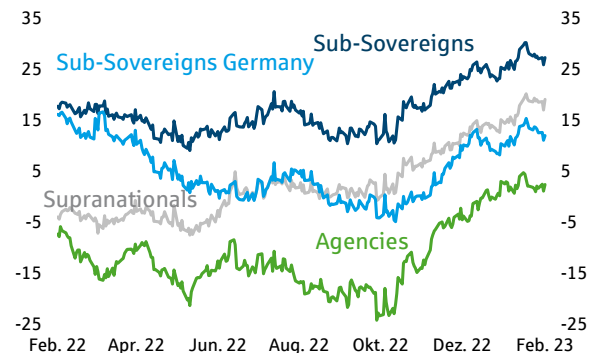
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### SSA: Spread development

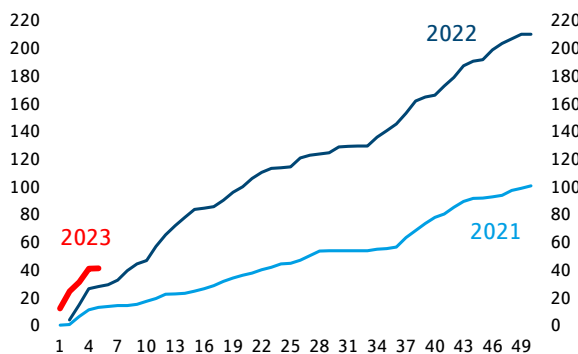
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Covered Primary volumes

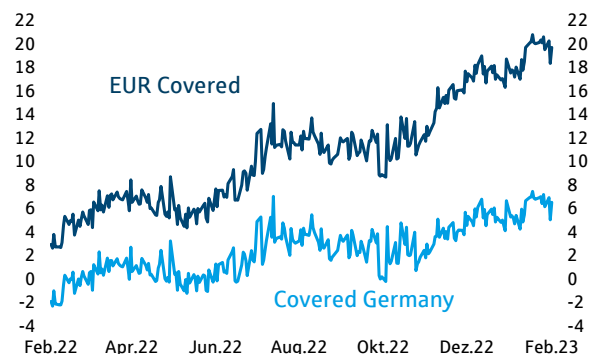
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Covered Bonds: Spread development

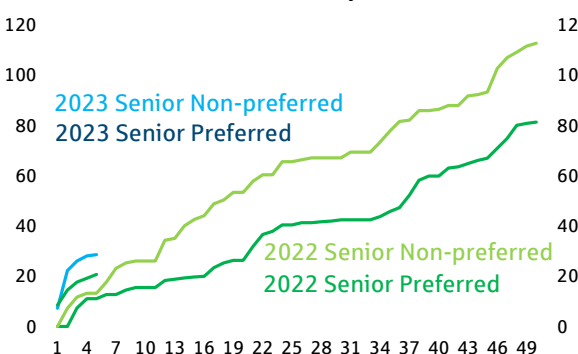
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

### Senior Primary volumes

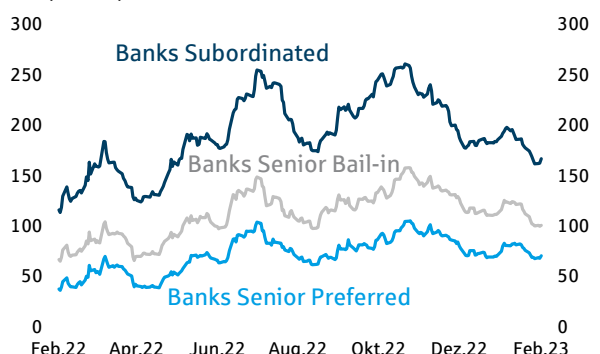
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

### Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory



## 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 CLARITY**
- **FOCUS ON: CREDITS – LIVE DEALS – A USEFUL INDICATOR FOR PLANNING ISSUANCE**
- **FOCUS ON: CREDITS – EUROPEAN BANKS: CLIMATE RISK STRESS TEST HIGHLIGHTS NEED FOR FURTHER 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:

Sabrina Miehs

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](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/>