



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

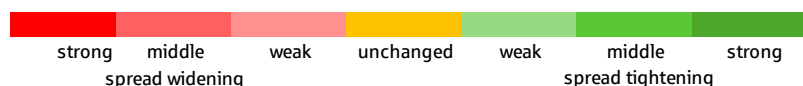


After the strong issuance activity so far this year, the primary market showed noticeable signs of fatigue this week. Given the somewhat weaker market environment, issuers can afford to adopt a wait-and-see approach for the time being, however, the environment remains receptive.

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 |



* 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 February 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 | - /-IAAA | 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 | - /-IA- | 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.

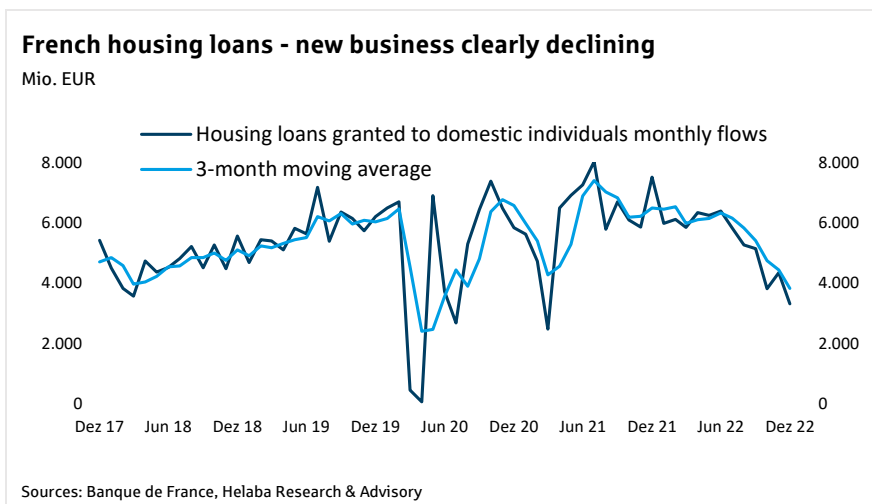
The **ECB** participation rate was 10%. In view of various regional holidays in the course of the carnival, primary market activity will only pick up again from next Tuesday. If the valutas are not shortened, they would fall in March, so

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.

€ Covered Bond issues week of 13 February 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 market.

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 preferred 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 February 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% | FincoBank 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 February 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.

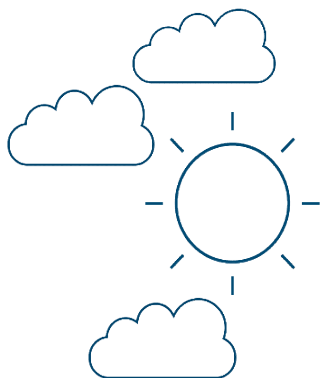
2/10 Sustainable Finance - Investors call on five EU banks to end new oil and gas finance: European banks risk jeopardizing the path to net-zero carbon emissions and the growth of renewable energy unless they stop directly financing new oil and gas fields this year, ShareAction said. As reported by [Reuters](#), 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.

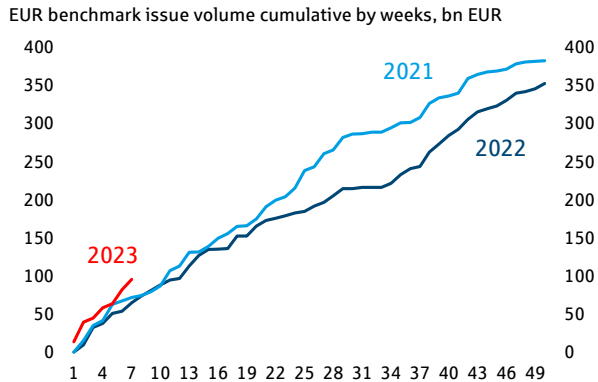
Further information:

[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>

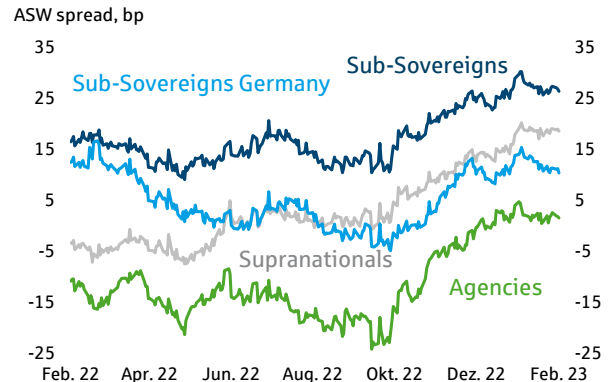
Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes



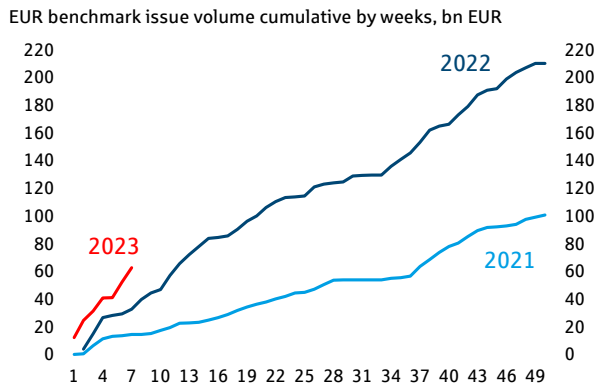
Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development



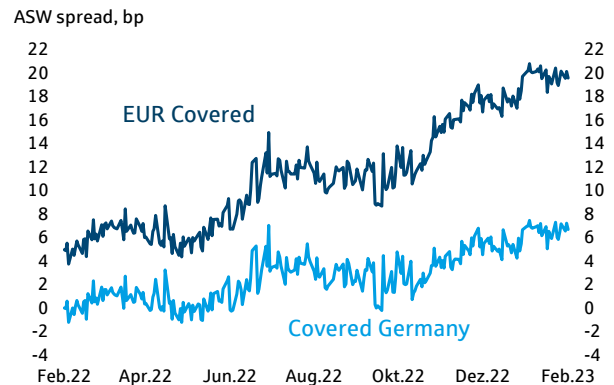
Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes



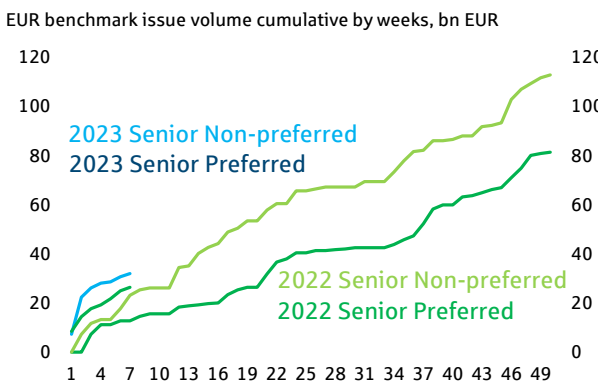
Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development



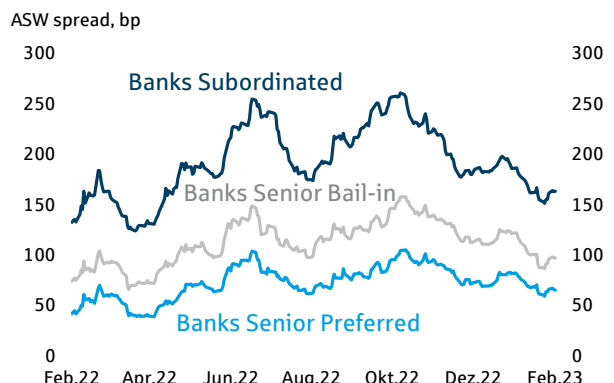
Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development



Sources: Bloomberg, Helaba Research & Advisory



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